AUTOCANADA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2014

READER ADVISORIES

The Management's Discussion & Analysis ("MD&A") was prepared as of March 19, 2015 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the year ended December 31, 2014 and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2014. Results are reported in Canadian dollars. Certain dollar amounts have been rounded to the nearest thousand dollars. References to notes are to the Notes of the Consolidated Financial Statements of the Company unless otherwise stated. To provide more meaningful information, this MD&A typically refers to the operating results for the three month period and year ended December 31, 2014 of the Company, and compares these to the operating results of the Company for the three month period and year ended December 31, 2013. Until July 11, 2014, the Company had investments in associates comprised of six General Motors dealerships and accounted for the investments utilizing the equity method, whereby the operating results of these investments were included in one line item on the statement of comprehensive income known as Income from investments in associates. As a result, the Company did not incorporate the consolidated results of its investments in associates in its discussion and analysis as at June 30, 2014. On July 11, 2014, the Company completed a business combination under common control, resulting in the accounting consolidation of the results of its investments in associates using the predecessor values method. Management has provided comparative information and discussion of this business combination in "BUSINESS COMBINATION UNDER COMMON CONTROL".

This MD&A contains forward-looking statements. Please see the section "FORWARD-LOOKING STATEMENTS" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking information. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing AutoCanada's performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "NON-GAAP MEASURES".

OVERVIEW OF THE COMPANY

Corporate Structure

AutoCanada Inc. ("ACI", "AutoCanada", or the "Company") was incorporated under the Canada Business Corporations Act on October 29, 2009 in connection with an arrangement with AutoCanada Income Fund and the conversion to a corporate structure on December 31, 2009. The principal and head office of ACI is located at 200 - 15505 Yellowhead Trail, Edmonton, Alberta, T5V 1E5. AutoCanada holds interests and investments in a number of limited partnerships, and corporations, that each carry on the business of a franchised automobile dealership. AutoCanada is a reporting issuer in each of the provinces of Canada. AutoCanada's common shares ("shares") trade on the Toronto Stock Exchange under the symbol "ACQ".

Additional information relating to AutoCanada, including our 2014 Annual Information Form dated March 19, 2015, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com, or on the Company's website at www.autocan.ca.

The Business of the Company

AutoCanada is one of Canada's largest multi-location automobile dealership groups, currently operating 48 dealerships, comprised of 56 franchises, (see "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE") in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. In 2014, our dealerships sold approximately 57,000 vehicles and processed approximately 786,000 service and collision repair orders in our 822 service bays during that time.

Our dealerships derive their revenue from the following four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. While new vehicle sales are the most important source of revenue, they generally result in lower gross profits than used vehicle sales, parts, service and collision repair operations and finance and insurance sales. Overall gross profit margins will increase as revenues from higher margin operations increase relative to revenues from lower margin operations.

The Company's geographical profile is illustrated below by number of franchises, number of dealerships, and revenues by province for the years ended December 31, 2014 and December 31, 2013.

	December 31, 2014				December 31, 2013[1]			
Location	**Number of Franchises**	**Number of Dealerships**	**Revenue**	**% of Total**	**Number of Franchises**	**Number of Dealerships**	**Revenue**	**% of Total**
British Columbia	12	10	507,574	23 %	11	9	431,519	31 %
Alberta	25	22	1,080,632	49 %	14	11	637,414	45 %
Saskatchewan	4	4	118,692	5 %	-	-	-	- %
Manitoba	4	4	156,263	7 %	3	3	78,912	6 %
Ontario	5	4	108,404	5 %	4	3	105,594	7 %
Other	6	4	243,213	11 %	2	2	155,601	11 %
Total	56	48	2,214,778	100 %	34	28	1,409,040	100 %

[1] The results of three GM stores operated by the Company during 2013 have not been consolidated or included in the number of dealerships, as the stores were accounted for as investments in associates as at December 31, 2013. Commencing July 11, 2014, General Motors dealerships have been consolidated for accounting purposes and have been included in the total number of dealerships.

In the fourth quarter of 2014, the Company augmented its disclosure on dealership counts. Historically, the Company counted the number of dealerships based on the number of physical storefronts. The Company has added disclosure on the number of franchises based on the number of separate franchise agreements. The following table sets forth the dealerships and franchises that we currently own and operate and the date opened or acquired by the Company or its predecessors, organized by location.

Location	Operating Name	Franchise	Year Opened or Acquired
Wholly-Owned Dealerships:			
Abbotsford, British Columbia	Abbotsford Volkswagen	Volkswagen	2011
Chilliwack, British Columbia	Chilliwack Volkswagen	Volkswagen	2011
Kelowna, British Columbia	Okanagan Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2003
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2005
Maple Ridge, British Columbia	Maple Ridge Volkswagen	Volkswagen	2008
Prince George, British Columbia	Northland Chrysler Jeep Dodge	Chrysler	2002
Prince George, British Columbia	Northland Hyundai	Hyundai	2005
Prince George, British Columbia	Northland Nissan	Nissan	2007
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006
Calgary, Alberta	Courtesy Chrysler Dodge	Chrysler	2013
Calgary, Alberta	Calgary Hyundai	Hyundai	2014
Calgary, Alberta	Crowfoot Hyundai	Hyundai	2014
Calgary, Alberta	Hyatt Mitsubishi	Mitsubishi	2014
Calgary, Alberta	Northland Volkswagen	Volkswagen	2014
Calgary, Alberta	Fish Creek Nissan	Nissan	2014
Calgary, Alberta	Hyatt Infiniti	Infiniti	2014
Calgary, Alberta	Tower Chrysler Jeep Dodge Ram	Chrysler	2014
Edmonton, Alberta	Crosstown Chrysler Jeep Dodge FIAT	FIAT / Chrysler	1994
Edmonton, Alberta	Capital Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2003
Edmonton, Alberta	North Edmonton Kia	Kia	2014
Grande Prairie, Alberta	Grande Prairie Chrysler Jeep Dodge FIAT	FIAT / Chrysler	1998
Grande Prairie, Alberta	Grande Prairie Hyundai	Hyundai	2005
Grande Prairie, Alberta	Grande Prairie Subaru	Subaru	1998
Grande Prairie, Alberta	Grande Prairie Mitsubishi	Mitsubishi	2007
Grande Prairie, Alberta	Grande Prairie Nissan	Nissan	2007
Grande Prairie, Alberta	Grande Prairie Volkswagen	Volkswagen	2013
Ponoka, Alberta	Ponoka Chrysler Jeep Dodge	Chrysler	1998
Sherwood Park, Alberta	Sherwood Park Hyundai	Hyundai	2006
Saskatoon, Saskatchewan	Dodge City Chrysler Jeep Dodge RAM	Chrysler	2014

Location	Operating Name	Franchise	Year Opened or Acquired
Winnipeg, Manitoba	St. James Audi	Audi	2013
Winnipeg, Manitoba	St. James Volkswagen	Volkswagen	2013
Winnipeg, Manitoba	Eastern Chrysler Jeep Dodge	Chrysler	2013
Cambridge, Ontario	Cambridge Hyundai	Hyundai	2008
Mississauga, Ontario	401 Dixie Hyundai	Hyundai	2008
Newmarket, Ontario	Newmarket Infiniti Nissan	Nissan / Infiniti	2008
Toronto, Ontario	Toronto Chrysler Jeep Dodge Ram	Chrysler	2014
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge	Chrysler	2006
Dealership Investments:			
Duncan, British Columbia	Peter Baljet Chevrolet GMC Buick	General Motors	2013
Edmonton, Alberta	Lakewood Chevrolet	General Motors	2014
Sherwood Park, Alberta	Sherwood Park Chevrolet	General Motors	2012
Sherwood Park, Alberta	Sherwood Buick GMC	General Motors	2012
North Battleford, Saskatchewan	Bridges Chevrolet Buick GMC	General Motors	2014
Prince Albert, Saskatchewan	Mann-Northway Auto Source	General Motors	2014
Saskatoon, Saskatchewan	Saskatoon Motor Products	General Motors	2014
Winnipeg, Manitoba	McNaught Cadillac Buick GMC	General Motors	2014
Laval, Quebec	BMW Laval and MINI Laval	BMW / MINI	2014
Montreal, Quebec	BMW Canbec and MINI Mont Royal	BMW / MINI	2014

Seasonality

The results from operations historically have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our operating results are generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused substantial fluctuations in operating results from quarter to quarter.

Dealer Support Services

During the year, the Company re-organized the corporate head office to form *Dealer Support Services* ("DSS") in order to more fully direct the attention and efforts of corporate head office staff to those initiatives which drive profit or improvements to dealership operations, or which enhance customer service or our relationships with our key partners. This aligns corporate head office and our dealerships in providing long term shareholder value.

As part of this reorganization, the Company expanded its senior leadership team to further support the growing number of dealerships owned and managed by AutoCanada and additional manufacturer partners. Additions to the team included financial expertise to enhance treasury management, investor relations and capital market relationships and provide oversight to a growing portfolio of real estate assets. The Company also added a general counsel department to provide assistance with acquisitions, human resources and motor vehicle regulatory matters.

A significant and vitally important focus of any reporting issuer is regulatory compliance. For AutoCanada, this includes compliance and communications with various securities commissions and motor vehicles regulatory councils. The Company takes its responsibilities seriously in these areas and has specialists dedicated to ensuring the Company's adherence to the ever increasing regulatory environment is maintained. As a result, we have added a regulatory compliance position. We have also added staff in the areas of marketing, legal, finance and accounting.

Management Realignment

Having grown to 48 dealerships and 12 manufacturer partners from the original 16 and 3, respectively, the Company determined that a realignment of senior management duties was an appropriate step to take in order to best assure continued above average dealership operational performance while simultaneously executing a growth plan.

In response to the rapid growth of the Company, and the addition of dealerships, franchises, and manufacturer partners, the Company announced effective 1 January 2015, the following:

- Patrick Priestner's five year employment agreement expiring 31 May 2019, has been amended to focus Mr. Priestner's time and attention on key drivers of long-term shareholder value including strategic initiatives, acquisitions, Manufacturer and Dealer relations, in the capacity of Executive Chair;
- Thomas Orysiuk was appointed as the Chief Executive Officer in addition to President, with a focus on assisting the Executive Chair with strategy, Manufacturer and Dealer relations, and with responsibility for overall operational direction and performance;
- Steve Rose was appointed as the Chief Operating Officer, assisting the President and CEO with a focus on operational direction and execution;
- Erin Oor was appointed as the Vice-President Corporate Development and Administration, with a focus on corporate development initiatives and oversight of certain administrative aspects of the business, and general counsel duties.

These changes formalize the evolution of the management team which began earlier this year with the appointment of Erin Oor as General Counsel and Vice-President Administration in June, 2014, Chris Burrows as Vice-President & Chief Financial Officer in September 2014, and Jeff Christie, formerly Vice-President Finance, as Vice-President Operations, in September 2014, and which has culminated in the further appointments noted and which management believes shall enhance long term shareholder value.

OUR PERFORMANCE

Performance vs. the Canadian New Vehicle Market

The Canadian automotive retail sector performed very well in 2014. A combination of a strong performing economy, demand for new vehicles, attractive financing rates and strong manufacturer incentives on new vehicles resulted in record new vehicle sales volumes during the year. New light vehicle sales in Canada in the year ended December 31, 2014 were up 6.1% when compared to the same period in 2013 and surpassed 1.85 million in unit sales. Figures reported as new light vehicle sales in Canada include all types of vehicle sales including retail, fleet, and daily rentals, the break out of which is not provided by the manufacturers. The manufacturers do not publicly report retail sales by brand. Fleet and daily rental sales are not nearly as profitable as retail sales; hence, the Company's strategy has been and continues to be focused on retail sales with the result that our dealerships do not fully participate in fleet and daily rental sales channels. Of the Company's total same store unit sales, 81.8% are retail unit sales. The Company's same store new retail sales increased by 3.4% during 2014. As the manufacturers do not publicly report their retail sales separately, the Company is not able to compare its same store performance with new unit retail sales to industry new unit retail sales.

New vehicle sales were particularly strong in our primary markets including Alberta and British Columbia, which were up by 4.4% and 7.5%, respectively. The relatively strong economy in Western Canada in 2014 contributed to our ability to perform well in this market and, in particular, in the light truck market in these two provinces. Our unit sales increased in Alberta and British Columbia by 5,075 units or 57.1%, and 771 units or 11.7%, respectively.

Regardless of the strength of the particular markets in which we operate, our dealerships have been increasing market share in many sales regions. We attribute the improvement in market share of many of our dealerships to their management teams and their ability to leverage best practices from operating within a dealer group. We closely monitor retail sales by brand and by region using internal, non-publicly disclosed reports provided to us by our OEM partners and are pleased with our performance in comparison to other competitors in the markets we operate. We believe that the advances our dealership management teams have made in integrating technology, leveraging marketing expertise, and sharing best practices have contributed greatly to their ability to outperform the market in new vehicle sales.

The combination, of new unit retail sales, and increases in new unit retail gross and revenue, has made for a very positive year for the Company's new unit retail sales.

The following table summarizes Canadian new light vehicle unit sales for the year ended December 31, 2014 by province:

December Year to Date Canadian New Vehicle Sales by Province[1]

	2014	2013	Percent Change	Unit Change
British Columbia	193,798	180,305	7.5 %	13,493
Alberta	268,419	257,139	4.4 %	11,280
Saskatchewan	56,467	57,566	(1.9)%	(1,099)
Manitoba	55,916	54,492	2.6 %	1,424
Ontario	718,523	645,534	11.3 %	72,989
Quebec	420,757	414,728	1.5 %	6,029
New Brunswick	41,417	40,311	2.7 %	1,106
PEI	7,418	7,328	1.2 %	90
Nova Scotia	53,441	51,839	3.1 %	1,602
Newfoundland	35,217	35,325	(0.3)%	(108)
Total	1,851,373	1,744,567	6.1 %	106,806

[1] Source: DesRosiers Automotive Consultants Inc.

Performance vs. the Prior Year

AutoCanada's higher sales and earnings results in fiscal 2014 are a direct result of its acquisitions completed during the year and same store sales and gross profit gains.

Management typically uses gross profit as its most important measure of overall corporate performance. Overall revenues can vary significantly year over year as a result of fluctuations in sales mix, as well as fluctuations in lower margin fleet sales and used vehicle wholesale sales. As such, Management believes that gross profit growth is a better indicator of overall corporate performance. Overall gross profit increased by 51.7% as a result of strong same store gross profit and recently completed acquisitions.

