AUTOCANADA INC.

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

For the period ended September 30, 2013

As of November 7, 2013

READER ADVISORIES

The Management's Discussion & Analysis ("MD&A") was prepared as of November 7, 2013 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the three month period and nine month period ended September 30, 2013 and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and accompanying notes (the "Interim Consolidated Financial Statements") of AutoCanada as at and for the three month period and nine month period ended September 30, 2013, the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2012, and management's discussion and analysis for the year ended December 31, 2012. 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 nine month period ended September 30, 2013 of the Company, and compares these to the operating results of the Company for the three month period and nine month period ended September 30, 2012. The Company has investments in three General Motors dealerships and accounts for the investments utilizing the equity method, whereby the operating results of these investments are included in one line item on the statement of comprehensive income known as *Income from investments in associates*. As a result, the Company does not incorporate the consolidated results of its investments in associates in its discussion and analysis. Management has provided limited discussion and analysis of these investments in *Results from operations – Income from Investments in Associates* below.

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 participating in 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 Inc. holds interests in a number of limited partnerships, corporations, and investments in associates 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 shares trade on the Toronto Stock Exchange under the symbol "ACQ".

Additional information relating to AutoCanada, including our 2012 Annual Information Form dated March 26, 2013, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

The Business of the Company

AutoCanada is one of Canada's largest multi-location automobile dealership groups, currently operating 29 wholly-owned franchised dealerships and managing 3 franchised dealership investments (see "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE") in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2012, our dealerships sold approximately 30,000 vehicles and processed approximately 309,000 service and collision repair orders in our 333 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 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 wholly-owned dealerships and revenues by province for the three month periods ended September 30, 2013 and September 30, 2012.

Location of Dealerships	September 30, 2013			September 30, 2012		
	Number of Dealerships	Revenue	% of Total	Number of Dealerships	Revenue	% of Total
British Columbia	9	113,816	28 %	9	104,764	35 %
Alberta	11	187,998	47 %	9	130,833	44 %
Ontario	3	31,900	8 %	3	23,997	8 %
All other	6	69,821	17 %	3	39,042	13 %
Total	29	403,535	100 %	24	298,636	100 %

The following table sets forth the dealerships that we currently own and operate and the date opened or acquired by the Company or its predecessors, organized by location.

Location of Dealerships	Operating Name	Franchise	Year Opened or Acquired
Wholly-Owned Dealerships:			
Calgary, Alberta	Courtesy Chrysler Dodge	Chrysler	2013
Edmonton, Alberta	Crosstown Chrysler Jeep Dodge FIAT	Chrysler	1994
Edmonton, Alberta	Capital Chrysler Jeep Dodge FIAT	Chrysler	2003
Grande Prairie, Alberta	Grande Prairie Chrysler Jeep Dodge 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
Abbotsford, British Columbia	Abbotsford Volkswagen	Volkswagen	2011
Chilliwack, British Columbia	Chilliwack Volkswagen	Volkswagen	2011
Kelowna, British Columbia	Okanagan Chrysler Jeep Dodge FIAT	Chrysler	2003
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge 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
Winnipeg, Manitoba	St. James Audi	Audi	2013
Winnipeg, Manitoba	St. James Volkswagen	Volkswagen	2013
Winnipeg, Manitoba	Eastern Chrysler Jeep Dodge	Chrysler	2013
Thompson, Manitoba	Thompson Chrysler Jeep Dodge	Chrysler	2003
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge	Chrysler	2006
Cambridge, Ontario	Cambridge Hyundai	Hyundai	2008
Mississauga, Ontario	401/Dixie Hyundai	Hyundai	2008
Newmarket, Ontario	Newmarket Infiniti Nissan	Nissan / Infiniti	2008
Dealership Investments:			
Sherwood Park, Alberta	Sherwood Park Chevrolet	General Motors	2012
Sherwood Park, Alberta	Petersen Pontiac Buick GMC	General Motors	2012
Duncan, British Columbia	Peter Baljet Chevrolet GMC Buick	General Motors	2013

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.

OUR PERFORMANCE

Performance vs. the Canadian New Vehicle Market

New light vehicle sales in Canada in the nine month period ended September 30, 2013 were up 3.5% when compared to the same period in 2012. Sales of new light vehicles in Alberta and British Columbia, our primary markets, were up by 7.3% and 3.9% respectively. The Company's same store unit sales of new vehicles increased by 19.4% during the nine month period ended September 30, 2013. Our dealerships have performed particularly well in new vehicle sales, increasing market share in many sales regions. We accredit the performance of our dealerships to their strong management teams and their ability to leverage best practices in advertising and sales process as a result of operating within a dealer group.

The following table summarizes Canadian new light vehicle sales for the nine month period ended September 30, 2013 by Province:

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

	September Year to Date			
	2013	**2012**	**Percent Change**	**Unit Change**
British Columbia	138,594	133,449	3.9 %	5,145
Alberta	196,233	182,899	7.3 %	13,334
Saskatchewan	43,937	41,707	5.3 %	2,230
Manitoba	42,407	38,238	10.9 %	4,169
Ontario	497,439	482,268	3.1 %	15,171
Quebec	324,653	326,069	(0.4)%	(1,416)
New Brunswick	32,125	30,983	3.7 %	1,142
PEI	5,901	5,226	12.9 %	675
Nova Scotia	41,157	38,005	8.3 %	3,152
Newfoundland	28,310	26,694	6.1 %	1,616
Total	1,350,756	1,305,538	3.5 %	45,218

[1] DesRosiers Automotive Consultants Inc.

Performance vs. the Third Quarter of Prior Year

Management is very pleased with the performance of its dealerships in the third quarter of 2013. The Company improved its third quarter profit before tax by $5.7 million or 62.0% over the prior year quarter. The combination of earnings from recently completed acquisitions and strong gains made in same store sales and gross profits have contributed to the increase in profitability.

The Company exceeded $400 million in sales during the third quarter for the first time in its history. Revenue from all dealerships increased by 35.1% in the third quarter due to increases in all four of our business lines - new vehicle sales, used vehicle sales, finance and insurance, and parts, service and collision repair. All four business lines had over 30% increases in revenue during the quarter. Same store revenues also increased by 19.9% during the third quarter of 2013 as compared to the prior year quarter.

Management typically uses gross profit as its most important measure of top line growth. Overall revenues can vary significantly quarter to quarter as a result of fluctuations in sales mix as well as fluctuations in low margin fleet sales and used vehicle wholesale sales. As such, Management believes that gross profit is a better indicator of sales growth. Overall gross profit increased by 35.1% as a result of strong same store sales growth and recently completed acquisitions. Same store gross profit increased by 18.5% in the third quarter as compared to the prior year quarter. All four of our business lines achieved double digit increases in same store gross profit growth. Management is particularly pleased with the 34.7% increase in same store used vehicle gross profit achieved in the third quarter. This

increase is partially due to strong used vehicle retail sales during the quarter, as well as, improvement in used wholesale gross profit. Management is also pleased with the 13.4% improvement in its parts, service and collision repair business gross profit during the third quarter. This department is a very important source of revenue for the Company, as it helps to provide greater earnings stability over the long term. The Company has made improvements in technology in its parts and service departments and we believe that these improvements are beginning to produce results.

Operating expenses for the third quarter of 2013 were in line with Management's expectations. The Company's operating expenses as a percentage of gross profit decreased to 75.5% in the third quarter of 2013 from 76.6% in the prior year quarter. Many of the Company's fixed costs such as lease costs, insurance, and depreciation have decreased as a percentage of gross profit. In addition, the Company has also reduced semi-variable costs as a percentage of gross profit such as advertising, inventory maintenance and utilities expenses. Management believes that as we continue to grow, operating expenses as a percentage of gross profit should continue to improve as we achieve greater economies of scale.