The Company added 17 dealerships, including one open point. Additionally, the Company achieved same store sales and gross profit increases of 8.9% and 7.9%, respectively, all of which contributed to an adjusted earnings before tax (see "NON-GAAP MEASURES") increase of $13.6 million or 35.8% over the prior year. Further, notwithstanding that the Company issued shares during the year to finance the increased acquisition activity, it improved adjusted earnings per share by $0.42 per share or 23.1% over the prior year.

Same store gross profit increased by 7.9% in 2014 as compared to the prior year, which was comprised of gross profit increases across three of our business lines. The Company has made improvements in technology and processes in its parts and service departments, and we believe that these changes will continue to result in improved profitability.

Management is also pleased with the 11.7% increase in its parts, service and collision repair same store gross profit during the year. This department is a very important source of revenue for the Company, as it helps to provide greater earnings stability over the long term.

Company sales were $2.2 billion in 2014 as compared to $1.4 billion in 2013, representing an increase of $805.7 million or 57.2%. The increase is a result of same store sales increases of $113.5 million or 8.9% over 2013 and $279.7 million from the consolidation of General Motors dealerships. The remaining increase relates to revenue from acquired dealerships.

Many of our operating expenses are variable in nature, mainly consisting of employee costs. Our dealership employee pay structures are tied to meeting sales objectives, maintaining customer satisfaction indices, as well as improving gross profit and net income. Approximately 33.0% of the Company's wages and salaries are variable based. Although variable in nature, typically there is a time lag between business contraction and staff reduction as dealerships will not want to lose their high performing variable paid employees and thus will not make a meaningful reduction to their compensation in the short term. The Company regularly reviews the operating performance of its dealerships and utilizes the leverage of a large dealer group to reduce its overall operating expenses. The Company operates a centralized marketing department and information technology department both of which provide services to the dealerships in order to leverage the size of the group as a means to lower the operating costs of the dealerships. As a result of pay structures tied to dealership performance and the ability to leverage the group operating structure, the Company has maintained its overall operating expenses as a percentage of gross profit to 78.0% in fiscal 2014 as compared to 76.6% in the prior year. The Company did, however, incur additional expense with respect to the 16 acquisitions that it completed during the year. Management estimates additional legal and administration expense of approximately $0.2 million for each acquisition that it completes, therefore, we estimate that we incurred approximately $3.2 million in acquisition costs in 2014. Overall, management is very pleased with 2014 financial results.

The Company is focused on integrating the dealerships it acquired during the year. Due to the degree of acquisition activity, integration of individual dealerships is proceeding at a somewhat slower pace than in the past as the Company intends to provide a level of integration assistance that best delivers long term shareholder value while prudently managing staff expense.

OUTLOOK

The outlook regarding 2015 vehicle sales in Canada is difficult to predict, especially with respect to new retail sales which manufacturers do not publicly disclose separately from fleet and rental sales. Canadian new light vehicle unit sales of all types are currently forecasted to increase by 0.2 percent in 2015 as compared to the prior year.

New Vehicle Sales Outlook by Province *

	1994 - 2005 (Average)	2006 - 2011 (Average)	2012	2013	2014	2015F
Canada	**1,446**	**1,587**	**1,677**	**1,745**	**1,851**	**1,855**
Atlantic	**102**	**119**	**126**	**135**	**137**	**137**
Central	**936**	**987**	**1,034**	**1,061**	**1,139**	**1,149**
Quebec	366	408	416	415	420	423
Ontario	570	579	618	646	719	726
West	**408**	**481**	**517**	**549**	**575**	**569**
Manitoba	42	45	50	54	56	56
Saskatchewan	36	45	55	58	56	55
Alberta	166	220	239	257	269	263
British Columbia	164	171	173	180	194	195

* Includes cars and light trucks (units presented above are in thousands). Source: Scotia Economics - Global Auto Report, March 6, 2015

The outlook for the Canadian economy has softened with economists revising their previous estimates downward, especially affecting the West in general and Alberta in particular, much as a result of falling oil prices. Revised GDP growth forecasts for Canada presently sit at 1.9 percent for 2015, down from 2.4 percent in previous forecasts from November 2014. As a result, the economy, especially in Alberta, has observed a slowdown in capital spending and a reduction in employment levels. More importantly, there has been a significant reduction in consumer confidence with a recent study showing that 40% of Albertans are deferring major purchases of homes and automobiles (Source: ATB Financial, Economics and Research, Alberta Economic Outlook, Q1 2015, January 5, 2015). Although there has been a slowdown, Management does not, from a macroeconomic perspective, equate this situation to the economic turbulence experienced in the late 2000s, the latter of which was due primarily to the unavailability of credit for the retail consumer and for wholesale floorplan financing, combined with a concern over the solvency of certain automotive manufacturers, none of which is applicable today.

The first two months of 2015 and the latter half of December 2014 have, however, proved very challenging for the Company. We note, for example, R.L. Polk reported a 9.4% decline in retail volumes in January 2015 compared to January 2014 in the Calgary area. Relating to brands which the Company operates in Calgary, this decline includes decreases in retail sales of 17.5%, 10.2%, and 33.3%, for FCA Canada (formerly Chrysler Canada), Japanese, and Korean manufacturers, respectively. Edmonton and Grande Prairie, markets where the Company also has significant market presence, have likewise proved challenging. Additionally, the Company has experienced volume and/or margin challenges at a number of its dealerships elsewhere in Canada. Consequently, the Company has experienced a significantly lower than forecasted vehicle sales and margins with a corresponding decline in dealership profitability in early fiscal 2015, resulting in weak performance relative to the comparative results of 2014.

To the extent the challenges are related to the price of oil and its impact on consumer confidence, the Company is taking the necessary steps to reduce variable costs to mitigate the impact. The Company's ability to moderate the effect of reduced sales activity is encompassed in the variable cost structure. However, such reductions are not immediate for several reasons, including: (i) the acceptance of lower vehicle sales margins to stimulate unit sales to achieve manufacturer sales-based performance targets; (ii) higher than normal per unit advertising cost due to reduced volume; (iii) inventory carrying costs incurred to support forecasted stronger sales volumes in excess of actual sales volumes; and (iv) the industry practice of paying advances to top-up the incomes of front line key sales staff in order to retain key individuals. Other operational challenges incurred to date with respect to the first two months of 2015 would include record snowfall in the Maritimes and a more pronounced seasonality impact experienced by certain recently purchased dealerships compared to the Company's experience. The Company is aggressively taking the necessary steps to address these challenges at the individual dealership level.

Management remains fully confident in its model and that it can take full advantage of its variable cost structure should the period of reduced economic activity continue. Furthermore, the Company believes that the West and Alberta in particular shall continue to provide superior long-term shareholder returns. Further, should the Western economy continue for a period at a slower pace, Management anticipates that acquisition multiples for Western dealerships shall decline, thus providing more attractive buying opportunities, further enhancing long term shareholder value. Additionally, the Company shall continue to seek opportunities elsewhere in Canada so as to provide continued diversity where appropriate. With a strong balance sheet, available liquidity and cash flow, the Company has maintained the current quarterly dividend rate at $0.25, to allow it to be in a position to patiently pursue its acquisition strategy thereby maximizing its ability to take advantage of anticipated buying opportunities that times of economic uncertainty generally provide.

Management believes the current acquisition guidance of 3-5 additional dealerships to be announced by the end of May 2015 is accurate and we are presently monitoring the impact current market conditions are having on acquisition multiples so that we can continue to grow the Company through acquisitions at reasonable multiples.

During the second half of fiscal 2014, the Company was pleased to open its first Kia Canada store, an open point in Edmonton, Alberta. Although the store's performance is typical for most open points where losses in the first one or two years are common, the Company is pleased with its most recent progress and is very confident in its future. During fiscal 2015 and 2016, the Company also plans to open additional open points including a Nissan dealership in Calgary, a Volkswagen dealership in Sherwood Park (Edmonton), and a second Kia dealership in North Winnipeg. Management believes these stores will provide long term shareholder value.

The decline in the exchange rate of the Canadian dollar to the US dollar should have a limited impact on AutoCanada. All of its vehicle purchases and predominantly all of its automotive parts purchases are denominated in Canadian currency resulting in limited foreign exchange risk. Furthermore, the price of vehicles from the manufacturers are determined annually, in the first quarter, and typically do not move in close correlation with the spot market foreign exchange rates.

Finally, in early 2015, the Company filed for a normal course issuer bid in order to opportunistically repurchase our shares. Share purchases will only be conducted if, based on the Company's share price, Management believes it is the best use of its capital at that time to drive long term shareholder value.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the results of the Company for the years ended December 31, 2014, 2013, and 2012. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	2014[1]	2013	2012
Income Statement Data			
New vehicles	1,342,346	882,858	683,375
Used vehicles	495,352	300,881	243,351
Parts, service and collision repair	255,707	142,343	114,600
Finance, insurance and other	121,373	82,958	62,587
Revenue	2,214,778	1,409,040	1,103,913
New vehicles	106,002	75,835	57,575
Used vehicles	29,501	20,273	16,311
Parts, service and collision repair	128,566	73,755	59,643
Finance, insurance and other	109,080	76,172	56,836
Gross profit	373,149	246,035	190,365
Gross Profit %	16.8 %	17.5 %	17.2 %
Operating expenses	290,904	188,519	149,140
Operating expenses as a % of gross profit	78.0 %	76.6 %	78.3 %
Income from investments in associates	3,490	2,241	468
Net earnings attributable to AutoCanada shareholders	53,132	38,166	24,236
EBITDA[2]	89,434	58,469	37,885
Basic earnings per share	2.31	1.83	1.22
Diluted earnings per share	2.30	1.83	1.22
Operating Data			
Vehicles (new and used) sold excluding GM	46,393	35,774	29,780
Vehicles (new and used) sold including GM[3]	52,147	40,136	31,554
New vehicles sold including GM[3]	36,422	28,024	21,501
New retail vehicles sold	30,346	20,523	16,226
New fleet vehicles sold	6,076	4,876	4,096
Used retail vehicles sold	15,725	10,375	9,458
Number of service & collision repair orders completed[4]	601,597	364,361	309,488
Absorption rate[2]	85 %	87 %	86 %
# of dealerships at year end[4]	48	28	24
# of same store dealerships	23	21	22
# of service bays at year end[4]	822	406	333
Same store revenue growth[5]	8.9 %	17.2 %	8.6 %
Same store gross profit growth[5]	7.9 %	17.5 %	10.9 %
Balance Sheet Data			
Cash and cash equivalents	72,462	35,113	34,472
Restricted cash	-	-	10,000
Trade and other receivables	92,138	57,771	47,944
Inventories	563,277	278,091	199,226
Revolving floorplan facilities	527,780	264,178	203,525

1 In conjunction with the business combination under common control completed on July 11, 2014, the Selected Annual Financial Information for 2014 includes the consolidated results of the Company's GM stores from July 11, 2014. All 2014 financial information includes 100% of the results of the GM stores, except for Net earnings, EBITDA, and EPS amounts, which are presented net of non-controlling interests. Had the consolidation been effected for fiscal 2013, additional revenues of $205.6 million and gross profit of $33.1 million would have been recognized.

2 EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES".

3 Until July 10, 2014, the Company had investments in General Motors dealerships that were not consolidated. In Q3 2014, these GM dealerships were consolidated. This number includes 100% of vehicles sold by these dealerships in which we have less than 100% investment.

4 The results presented for 2013 and 2012 do not include the GM stores and their associated service bays or repair orders.

5 Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, excluding the GM stores, as these stores have been treated as acquisitions as at July 11, 2014.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table shows the unaudited results of the Company for each of the eight most recently completed quarters. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	Q4 2014[1]	Q3 2014[1]	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Income Statement Data								
New vehicles	379,094	457,198	289,918	216,524	197,097	257,543	254,403	174,410
Used vehicles	148,579	158,779	102,025	85,969	75,137	85,975	77,113	62,656
Parts, service and collision repair	91,045	78,371	46,078	40,724	41,268	37,341	34,629	29,667
Finance, insurance and other	34,749	39,002	27,304	21,047	20,271	22,676	22,620	17,529
Revenue[7]	653,467	733,350	465,325	364,264	333,773	403,535	388,765	284,262
New vehicles	28,390	35,711	23,822	17,813	18,326	20,510	20,664	15,947
Used vehicles	7,817	9,637	6,506	5,551	4,450	6,242	5,795	3,789
Parts, service and collision repair	45,631	38,942	23,373	20,593	20,822	20,113	17,586	15,232
Finance, insurance and other	30,606	35,615	24,342	19,514	18,734	20,831	20,783	16,157
Gross profit[7]	112,444	119,905	78,043	63,471	62,332	67,696	64,828	51,125
Gross Profit %	17.2 %	16.4 %	16.8 %	17.4 %	18.7 %	16.8 %	16.7 %	18.0 %
Operating expenses	89,482	89,713	58,920	50,400	48,447	51,080	48,639	40,353
Operating expenses as a % of gross profit	79.6 %	74.8 %	75.5 %	79.4 %	77.7 %	75.5 %	75.0 %	78.9 %
Income from investments in associates	-	359	2,238	893	837	555	648	201
Net earnings attributable to AutoCanada shareholders[6]	14,918	17,765	12,831	8,296	9,553	10,968	10,823	6,822
EBITDA[2,6,7]	24,527	28,674	21,702	14,453	14,754	16,607	16,463	10,511
Basic earnings per share	0.60	0.74	0.59	0.38	0.44	0.51	0.53	0.35
Diluted earnings per share	0.59	0.74	0.59	0.38	0.44	0.51	0.53	0.35
Operating Data								
Vehicles (new and used) sold excluding GM	12,774	14,966	9,887	8,766	8,046	10,325	10,062	7,341
Vehicles (new and used) sold including GM[3]	15,415	18,079	12,414	9,945	9,209	11,405	11,399	8,123
New vehicles sold including GM[3]	10,570	12,821	8,658	6,570	6,090	8,023	8,246	5,665
New retail vehicles sold	8,907	10,686	5,980	4,773	4,932	5,986	5,487	4,118
New fleet vehicles sold	1,663	2,135	1,146	1,132	552	1,365	1,923	1,036
Used retail vehicles sold	4,845	5,258	2,761	2,861	2,562	2,974	2,652	2,187
Number of service & collision repair orders completed[4]	214,077	198,612	97,559	91,999	95,958	97,074	93,352	77,977
Absorption rate[2]	85 %	93 %	92 %	85 %	90 %	88 %	90 %	82 %
# of dealerships at period end[4]	48	45	34	28	28	29	27	25
# of same store dealerships	23	23	23	23	21	22	22	22
# of service bays at period end[4]	822	734	516	406	406	413	368	341
Same store revenue growth[5]	10.9 %	8.9 %	4.1 %	13.0 %	8.9 %	19.9 %	26.2 %	12.9 %
Same store gross profit growth[5]	5.7 %	11.4 %	5.4 %	8.1 %	9.2 %	18.5 %	25.8 %	16.9 %
Balance Sheet Data								
Cash and cash equivalents	72,462	64,559	91,622	41,541	35,113	37,940	35,058	41,991
Restricted cash	-	-	-	-	-	-	10,000	10,000
Trade and other receivables	92,138	115,074	85,837	69,747	57,771	62,105	69,656	57,663
Inventories	563,277	471,664	324,077	261,764	278,091	236,351	232,319	217,268
Revolving floorplan facilities	527,780	437,935	313,752	261,263	264,178	228,526	246,325	225,387

1 In conjunction with the business combination under common control completed on July 11, 2014, the Selected Quarterly Financial Information for Q3 2014 and Q4 2014 includes the consolidated results of the Company's GM stores from July 11, 2014. All Q3 2014 and Q4 2014 financial information includes 100% of the results of the GM stores, except for Net earnings, EBITDA, and EPS amounts, which are presented net of non-controlling interests.

2 EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES".

3 Until July 10, 2014, the Company had investments in General Motors dealerships that were not consolidated. In Q3 2014, these GM dealerships were consolidated. This number includes 100% of vehicles sold by these dealerships in which we have less than 100% investment.

4 The results presented for all quarters prior to Q3 2014 do not include the GM stores and their associated service bays or repair orders.

5 Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, excluding the GM stores, as these stores have been treated as acquisitions as at July 11, 2014.

6 The results from operations have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused significant fluctuations in operating results from quarter to quarter.

7 Due to the impact of rounding throughout the interim periods, the aggregate quarterly results may not equal the annual total for the corresponding year.

BUSINESS COMBINATION UNDER COMMON CONTROL

On July 11, 2014, the Company completed a business combination under common control, resulting in the consolidation of the financial results of the Company's investments in associates as further described in Notes 14 and 15 of the annual audited consolidated financial statements for the year ended December 31, 2014. The Company has provided a reconciliation below of its consolidated Statement of Comprehensive Income for the year ended December 31, 2014 to its financial results had the results from its investments in associates not been consolidated as at December 31, 2014.

(in thousands of dollars)	For the twelve months ended December 31, 2014 (including GM)	Effects of GM Consolidation	For the twelve months ended December 31, 2014 (excluding GM)
Revenue	2,214,778	(280,715)	1,934,063
Cost of sales	(1,841,629)	232,838	(1,608,791)
Gross Profit	373,149	(47,877)	325,272
Operating expenses	(290,904)	44,092	(246,812)
Operating income before other income (expenses)	82,245	(3,785)	78,460
Lease and other income, net	5,524	(5,524)	-
Loss on disposal of assets, net	(183)	126	(57)
Income from investments in associates	3,490	5,007	8,497
Recovery of impairment of intangible assets	1,767	-	1,767
Operating profit	92,843	(4,176)	88,667
Finance costs	(20,363)	1,092	(19,271)
Finance income	2,147	107	2,254
Net income for the period before taxation	74,627	(2,977)	71,650
Income tax	18,335	167	18,502
Net and comprehensive income for the period	56,292	(3,144)	53,148
Net and comprehensive income attributable to:			
AutoCanada shareholders	53,132	-	53,132
Non-controlling interests	3,160	(3,144)	16
	56,292	(3,144)	53,148
Earnings per share			
Basic	2.31	-	2.31
Diluted	2.30	-	2.30
Weighted average shares			
Basic	23,018,588	-	23,018,588
Diluted	23,139,403	-	23,139,403

The Company has provided a reconciliation below of the Statement of Financial Position as at December 31, 2013 assuming the GM stores had been consolidated at that date.

(in thousands of dollars)	December 31, 2013 (excluding GM)	Effects of GM Consolidation	December 31, 2013 (including GM)
Assets			
Cash and cash equivalents	35,113	6,703	41,816
Trade and other receivables	57,771	10,450	68,221
Inventories	278,091	41,792	319,883
Current finance lease receivables	-	4,511	4,511
Other current assets	1,603	242	1,845
	372,578	63,698	436,276
Property and equipment	122,915	5,703	128,618
Investments in associates	13,131	(13,131)	-
Intangible assets	96,985	13,608	110,593
Goodwill	6,672	1,999	8,671
Long-term portion of finance lease receivables	-	1,998	1,998
Other long-term assets	6,797	14	6,811
Total assets	619,078	73,889	692,967
Liabilities			
Bank indebtedness	(1)	1,521	1,520
Trade and other payables	50,429	13,402	63,831
Revolving floorplan facilities	264,178	41,895	306,073
Current tax payable	4,906	(701)	4,205
Current lease obligations	1,398	17	1,415
Current indebtedness	2,866	2,270	5,136
	323,776	58,404	382,180
Long-term indebtedness	83,580	2,433	86,013
Deferred income tax	21,480	1,137	22,617
Total liabilities	428,836	61,974	490,810
Equity			
AutoCanada shareholders	190,242	194	190,436
Non-controlling interests	-	11,721	11,721
Total equity	190,242	11,915	202,157
Total liabilities and equity	619,078	73,889	692,967

RESULTS FROM OPERATIONS

Annual Operating Results

EBITDA for the year ended December 31, 2014 increased by 52.8% to $89.4 million, from $58.5 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA for the year can be mainly attributed to improvements in all four business streams and the dealership acquisitions completed during 2014. The Company also purchased a number of properties at the end of 2013 that have contributed to the increase in EBITDA due to the decrease in lease payments exceeding the associated increase in amortization. The Company's EBITDA was positively impacted by $0.3 million, included in share-based compensation, as a result of a 43.7% decrease in the Company's share price during the last half of the year that was partially offset by a 72.2% increase in the Company's share price during the first six months of the year. Adjusted EBITDA for the year ended December 31, 2014 increased by 50.5% to $89.1 million from $59.2 million when compared to the results of the Company in the prior year.

The following table reconciles EBITDA to net earnings for the years ended December 31:

(in thousands of dollars)	2014	2013	2012
Net earnings attributable to AutoCanada shareholders	53,132	38,166	24,236
Recovery of impairment of intangible assets	(1,767)	(746)	(222)
Income tax	17,162	13,696	8,576
Amortization of property and equipment	13,072	6,346	4,311
Interest on long-term indebtedness	7,835	1,007	960
EBITDA attributable to AutoCanada shareholders	89,434	58,469	37,861
Share-based compensation attributed to changes in share price	(291)	727	73
Adjusted EBITDA attributable to AutoCanada shareholders	89,143	59,196	37,934

Pre-tax earnings attributable to AutoCanada shareholders for the year ended December 31, 2014 increased by $19.7 million or 38.0% to $71.6 million from $51.9 million in 2013. Net earnings attributable to AutoCanada shareholders increased by $14.9 million or 39.0% to $53.1 million in 2014 from $38.2 million in 2013. Modest improvements in same store sales and gross profit, as well as the impact of acquisitions completed during 2014, contributed to the increase in net earnings attributable to AutoCanada shareholders. Income tax expense attributable to AutoCanada shareholders increased by $3.5 million to $17.2 million in 2014 from $13.7 million in 2013 due to the increase in pre-tax earnings attributable to AutoCanada shareholders.

Adjusted net earnings attributable to AutoCanada shareholders for the year ended December 31, 2014 increased by $13.6 million or 35.8% to $51.6 million in 2014 from $38.0 million in the prior year.

The following table reconciles net earnings attributable to AutoCanada shareholders to adjusted net earnings attributable to AutoCanada shareholders for years ended December 31:

(in thousands of dollars)	2014	2013	2012
Net earnings attributable to AutoCanada shareholders	53,132	38,166	24,236
Recovery of impairment of intangible assets, net of tax	(1,310)	(746)	(222)
Share-based compensation attributed to changes in share price, net of tax	(216)	540	54
Adjusted net earnings attributable to AutoCanada shareholders	51,606	37,960	24,068
Weighted average number of shares - Basic	23,018,588	20,868,723	19,840,802
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic	2.24	1.82	1.21
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted	2.23	1.82	1.21

Revenues

Revenues for the year ended December 31, 2014 increased by $805.7 million or 57.2% compared to the prior year. This increase was driven by increases in same store sales across all four revenue streams and additional revenues from dealerships acquired during the year. In 2014 new vehicle sales increased by $459.5 million or 52.0% to $1.34 billion from $882.9 million in the prior year, mainly due to a 43.4% increase in the number of new vehicles sold. Used vehicle sales increased by $194.5 million or 64.6% to $495.4 million from $300.9 million in the prior year. Finance and insurance revenue increased by $38.4 million or 46.3% for the year ended December 31, 2014. Parts, service and collision repair revenue increased by $113.4 million or 79.7% for the year ended December 31, 2014.

The tables in the "Same-Store Analysis" sections below summarize the results for the year ended December 31, 2014 on a same store basis by revenue source and compare these results to the same period in 2013. An acquired or open point dealership may take as long as two years in order to reach normal operating results. As a result, in order for an acquired or open point dealership to be included in our same store analysis, the dealership must be owned and operated by us for eight complete quarters. For example, if a dealership was acquired on December 1, 2011, the results of the acquired entity would be included in quarterly same store comparisons beginning with the quarter ended March 31, 2014 and in annual same store comparisons beginning with the year ended December 31, 2014. As a result, only dealerships opened or acquired prior to January 1, 2012 are included in this same store analysis. In addition, dealership divestitures are also not included in same store operating results. As a result, the current and historical operating results of Grande Prairie Volkwsagen (acquired in the first quarter of 2013), St. James Audi and Volkswagen (acquired in the second quarter of 2013), Courtesy Chrysler (acquired in the third quarter of 2013), Eastern Chrysler (acquired in the third quarter of 2013), BMW Canbec/MINI Mont Royal (acquired in June 2014), Dodge City (acquired in June 2014), the Hyatt Group (acquired in June/July 2014), North Edmonton Kia (opened in August 2014), Tower Chrysler (acquired in August 2014), Toronto Dodge (acquired in October 2014), and Laval BMW/MINI (acquired in December 2014) are not included in same store analysis. The GM stores are excluded from same store analysis as Lakewood Chevrolet was acquired in September 2014, Bridges Chevrolet was acquired in November 2014, and the remaining GM stores were treated as acquisitions as at July 11, 2014. For further information about acquisitions completed in 2014, please refer to "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE".

Revenues - Same Store Analysis

Company management considers same store sales and gross profit information to be an important operating metric when comparing the results of the Company to other industry competitors. The following table summarizes the results for the year ended December 31, 2014 on a same store basis by revenue source and compares these results to the same period in 2013.

Same Store Revenue and Vehicles Sold

	For the Year Ended		
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**	**% Change**
Revenue Source			
New vehicles - Retail	711,924	663,665	7.3 %
New vehicles - Fleet	134,973	139,005	(2.9)%
New vehicles	846,897	802,670	5.5 %
Used vehicles - Retail	228,327	205,384	11.2 %
Used vehicles - Wholesale	97,180	69,961	38.9 %
Used Vehicles	325,507	275,345	18.2 %
Finance, insurance and other	81,867	75,561	8.3 %
Subtotal	1,254,271	1,153,576	8.7 %
Parts, service and collision repair	135,116	122,298	10.5 %
Total	1,389,387	1,275,874	8.9 %
(in number of units)			
New retail vehicles sold	19,229	18,591	3.4 %
New fleet vehicles sold	4,264	4,756	(10.3)%
Used retail vehicles sold	9,888	9,457	4.6 %
Total	33,381	32,804	1.8 %
Total vehicles retailed	29,117	28,048	3.7 %

Same store total revenue increased by $113.5 million or 8.9% in the year ended December 31, 2014 when compared to 2013. New vehicle revenues increased by $44.2 million or 5.5% over the prior year due to an increase in new vehicle sales and an increase in the average revenue per new vehicle sold of $1,669 or 4.9%.

Same store used vehicle revenues increased by $50.2 million or 18.2% due to an increase in used vehicle sales of 431 units or 4.6% and an increase in the average revenue per used vehicle sold of $3,804 or 13.1%.

Same store finance, insurance and other revenue increased by $6.3 million or 8.3% due to an decrease in the number of new and used vehicles retailed of 1,069 units or 3.8%.

Same store parts, service and collision repair revenue increased by $12.8 million or 10.5%, due to an increase in overall repair orders completed of 16,020 and a $20 or 5.3% increase in the average revenue per repair order completed.

Gross Profit

Gross profit increased by $127.1 million or 51.7% for the year ended December 31, 2014 when compared to the prior year due primarily to increases in gross profit across all four revenue streams. Gross profit on the sale of new vehicles increased by $30.2 million or 39.8% for the year ended December 31, 2014. The increase in new vehicles gross profit can be attributed to an increase in new vehicle unit sales of 11,023 units or 43.4%, offset by a decrease in the average gross profit per new vehicle retailed of $75. Gross profit from the sale of used vehicles sold increased by $9.2 million or 45.4%. This increase can be attributed to an increase in the number of used vehicles sold of 5,350 or 51.6%, offset by a reduction in the average gross profit per used vehicle retailed of $78. The Company's finance and insurance gross profit increased by $32.9 million or 43.2% in 2014 due to an increase in the number of units retailed of 15,173 offset by a decrease in the average gross profit per vehicle retailed of $98. Parts, service and collision repair gross profit increased by $54.8 million or 74.3% in 2014 due to an increase of 237,236 in the number of repair orders completed.

Gross Profit - Same Store Analysis

The following table summarizes the results for the year ended December 31, 2014, on a same store basis by revenue source, and compares these results to the same periods in 2013.