The Company's interest costs, net of interest earned, decreased by $438 during the third quarter or a 16.3% decrease. Although the Company maintained higher inventory levels during the quarter, lower financing rates obtained during the year resulted in a decrease in financing costs.

Overall, we are very pleased with the results in the third quarter of 2013. We are particularly proud of the performance of our dealership teams, which is evidenced by double-digit increases in same store sales and gross profit. Our recently acquired dealerships are integrating well and are providing a good platform for future growth in sales and gross profit, as evidenced by our results this quarter. We continue to be excited for the future and continue to focus on same store improvements and acquisitions as a means of growth for the Company.

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 Operating Data and gross profit %)	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Income Statement Data								
New vehicles	142,880	147,383	186,649	190,139	159,205	174,410	254,403	257,543
Used vehicles	53,719	60,453	62,822	62,816	57,260	62,656	77,113	85,975
Parts, service and collision repair	28,822	27,084	29,075	28,658	30,025	29,667	34,629	37,341
Finance, insurance and other	12,974	13,556	16,386	17,023	15,156	17,551	22,620	22,676
Revenue	238,395	248,476	294,932	298,636	261,646	284,284	388,765	403,535
New vehicles	11,267	12,046	14,646	15,461	15,422	15,941	20,664	20,510
Used vehicles	4,574	4,412	4,238	3,994	3,668	3,790	5,794	6,242
Parts, service and collision	14,588	14,057	15,299	15,144	15,386	15,231	17,586	20,113
Finance and insurance	11,824	12,344	14,867	15,513	13,866	16,164	20,783	20,831
Gross profit	42,253	42,859	49,050	50,112	48,342	51,126	64,827	67,696
Gross Profit %	17.7 %	17.2 %	16.6 %	16.8 %	18.5 %	18.0 %	16.7 %	16.8 %
Operating expenses	34,086	35,381	37,659	38,361	37,739	40,353	48,639	51,080
Operating exp. as a % of gross profit	80.7 %	82.6 %	76.8 %	76.6 %	78.1 %	78.9 %	75.0 %	75.5 %
Finance costs - floorplan	1,872	1,935	2,510	2,645	1,741	1,560	1,745	1,770
Finance costs - long term debt	234	230	256	267	231	195	175	120
Reversal of impairment of intangibles	(25,543)	-	-	-	(222)	-	-	-
Income from investments in associates	-	-	83	130	255	201	648	555
Income tax	8,144	1,441	2,216	2,379	2,540	2,309	3,976	3,920
Net earnings (4)	23,608	4,113	6,712	6,807	6,605	6,822	10,823	10,968
EBITDA (1)(4)	7,553	6,809	10,212	10,592	10,276	10,511	16,463	16,607
Basic earnings (loss) per share	1.187	0.207	0.338	0.344	0.334	0.345	0.532	0.507
Diluted earnings per share	1.187	0.207	0.338	0.344	0.334	0.345	0.532	0.507
Operating Data								
Vehicles (new and used) sold	6,313	6,836	8,154	8,087	6,703	7,341	10,062	10,325
Vehicles (new and used) sold including GM (5)	6,313	6,836	8,557	8,783	7,378	8,123	11,399	11,405
New vehicles sold including GM (5)	4,180	4,403	5,964	6,178	4,956	5,665	8,246	8,023
New retail vehicles sold	3,405	3,434	4,400	4,410	3,982	4,118	5,487	5,986
New fleet vehicles sold	775	969	1,313	1,265	549	1,036	1,923	1,365
Used retail vehicles sold	2,133	2,433	2,441	2,412	2,172	2,187	2,652	2,974
Number of service & collision repair orders completed	75,911	74,439	78,104	78,944	78,001	77,977	93,352	97,074
Absorption rate (2)	91 %	81 %	89 %	89 %	85 %	82 %	90 %	88 %
# of dealerships at period end	24	24	24	24	24	25	27	29
# of same store dealerships (3)	21	21	21	22	22	22	22	22
# of service bays at period end	333	333	333	333	333	341	341	388
Same store revenue growth (3)	24.8 %	20.2 %	2.4 %	8.0 %	7.4 %	12.9 %	26.2 %	19.9 %
Same store gross profit growth (3)	20.6 %	18.3 %	7.1 %	7.9 %	11.9 %	16.9 %	25.8 %	18.5 %
Balance Sheet Data								
Cash and cash equivalents	53,641	53,403	51,198	54,255	34,471	41,975	35,058	37,940
Restricted cash	-	-	-	-	10,000	10,000	10,000	-
Trade and other receivables	42,448	51,364	52,042	54,148	47,944	57,144	69,136	62,105
Inventories	137,017	155,694	201,188	194,015	199,117	217,246	232,249	236,351
Revolving floorplan facilities	150,816	178,145	221,174	212,840	203,525	225,387	246,325	228,526

1 EBITDA has been calculated as described under "NON-GAAP MEASURES".
2 Absorption has been calculated as described under "NON-GAAP MEASURES".
3 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.
4 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 substantial fluctuations in operating results from quarter to quarter.
5 The Company has investments in General Motors dealerships that are not consolidated. This number includes 100% of vehicles sold by these dealerships in which we have less than 100% investment.

RESULTS FROM OPERATIONS

Third Quarter Operating Results

EBITDA for the three month period ended September 30, 2013 increased by 56.6% to $16.6 million, from $10.6 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 improvements in all four business streams.

The following table illustrates EBITDA for the three month period ended September 30, 2013, for the last three years of operations.

(in thousands of dollars) Period from July 1, 2013 to September 30, 2013	2013	2012	2011
Comprehensive income	10,968	6,806	5,230
Income tax	3,920	2,379	1,646
Depreciation	1,599	1,140	1,046
Long term debt	120	267	296
EBITDA	16,607	10,592	8,218

The following table illustrates EBITDA for the nine month period ended September 30, 2013, for the last three years of operations.

(in thousands of dollars) Period from January 1, 2013 to September 30, 2013	2013	2012	2011
Comprehensive income	28,613	17,630	13,174
Income tax	10,205	6,036	4,365
Depreciation	4,278	3,193	3,145
Long term debt	490	753	902
EBITDA	43,586	27,612	21,586

Pre-tax earnings increased by $5.7 million or 62.0% to $14.9 million for the three month period ended September 30, 2013 from $9.2 million in the same period of the prior year. Net earnings increased by $4.2 million or 61.8% to a profit of $11.0 million in the third quarter of 2013 from a $6.8 million profit when compared to the prior year. Strong improvements in same store sales and gross profit, as well as the impact of recently completed acquisitions, contributed to the increase in net earnings. Income tax expense increased by $1.5 million to $3.9 million in the third quarter of 2013 from $2.4 million in the same period of 2012 due to the increase in pre-tax earnings.

For the nine month period ended September 30, 2013, pre-tax earnings increased by $15.1 million or 63.7% to $38.8 million from $23.7 million in the same period of the prior year. Net earnings increased by $11.0 million or 62.5% to a profit of $28.6 million in the nine month period ended September 30, 2013 from a $17.6 million profit when compared to the prior year. Income tax expense increased by $4.2 million to $10.2 million in the nine month period ended September 30, 2013 from $6.0 million in the same period of 2012.

Revenues

Revenues for the three and nine month periods ended September 30, 2013 increased by $104.9 million and $234.5 million or 35.1% and 27.8%, respectively, 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 $67.4 million or 35.5% for the three month period ended September 30, 2013 to $257.5 million from $190.1 million in the same period of the prior year, mainly due to an increase in new vehicles sold of 29.5%. 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 $23.2 million or 36.9% for the three month period ended September 30, 2013. Used vehicle sales for the nine month period ended September 30, 2013 increased by $39.7 million or 21.3% when compared to the same period in the prior year. The increase in new and used vehicle retail sales greatly contributed to the increase in finance and insurance revenue, which increased by $5.7 million or 33.5% and $15.9 million or 33.9% in the three month period and the nine month period ended September 30, 2013, respectively. Parts, service and collision repair revenue increased by $8.7 million or 30.4% and $16.8 million or 19.8% for the three and nine month periods ended September 30, 2013, respectively.

Revenues - Same Store Analysis

The following table summarizes the results for the three month period and the nine month period ended September 30, 2013 on a same store basis by revenue source and compares these results to the same period in 2012.

Same Store Revenue and Vehicles Sold

	For the Three Months Ended			For the Nine Months Ended		
(in thousands of dollars)	**September 30, 2013**	**September 30, 2012**	**% Change**	**September 30, 2013**	**September 30, 2012**	**% Change**
Revenue Source						
New vehicles - retail	185,459	148,379	25.0 %	508,888	410,588	23.9 %
New vehicles - fleet	38,149	37,585	1.5 %	122,724	101,267	21.2 %
New vehicles	223,608	185,964	20.2 %	631,612	511,855	23.4 %
Used vehicles - retail	55,845	47,722	17.0 %	155,517	144,992	7.3 %
Used vehicles - wholesale	19,232	12,680	51.7 %	51,064	35,519	43.8 %
Used vehicles	75,077	60,402	24.3 %	206,581	180,511	14.4 %
Finance, insurance and other	19,449	16,389	18.7 %	56,791	45,542	24.7 %
Subtotal	318,134	262,755	21.1 %	894,984	737,908	21.3 %
Parts, service and collision repair	30,459	27,891	9.2 %	89,917	82,604	8.9 %
Total	348,593	290,646	19.9 %	984,901	820,512	20.0 %
New retail vehicles sold	5,108	4,278	19.4 %	14,144	11,866	19.2 %
New fleet vehicles sold	1,306	1,265	3.2 %	4,255	3,547	20.0 %
Used retail vehicles sold	2,550	2,326	9.6 %	7,114	7,063	0.7 %
Total	8,964	7,869	13.9 %	25,513	22,476	13.5 %
Total vehicles retailed	7,658	6,604	13.8 %	21,258	18,929	12.3 %

Same store revenue increased by $57.9 million or 19.9% in the three month period ended September 30, 2013 when compared to the same period in 2012. New vehicle revenues increased by $37.6 million or 20.2% for the third quarter of 2013 over the prior year due to an increase in new vehicle sales of 871 units or 15.7% and an increase in the average revenue per new vehicle sold of $1,313 or 3.9%. Same store new vehicle revenues increased by $119.8 million or 23.4% for the nine month period ended September 30, 2013 over the same period in the prior year due to an increase in new vehicle sales of 2,986 units or 19.4% and an increase in the average revenue per new vehicle sold of $1,119 or 3.4%.

Same store used vehicle revenues increased by $14.7 million or 24.3% for the three month period ended September 30, 2013 over the same period in the prior year due to an increase in used vehicle sales of 224 units or 9.6% and an increase in the average revenue per used vehicle sold of $3,474 or 13.4%. For the nine month period ended September 30, 2013, used vehicle revenues increased by $26.1 million or 14.4% due to an increase in used vehicle sales of 51 units or 0.7% and an increase in the average revenue per used vehicle sold of $3,481 or 13.6%.

Same store parts, service and collision repair revenue increased by $2.6 million or 9.2% for the third quarter of 2013 compared to the prior period and was primarily a result of an increase in overall repair orders completed of 4,553 or 5.9% and an $12 or 3.3% increase in the average revenue per repair order completed. For the nine month period ended September 30, 2013, parts, service and collision repair revenue increased by $7.3 million or 8.9%, mainly due to an increase in overall repair orders completed of 14,204 and a $8 or 2.2% increase in the average revenue per repair order completed.

Same store finance, insurance and other revenue increased by $3.1 million or 18.7% for the three month period ended September 30, 2013 over the same period in 2012. This was due to an increase in the average revenue per unit retailed of $58 or 2.3% and an increase in the number of new and used vehicles retailed of 1,054 units. For the nine month period ended September 30, 2013, same store finance, insurance and other revenue increased by $11.2 million or 24.7% over the same period in 2012 mainly due to an increase in the average revenue per unit retailed of $266 or 11.1% and an increase in the number of new and used vehicles retailed of 2,329 units.

Gross Profit

Gross profit increased by $17.6 million and $41.6 million, or 35.1% and 29.3% respectively, for the three month period and the nine month period ended September 30, 2013 when compared to the same periods 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 $5.0 million or 32.7% for the three month period ended September 30, 2013. The increase in new vehicle gross profit can be attributed to increases in the number of new vehicles sold of 1,676 or 29.5% and average profit per new vehicle sold of $66 or 2.4%. During the three month period ended September 30, 2013, gross profit from used vehicles increased by $2.2 million or 56.3% over the same period in the prior year due to increases in the number of used vehicles sold of 562 or 23.3% and the average gross profit per used vehicle sold of $443 or 26.8%. The Company's finance and insurance gross profit increased by $5.3 million or 34.2% during the third quarter of 2013. This increase can mainly be attributed to increases in the total number of vehicles retailed of 2,138 or 31.3% and the average gross profit per unit retailed of $51 or 2.2%. Parts, service and collision repair gross profit increased by $5.0 million or 32.8% in the third quarter of 2013, due primarily to the increase in the number of repair orders completed of 18,130 or 23.0%.

Gross Profit - Same Store Analysis

The following table summarizes the results for the three month period and the nine month period ended September 30, 2013, on a same store basis by revenue source, and compares these results to the same periods in 2012.

Same Store Gross Profit and Gross Profit Percentage

	For the Three Months Ended					
	Gross Profit			Gross Profit %		
(in thousands of dollars)	September 30, 2013	September 30, 2012	% Change	September 30, 2013	September 30, 2012	Change
Revenue Source						
New vehicles - Retail	17,404	14,874	17.0 %	9.4 %	10.0 %	(0.6)%
New vehicles - Fleet	309	79	291.1 %	0.8 %	0.2 %	0.6 %
New vehicles	17,713	14,953	18.5 %	7.9 %	8.0 %	(0.1)%
Used vehicles - Retail	4,809	3,775	27.4 %	8.6 %	7.9 %	0.7 %
Used vehicles - Wholesale	320	32	900.0 %	1.7 %	0.3 %	1.4 %
Used vehicles	5,129	3,807	34.7 %	6.8 %	6.3 %	0.5 %
Finance and insurance	17,851	14,958	19.3 %	91.8 %	91.3 %	0.5 %
Subtotal	40,693	33,718	20.7 %	12.8 %	12.8 %	- %
Parts, service and collision	16,678	14,710	13.4 %	54.8 %	52.7 %	2.1 %
Total	57,371	48,428	18.5 %	16.5 %	16.7 %	(0.2)%