Same Store Gross Profit and Gross Profit Percentage

	For the Year Ended					
	Gross Profit			Gross Profit %		
(in thousands of dollars)	December 31, 2014	December 31, 2013	% Change	December 31, 2014	December 31, 2013	% Change
Revenue Source						
New vehicles - Retail	71,869	68,037	5.6 %	10.1 %	10.3 %	(0.2)%
New vehicles - Fleet	1,272	1,171	8.6 %	0.9 %	0.8 %	0.1 %
New vehicles	73,141	69,208	5.7 %	8.6 %	8.6 %	- %
Used vehicles - Retail	17,569	16,044	9.5 %	7.7 %	7.8 %	(0.1)%
Used vehicles - Wholesale	1,288	2,830	(54.5)%	1.3 %	4.0 %	(2.7)%
Used Vehicles	18,857	18,874	(0.1)%	5.8 %	6.9 %	(1.1)%
Finance, insurance and other	75,267	69,115	8.9 %	91.9 %	91.5 %	0.4 %
Subtotal	167,265	157,197	6.4 %	13.3 %	13.6 %	(0.3)%
Parts, service and collision repair	71,536	64,020	11.7 %	52.9 %	52.3 %	0.6 %
Total	238,801	221,217	7.9 %	17.2 %	17.3 %	(0.1)%

Total same store gross profit increased by $17.6 million or 7.9% for the year ended December 31, 2014 when compared to the prior year. New vehicle gross profit increased by $3.9 million or 5.7% for the year ended December 31, 2014 when compared to the prior year which can be mainly attributed to an increase in the average gross profit per new vehicle sold of $149 or 5.0%.

Used vehicle gross profit remained constant for the year ended December 31, 2014 when compared to the prior year which was mainly due to a decrease in the average gross profit per vehicle retailed of $89 or 4.5%, partially offset by an increase in the number of vehicles retailed of 431 units.

Finance and insurance gross profit increased by $6.2 million or 8.9% for the year ended December 31, 2014 when compared to the prior year and can be attributed to an increase in the average gross profit per unit sold of $121 and an increase in units retailed of 1,069.

Parts, service and collision repair gross profit increased by $7.5 million or 11.7% for the year ended December 31, 2014 when compared to the prior year which can be mainly attributed to an increase in the number of repair orders completed of 16,020 and an increase in the average gross profit per repair order completed of $13 or 6.6%.

Operating expenses

Operating expenses increased by 54.3% or $102.4 million during the year ended December 31, 2014 as compared to the prior year due mainly to the acquisition of new stores. Since many operating expenses are variable in nature, management considers operating expenses as a percentage of gross profit to be a good indicator of expense control. Operating expenses as a percentage of gross profit remained relatively stable at 78.0% in 2014 from 76.6% in the prior year. Operating expenses consist of four major categories: employee costs, selling and administrative costs, facility lease costs and depreciation of property and equipment.

Employee costs

During the year ended December 31, 2014, employee costs increased by $64.3 million to $186.2 million from $121.9 million in the prior year period. Employee costs as a percentage of gross profit remained relatively constant at 49.9% in 2014 from 49.5% in 2013.

Selling and administrative costs

During the year ended December 31, 2014, selling and administrative costs increased by $28.9 million or 59.5% primarily due to the dealership acquisitions completed during 2014. Selling and administrative expenses as a percentage of gross profit remained a relatively constant 20.8% from 19.7% in the same period of the prior year. During the year, the Company incurred $1.4 million in professional fees related to acquisitions compared to $0.4 million in the prior year. These costs will vary based on the number of acquisitions completed each year.

Facility lease costs

During the year ended December 31, 2014, facility lease costs increased by $1.9 million or 16.2% to $13.6 million from $11.7 million due to the acquisitions completed during 2014, partially offset by the cost savings from the purchase of the real estate properties at the end of 2013.

Depreciation

During the year ended December 31, 2014, depreciation increased by $7.3 million or 114.7% to $13.6 million from $6.3 million in the prior year due to the purchase of real estate properties throughout 2014, including buildings acquired in the Lakewood Chevrolet, BMW/MINI Laval, and Bridges Chevrolet, the accounting consolidation of the General Motors stores on July 11, 2014, and the full year impact of owning additional 11 real estate properties purchased at the end of 2013.

Reversal of impairment of intangible assets

The Company performed its annual test for impairment of its cash generating units ("CGUs") in the fourth quarter of 2014. As a result of the tests performed, the Company determined that although the financial results improved in many of the Company's CGUs, in most cases, the value of its intangible assets had been fully recovered in 2011. Since impairments of intangible assets cannot be reversed to an amount greater than the intangible asset's original cost, the improved financial results of many of the Company's CGUs has limited impact on the value of the Company's intangible assets.

As a result of the tests performed, the Company recorded a net reversal of impairment of intangible assets in the amount of $1.8 million (2013 - $0.7 million).

Income from investments in associates

During the period from January 1, 2014 to July 10, 2014, the Company earned $3.5 million, net of acquisition costs, as a result of its investments in Dealer Holdings Ltd. ("DHL"), Green Isle G Auto Holdings Inc. ("Green Isle"), Prairie Auto Holdings Ltd. ("PAH"), and Waverley BG Holdings Inc. ("WBG"). On July 11, 2014, the Company completed a business combination under common control, resulting in the accounting consolidation of the General Motors dealerships. In addition to the income from investments in associates, the Company also earned $0.2 million in management services revenue from these subsidiaries from January 1, 2014 to July 10, 2014. The management services agreements provide for fixed monthly fees charged to the General Motors dealerships from AutoCanada in return for marketing, training, technological, and accounting support. AutoCanada provides support services to all dealerships in which it owns and operates, however since the three dealerships are not wholly-owned by AutoCanada, the Company charges a management services fee in order to recover the costs of resources provided.

Related party transactions are measured based on the proportionate allocation of actual costs incurred multiplied by the number of resources and/or hours provided to or used by the related party. There are no ongoing or continuing obligations of the Company to provide these services or for the related parties to utilize these services.

See "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information related to the investments.

Finance costs

The Company incurs finance costs on its revolving floorplan facilities, long term indebtedness and banking arrangements. During the year ended December 31, 2014, finance costs on our revolving floorplan facilities increased by 41.9% to $10.5 million from $7.4 million in 2013, mainly due to the acquisitions completed during the year. Finance costs on long term indebtedness increased by $6.84 million or 678.9% over the prior year due primarily to finance costs related to the $150 million bond offering completed in May 2014.

Some of our manufacturers provide non-refundable credits on the finance costs for our revolving floorplan facilities to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership of each financed vehicle. During the year ended December 31, 2014, the floorplan credits earned were $12.2 million (2013 - $7.0 million). Floorplan credits are accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table summarizes the net floorplan credits that were received in 2014.

(in thousands of dollars)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOTAL
Net floorplan credits	2,020	2,448	3,920	3,858	12,246

Management believes that a comparison of floorplan financing costs to floorplan credits earned can be used to evaluate the efficiency of our new vehicle sales relative to stocking levels. The following table details the carrying cost of vehicles based on floorplan interest net of floorplan assistance earned:

	For the Year Ended	
(in thousands of dollars)	December 31, 2014	December 31, 2013
Floorplan financing costs	10,452	7,353
Floorplan credits earned	(12,246)	(7,043)
Net carrying cost of vehicle inventory	(1,794)	310

Income Taxes

For the year ended December 31, 2014, income tax expense increased by $4.6 million from $13.7 million to $18.3 million. As a result of the reversal of impairments of intangible assets, the Company recorded deferred tax expense in the amount of $0.5 million (2013 - $0.2 million) due to the revised temporary differences between the tax basis and carrying value of these assets.

As a result of its improved earnings over the past three years, the Company recorded $21.6 million in current tax expense in 2014, as compared to $11.5 million in fiscal 2013. As described in further detail below, the Company effectively maintains a one year deferral of its partnership income (income earned by wholly-owned dealerships). As such, the current income tax expense for 2014 is mainly calculated based on our dealerships' income from 2013. The income earned by our dealerships in fiscal 2014 will be substantially deferred until next year; however, as described in further detail below, the Company's current tax payable contains the second instalment payment of its tax deferral, expected to be fully repaid over the next 3 years.

In December 2011, legislation was passed implementing tax measures outlined in the 2011 budget (Bill C-13), which included the elimination of the ability of a corporation to defer income as a result of timing differences in the year-end of the corporation and of any partnership of which it is a partner, subject to transitional relief over five years. The Company estimates the following amounts to be recorded as current income tax payable over the next three years in conjunction with the payment of the deferral. The Company notes that these estimated amounts will be paid in addition to the normal current income tax payable of future years:

(in thousands of dollars)	2015	2016	2017
Increase to current tax payable	1,366	1,366	1,707

The Company expects income tax to have a more significant effect on our free cash flow and adjusted free cash flow, as in fiscal 2012, the Company began to pay current income taxes and income tax instalments for the anticipated current tax expense for the fiscal year.

Prior to 2012, the Company had not paid any corporate tax or instalments for corporate tax. In 2014, the Company paid $16.7 million of cash taxes, which relates to the fiscal 2013 taxation year and instalments toward the 2014 taxation year. The payment of cash taxes will have an impact on adjusted free cash flow. Due to the tax deferral and subsequent addition of deferred tax to future years' taxes payable, investors are cautioned that the effective tax rate may exceed the historical rates experiences by the Company, and future cash flow from operating activities will be reduced due to this treatment.

RESULTS FROM OPERATIONS

Fourth Quarter Operating Results

EBITDA for the three month period ended December 31, 2014 increased by 65.5% to $24.5 million, from $14.8 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA for the quarter can be mainly attributed to the dealership acquisitions completed during 2014. The Company also purchased a number of real estate properties at the end of 2013 that have contributed to the increase in EBITDA. The Company's EBITDA was positively impacted by $0.4 million, included in share-based compensation, as a result of an 18.3% decrease in the Company's share price during the last quarter of the year. Adjusted EBITDA attributable to AutoCanada shareholders for the quarter ended December 31, 2014 increased by 60.7% to $24.1 million from $15.0 million when compared to the results of the Company in the prior year.

The following table illustrates EBITDA for the three month periods ended December 31, for the last three years of operations.

(in thousands of dollars) **Period from October 1, 2014 to December 31, 2014**	**2014**	**2013**	**2012**
Net earnings attributable to AutoCanada shareholders	14,918	9,553	6,606
Recovery of impairment of intangible assets	(1,767)	(746)	(222)
Income tax	4,316	3,490	2,540
Amortization of property and equipment	4,153	2,069	1,118
Interest on long-term indebtedness	2,907	388	257
EBITDA attributable to AutoCanada shareholders	24,527	14,754	10,299
Share-based compensation attributed to changes in share price	(447)	248	28
Adjusted EBITDA attributable to AutoCanada shareholders	24,080	15,002	10,327

Pre-tax earnings attributable to AutoCanada shareholders for the quarter ended December 31, 2014 increased by $7.1 million or 54.6% to $20.1 million from $13.0 million in 2013. Net earnings attributable to AutoCanada shareholders increased by $5.3 million or 55.2% to $14.9 million in 2014 from $9.6 million in 2013. Income tax expense attributable to AutoCanada shareholders increased by $1.7 million to $5.2 million in 2014 from $3.5 million in 2013 due to an increase in pre-tax earnings during the last quarter of 2014.

As the pre-tax net effects of recoveries of impairment of intangible assets for the year ended December 31, 2014 was $1.8 million, as compared to total recoveries of $0.7 million before taxes in 2013, the variances in the preceding paragraph include the effects of reversals of impairments, which resulted in an increase in overall net earnings in 2014 due to the increase in recoveries of impairment of intangible assets compared to the prior year.

Adjusted net earnings attributable to AutoCanada shareholders for the quarter ended December 31, 2014 increased by $4.3 million or 47.8% to $13.3 million in 2014 from $9.0 million in the prior year.

The following table reconciles net earnings to adjusted net earnings for the quarters ended December 31:

(in thousands of dollars)	**2014**	**2013**	**2012**
Net earnings attributable to AutoCanada shareholders	14,918	9,553	6,606
Recovery of impairment of intangible assets, net of tax	(1,310)	(746)	(222)
Share-based compensation attributed to changes in share price, net of tax	(332)	184	21
Adjusted net earnings attributable to AutoCanada shareholders	13,276	8,991	6,405
Weighted average number of shares - Basic	24,410,169	21,638,433	19,802,947
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic	0.54	0.42	0.32
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted	0.53	0.42	0.32

Revenues

Revenues for the three months ended December 31, 2014 increased by $319.7 million or 95.8%, as compared to the same period of the prior year. This increase was mainly driven by increases in all four revenue streams. New vehicle sales increased by $182.0 million or 92.3% for the three month period ended December 31, 2014 to $379.1 million from $197.1 million in the same period of the prior year, mainly due to an increase in new vehicles sold of 5,086 or 92.7%. The various manufacturer incentives offered on new vehicles, combined with low interest rates, have made purchasing a new vehicle more affordable for our customers, which we believe to be a critical driver of new vehicle sales in the industry. Used vehicle sales increased by $73.4 million or 97.7% for the three month period ended December 31, 2014. The increase in new and used vehicle retail sales greatly contributed to the increase in finance and insurance revenue, which increased by $14.5 million or 71.4% in the three month period ended December 31, 2014. Parts, service and collision repair revenue increased by $49.8 million or 120.7% for the three month period ended December 31, 2014.

Revenues - Same Store Analysis

The following table summarizes the results for the three month period ended December 31, 2014 on a same store basis by revenue source and compares these results to the same period in 2013.

Same Store Revenue and Vehicles Sold

	For the Three Months Ended		
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**	**% Change**
Revenue Source			
New vehicles - Retail	156,602	150,463	4.1 %
New vehicles - Fleet	24,748	16,767	47.6 %
New vehicles	181,350	167,230	8.4 %
Used vehicles - Retail	53,225	47,655	11.7 %
Used vehicles - Wholesale	23,410	17,031	37.5 %
Used vehicles	76,635	64,686	18.5 %
Finance, insurance and other	18,781	17,754	5.8 %
Subtotal	276,766	249,670	10.9 %
Parts, service and collision repair	35,889	32,271	11.2 %
Total	312,655	281,941	10.9 %
New retail vehicles sold	4,307	4,191	2.8 %
New fleet vehicles sold	896	515	74.0 %
Used retail vehicles sold	2,329	2,177	7.0 %
Total	7,532	6,883	9.4 %
Total vehicles retailed	6,636	6,368	4.2 %

Total same store revenue increased by $30.7 million or 10.9% in the three month period ended December 31, 2014 when compared to the same period in 2013. New vehicle revenues increased by $14.1 million or 8.4% for the fourth quarter of 2014 over the prior year due to an increase in new vehicle sales of 497 units or 10.6%.