	For the Nine Months Ended					
	Gross Profit			Gross Profit %		
(in thousands of dollars)	September 30, 2013	September 30, 2012	% Change	September 30, 2013	September 30, 2012	Change
Revenue Source						
New vehicles - Retail	51,596	40,446	27.6 %	10.1 %	9.9 %	0.2 %
New vehicles - Fleet	848	274	209.5 %	0.7 %	0.3 %	0.4 %
New vehicles	52,444	40,720	28.8 %	8.3 %	8.0 %	0.3 %
Used vehicles - Retail	13,367	12,081	10.6 %	8.6 %	8.3 %	0.3 %
Used vehicles - Wholesale	683	40	1,607.5 %	1.3 %	0.1 %	1.2 %
Used vehicles	14,050	12,121	15.9 %	6.8 %	6.7 %	0.1 %
Finance and insurance	52,365	41,482	26.2 %	92.2 %	91.1 %	1.1 %
Subtotal	118,859	94,323	26.0 %	13.3 %	12.8 %	0.5 %
Parts, service and collision	47,003	43,293	8.6 %	52.3 %	52.4 %	(0.1)%
Total	165,862	137,616	20.5 %	16.8 %	16.8 %	- %

Same store gross profit increased by $8.9 million or 18.5% and $28.2 million or 20.5% for the three month period and the nine month period ended September 30, 2013 respectively when compared to the same period in the prior year. New vehicle gross profit increased by $2.8 million or 18.5% in the three month period ended September 30, 2013 when compared to 2012 as a result of an increase in new vehicle sales of 871 units or 15.7% and an increase in the average gross profit per new vehicle sold of $64 or 2.4%. For the nine month period ended September 30, 2013, new vehicle gross profit increased by $11.7 million or 28.8% which can be mainly attributed to an increase in new vehicle sales of 2,986 units or 19.4% and an increase in the average gross profit per new vehicle sold of $209 or 7.9%.

Used vehicle gross profit increased by $1.3 million or 34.7% in the three month period ended September 30, 2013 over the prior year. This was due to increases of $375 in the average gross profit per used vehicle retailed and an increase in the number of used vehicles sold of 224 units. For the nine month period ended September 30, 2013, same store used vehicle gross profits increased by $1.9 million or 15.9% which was mainly due to an increase in the average gross profit per vehicle retailed of $259 or 15.1% and an increase in the number of vehicles retailed of 51 units.

Parts, service and collision repair gross profit increased by $2.0 million or 13.4% in the three month period ended September 30, 2013 when compared to the same period in the prior year as a result of an increase in the number of repair orders completed of 4,553 and an increase in the average gross profit per repair order completed of $13 or 6.8%. For the nine month period ended September 30, 2013, parts, service and collision repair gross profit increased by $3.7 million or 8.6% which can be mainly attributed to an increase in the number of repair orders completed of 14,204 and an increase in the average gross profit per repair order completed of $4 or 2.1%.

Finance and insurance gross profit increased by 19.3% or $2.9 million in the three month period ended September 30, 2013 when compared to the prior year as a result of an increase in the average gross profit per unit sold of $66 and an increase in units retailed of 1,054. For the nine month period ended September 30, 2013, finance and insurance gross profit increased by $10.9 million or 26.2% and can be attributed to an increase in the average gross profit per unit sold of $272 and an increase in units retailed of 2,329.

Operating expenses

Operating expenses increased by 33.1% or $12.7 million during the three month period ended September 30, 2013 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 decreased to 75.5% in the third quarter of 2013 from 76.6% in the same period of the prior year. For the nine month period ended September 30, 2013, operating expenses as a percentage of gross profit decreased to 76.3% from 78.4% 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 September 30, 2013, employee costs increased by $9.2 million to $33.4 million from $24.2 million in the prior year period. Employee costs as a percentage of gross profit increased to 49.3% compared to 48.2% in the same period of the prior year. Employee costs as a percentage of gross profit for the nine month period ended September 30, 2013 increased to 49.7% from 49.3% for the same period in the prior year. Management attributes the increases mainly to an increase in commissions and incentives paid to salespeople based on achieving and exceeding sales targets.

Selling and administrative costs

During the three month period ended September 30, 2013, selling and administrative costs increased by $2.8 million or 27.7% primarily due to the two dealership acquisitions during the third quarter of 2013. Selling and administrative expenses as a percentage of gross profit decreased to 23.8% in the third quarter of 2013 from 26.0% in the comparable period of 2012. For the nine month period ended September 30, 2013, selling and administrative costs as a percentage of gross profit decreased to 24.2% from 26.9% in the same period of the prior year. These decreases are due to less semi-variable costs such as advertising and other fixed costs as a percentage of gross profit.

Facility lease costs

During the three month period ended September 30, 2013, facility lease costs increased by 10.0% to $3.3 million from $3.0 million primarily due to the acquisition of Courtesy Chrysler in the third quarter of 2013. For the nine month period ended September 30, 2013 the Company's facility lease costs have increased by 3.9% due to the acquisition of Courtesy Chrysler.

Amortization

During the three month period ended September 30, 2013, amortization increased to $1.6 million from $1.1 million in the same period of the prior year. For the nine month period ended September 30, 2013, amortization increased to $4.3 million from $3.2 million in the prior year. These increases are a result of the dealership acquisitions that occurred during 2013.

Income from investments in associates

During the three month period and nine month period ended September 30, 2013, the Company earned $0.6 million and $1.4 million, respectively, including acquisition costs, as a result of its investments in Dealer Holdings Ltd. ("DHL") and Green Isle G Auto Holdings Inc. ("Green Isle"). In addition to the income from investments in associates, during the three and nine month periods ended September 30, 2013, the Company also earned $0.05 million and $0.16 million, respectively, in management services revenue from subsidiaries of DHL. The management services agreements are fixed monthly fees charged to the General Motors dealerships from AutoCanada in return for marketing, training, technological support 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. Management is very pleased with the financial results of its investments in associates for the first three quarters of 2013.

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 three month period ended September 30, 2013, finance costs on our revolving floorplan facilities decreased by 30.8% to $1.8 million from $2.6 million in the third quarter of 2012, mainly due to the reduction in interest rates obtained on the changeover to Scotiabank in October of 2012 for financing of inventory. Finance costs on long term indebtedness decreased by $0.15 million in the third quarter of 2013 due to a pooling agreement entered into in early 2013 whereby the Company may offset its cash balances against its revolving term facility in order to reduce the interest costs associated with this facility.

Income Taxes

Income tax expense for the three month period ended September 30, 2013 increased by $1.5 million to $3.9 million from $2.4 million in 2012. For the nine month period ended September 30, 2013, income tax expense increased by $4.2 million from $6.0 million to $10.2 million.

Until December 31, 2009, our previous trust structure was such that current income taxes were passed on to our unitholders. In conjunction with our conversion from a trust to a corporation, we became subject to normal corporate tax rates starting in 2010. The corporate income tax rate applicable to 2010 was approximately 29.0%; however, we did not pay any corporate income tax in 2010 due to the tax deductions available to us and the effect of the deferral of our partnership income.

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 expects income tax to have a more significant effect on our free cash flow and adjusted free cash flow as the Company will now be required to pay current income taxes, as well as, 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 installments for corporate tax. During the first three quarters of 2013, the Company paid $8.5 million of cash taxes which relates to the fiscal 2012 taxation year and installments toward the 2013 taxation year. The payment of cash taxes will have an impact on adjusted free cash flow. Investors are cautioned that income taxes will have a more significant effect on the Company's cash flow in the future, and as a result, prior year levels of adjusted free cash flow will inherently be lowered by cash taxes in the future.

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.

Floorplan costs net of manufacturer interest credits

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 three month period and the nine month period ended September 30, 2013, the floorplan credits earned were $1,972 (2012 - $1,755) and $5,486 (2012 - $4,721), respectively. 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.

Management believes that a comparison of floorplan financing costs to floorplan credits 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 Three Months Ended		For the Nine Months Ended	
(in thousands of dollars)	**September 30, 2013**	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Floorplan financing	1,770	2,645	5,075	7,091
Floorplan credits earned	(1,972)	(1,755)	(5,486)	(4,721)
Net carrying cost of vehicle inventory	(202)	890	(411)	2,370

GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE

The Company operates 32 franchised automotive dealerships, 29 of which are wholly owned, and 3 in which it has an investment with significant influence.

Acquisitions

Grande Prairie Volkswagen

On January 4, 2013, the Company purchased substantially all of the net operating and fixed assets of People's Automotive Ltd. ("Grande Prairie Volkswagen") for cash consideration of $1,981, which was financed by drawing on the Company's facilities with VW Credit Canada Inc. and cash from operations. The purchase of this business complements the Company's Grande Prairie platform. In addition, the Company also purchased dealership land and a building for $1,800.

St. James Audi and Volkswagen

On April 1, 2013, the Company purchased the shares of The St. James Group of Companies ("St. James"), which own and operate two premium brand franchises, Audi and Volkswagen, located in Winnipeg, Manitoba. Total cash consideration paid for St. James was $22.8 million, which includes the land and building which the Company purchased for approximately $9.3 million. The acquisition was financed with cash from operations and the revolving term facility. The Company intends to refinance approximately 65-75% of the land and building by way of mortgage debt in the fourth quarter of 2013. Each of the two franchises is equipped with a six car showroom and is located adjacent to each other on a property owned by St. James. The two franchises share a collision center and service department consisting of 27 service bays. In 2012, the franchises retailed a combined 642 new vehicles and 252 used vehicles.

Courtesy Chrysler Dodge

On July 1, 2013, the Company purchased substantially all of the operating and fixed assets (except real estate) of Courtesy Chrysler Dodge (1987) ("Courtesy Chrysler") located in Calgary, Alberta. Total cash consideration paid for Courtesy Chrysler was $17.2 million. The acquisition was financed with cash from operations and the revolving term facility. The acquisition has been accounted for using the acquisition method. The dealership operates out of three facilities with a total size of approximately 52,000 sq. ft., including a body shop, 27 service bays, and a 10 car showroom. The dealership has been in operation for over 45 years and in 2012 retailed 934 new and 561 used vehicles.

Eastern Chrysler Dodge Jeep Ram

On September 9, 2013, the Company purchased all of the net operating assets and real estate of Eastern Chrysler Plymouth Inc. ("Eastern Chrysler"), located in Winnipeg, Manitoba for total cash consideration of $22.0 million, which includes the land and building purchased for $6.5 million. Included in the total consideration was $5.7 million relating to a rental and lease vehicle portfolio. The Company expects to be able to finance this portfolio in the future. The acquisition was financed using cash from operations and the revolving term facility. The acquisition has been accounted for using the acquisition method. The dealership operates out of a single facility with a total building size of approximately 42,500 square feet, including a service department consisting of 18 service bays, a body shop consisting of 20 service bays, and a six car showroom. The dealership has been in operation for over 66 years and in 2012 retailed 660 new vehicles and 470 used vehicles.

Dealership Investments

Investment in Green Island G Auto Holdings Ltd. ("GIA")

On March 1, 2013, the Company invested a total of $7,057 to acquire an 80% non voting equity interest in Green Island G Auto Holdings Ltd. ("GIA"). GIA is an entity formed between a subsidiary of AutoCanada, Mr. Priestner and other senior managers of the Company. GIA was formed to acquire Peter Baljet Chevrolet Buick GMC.

Patrick Priestner has a 15.0% equity interest in GIA and other senior managers of the Company have a 5.0% equity interest in GIA. To comply with the terms of GM Canada's approval, Patrick Priestner is required to have 100% voting control of GIA. Senior management equity participation in GIA is contingent upon their continued employment with the Company and/or its subsidiaries. The investments in GIA were reviewed and approved by the independent members of AutoCanada's Board of Directors.

Although the Company holds no voting rights in GIA, the Company exercises significant influence by virtue of its ability to appoint one member of the board of directors of GIA and the ability to participate in financial and operating policy decisions of GIA. However, the Company does not have the power to make key decisions or block key decisions due to a casting vote held by the Company's CEO. As a result, the Company has accounted for its investment in GIA under the equity method. There are no guarantees to GIA or significant relationships other than those disclosed in note 12 of the condensed consolidated interim financial statements of the Company for the period ended March 31, 2013.

Although Mr. Priestner controls GIA, the unanimous shareholder agreement contains certain protective rights for AutoCanada's investment in GIA including prohibiting Mr. Priestner, or related parties of Mr. Priestner, from entering into contracts with GIA without the consent of AutoCanada. In addition, the agreement contains a number of protective clauses for AutoCanada that may prevent Mr. Priestner from the ability to dilute the interests of other shareholders, without prior approval of AutoCanada. Since Mr. Priestner has control over the Board of GIA, if any of the protective clauses in the agreement are breached, AutoCanada has the ability to exit from its shareholdings and require GIA or Mr. Priestner to pay AutoCanada for its shares based on the valuation of the shares by an independent chartered business valuator.

On March 1, 2013, GIA acquired the operating assets of Peter Baljet Chevrolet Buick GMC ("Peter Baljet"), located in Duncan, British Columbia. Peter Baljet has been servicing the community of Duncan and Cowichan Valley area of Vancouver Island for over 26 years; and in 2012 sold 416 new vehicles and 372 used vehicles.

As a result of GIA's investment in Peter Baljet, the Company has indirectly acquired an 80% interest in Peter Baljet. Through management services agreements with Peter Baljet, the Company provides the dealership with operating, accounting, sales, parts and service, marketing, and information technology support.

Integration of New Dealerships and Investments

Over the past nine months, the Company's acquisition activity has increased, therefore requiring additional resources to successfully integrate new dealerships. In 2012, the integration efforts for our first two General Motors investments have generated significant returns. Profitability of the investments met our expectations in 2012 and we expect these investments to provide annual pre-tax returns in excess of 20% of original investment in the future as a result of successful integration under our group structure. We will continue to dedicate significant resources to newly acquired dealerships in order to successfully integrate acquisitions in an efficient manner. As noted in our same store analysis, we expect acquisitions to take between one to two years in order to meet our expected return on investment. As a result, we expect to incur additional selling and administrative costs in the future in order to successfully integrate new dealerships under the model. The dealership acquisitions that we have made in 2013 have been performing well and management is very pleased with the progress made.

Future Acquisition Opportunities

The Company is very pleased with the continued exceptional performance of its manufacturer partners. Management and the Company have great relationships with our current manufacturer partners and believe that if we can continue to perform well, we can build upon our current brand portfolios and hopefully gain the acceptance of other new manufacturers over time.

The Company continues to experience a greater than usual number of expressions of interest in acquisitions than in the past as a result of an increase in prospective sellers and our expanded brand portfolio. The Company continues to provide guidance on its acquisition outlook as noted in the Company's outlook, located further in this document.

Management believes that the Company has a structure in place that is scalable to allow for the increase in acquisition activity; however the Company does expect to incur some additional administrative and legal costs as the Company adds additional dealerships.

Equity Offering

During the quarter ended June 30, 2013, the Company completed a public offering of common shares. The Company issued 1,840,000 common shares from treasury at a price of $25.00 per share for net proceeds of $43.8 million after deducting $2.2 million of transaction costs from gross proceeds of the offering. The equity offering allowed the Company to reduce its revolving term facility, which provided the Company with further liquidity for dealership acquisitions completed in the third quarter.

Land Sale

On July 26, 2013, the Company sold a piece of land that was previously held for future dealership operations for proceeds of $3.2 million. The Company previously purchased the land in a bid for an open point opportunity which it was unsuccessful in obtaining. The Company is pleased to have sold the land for the same amount that it had been purchased resulting in no gain or loss on the sale.