Same store used vehicle revenues increased by $11.9 million or 18.5% for the three month period ended December 31, 2014 over the same period in the prior year due to an increase in the average revenue per used vehicle sold of $3,192 or 10.7%, and an increase in used vehicle sales of 152 units or 7.0%.

Same store finance, insurance and other revenue increased by $1.0 million or 5.8% for the three month period ended December 31, 2014 over the same period in 2013. This was due to an increase in the average revenue per unit retailed of $42 or 1.5% and an increase in the number of new and used vehicles retailed of 268 units.

Same store parts, service and collision repair revenue increased by $3.6 million or 11.2% for the fourth quarter of 2014 compared to the prior period and was primarily a result of an increase in overall repair orders completed of 9,913 or 12.6% and a $5 or 1.2% decrease in the average revenue per repair order completed.

Gross Profit

Gross profit increased by $50.1 million or 80.4% for the three month period ended December 31, 2014 when compared to the same period in the prior year. As with revenues, gross profit increased due to increases across all four revenue streams. Gross profit on the sale of new vehicles increased by $10.1 million or 54.9% for the three month period ended December 31, 2014. The increase in new vehicle gross profit can be attributed to an increase in the number of new vehicles sold of 5,086 or 92.7%, offset by a decrease in average gross profit per new vehicle sold of $660 or 19.7%. During the three month period ended December 31, 2014, gross profit from used vehicles increased by $3.4 million or 75.7% over the same period in the prior year due to an increase in the number of used vehicles sold of 2,283 or 89.1% and a decrease in the average gross profit per used vehicle sold of $123 or 7.1%. The Company's finance and insurance gross profit increased by $11.9 million or 63.4% during the fourth quarter of 2014. This increase can mainly be attributed to an increase in the total number of vehicles retailed of 6,251 or 83.4% and a decrease in the average gross profit per unit retailed of $297 or 11.8%. Parts, service and collision repair gross profit increased by $24.8 million or 119.1% in the fourth quarter of 2014, due primarily to an increase in the number of repair orders completed of 118,119 or 123.1%.

Gross Profit - Same Store Analysis

The following table summarizes the results for the three month period ended December 31, 2014, on a same store basis by revenue source, and compares these results to the same periods in 2013.

Same Store Gross Profit and Gross Profit Percentage

	For the Three Months Ended					
	Gross Profit			Gross Profit %		
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**	**% Change**	**December 31, 2014**	**December 31, 2013**	**Change**
Revenue Source						
New vehicles - Retail	14,626	15,563	(6.0)%	9.3 %	10.3 %	(1.0)%
New vehicles - Fleet	550	49	1,022.4 %	2.2 %	0.3 %	1.9 %
New vehicles	15,176	15,612	(2.8)%	8.4 %	9.3 %	(0.9)%
Used vehicles - Retail	3,759	2,230	68.6 %	7.1 %	4.7 %	2.4 %
Used vehicles - Wholesale	63	1,970	(96.8)%	0.3 %	11.6 %	(11.3)%
Used vehicles	3,822	4,200	(9.0)%	5.0 %	6.5 %	(1.5)%
Finance, insurance and other	17,283	16,017	7.9 %	92.0 %	90.2 %	1.8 %
Subtotal	36,281	35,829	1.3 %	13.1 %	14.4 %	(1.3)%
Parts, service and collision repair	19,069	16,550	15.2 %	53.1 %	51.3 %	1.8 %
Total	55,350	52,379	5.7 %	17.7 %	18.6 %	(0.9)%

Total same store gross profit increased by $3.0 million or 5.7% for the three month period ended December 31, 2014 when compared to the same period in the prior year. New vehicle gross profit decreased by $0.4 million or 2.8% in the three month period ended December 31, 2014 when compared to 2013 as a result of a decrease in the average gross profit per new vehicle sold of $401 or 12.1%, partially offset by an increase in new vehicle sales of 497 units or 10.6%.

Used vehicle gross profit decreased by $0.4 million or 9.0% in the three month period ended December 31, 2014 over the prior year. This was due to a decrease of $288 in the average gross profit per used vehicle retailed, partially offset by an increase in the number of used vehicles sold of 152 units.

Finance and insurance gross profit increased by 7.9% or $1.3 million in the three month period ended December 31, 2014 when compared to the prior year as a result of an increase in the average gross profit per unit sold of $89 and an increase in units retailed of 268.

Parts, service and collision repair gross profit increased by $2.5 million or 15.2% in the three month period ended December 31, 2014 when compared to the same period in the prior year as a result of an increase in the number of repair orders completed of 9,913 and an increase in the average gross profit per repair order completed of $5 or 2.4%.

Operating expenses

Operating expenses increased by 84.7% or $41.0 million during the three month period ended December 31, 2014 as compared to the same period in the prior year. Since many operating expenses are variable in nature, management considers operating expenses as a percentage of gross profit to be a good indicator of expense control. Operating expenses as a percentage of gross profit increased to 79.6% in the fourth quarter of 2014 from 77.7% in the same period of the prior year. Operating expenses consist of four major categories: employee costs, selling and administrative costs, facility lease costs and amortization.

Employee costs

During the three month period ended December 31, 2014, employee costs increased by $24.8 million to $55.3 million from $30.5 million in the prior year period due to the number of dealerships acquired during the year. Employee costs as a percentage of gross profit for the quarter ended December 31, 2014 remained constant at 49.2% from 49.0% in the prior year.

Selling and administrative costs

During the three month period ended December 31, 2014, selling and administrative costs increased by $11.6 million or 87.1% primarily due to the acquisitions completed in 2014. Selling and administrative expenses as a percentage of gross profit remained relatively constant at 22.2% in the fourth quarter of 2014 from 21.4% in the comparable period of 2013. During the three month period ended December 31, 2014, the Company incurred $0.4 million in professional fees related to acquisitions compared to $0.05 million in comparable period of 2013. These costs will vary based on the number of acquisitions completed each quarter.

Facility lease costs

During the three month period ended December 31, 2014, facility lease costs increased by 92.0% to $4.8 million from $2.5 million primarily due to the acquisitions completed during 2014, partially offset by the cost savings from the real estate purchases completed at the end of 2013.

Depreciation

During the three month period ended December 31, 2014, depreciation increased to $4.4 million from $2.1 million in the same period of the prior year. This increase is a result of the real estate purchase in the fourth quarter of 2013 and the dealership acquisitions that occurred during 2014 for which real estate was purchased.

Finance costs

During the three month period ended December 31, 2014, finance costs on our revolving floorplan facilities increased by 73.7% to $3.3 million from $1.9 million during the fourth quarter of 2013, mainly due to the increased number of dealerships compared to the same quarter in the prior year. Finance costs on long term indebtedness increased by $2.5 million in the fourth quarter of 2014 due primarily to finance costs related to the notes offering completed in May 2014.

During the three month period ended December 31, 2014, the floorplan credits earned were $3.9 million (2013 - $1.6 million). Accounting standards require the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table details the carrying cost of vehicles based on floorplan interest net of floorplan assistance earned:

	For the Three Months Ended	
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**
Floorplan financing costs	3,293	1,887
Floorplan credits earned	(3,858)	(1,569)
Net carrying cost of vehicle inventory	(565)	318

Sensitivity

Based on our historical financial data, management estimates that an increase or decrease of one new retail vehicle sold (and the associated finance and insurance income on the sale) would have resulted in a corresponding increase or decrease in our estimated free cash flow of approximately $1,500 - $2,000 per vehicle. The net earnings achieved per new vehicle retailed can fluctuate between individual dealerships due to differences between the manufacturers, geographical locations of our dealerships and the demographic of which our various dealerships' marketing efforts are directed. The above sensitivity analysis represents an average of our dealerships as a group and may vary depending on increases or decreases in new vehicles retailed at our various locations.

GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE

The Company operates 48 automotive dealerships (56 franchises), 38 of which are wholly owned and 8 General Motors dealerships and 2 BMW dealerships which the Company controls and consolidates for accounting purposes.

Acquisitions

The Company acquired 17 dealerships (19 franchises) in 2014, five of which were investments in General Motors dealerships. All wholly-owned acquisitions have been accounted for using the acquisition method. Acquisitions completed during the year are as follows:

Saskatoon Motor Products and Mann-Northway Auto Source

On March 10, 2014, the Company invested a total of $41.7 million, consisting of $32.6 million in cash and 205,000 common shares of AutoCanada issued (at a value of $9.1 million) to acquire an 82.353% equity interest in Prairie Auto Holdings Ltd. ("PAH"). PAH is an entity formed between a subsidiary of AutoCanada and Priestner. PAH acquired an 85% equity interest in the shares of Saskatoon Motor Products Ltd. ("SMP"), a Chevrolet dealership in Saskatoon, Saskatchewan, and Mann-Northway Auto Source ("MNAS"), a Chevrolet Buick GMC Cadillac dealership in Prince Albert, Saskatchewan.

McNaught Buick Cadillac GMC

On April 1, 2014, the Company invested a total of $11.3 to acquire an 80.0% participating, non-voting common share interest in Waverley BG Holdings Inc. ("WBG"). WBG is an entity formed between a subsidiary of AutoCanada and Priestner. WBG was formed to acquire General Motors of Canada ("GM Canada") franchised dealerships, whereby Priestner is required to maintain voting control of the dealerships, in accordance with the agreement with GM Canada. WBG acquired 100% of the operating assets of McNaught Buick Cadillac GMC ("McNaught") in Winnipeg, Manitoba.

BMW Canbec and MINI Mont Royal

On June 1, 2014, the Company purchased 100% of the shares of Automobile Canbec Inc. ("BMW Canbec"), which owns and operates a BMW franchise and a MINI franchise, both located in Montreal, Quebec, for cash consideration of $27.0 million. The purchase of this business was the Company's first BMW and MINI franchises and first dealership in Quebec.

Dodge City

On June 16, 2014, the Company purchased substantially all of the operating and fixed assets of Dodge City Auto 1984 Ltd. ("Dodge City"), in Saskatoon, Saskatchewan, for total cash consideration of $34.2 million. The purchase of this business complemented the Company's other Chrysler dealerships and further expanded its presence in Saskatoon, Saskatchewan.

Hyatt Group of Dealerships

Between the period of June 23, 2014 and July 1, 2014, the Company purchased all of the operating and fixed assets of 678938 Alberta Ltd. ("Calgary Hyundai"), 1446691 Alberta Ltd. ("Crowfoot Hyundai"), 998699 Alberta Ltd. ("Hyatt Mitsubishi"), 588338 Alberta Ltd. ("Northland Volkswagen"), 969642 Alberta Ltd. ("Fish Creek Nissan"), and 1791109 Alberta Ltd. ("Hyatt Infiniti"), herein referred to as (the "Hyatt Group"), located in Calgary, Alberta, for total cash consideration of $91.4 million. In addition, the Company acquired the exclusive right to build and operate a Nissan motor vehicle dealership on a designated property in southeast Calgary. The purchase of the Hyatt Group complemented the Company's existing and open point brands and expanded its presence in Calgary, Alberta.

Tower Chrysler

On August 18, 2014, the Company purchased substantially all of the operating and fixed assets of Tower Chrysler Plymouth Ltd. ("Tower Chrysler"), in Calgary, Alberta, for total cash consideration of $20.4 million. The purchase of this business complemented the Company's other Chrysler dealerships and further expanded its presence in Calgary, Alberta.

Lakewood Chevrolet

On September 2, 2014, the Company purchased a 75% non-voting equity interest in the shares of Lakewood Chevrolet ("Lakewood"), a Chevrolet dealership located in Edmonton, Alberta, for total cash consideration of $19.8 million. The Company also purchased the dealership land and facility through a wholly-owned subsidiary, Lakewood Properties Inc., for $19.0 million.

Toronto Chrysler

On October 20, 2014, the Company purchased substantially all of the operating and fixed assets of Toronto Dodge Chrysler Ltd. ("Toronto Chrysler"), in Toronto, Ontario, for total cash consideration of $2.2 million. The purchase of this business complemented the Company's other Chrysler dealerships and further expanded its presence in the greater Toronto area.

Bridges Chevrolet

On November 24, 2014, the Company purchased an 80% non-voting equity interest in the assets of Bridges Chevrolet Buick GMC Ltd. ("Bridges Chevrolet"), a Chevrolet dealership located in North Battleford, Saskatchewan, for total cash consideration of $4.6 million. The acquisition was financed with cash from operations. The Company also purchased the dealership land and facility through a wholly-owned subsidiary, NBFG Properties Inc., for $3.0 million. Of the $4.0 million goodwill purchased on the acquisition of the land and building, 15% was purchased by Mr. Priestner.

BMW Laval and MINI Laval

On December 15, 2014, the Company purchased an 85% interest in the assets of Auto Boulevard St. Martin Inc. ("BMW Laval") which owns and operates a BMW franchise and a MINI franchise, both located in Laval, Quebec, for total cash consideration of $22.5 million and contingent consideration with a present value of $2.4 million. The purchase of this business complemented the Company's other BMW/MINI franchises and further expanded its presence in Quebec.

As part of the transaction, the Company entered into an agreement with the former majority owner of BMW Laval, whereby he retained the remaining ownership interest in the two Laval dealerships as well as acquired a 15% ownership interest in BMW Canbec from the Company as part of the transaction. The non-controlling interest in BMW Canbec at the date of the transaction was equal to $2.7 million.

In addition to the business, the Company also purchased the land and a building used for business operations for $31.2 million.

Integration of New Dealerships and Investments

Over the past year, the Company has opened and acquired a number of dealerships and has been dedicating resources to ensure a successful integration of its newly acquired dealerships. As noted in our same store analysis, experience has shown that it takes a minimum of two full years in order to successfully integrate a store and achieve its anticipated performance objectives; however, the Company endeavours to reduce this integration time.

The dealerships acquired in 2014 appear to be integrating well into their respective platforms and within the Company. The newly acquired dealerships are currently meeting Management's expectations with respect to sales and financial performance and the Company's integration team at DSS continues to work with newly acquired dealerships on sales process, marketing initiatives, and other important aspects associated with a successful integration.

The investments in dealerships that we made in the third and fourth quarters are fairly recent. As a result, there is very little tangible evidence of our progress made with respect to integration of these investments. The Company intends to provide further insight into the integration of these investments in future quarterly reports.

We will continue to dedicate significant resources to newly acquired dealerships in order to successfully integrate acquisitions in an efficient manner. As a result, we expect to incur additional selling and administrative costs in the future in order to successfully integrate new dealerships under our model.

Volkswagen – Sherwood Park, Alberta

In February 2014, the Company announced that it had been awarded the right to a Volkswagen open point dealership in Sherwood Park, Alberta. The Company intends to construct an approximately 45,000 square foot facility in Sherwood Park, designed to Volkswagen Canada image standards, with construction anticipated to be completed in the first quarter of 2016. The Volkswagen open point has a planning potential of 800 new vehicles annually which the Company anticipates achieving in two to three years of operation.

Nissan – Calgary, Alberta

On July 1, 2014, as part of the Company's purchase of the Hyatt Group, the Company acquired the exclusive right to build and operate a Nissan dealership on a designated property in southeast Calgary. The purchase price for transfer of the right was $1.5 million, which was satisfied by the issuance of 18,753 common shares of AutoCanada at a deemed price of $79.99. The dealership will begin construction in 2015 with anticipated opening in 2016. The dealership will be constructed by a third party and subsequently leased by the Company.

North Edmonton Kia

During the third quarter of 2014, the Company opened its North Edmonton Kia open point dealership. The Company expects to incur operating losses over the first year of operations as the dealership builds its customer base and, in particular, its service customer base. Management is very pleased to have opened its first Kia dealership and expects the dealership to continue to drive higher volume over the coming months.

North Winnipeg Kia

In March 2015, the Company announced that it has signed a Letter of Intent with Kia Canada Inc. ("Kia") which, subject to the completion of requirements contained in the Letter of Intent, will award AutoCanada an open point Kia dealership in North Winnipeg, Manitoba. AutoCanada intends to operate the dealership out of a new facility, designed to Kia image standards, with construction anticipated to commence in late Q4, 2015 or Q1, 2016.

Capital Plan

The Company maintains a capital plan for contemplated future capital projects. Details of the capital plan are described below:

Dealership Relocations

Management estimates the total capital requirements of additional potential planned dealership relocations to be approximately $142.3 million by the beginning of fiscal 2017. As noted above, the Company expects dealership relocations to provide long term earnings sustainability and result in significant improvements in revenues and overall profitability. Management continually updates its capital plan and as such the estimates provided may vary as delays occur or projects are added or removed.

Current Dealership Expansion and Imaging Requirements

The Company has identified approximately $35.1 million in capital costs that it may incur in order to expand or renovate various current locations by the beginning of fiscal 2018. The Company is required by its Manufacturers to undertake periodic imaging upgrades to its facilities. Included above are the estimated costs and timing related to the re-imaging requirements by Hyundai Canada. The Company expects re-imaging to attract more customers to its dealerships.

Open Point Opportunities

Management regularly reviews potential open point opportunities. If successful in being awarded these opportunities, Management would then estimate additional capital costs in order to construct suitable facilities for open points. The Company estimates approximately $29.4 million in capital costs that it may incur by the middle of fiscal 2016 related to currently awarded open points. If awarded in the future, Management will provide additional cost estimates and timing of construction. In order to be successful in some opportunities, Management may be required to secure appropriate land for the potential open points, in which case, additional land purchase costs may be incurred in the future.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are for capital expenditures, repayment of debt, funding the future growth of the Company and dividends to Shareholders. We have historically met these requirements by using cash generated from operating activities and through short term and long term indebtedness. Due to the significant increase in acquisition activity, the Company completed an offering of senior unsecured notes during the second quarter of 2014 in order to replenish its capital and execute on acquisitions during the year. On July 11, 2014, the Company also completed an equity offering which was used to pay down its revolving credit facility and replenish its capital in order to execute on future acquisitions.

The Company maintains working capital in excess of manufacturer requirements which may be used for capital expenditures. The Company's analysis of its available capital based on the balance sheet at December 31, 2014 is as follows:

- The Company had approximately $100.4 million in working capital. At December 31, 2014, the Company's aggregate net manufacturer working capital requirements were $84.1 million. As such, the Company had approximately $16.3 million in cash available for growth expenditures.
- The Company had drawn $38.9 million on its $200.0 million revolving term facility, leaving approximately $161.1 million available for further growth expenditures.

As a result of the above initiatives, as at December 31, 2014, the Company currently has approximately $177.4 million in readily available liquidity, not including future retained cash from operations, that it may deploy for growth expenditures including acquisitions.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The amounts below have been determined based on the undiscounted contractual maturities of the financial liabilities. Contractual interest payable includes interest that will accrue to these liabilities except where the Company is entitled and intends to repay the liability before its maturity.

	2015	2016	2017	2018	Thereafter	Total
	$	$	$	$	$	$
December 31, 2014						
Trade and other payables	82,670	-	-	-	-	82,670
Revolving floorplan facilities	527,780	-	-	-	-	527,780
Redemption liabilities	7,665	-	34,133	-	-	41,798
Senior unsecured notes	-	-	-	-	149,739	149,739
HSBC revolving term facility	-	-	-	38,925	-	38,925
Vehicle repurchase obligations	1,539	-	-	-	-	1,539
RBC lease financing	2,690	2,690	2,690	2,454	-	10,524
Scotiabank lease financing	422	364	197	63	-	1,046
BMO lease financing	352	352	352	45	-	1,101
Servus mortgage	230	239	248	258	4,811	5,786
VCCI mortgage	56	56	56	56	869	1,093
BMW mortgage	742	737	768	797	17,879	20,923
Other long-term debt	159	1,556	1,439	16	-	3,170
Contractual interest payable	11,739	11,614	11,491	10,240	34,306	79,390
	636,044	17,608	51,374	52,854	207,604	965,484

	2014	2015	2016	2017	Thereafter	Total
	$	$	$	$	$	$
December 31, 2013						
Trade and other payables	50,428	-	-	-	-	50,428
Revolving floorplan facilities	264,178	-	-	-	-	264,178
HSBC revolving term facility	-	40,124	-	-	-	40,124
HSBC ATB syndicated facility	-	35,251	-	-	-	35,251
HSBC fixed rate term loan	176	2,764	-	-	-	2,940
BMO fixed rate term loan	2,469	-	-	-	-	2,469
Vehicle repurchase obligations	1,398	-	-	-	-	1,398
Servus mortgage	221	230	239	248	5,068	6,006
Contractual interest payable	2,649	1,696	830	785	6,133	12,093
	321,519	80,065	1,069	1,033	11,201	414,887

Use of proceeds

The following table details the Company's use of proceeds from the notes offering:

(in thousands of dollars)	Amount
Proceeds from notes offering	150,000
Issuance fees	(3,638)
Repayment of long-term indebtedness	(118,600)
General corporate purposes	(27,762)
	-

The following table details the Company's use of proceeds from the equity offering:

(in thousands of dollars)	Amount
Proceeds from equity offering	200,070
Issuance fees	(8,808)
Repayment of long-term indebtedness	(143,000)
General corporate purposes	(48,262)
	-

Funds allocated to general corporate purposes (as noted in the tables above) were used in various acquisitions throughout the year. See "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE."

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Company for the year ended December 31, 2014 was $71.1 million (cash provided by operating activities of $66.8 million plus net increase in non-cash working capital of $4.3 million) compared to $38.0 million (cash provided by operating activities of $48.0 million less net decrease in non-cash working capital of $10.0 million) in the same period of the prior year.

Cash Flow from Investing Activities

For the year ended December 31, 2014, cash flow from investing activities of the Company was a net outflow of $331.1 million as compared to a net outflow of $124.0 million in the same period of the prior year. During 2014, the Company completed $270.0 million in business acquisitions and $43.9 million in investments in associates and purchased $23.4 million of real estate, property and equipment.

Cash Flow from Financing Activities

For the year ended December 31, 2014, cash flow from financing activities was a net inflow of $295.2 million as compared to $86.6 million in the same period of 2013. The increase was due primarily to the net proceeds from issuance of treasury shares of $191.3 million and proceeds from the senior unsecured notes of $146.4 million. Net repayments of long-term indebtedness during 2014 of $17.5 million slightly offset the proceeds from the common shares and notes offerings.

Credit Facilities and Floorplan Financing

On May 22, 2014, the Company amended the existing credit agreement (the "Credit Agreement") with HSBC Bank Canada ("HSBC"), Alberta Treasury Branches ("ATB"), and Royal Bank of Canada ("RBC"), with HSBC acting as administrative agent to the Credit Agreement. The Credit Agreement provides the Company with a $200.0 million revolving operating facility that may be used for general corporate purposes, including repayment of existing indebtedness, funding working capital requirements, capital expenditures, and financing acquisitions. Fees and interest on borrowings under the Credit Agreement are subject to a pricing grid whereby the pricing level is determined by the leverage ratio. Based on the Company's Leverage Ratio, as defined by the Lender, the interest rate on the loan ranges from HSBC's prime rate plus 0.75% to HSBC's prime rate plus 2.00%. As at December 31, 2014, the Company is in the second of five tiers of the pricing grid, with the second tier providing interest rates of HSBC's prime rate plus 1.50% (4.50% at December 31, 2014). Amounts drawn under the Credit Agreement as at December 31, 2014 are due May 22, 2018 and may be extended annually for an additional 365 days at the request of the Company and upon approval by the lenders. The Credit Agreement is collateralized by all of the present and future assets of AutoCanada Holdings Inc., a subsidiary of AutoCanada Inc., and all of its subsidiaries. As part of a priority agreement signed by HSBC, Scotiabank, VCCI, BMW Financial, CIBC, and the Company, the collateral for the Credit Agreement excludes all new, used and demo inventory financed with Scotiabank, VCCI, RBC and BMW Financial revolving floorplan facilities.

VW Credit Canada Inc. provides the Company with a mortgage (the "VCCI Mortgage"), which bears a floating rate of interest per annum

equal to the Royal Bank of Canada's prime rate plus 0.50% (3.50% at December 31, 2014). The VCCI Mortgage is repayable with fifty-nine equal blended monthly payments of $0.08 million amortized over a twenty year period with term expiring in April 2019. The VCCI Mortgage has certain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At December 31, 2014, the carrying amount of the property was $1.8 million.

BMW Financial provides the Company with a mortgage (the "BMW Mortgage"), which bears a fixed rate of interest per annum of 3.80%. The BMW Mortgage is repayable with sixty equal blended monthly payments of $124, amortized over a twenty year period with term expiring on December 31, 2019. The BMW Mortgage has certain reporting requirements and is collateralized by the property and any other present and future property, rights and assets, movable or immovable, and a general security agreement consisting of a first fixed charge over the property. At December 31, 2014, the carrying amount of the property was $31.2 million.

In 2012, the Company arranged a mortgage agreement with Servus Credit Union ("Servus"), whereby Servus would provide the Company a $6.25 million commercial mortgage to facilitate the purchase of land and building to be used for the operations of the Kia open point dealership. The mortgage bears an annual interest rate of 3.90%, fixed, payable and calculated monthly in arrears, originally amortized over a 20 year period with term expiring 5 years after the fund date. The Servus Mortgage requires certain reporting requirements and is collateralized by general security agreement consisting of a first fixed charge over the land and building. With respect to financial covenants, a subsidiary of the Company is required to maintain a minimum annual Debt Service Coverage ratio of 1.25:1.

RBC provides financing for the lease vehicles of two of the Company's GM dealerships (the "RBC lease financing"). The RBC lease financing bear interest rates of RBC's CF Rate (1.92% at December 31, 2014) and provide a maximum amount of financing of $11.0 million, repayable over the terms of the contract in varying amounts of principal. The RBC lease financing are collateralized by the lease vehicles under the related lease agreements.

Revolving Floorplan Facilities

On April 23, 2014, the Company announced that it had increased its existing syndicated floorplan facility ("Floorplan Facility") with The Bank of Nova Scotia ("Scotiabank") and The Canadian Imperial Bank of Commerce ("CIBC") by $200.0 million, bringing total availability to $550.0 million. All significant terms and conditions of the previous facility remain unchanged. The Floorplan Facility bears a rate of Bankers' Acceptance plus 1.15% (2.63% as at December 31, 2014) per annum. The Facility is collateralized by each individual dealership's inventories that are directly financed by Scotiabank, a general security agreement with each dealership financed, and a guarantee from AutoCanada Holdings Inc., a subsidiary of the Company. The facility has been provided to 34 of the 48 dealerships in which AutoCanada operates. The terms and conditions of the facility apply only to the collective group of 34 dealerships which are to be funded.

Additional information relating to the Credit Agreement, including a copy of the agreement can be obtained on SEDAR at www.sedar.com.

VW Credit Canada Inc. provides revolving floorplan facilities ("VCCI facilities") to finance new and used vehicles for the Company's Volkswagen and Audi dealerships. The VCCI facilities bear interest at the Royal Bank of Canada ("RBC") prime rate for new vehicles and RBC prime rate plus 0.25-1.00% for used vehicles (RBC prime rate was 3.00% at December 31, 2014). The maximum amount of financing provided by the VCCI facilities is $45.0 million. The VCCI facilities are collateralized by all of the dealerships' assets financed by VCCI and all cash and other collateral in the possession of VCCI and a general security agreement from the Company's Volkswagen and Audi dealerships. The individual notes payable of the VCCI facilities are due when the related vehicle is sold, as outlined in the agreement with VW Credit Canada, Inc. The VCCI Facilities require maintenance of financial covenants which require all dealerships to maintain minimum cash and equity balances. At December 31, 2014 the financial covenants had been met.

The Company signed Inventory Financing and Security Agreements (the "BMW facilities") with BMW Financial Services Canada ("BMW Financial"), a division of BMW Canada Inc., to finance new and used vehicles for the Company's BMW and MINI dealerships. The BMW facilities has a current advance limit of $100.9 million. The BMW Facilities bears a variable interest rate of prime minus 0.40% per 360-day annum (2.63% at December 31, 2014). The BMW facilities are collateralized by the dealerships' movable and immovable property. The agreements require the Company to maintain certain working capital ratios which were maintained throughout the period.