Three Year Capital Plan Update

During the third quarter of 2013, Management updated its three year capital plan.

Dealership Relocations

Management estimates the total capital requirements of dealership relocations to be approximately $51.4 million with expected completion by the middle of fiscal 2016. Management expects to finance the relocations with a combination of mortgage debt, revolver debt and cash from operations. Management expects the non-mortgage debt financing requirement related to these relocations to be approximately $14 million, the majority of which would be incurred in fiscal 2014 as typically the land purchases associated with dealership relocations are not financed, however construction costs are typically financed throughout the term of the construction project.

Current Dealership Expansion Needs

The Company has identified approximately $8.5 million in capital costs that it may incur in order to expand four of its current locations, including the Kia open point in Edmonton. Of these costs, Management believes it can finance approximately $1.5 million utilizing mortgage debt. The remainder of these costs will be financed through a combination of revolver debt and cash from operations.

Open Point Opportunities

Management regularly reviews potential open point opportunities. If successful in being awarded these opportunities, Management would estimate additional capital costs in order to construct suitable facilities for 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 over the next two years.

Relocation of dealerships

Relocation of Northland Chrysler Jeep Dodge and Northland Nissan

In the second quarter of 2013, the Company completed the purchase of land in Prince George, British Columbia for approximately $5.2 million which it will use to relocate its Northland Chrysler Jeep Dodge Ram dealership. The expected total project cost including land is $18 million of which it expects to finance $12.5 million using mortgage financing. The Northland Chrysler Jeep Dodge Ram dealership has outgrown its current facility, as the dealership has frequently been in competition as one of the highest volume Chrysler Jeep Dodge Ram dealerships in the country and thus requires a larger facility to service its expanding customer base over the long term by adding additional service bays, a larger lot for the display of inventory and in particular used inventory. We expect to begin construction of the new facility in the fourth quarter of 2013 with an expected completion date in 2014.

Once the Company has successfully relocated its Northland Chrysler Jeep Dodge Ram dealership, we intend to renovate the building and relocate our Northland Nissan dealership to operate out of the current Northland Chrysler Jeep Dodge Ram facility. We believe that this facility, which is better situated and larger than Northland Nissan's current facility, will result in increased sales and profitability. We would expect the Northland Nissan relocation to be completed in late 2014 or early 2015.

Relocation of dealerships provides long-term earnings sustainability and is necessary to meet Manufacturer facility requirements and further Manufacturer relationships. Historically, the relocation of our dealerships has resulted in significant improvements in revenues and overall profitability.

Real estate purchase

On March 26, 2013, the Real Estate Committee, comprised of independent members of the Board of Directors, completed its evaluation of the purchase of dealership real estate owned by subsidiaries of Canada One Auto Group. On November 5, 2013, the Company announced that it has signed an Asset Purchase Agreement to purchase the eleven dealership properties that it currently leases from COAG. The transaction is expected to close within five business days of the announcement with an effective purchase date of October 31, 2013. The total purchase price of $57.8 million, plus transaction costs and taxes, will be fully debt financed.

The Company estimates annual adjusted free cash flow accretion of $0.10 to $0.12 per share and earnings per share accretion of $0.02 to $0.04 per share as a result of the transaction; based on the Company's current cost of capital and assuming no changes in market rates or assumptions. The purchase of the real estate will have no impact on general repairs and maintenance expense, insurance or property taxes associated with the buildings as the tenant is currently responsible for these expenses under the current lease agreements.

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 equity offering during the second quarter in order to replenish its capital in order to capitalize on future dealership acquisition opportunities. Management believes that under a high growth scenario, cash generated from operating activities may not be sufficient to meet future capital needs. As such, the Company may be required to seek additional capital in the form of debt or equity if significant growth opportunities continue to arise.

The Company has been working with its lenders to increase its revolving term facility and refinance various owned properties. The Company also 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 September 30, 2013 is as follows:

- The Company has approximately $46.4 million in working capital. At September 30, 2013, the Company's aggregate net manufacturer working capital requirements were $43.8 million. As such, the Company has approximately $2.6 million in cash available for growth expenditures.
- The Company has drawn $25.0 million on its $45.0 million revolving term facility. This facility may be increased to $50.0 million, subject to credit approval of the lender. The Company has also obtained a $20.0 million acquisition facility to be used to finance future dealership acquisitions, which results in approximately $45.0 million available for further growth expenditures.
- The Company also has a $5.0 million capital lease line which it may utilize for future capital expenditures whereby it may finance the equipment at its current dealerships or future dealership acquisitions.
- The Company is currently in the process of refinancing various properties in which it currently owns. As a result, we believe the Company may have access to approximately $10.3 million as a result of such initiatives.

As a result of the above initiatives, the Company currently has approximately $62.9 million in available liquidity, not including future retained cash from operations. The Company believes that its available liquidity is sufficient to complete its current capital expenditure commitments. The Company regularly reviews it capital requirements and shall at such time as acquisition opportunities or other capital expenditures arise, review its capital structure and seek such additional sources of capital which are in the best interests of the Company at that time. .

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Company for the three month period ended September 30, 2013 was $7.8 million (cash provided by operating activities of $15.2 million less net decrease in non-cash working capital of $7.4 million) compared to $9.2 million (cash provided by operating activities of $10.0 million less net decrease in non-cash working capital of $0.8 million) in the same period of the prior year.

Cash Flow from Investing Activities

For the three month period ended September 30, 2013, cash flow from investing activities of the Company was a net outflow of $25.8 million as compared to a net outflow of $9.2 million in the same period of the prior year. In the third quarter of 2013, the Company paid approximately $38.8 million to acquire Courtesy Chrysler and Eastern Chrysler. In negotiation of its credit facilities, the Company was also able to remove a $10 million restriction of its cash in its revolving floorplan facilities.

Cash Flow from Financing Activities

For the three month period ended September 30, 2013, cash flow from financing activities was a net inflow of $20.9 million as compared to $3.0 million in the same period of 2012. The increase was primarily due to the $25.0 million draw on its HSBC Revolver during the third quarter of 2013 which was used to finance acquisitions.

Economic Dependence

As stated in Note 5 of the condensed interim consolidated financial statements for the period ended September 30, 2013, the Company has significant commercial and economic dependence on Chrysler Canada. As a result, the Company is subject to significant risk in the event of the financial distress of Chrysler Canada, one of our major vehicle manufacturers and parts suppliers. Details of this relationship and balances of assets with Chrysler Canada are described in Note 5 of the condensed interim consolidated financial statements.

Credit Facilities and Floor Plan Financing

Other than as described below, there have been no changes to credit facilities or our floorplan financing facilities since described in the annual management discussion and analysis for the year ended December 31, 2012, which is available on SEDAR (www.sedar.com).

On November 5, 2013, in conjunction with the signing of the real estate asset purchase agreement with COAG, the Company announced that it has entered into a Credit Agreement with HSBC Bank Canada ("HSBC") and Alberta Treasury Branches ("ATB"), with HSBC acting as administrative agent to the Credit Agreement. The Credit Agreement provides the Company with the following facilities:

- a $50,000 revolving operating facility that may be used for ongoing working capital and general corporate purposes, including acquisitions;
- a $20,000 revolving acquisition facility that may be used for the acquisition of auto dealerships and associated real estate; and
- a $60,000 non-revolving term facility that may be used to purchase owner occupied real estate, refinance existing real estate and to fund construction costs of new dealerships.