In conjunction with the combination of entities under common control completed on July 11, 2014, the Company consolidated the financial results of its investments in associates. The Royal Bank of Canada ("RBC") provides floorplan financing for new and used vehicles for six of the Company's General Motors dealerships (the "RBC Facilities"). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate (1.920% as at December 31, 2014) plus 0.0-1.35% and provide a maximum amount of financing of $109.4 million. The RBC Facilities are collateralized by the new, used, and demo inventory financed by RBC and a general security agreement from the Company's GM dealerships financed by RBC.

In conjunction with the combination of entities under common control completed on July 11, 2014, the Company consolidated the financial results of its investments in associates. Scotiabank provides floorplan financing for new and used vehicles for two of the Company's General Motors dealerships (the "Scotiabank Facilities"). The Scotiabank Facilities bear interest rates of Scotia Fixed Flooring Rate (1.35% at December 31, 2014) plus 0.93-1.70% and provide a maximum amount of financing of $32.4 million. The Scotiabank Facilities are collateralized by the new, used, and demo inventory financed by Scotiabank and a general security agreement from the

Company's GM dealerships financed by Scotiabank.

RBC provides financing for the lease vehicles of two of the Company's GM dealerships (the "RBC lease financing"). The RBC lease financing bear interest rates of RBC's CF Rate (1.920% at December 31, 2014) and provide a maximum amount of financing of $11.0 million repayable over the terms of the contract in varying amounts of principal. The RBC lease financing are collateralized by the lease vehicles under the related lease agreements.

Our ability to finance our new, used and demonstrator inventory is a significant factor in the Company's liquidity management. The Company is generally able to increase or decrease the number of vehicles it finances, subject to limits imposed by floorplan lenders, as part of its treasury management function. If floorplan limits are reduced, the Company may not be able to maintain its current level of inventories which may impact our future results.

Key Financial Covenants

The Company is required by its debt agreements to comply with several financial covenants. The following is a summary of the Company's actual performance against its key financial covenants as at December 31, 2014:

Key Financial Covenants	Requirement	Actual Calculation
Syndicated Revolver:		
Senior Secured Leverage Ratio	Shall not exceed 2.25	0.76
Adjusted Total Leverage Ratio	Shall not exceed 4.75	3.95
Fixed Charge Coverage Ratio	Shall not be less than 1.20	3.09
Current Ratio	Shall not be less than 1.05	1.18
Syndicated Floorplan:		
Current Ratio	Shall not be less than 1.10	1.14
Tangible Net Worth	Shall not be less than $40 million	$86.3 million
Debt to Tangible Net Worth	Shall not exceed 7.50	4.55

The covenants above are based on consolidated financial statements of the dealerships that are financed directly by Scotiabank. As a result, the actual performance to covenant does not reflect the actual performance to covenant of AutoCanada. The Company is required to comply with other covenants under the terms of its remaining credit agreements.

As at December 31, 2014, the Company is in compliance with all of its financial covenants.

Financial Instruments

Details of the Company's financial instruments, including risks and uncertainties are included in Note 23 of the annual audited consolidated financial statements for the year ended December 31, 2014.

Growth vs. Non-Growth Capital Expenditures

Non-growth capital expenditures are capital expenditures incurred during the period to maintain existing levels of service. These include capital expenditures to replace property and equipment and any costs incurred to enhance the operational life of existing property and equipment. Non-growth capital expenditures can fluctuate from period to period depending on our needs to upgrade or replace existing property and equipment. Over time, we expect to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period.

Additional details on the components of non-growth property and equipment purchases are as follows:

(in thousands of dollars)	October 1, 2014 to December 31, 2014	January 1, 2014 to December 31, 2014
Computer equipment	681	1,297
Furniture and fixtures	195	544
Machinery and equipment	321	1,398
Company & lease vehicles	94	303
Leasehold improvements	712	1,238
	2,003	4,780

Amounts relating to the expansion of sales and service capacity are considered growth expenditures. Growth expenditures are discretionary, represent cash outlays intended to provide additional future cash flows and are expected to provide benefit in future periods. During the year ended December 31, 2014, growth capital expenditures of $63.9 million were incurred. These expenditures related primarily to land that was purchased for future dealership operations during the second quarter of 2013 for $5.2 million and the real estate purchased completed in the last quarter of 2013 for $58.7 million. Dealership relocations are included as growth expenditures if they contribute to the expansion of sales and service capacity of the dealership.

The following table provides a reconciliation of the purchase of property and equipment as reported on the Statement of Cash Flows to the purchase of non-growth property and equipment as calculated in the free cash flow section below

(in thousands of dollars)	October 1, 2014 to December 31, 2014	January 1, 2014 to December 31, 2014
Purchase of property and equipment from the Statement of Cash Flows	10,073	23,441
Less: Amounts related to the expansion of sales and service capacity	(8,070)	(18,661)
Purchase of non-growth property and equipment	2,003	4,780

Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three months and year ended December 31, 2014, were $1.1 million and $3.5 million (2013 - $0.8 million and $2.8 million), respectively.

Planned Capital Expenditures

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, machinery and equipment, service vehicles, computer hardware and computer software. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems.

For further information regarding planned capital expenditures, see "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE".

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2014 and December 31, 2013, as well as unaudited balances of the Company at September 30, 2014, June 30, 2014, March 31, 2014, September 30, 2013, June 30, 2013, and March 31, 2013:

(in thousands of dollars)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Cash and cash equivalents	72,462	64,559	91,622	41,541	35,113	37,940	35,058	41,991
Trade and other receivables	92,138	115,074	85,837	69,747	57,771	62,105	69,656	57,663
Inventories	563,277	471,664	324,077	261,764	278,091	236,351	232,319	217,268
Assets	1,354,755	121,152	910,715	667,016	619,078	530,406	504,374	454,889
Revolving floorplan facilities	527,780	437,935	313,752	261,263	264,178	228,526	246,325	225,387
Non-current debt and lease obligations	223,009	179,434	294,289	123,811	83,580	33,647	8,744	40,340

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At December 31, 2014, the aggregate of net working capital requirements was approximately $84.1 million. At December 31, 2014, all working capital requirements had been met by each dealership. The working capital requirements imposed by the automobile manufacturers' may limit our ability to fund capital expenditures, acquisitions, dividends, or other commitments in the future if sufficient funds are not generated by the Company. Net working capital, as defined by automobile manufacturers, may not reflect net working capital as determined using GAAP measures. As a result, it is possible that the Company may meet automobile manufacturers' net working capital requirements without having sufficient aggregate working capital using GAAP measures. The Company defines net working capital amounts as current assets less current liabilities as presented in the annual consolidated financial statements. At December 31, 2014, the Company had aggregate working capital of approximately $100.4 million.

The net working capital requirements above restrict the Company's ability to transfer funds up from its subsidiaries, as each subsidiary dealership is required to be appropriately capitalized as explained above. In addition, our VCCI Facilities required the VW and Audi dealerships to maintain minimum cash and equity, which also restricts our ability to transfer funds.

Off Balance Sheet Arrangements

The Company has operating lease commitments, with varying terms through 2037, to lease premises and equipment used for business purposes.

The minimum lease payments over the upcoming fiscal years will be as follows:

(in thousands of dollars)	$
2015	16,785
2016	16,401
2017	15,104
2018	12,605
2019	10,596
Thereafter	107,235
Total	178,726

At December 31, 2014, the Company is committed to capital expenditure obligations in the amount of $39.7 million.

Information regarding our contractual obligations with respect to long-term debt, capital lease obligations and other long-term obligations is included in the *Liquidity Risk* section of *Note 23 – Financial Instruments* of the Company's annual consolidated financial statements.

Related Party Transactions

Note 32 of the annual consolidated financial statements of the Company for the period ended December 31, 2014 summarize the transactions between the Company and its related parties.

Administrative support fees

The Company currently earns $1.1 million (2013 - $0.8 million) of annual administrative support fees from companies controlled by the Executive Chairman of AutoCanada. The administrative support fees consist of a portion of human resource and fixed costs associated with providing technological and accounting support to these companies. The Company believes that providing support services to these companies provides value to both the companies supported and AutoCanada. By providing support, AutoCanada is able to reduce its overall fixed costs associated with accounting and information technology.

Related party transactions are measured based on the proportionate allocation of actual costs incurred multiplied by the number of resources and/or hours provided to or used by the related party. There are no ongoing or continuing obligations of the Company to provide these services or for the related parties to utilize these services.

OUTSTANDING SHARES

As at December 31, 2014, the Company had 24,509,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the year ended December 31, 2014 were 23,018,588 (2013 - 20,868,726) and 23,159,553 (2013 - 20,868,726), respectively. As at December 31, 2014, the value of the shares held in trust was $3.3 million (2013 – $1.3 million) which was comprised of 100,027 in shares (2013 – 82,841) with a nil aggregate cost (2013 – nil). As at March 19, 2015, there were 24,509,683 shares issued and outstanding.

DIVIDENDS

Dividends to Shareholders

Management reviews the Company's financial results on a monthly basis. The Board of Directors reviews the financial results periodically to determine whether a dividend shall be paid based on a number of factors.

The following table summarizes the dividends declared by the Company in 2014 (in thousands of dollars):

Record date	Payment date	Per Share $	Total $
February 28, 2014	March 17, 2014	0.22	4,760
May 30, 2014	June 16, 2014	0.23	5,022
August 29, 2014	September 15, 2014	0.24	5,858
November 28, 2014	December 15, 2014	0.25	6,105
		0.94	21,745

On February 17, 2015, the Board declared a quarterly eligible dividend of $0.25 per common share on AutoCanada's outstanding shares, payable on March 16, 2015 to shareholders of record at the close of business on February 28, 2015. The quarterly eligible dividend of $0.25 represents an annual dividend rate of $1.00 per share.

As per the terms of the HSBC facility, we are restricted from declaring dividends and distributing cash if we are in breach of financial covenants or our available margin and facility limits or if such dividend would result in a breach of our covenants or our available margin and facility limits. At this time, the Company is well within its covenants, and as such, Management does not believe that a restriction from declaring dividends is likely in the foreseeable future.

Free Cash Flow

The Company has defined free cash flow to be cash flows provided by operating activities (including changes in non-cash operating working capital) less capital expenditures (excluding capital assets acquired by acquisitions or purchases of real estate).

(in thousands of dollars, except share and per share amounts)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Cash provided by operating activities	42,276	9,093	10,918	8,850	9,674	7,787	14,391	6,125
Deduct:								
Purchase of property and equipment	(2,454)	(2,834)	(1,057)	(1,069)	(1,319)	(608)	(892)	(590)
Free cash flow (1)	39,822	6,259	9,861	7,781	8,355	7,179	13,499	5,535
Weighted average shares outstanding at end of period	24,410,169	24,103,670	21,832,777	21,685,876	21,638,433	21,638,882	20,346,713	19,802,048
Free cash flow per share	1.631	0.260	0.452	0.359	0.386	0.332	0.663	0.280
Free cash flow - 12 month trailing	63,723	32,256	33,176	36,814	34,568	27,115	28,660	21,320

[1] This financial measure is identified and defined under the section "NON-GAAP MEASURES".

Management believes that the free cash flow (see "NON-GAAP MEASURES") can fluctuate significantly as a result of historical fluctuations in our business operations that occur on a quarterly basis as well as the resulting fluctuations in our trade receivables and inventory levels and the timing of the payments of trade payables and revolving floorplan facilities.

Changes in non-cash working capital consist of fluctuations in the balances of trade and other receivables, inventories, other current assets, trade and other payables and revolving floorplan facilities. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

The following table summarizes the net increase (decrease) in cash due to changes in non-cash working capital for the years ended:

(in thousands of dollars)	December 31, 2014	December 31, 2013
Trade and other receivables	(2,735)	(7,092)
Inventories	(45,065)	(43,205)
Finance lease receivables	(4,587)	-
Other current assets	(1,317)	88
Trade and other payables	8,179	11,023
Vehicle repurchase obligations	126	144
Revolving floorplan facilities	49,738	29,074
	4,339	(9,968)

Adjusted Free Cash Flow

The Company has defined adjusted free cash flow to be cash flows provided by operating activities (before changes in non-cash operating working capital) less non-growth capital expenditures.

(in thousands of dollars, except share and per share amounts)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Cash provided by operating activities before changes in non-cash working capital	19,125	23,192	16,497	7,984	12,894	15,234	14,258	5,564
Deduct:								
Purchase of non-growth property and equipment	(2,003)	(1,079)	(996)	(638)	(963)	(608)	(892)	(573)
Adjusted free cash flow [(1)]	17,122	22,113	15,501	7,346	11,931	14,626	13,366	4,991
Weighted average shares outstanding at end of period	24,410,169	24,103,670	21,832,777	21,685,876	21,638,433	21,638,882	20,346,713	19,802,048
Adjusted free cash flow per share	0.701	0.917	0.710	0.339	0.551	0.676	0.657	0.252
Adjusted free cash flow - 12 month trailing	62,082	56,891	49,404	47,269	44,914	41,961	36,853	32,730

[1] This financial measure is identified and defined under the section "NON-GAAP MEASURES".

Management believes that non-growth property and equipment is necessary to maintain and sustain the current productive capacity of the Company's operations and cash available for growth. Management believes that maintenance capital expenditures should be funded by cash flow provided by operating activities. Capital spending for the expansion of sales and service capacity is expected to improve future free cash and as such is not deducted from cash flow provided by operating activities before changes in non-cash working capital in arriving at adjusted free cash flow. Adjusted free cash flow is a measure used by management in forecasting and determining the Company's available resources for future capital expenditure, repayment of debt, funding the future growth of the Company and dividends to Shareholders.

In the year ending December 31, 2014, the Company paid approximately $16.7 million in corporate income taxes and tax installments. Accordingly, this reduced our adjusted free cash flow by this amount. Due to the tax deferral and subsequent addition of deferred tax to future years' taxes payable, investors are cautioned that the effective tax rate may exceed the historical rates experiences by the Company, and future cash flow from operating activities will be reduced due to this treatment. See "RESULTS FROM OPERATIONS – Fourth Quarter Operating Results – Income Taxes" for further detail regarding the impact of corporate income taxes on cash flow.

Adjusted Return on Capital Employed

The Company has defined Adjusted Return on Capital Employed to be EBIT (EBITDA, as defined in "NON-GAAP MEASURES", less depreciation and amortization) divided by Average Capital Employed in the Company (average of shareholders' equity and interest bearing debt, excluding floorplan financing, for the period, less the comparative adjustment defined below). Calculations below represent the results on a quarterly basis, except for the adjusted return on capital employed – 12 month trailing which incorporates the results based on the trailing 12 months for the periods presented.

(in thousands of dollars, except share and per share amounts)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
EBITDA[1,2]	26,043	32,136	21,702	14,453	14,754	16,607	16,463	10,511
Deduct:								
Depreciation of property and equipment	(4,423)	(4,139)	(2,550)	(2,512)	(2,069)	(1,599)	(1,489)	(1,186)
EBIT[1,2]	21,620	27,997	19,152	11,941	12,685	15,008	14,974	9,325
Average long-term debt	208,465	244,105	214,438	108,120	62,959	25,725	28,871	36,293
Average shareholder's equity	440,513	326,410	205,613	196,608	187,652	181,576	152,983	126,188
Average capital employed[1]	648,978	570,515	420,051	304,728	250,611	207,301	181,854	162,481
Return on capital	3.3 %	4.9 %	4.6 %	3.9 %	5.1 %	7.2 %	8.2 %	5.7 %
Comparative adjustment[3]	(17,264)	(15,951)	(15,951)	(15,951)	(15,951)	(15,542)	(15,542)	(15,542)
Adjusted average capital employed[1]	632,369	554,564	404,100	288,777	234,864	191,759	166,312	146,939
Adjusted return on capital employed[1]	3.4 %	5.0 %	4.7 %	4.1 %	5.4 %	7.8 %	9.0 %	6.3 %
Adjusted return on capital employed - 12 month trailing	18.6 %	19.2 %	20.6 %	25.1 %	27.9 %	29.7 %	29.4 %	27.6 %

[1] These financial measures are identified and defined under the section "NON-GAAP MEASURES".

[2] EBITDA and EBIT used in the calculation of Adjusted Return on Capital Employed is calculated using the financial results including non-controlling interests.

[3] A comparative adjustment has been made in order to adjust for impairments and reversals of impairments of intangible assets. Due to the increased frequency of impairments and reversals of impairments, management has provided an adjustment in order to freeze intangible assets at the pre-IFRS amount of $43,700. As a result, all differences from January 1, 2010 forward under IFRS have been adjusted at the post-tax rate at the time the adjustment to the intangible asset carrying amount was made. Management believes that the adjusted return on capital employed provides more useful information about the return on capital employed.

Management believes that Adjusted Return on Capital Employed (see "NON-GAAP MEASURES") is a good measure to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Note 3 of the annual consolidated financial statements for the year ended December 31, 2014.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the period ended December 31, 2014. The standards impacted that are applicable to the Company are as follows:

- IFRS 9, *Financial Instruments* - the new standard will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement.* The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2018, with earlier adoption permitted.

- IFRS 15, *Revenue from Contracts with Customer*s - in May 2014, the IASB issued IFRS 15, which supersedes IAS 18, Revenue, IAS 11, *Construction Contracts,* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed with securities regulatory authorities is recorded, processed, summarized, and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Office ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2014, the Company's management, with participation of the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in National Instrument 52-109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Company's management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management, under the supervision of and with the participation of the Company’s CEO and CFO, evaluated the effectiveness of the Corporation’s internal controls over financial reporting (as defined under national Instrument 52–109 - Certification of Disclosure in Issuers' Annual and Interim Filings). In making this evaluation, management used the criteria set forth by the *Committee of Sponsoring Organizations of the Treadway Commissions* (“COSO”) in *Internal Control – Integrated Framework (2013)*. Based on that evaluation, management and the CEO and CFO have concluded that, as at December 31, 2014, the Corporation’s internal controls over financial reporting were effective. This evaluation took into consideration the Corporation’s Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2014.

RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See "FORWARD LOOKING STATEMENTS") Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business and operations. A comprehensive discussion of the known risk factors of AutoCanada and additional business risks is available in our 2014 Annual Information Form dated March 19, 2015 available on the SEDAR website at www.sedar.com.

Additional Information

Additional information relating to the Company, including all public filings, is available on SEDAR (www.sedar.com). The Company's shares trade on the Toronto Stock Exchange under the symbol ACQ.

FORWARD LOOKING STATEMENTS

Certain statements contained in management's discussion and analysis are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation. We hereby provide cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "projection", "vision", "goals", "objective", "target", "schedules", "outlook", "anticipate", "expect", "estimate", "could", "should", "expect", "plan", "seek", "may", "intend", "likely", "will", "believe" and similar expressions are not historical facts and are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond our control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Therefore, any such forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document.

In particular, material forward-looking statements in management's discussion and analysis include:

- the belief that, as the Company continues to grow, operating expenses as a percentage of gross profit should continue to improve as the Company achieves greater economies of scale;
- the impact of income taxes on future cash flow;
- the impact of an increase or decrease of one new retail vehicle sold on estimated free cash flow;
- expectations to incur additional selling and administrative costs in the future to successfully integrate new dealerships;
- the belief that, if the Company can continue to perform well, it will be able to build upon its current brand portfolios and hopefully gain the acceptance of other new manufacturers over time;
- commitments regarding future investments in additional GM dealerships;
- expectations to incur additional selling, general, and administrative costs in the future to facilitate the growth anticipated by the Company due to increased acquisition activity;
- estimates, intentions, and expectations regarding the capital plan, potential relocation of certain dealerships, dealership expansion needs, and open point opportunities;
- our belief that relocation of certain dealerships may provide incremental long-term earnings growth and better align some of our dealerships with the growth expectations of our manufacturer partners;
- the impact of dealership real estate relocations and purchases and its impact on liquidity, financial performance and the Company's capital requirements;
- our belief that under a high growth scenario, cash from operating activities may not be sufficient to meet future capital needs and the potential need to seek additional capital in the form of debt or equity;
- our belief that our available liquidity is sufficient to complete our current capital expenditure commitments and to execute on additional dealership acquisitions;
- the impact of a significant decline in sales as a result of the inability to procure adequate supply of vehicles and/or lower consumer demand on cash flows from operations and our ability to fund capital expenditures;
- our expectation to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period;
- our expectation that growth expenditures will provide additional future cash flows and future benefit;
- our expectation to increase annual capital expenditures and the reasons for this expected increase;
- the impact of working capital requirements and its impact on future liquidity;
- the belief that a restriction from declaring dividends is not likely in the foreseeable future;
- our belief that free cash flow can fluctuate significantly and the impact of these fluctuations on our operations and performance;
- our belief that maintenance capital expenditures should be funded by cash flow provided by operating activities;
- our potential use of Adjusted Return on Capital Employed as a measure for comparison and analysis;
- guidance with respect to future acquisition and open point opportunities;
- our assumption on the amount of time it may take for an acquisition or open point to achieve normal operating results;
- expectations and estimates regarding income taxes and their effect on cash flow and dividends;
- assumptions over non-GAAP measures and their impact on the Company;
- management's assumptions and expectations over the future economic and general outlook;

- the impact of economic stress on our compensation costs;
- belief that the recession experienced during fiscal 2008 and 2009 should not be used as a proxy to forecast an impact in 2015;
- the impact of economic uncertainty on the Company's acquisition opportunities;
- the impact of seasonality on financial performance;
- outlook regarding vehicle sales in Canada in 2015;
- the impact of the decline in the exchange rate of the Canadian dollar to the US dollar;
- expectations to incur operating losses over the first year of operations at North Edmonton Kia and the reasons for this;
- expectations to continue to drive higher volume over the coming months at North Edmonton Kia;
- expectations of capital costs related to currently awarded open points;
- expectations that re-imaging will attract more customers to its dealerships;
- our belief that improvements in technology and process in its parts and service departments will continue to produce results;
- estimates regarding additional legal and administration expense for each acquisition; and
- the impact on the Company as a result of the lower oil prices and any related expectations.

Although we believe that the expectations reflected by the forward-looking statements presented in this release are reasonable, our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about ourselves and the businesses in which we operate. Information used in developing forward-looking statements has been acquired from various sources including third-party consultants, suppliers, regulators, and other sources. In some instances, material assumptions are disclosed elsewhere in this release in respect of forward-looking statements. We caution the reader that the following list of assumptions is not exhaustive. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- no significant adverse changes to the automotive market, competitive conditions, the supply and demand of vehicles, parts and service, and finance and insurance products;
- no significant construction delays that may adversely affect the timing of dealership relocations and renovations;
- no significant disruption of our operations such as may result from harsh weather, natural disaster, accident, civil unrest, or other calamitous event;
- no significant unexpected technological event or commercial difficulties that adversely affect our operations;
- continuing availability of economical capital resources; demand for our products and our cost of operations;
- no significant adverse legislative and regulatory changes;
- stability of general domestic economic, market, and business conditions;
- assumptions regarding other automobile manufacturer agreements; and
- assumptions regarding provincial government regulations in jurisdictions in which we do not operate.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- rapid appreciation or depreciation of the Canadian dollar relative to the U.S. dollar;
- a sustained downturn in consumer demand and economic conditions in key geographic markets;
- adverse conditions affecting one or more of our automobile manufacturers;
- the ability of consumers to access automotive loans and leases;
- competitive actions of other companies and generally within the automotive industry;
- our dependence on sales of new vehicles to achieve sustained profitability;
- levels of unemployment in our markets and other macroeconomic factors;
- our suppliers ability to provide a desirable mix of popular new vehicles;
- the ability to continue financing inventory under similar interest rates;
- our suppliers ability to continue to provide manufacturer incentive programs;
- the loss of key personnel and limited management and personnel resources;
- the ability to refinance credit agreements in the future;

- changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; and
- the ability to obtain automotive manufacturers' approval for acquisitions.

The Company's most recent Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

NON-GAAP MEASURES

Our MD&A contains certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net earnings (loss) or to cash provided by (used in) operating, investing, and financing activities determined in accordance with Canadian GAAP, as indicators of our performance. We provide these measures to assist investors in determining our ability to generate earnings and cash provided by (used in) operating activities and to provide additional information on how these cash resources are used. We list and define these "NON-GAAP MEASURES" below:

EBITDA

EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization and asset impairment recoveries which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. References to "EBITDA" are to earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and asset impairment charges.

Adjusted EBITDA

Adjusted EBITDA is an indicator of a company's operating performance and ability to incur and service debt prior to recognizing the portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs. The Company considers this expense to be non-cash in nature as we maintain a share purchase trust in which we purchase shares on the open market as these units are granted to reduce the cash flow risk associated with fluctuations in the share price. Share-based compensation, a component of employee remuneration, can vary significantly with changes in the price of the Company's common shares. The Company believes adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time.

Adjusted net earnings and Adjusted net earnings per share

Adjusted net earnings and adjusted net earnings per share are measures of our profitability. Adjusted net earnings is calculated by adding back the after-tax effect of impairment or reversals of impairment of intangible assets, impairments of goodwill, and the portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs. The Company considers this expense to be non-cash in nature as we maintain a share purchase trust in which we purchase shares on the open market as these units are granted to reduce the cash flow risk associated with fluctuations in the share price. Share-based compensation, a component of employee remuneration, can vary significantly with changes in the price of the Company's common shares. Adding back these amounts to net earnings allows management to assess the net earnings of the Company from ongoing operations. Adjusted net earnings per share is calculated by dividing adjusted net earnings by the weighted-average number of shares outstanding.

EBIT

EBIT is a measure used by management in the calculation of Return on capital employed (defined below). Management's calculation of EBIT is EBITDA (calculated above) less depreciation and amortization.

Adjusted pre-tax earnings

Adjusted pre-tax earnings are calculated by adding back the impairment or reversals of impairment of intangible assets and impairments of goodwill. Adding back these non-cash charges to pre-tax net earnings allows management to assess the pre-tax net earnings of the Company from ongoing operations.

Free Cash Flow

Free cash flow is a measure used by management to evaluate its performance. While the closest Canadian GAAP measure is cash provided by operating activities, free cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It shall be noted that although we consider this measure to be free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that free cash flow may not actually be available for growth or distribution of the Company. References to "Free cash flow" are to cash provided by (used in) operating activities (including the net change in non-cash working capital balances) less capital expenditure (not including acquisitions of dealerships and dealership facilities).

Adjusted Free Cash Flow

Adjusted free cash flow is a measure used by management to evaluate its performance. Free cash flow is considered relevant because it provides an indication of how much cash generated by operations before changes in non-cash working capital is available after deducting expenditures for non-growth capital assets. It shall be noted that although we consider this measure to be adjusted free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that adjusted free cash flow may not actually be available for growth or distribution of the Company. References to "Adjusted free cash flow" are to cash provided by (used in) operating activities (before changes in non-cash working capital balances) less non-growth capital expenditures.

Absorption Rate

Absorption rate is an operating measure commonly used in the retail automotive industry as an indicator of the performance of the parts, service and collision repair operations of a franchised automobile dealership. Absorption rate is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption rate may not be comparable to similar measures presented by other issuers that operate in the retail automotive industry. References to ‘‘absorption rate" are to the extent to which the gross profits of a franchised automobile dealership from parts, service and collision repair cover the costs of these departments plus the fixed costs of operating the dealership, but does not include expenses pertaining to our head office. For this purpose, fixed operating costs include fixed salaries and benefits, administration costs, occupancy costs, insurance expense, utilities expense and interest expense (other than interest expense relating to floorplan financing) of the dealerships only.

Average Capital Employed

Average capital employed is a measure used by management to determine the amount of capital invested in AutoCanada and is used in the measure of Return on Capital Employed (described below). Average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Adjusted Average Capital Employed

Adjusted average capital employed is a measure used by management to determine the amount of capital invested in AutoCanada and is used in the measure of Adjusted Return on Capital Employed (described below). Adjusted average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period, adjusted for impairments of intangible assets, net of deferred tax. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of adjusted average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Return on Capital Employed

Return on capital employed is a measure used by management to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Return on capital employed is calculated as EBIT (defined above) divided by Average Capital Employed (defined above).

Adjusted Return on Capital Employed

Adjusted return on capital employed is a measure used by management to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Adjusted return on capital employed is calculated as EBIT (defined above) divided by Adjusted Average Capital Employed (defined above).

Cautionary Note Regarding Non-GAAP Measures

EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that these non-GAAP measures should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's methods of calculating EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed. Adjusted Average Capital Employed and Adjusted Return on Capital Employed may differ from the methods used by other issuers. Therefore, the Company's EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed may not be comparable to similar measures presented by other issuers.