During the quarter ended September 30, 2013, the Company completed a $350,000 syndicated floorplan credit facility (the "Facility") with The Bank of Nova Scotia ("Scotiabank") and the Canadian Imperial Bank of Commerce ("CIBC") with Scotiabank serving as administrative agent to the Facility. The Facility can be expanded to $450,000 in total availability upon credit approval of the syndicate of lenders. The Facility bears a rate of Bankers' Acceptance plus 1.15% (2.37% as at September 30, 2013) per annum. The financial covenants and repayment terms of the Facility remain consistent with the Company's previous floorplan facility with Scotiabank. As a result of the new agreement, the Company is no longer required to maintain a restricted cash balance of $10,000.

The revolving floorplan facilities ("VCCI facilities") are available to the Company from VW Credit Canada, Inc. ("VCCI") 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 = 3.00% at September 30, 2013). The maximum amount of financing provided by the VCCI facilities is $29,770. 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.

HSBC Bank Canada ("HSBC") provides the Company with various credit facilities (the "HSBC Credit Facilities") with total credit availability of $70,000. The Company has been provided a committed, extendible revolving term loan (the "HSBC Revolver") of $45,000 that may be increased to $50,000 subject to credit approval by HSBC. The HSBC Revolver bears interest at HSBC's Prime Rate plus 0.75% (3.75% at September 30, 2013) or Bankers' Acceptance Rate plus 2.25% (3.45% at September 30, 2013). The Company has also been provided an acquisition facility (the "Acquisition Facility") in the amount of $20,000 that provides assistance for future dealership acquisitions. The Acquisition Facility bears interest at HSBC Prime Rate plus 2.00% (5.00% at September 30, 2013) or Bankers' Acceptance Rate plus 3.25% (4.45% at September 30, 2013). The Company is also provided with an evergreen lease line (the "Capital Lease Line") in the amount of $5,000 which may be used to finance capital asset purchases for its dealerships. The Capital Lease Line bears interest at rates determined by HSBC when amounts are drawn. The HSBC Credit Facilities' maturity date is June 30, 2015 and may be extended annually for an additional 365 days at the request of the Company and upon approval by HSBC. The HSBC Revolver is collateralized by all of the present and future assets of the subsidiaries of AutoCanada Inc. As part of a priority agreement signed by HSBC, Scotiabank, VCCI, and the Company, the collateral for the HSBC Credit Facilities excludes all new, used and demonstrator inventory financed with the Scotiabank and VCCI revolving floorplan facilities.

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 financial covenants as at September 30, 2013:

Financial Covenant	Requirement	Actual Calculation
Funded Debt to EBITDA	Shall not exceed 2.25:1.00	0.61
Adjusted debt to EBITDAR	Shall not exceed 4.50:1.00	2.42
Debt Service Coverage Ratio	Shall not be less than 1.20	2.27
Tangible Net Worth	Shall not drop below $60 million	$115 million

As at September 30, 2013, 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 21 of the annual audited consolidated financial statements for the year ended December 31, 2012. There have been no significant changes to the Company's financial instruments since that time.

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)	July 1, 2013 to September 30, 2013	January 1, 2013 to September 30, 2013
Leasehold improvements	182	582
Machinery and equipment	162	664
Furniture and fixtures	10	112
Computer equipment	161	641
Company & lease vehicles	93	171
	608	2,170

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 three month period and the nine month period ended September 30, 2013, growth capital expenditures of $0.1 million and $5.3 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. 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)	July 1, 2013 to September 30, 2013	January 1, 2013 to September 30, 2013
Purchase of property and equipment from the Statement of Cash Flows	677	7,437
Less: Amounts related to the expansion of sales and service capacity	(69)	(5,267)
Purchase of non-growth property and equipment	608	2,170

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 and nine month periods ended September 30, 2013, were $0.7 million and $2.0 million (2012 - $0.6 million and $1.8 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" above.

Contractual Obligations

The Company has operating lease commitments, with varying terms through 2029, 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)	$
2013	1,312
2014	6,546
2015	6,191
2016	6,077
2017	5,296
Thereafter	57,101
Total	82,523

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 21 – Financial Instruments of the Company's annual consolidated financial statements.

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2012 and December 31, 2011, as well as unaudited balances of the Company at September 30, 2013, June 30, 2013, March 31, 2013, September 30, 2012, June 30, 2012, and March 31, 2012:

(in thousands of dollars)	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Cash and cash equivalents	37,940	45,058	51,975	44,471	54,255	51,198	53,403	53,641
Trade and other receivables	62,105	69,136	57,144	47,944	54,148	52,042	51,364	42,448
Inventories	236,351	232,249	217,246	199,117	194,015	201,188	155,694	137,017
Assets	530,406	504,434	454,850	410,359	420,077	414,031	361,221	334,371
Revolving floorplan facilities	228,526	246,325	225,387	203,525	212,840	221,174	178,145	150,816
Non-current debt and lease obligations	33,647	8,744	40,340	23,937	26,039	23,027	20,071	20,115

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At September 30, 2013, the aggregate of net working capital requirements was approximately $43.8 million. At September 30, 2013, 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 interim consolidated financial statements. At September 30, 2013, the Company had aggregate working capital of approximately $46.4 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 up funds.

Off Balance Sheet Arrangements

The Company has not entered into any material off balance sheet arrangements.

Related Party Transactions

Note 21 of the condensed interim consolidated financial statements of the Company for the period ended September 30, 2013 summarize the transactions between the Company and its related parties. These transactions are prepayments of rent, rents paid to companies with common ownership, management and directors and management fees.

Administrative support fees

The Company currently earns administrative support fees from companies controlled by the CEO 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.

Management services agreements

The Company currently earns management services fees from companies in which AutoCanada has significant influence. The management services agreements are fixed monthly fees charged to subsidiaries of DHL and Green Isle from AutoCanada in return for marketing, training, technological support and accounting support provided to the dealerships. 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. Management believes that, as a result of the support provided, the dealerships have improved in sales volumes and profitability since being acquired by DHL and Green Isle. The services provided also allow both the dealerships and AutoCanada to share in savings as a result of negotiating group rates on services such as advertising and purchasing.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and have been reviewed and approved by the independent members of our Board of Directors and where considered necessary are supported by independent appraisals.

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 2013 (in thousands of dollars):

Record date	Payment date	Declared $	Paid $
February 28, 2013	March 15, 2013	3,579	3,579
May 31, 2013	June 17, 2013	3,777	3,777
August 30, 2013	September 16, 2013	4,344	4,344

On November 7, 2013, the Board declared a quarterly eligible dividend of $0.21 per common share on AutoCanada's outstanding Class A common shares, payable on December 16, 2013 to shareholders of record at the close of business on November 29, 2013. The quarterly eligible dividend of $0.21 represents an annual dividend rate of $0.84 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 unit and per unit amounts)	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Cash provided by operating activities	9,718	3,508	6,569	9,235	1,760	6,125	14,391	7,787
Deduct:								
Purchase of property and equipment	(718)	(361)	(410)	(511)	(858)	(590)	(892)	(608)
Free cash flow (1)	9,000	3,147	6,159	8,724	902	5,535	13,499	7,179
Weighted average shares outstanding at end of period	19,880,930	19,880,930	19,876,139	19,804,014	19,802,847	19,802,048	20,346,713	21,638,882
Free cash flow per share	0.453	0.158	0.310	0.441	0.046	0.280	0.663	0.332
Free cash flow - 12 month trailing	27,073	26,984	28,463	27,030	18,932	21,320	28,660	27,115

[1] These financial measures are 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 nine month periods ended September 30, 2013 and September 30, 2012:

(in thousands of dollars)	January 1, 2013 to September 30, 2013	January 1, 2012 to September 30, 2012
Trade and other receivables	(11,310)	(11,700)
Inventories	1,294	(58,254)
Prepaid expenses	(569)	(674)
Trade and other payables	13,160	3,234
Lease vehicle repurchase obligations	351	660
Revolving floorplan facilities	(9,674)	62,024
	(6,748)	(4,710)

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 unit and per unit amounts)	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Cash provided by operating activities before changes in non-cash working capital	7,799	4,510	9,609	10,029	9,435	5,564	14,258	15,234
Deduct:								
Purchase of non-growth property and equipment	(407)	(361)	(366)	(511)	(457)	(573)	(892)	(608)
Adjusted free cash flow (1)	7,392	4,149	9,243	9,518	8,978	4,991	13,366	14,626
Weighted average shares outstanding at end of period	19,880,930	19,880,930	19,876,139	19,804,014	19,802,947	19,802,048	20,346,713	21,638,882
Adjusted free cash flow per share	0.372	0.209	0.465	0.481	0.453	0.252	0.657	0.676
Free cash flow - 12 month trailing	27,718	28,217	28,572	30,302	31,888	32,730	36,853	41,961

[1] These financial measures are 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 nine month period ending September 30, 2013, the Company paid approximately $8.5 million in corporate income taxes and tax installments. Accordingly, this reduced our adjusted free cash flow by this amount. The Company expects the payment of corporate income taxes to have a more significant negative affect on free cash flow and adjusted free cash flow. See "RESULTS FROM OPERATIONS – Third 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 unit and per unit amounts)	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
EBITDA (1)	7,553	6,809	10,212	10,592	10,276	10,511	16,463	16,607
Deduct:								
Depreciation	(1,106)	(1,025)	(1,028)	(1,140)	(1,118)	(1,189)	(1,490)	(1,599)
EBIT (1)	6,447	5,784	9,184	9,452	9,158	9,322	14,973	15,008
Average long-term debt	24,282	23,873	25,276	30,390	31,007	36,293	28,871	25,725
Average shareholder's equity	102,383	113,794	116,050	119,390	122,877	126,188	152,983	181,576
Average capital employed (1)	126,665	137,667	141,326	149,780	153,884	162,481	181,854	207,301
Return on capital employed (1)	5.1 %	4.2 %	6.5 %	6.3 %	6.0 %	5.7 %	8.2 %	7.2 %
Comparative adjustment (2)	(15,376)	(15,376)	(15,376)	(15,376)	(15,376)	(15,542)	(15,542)	(15,542)
Adjusted average capital employed (2)	120,766	122,291	125,950	134,404	138,508	146,939	166,312	191,759
Adjusted return on capital employed (2)	5.3 %	4.7 %	7.3 %	7.0 %	6.6 %	6.3 %	9.0 %	7.8 %
Adjusted return on capital employed - 12 month trailing				22.8 %				29.7 %

[1] These financial measures are identified and defined under the section "NON-GAAP MEASURES".
[2] 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, 2012.

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 September 30, 2013. 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, 2015.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2013, there were no changes in the Company's disclosure controls or internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

OUTLOOK

The outlook regarding vehicle sales in Canada is difficult to predict. New light vehicle unit sales in Canada are expected to increase by 2.6 percent in 2013 as compared to the prior year.

New Vehicle Sales Outlook by Province *

	1994 - 2005 (Average)	2006 - 2009 (Average)	2010	2011	2012	2013F
Canada	**1,446**	**1,592**	**1,557**	**1,589**	**1,677**	**1,720**
Atlantic	**102**	**117**	**122**	**119**	**126**	**128**
Central	**936**	**983**	**990**	**997**	**1,034**	**1,047**
Quebec	366	406	414	408	416	415
Ontario	570	577	576	589	618	632
West	**408**	**492**	**445**	**473**	**517**	**545**
Manitoba	42	44	44	47	50	55
Saskatchewan	36	44	46	50	55	58
Alberta	166	225	200	218	239	255
British Columbia	164	179	155	158	173	177

* Includes cars and light trucks

Source: Scotia Economics - Global Auto Report, October 10, 2013

The Canadian new vehicle market continues to perform well. New vehicle sales in Canada are expected to perform at near record levels in 2013 and continue at a strong pace in 2014. Management believes that at the expected Canadian auto sales levels above 1.7 million units, the Company is well positioned for strong performance as new vehicle sales typically drive sales of other higher margin opportunities such as parts and service, as well as, finance and insurance revenues.

As previously noted, the Company has begun to experience a significant increase in acquisition opportunities. Over the past 24 months, the Company has obtained approval for five new brands, completed ten dealership acquisitions and was awarded one open point opportunity. As for the future, it appears to Management that the Canadian dealership succession issue, which Management previously thought would be in the 2-5 year range, is beginning to materialize, and as such Management believes that it is well positioned to play the role that it has long sought as a consolidator and looks to add an additional three to six dealerships over the coming 18 months.

Regarding dividends, the Board of Directors remain committed to providing investors with an attractive dividend which it continues to review on a regular basis in the context of a number of factors, including acquisition opportunities. The Company has raised its dividend for eleven consecutive quarters.

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 2012 Annual Information Form dated March 26, 2013 available on the SEDAR website at www.sedar.com.

ADDITIONAL RISK FACTORS

In addition to the usual restrictions Manufacturers place on franchisees pursuant to their franchise agreements (see "Risk Factors" in our 2012 Annual Information Form dated March 26, 2013 available on the SEDAR website at www.sedar.com"), some Manufacturers the Company currently represent have placed change of control, sale of business and other like restrictions on the Company (see "Restrictions on Ownership Thresholds and the Sale of AutoCanada's Business" in our 2012 Annual Information Form dated March 26, 2013 available on the SEDAR website at www.sedar.com.). In the case of the Company's recent investments in GM Canada dealerships (see "Growth, Acquisitions, Relocations and Real Estate"), GM Canada requires Mr. Pat Priestner, CEO of the Company, to purchase a 15% equity interest, and have 100% voting control of GM dealerships. Chrysler Canada imposes minimum shareholdings requirements of Mr. Priestner. In the result, under the Company's current share structure, whereby Mr. Priestner and senior management control less than 51% of the votes of the Company, the success and ability of the Company to grow with GM brands and possibly other brands is dependent upon the efforts, abilities, and continued willingness of senior management, and, in particular, Mr. Priestner, to invest personally in such brands. In addition to Mr. Priestner's continued willingness to invest personally in such brands, the retention of Mr. Priestner in the Company is critical to our current ability to invest in future GM dealerships and is, in general, another risk factor that could materially impact our results and ability to grow.

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;
- intentions to refinance a portion of the land and building related to the St. James Audi and Volkswagen acquisition with mortgage debt;
- expectations to finance the rental and lease vehicle portfolio related to the Eastern Chrysler acquisition;
- expectations and future plans regarding our current and other potential GM acquisitions;
- expectations of acquisitions to take between one to two years to meet our expected return on investment;
- 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;
- commitments by the Company's CEO to continue to personally invest in GM dealerships to facilitate the Company's intention to grow its portfolio of 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;
- estimates and expectations regarding the potential real estate purchase;
- 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;
- beliefs, expectations, and the effects of less frequent dividend reviews;
- 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; and
- management's assumptions and expectations over the future economic and general outlook.

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 or the political, economic and social stability of the jurisdictions in which we operate;
- no significant construction delays that may adversely affect the timing of dealership relocations and open points;
- 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; and
- stability of general domestic economic, market, and business conditions

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;
- 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
- the ability to obtain automotive manufacturers' approval for acquisitions;

The Company's 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 charges 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.

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.

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 floor plan 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.