May 8, 2014

Attention Business/Financial Editors:

AutoCanada Inc. announces strong results for the quarter ended March 31, 2014:

A conference call to discuss the results for the reporting period ended March 31, 2014 will be held on May 9, 2014 at 11:00 a.m. Eastern time (9:00 a.m. Mountain time). To participate in the conference call, please dial 1-888-231-8191 or (647) 427-7450 approximately 10 minutes prior to the call. A live and archived audio webcast of the conference call will also be available on the Company's website www.autocan.ca.

EDMONTON, Alberta, May 8, 2014/CNW - AutoCanada Inc. (the "Company" or "AutoCanada") (TSX: ACQ) today announced financial results for the reporting period ended March 31, 2014.

2014 First Quarter Highlights

- Revenue increased 28.2% or $80.2 million to $364.3 million
- Gross profit increased by 24.1% or $12.3 million to $63.5 million
- Adjusted EBITDA increased by 40.2% or $4.3 million to $15.0 million
- EBITDA increased 36.8% to $14.5 million from $10.6 million in Q1 of 2013
- Pre-tax earnings increased by $2.1 million or 23.1% to $11.2 million
- Adjusted net earnings increased by $1.8 million or 26.1% to $8.7 million
- Net earnings increased by $1.5 million or 22.1% to $8.3 million
- Adjusted net earnings per share increased by 14.3% to $0.40 from $0.35
- Earnings per share increased by 11.0% to $0.383 from $0.345
- Same store revenue increased by 13.0%
- Same store gross profit increased by 8.1%
- Same store new vehicle retail revenue increased by 8.5%
- Same store used vehicles retail revenue increased by 21.6%
- Same store parts, service and collision repair revenue increased by 12.8%

In commenting on the financial results for the three month period ended March 31, 2014, Pat Priestner, Chairman and Chief Executive Officer of AutoCanada Inc., stated that, "We are very pleased with our first quarter operating results. The improved operating results in our used vehicle departments and our parts, service and collision repair departments on a same store basis more than offset what we would consider to be a slightly weaker than expected quarter for new vehicle sales and new vehicle margins. We give credit to our exceptional dealership teams for consistently exceeding the market and the strong performance in all four departments."

With respect to acquisitions completed during the quarter, Mr. Priestner further stated, "We are very excited about the recent investments in Saskatoon Motors Products and Mann-Northway Auto Source, both located in Saskatchewan, a province in which our Company would like to expand. We are also very pleased with the recently announced investment in McNaught Cadillac Buick GMC in Winnipeg, Manitoba, which provides us the opportunity to build upon our ever expanding Winnipeg platform."

"We are also very excited to have announced the signing of purchase agreements for a dealer group, as well as purchase agreements for additional unrelated dealerships outside of the dealer group. In total, we have signed purchase agreements for eight additional dealerships, which we expect to close by August 1, 2014, subject to manufacturer approval." Mr. Priestner further stated with respect to future acquisition opportunities.

Mr. Priestner also commented on the increase in dividend, "In keeping with the current dividend strategy and remaining committed to providing shareholders with appropriate dividend growth, the Board has decided to raise the quarterly dividend for the thirteenth consecutive quarter to $0.23 per share or $0.92 per share on an annualized basis."

First Quarter 2014 Highlights

- The Company generated net earnings of $8.3 million or earnings per share of $0.383 versus earnings per share of $0.345 in the first quarter of 2013. Pre-tax earnings increased by $2.1 million to $11.2 million in the first quarter of 2014 as compared to $9.1 million in the same period in 2013.
- Same store revenue increased by 13.0% in the first quarter of 2014, compared to the same quarter in 2013. Same store gross profit increased by 8.1% in the first quarter of 2014, compared to the same quarter in 2013.
- Revenue from existing and new dealerships increased 28.2% to $364.3 million in the first quarter of 2014 from $284.1 million in the same quarter in 2013.
- Gross profit from existing and new dealerships increased 24.1% to $63.5 million in the first quarter of 2014 from $51.1 million in the same quarter in 2013.
- EBITDA increased 36.8% to $14.5 million in the first quarter of 2014 from $10.6 million in the same quarter in 2013.
- Free cash flow increased to $7.8 million in the first quarter of 2014 or $0.36 per share as compared $5.5 million or $0.28 per share in the first quarter of 2013.
- Adjusted free cash flow increased to $7.3 million in the first quarter of 2014 or $0.34 per share as compared to $5.0 million or $0.25 per share in 2013.
- Adjusted return on capital employed decreased to 4.1% in the first quarter of 2014 as compared to 6.4% in 2013.
- Adjusted return on capital employed on a trailing 12 month basis of 25.1% as compared to 27.6% at March 31, 2013.

Dividends

Management reviews the Company's financial results on a monthly basis. The Board of Directors reviews the financial results on a quarterly basis, or as requested by Management, and determine whether a dividend shall be paid based on a number of factors.

The following table summarizes the dividends declared by the Company in 2014:

(In thousands of dollars)

Record date	Payment date	Total Declared $	Total Paid $
February 28, 2014	March 17, 2014	4,760	4,760

On May 8, 2014, the Board declared a quarterly eligible dividend of $0.23 per common share on AutoCanada's outstanding Class A common shares, payable on June 16, 2014 to shareholders of record at the close of business on May 30, 2014. The quarterly eligible dividend of $0.23 represents an annual dividend rate of $0.92 per share.

Eligible dividend designation

For purposes of the enhanced dividend tax credit rules contained in the Income Tax Act (Canada) (the "ITA") and any corresponding provincial and territorial tax legislation, all dividends paid by AutoCanada or any of its subsidiaries in 2010 and thereafter are designated as "eligible dividends" (as defined in 89(1) of the ITA), unless otherwise indicated. Please consult with your own tax advisor for advice with respect to the income tax consequences to you of AutoCanada Inc. designating dividends as "eligible dividends".

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 %)	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Income Statement Data								
New vehicles	186,560	190,065	159,026	174,279	254,261	257,222	197,097	216,524
Used vehicles	62,822	62,816	57,260	62,656	77,113	85,975	75,137	85,969
Parts, service and collision repair	28,915	28,488	29,920	29,515	34,456	37,104	41,267	40,724
Finance, insurance and other	16,139	16,775	14,928	17,601	22,555	22,530	20,272	21,047
Revenue	294,436	298,144	261,134	284,051	388,385	402,831	333,773	364,264
New vehicles	14,684	15,556	15,527	16,039	20,792	20,694	18,326	17,813
Used vehicles	4,238	4,004	3,637	3,789	5,794	6,240	4,450	5,551
Parts, service and collision	15,298	15,133	15,418	15,232	17,586	20,114	20,822	20,593
Finance and insurance	14,842	15,428	13,785	16,079	20,676	20,666	18,735	19,514
Gross profit	49,062	50,121	48,367	51,139	64,848	67,714	62,333	63,471
Gross Profit %	16.7%	16.8%	18.5%	18.0%	16.7%	16.8%	18.7%	17.4%
Operating expenses	37,659	38,361	37,739	40,353	48,639	51,080	48,447	50,401
Operating exp. as a % of gross profit	76.8%	76.5%	78.0%	78.9%	75.0%	75.4%	77.7%	79.4%
Finance costs - floorplan	2,622	2,745	1,859	1,675	1,888	1,903	1,887	1,965
Finance costs - long term debt	239	250	257	237	218	163	388	764
Reversal of impairment of intangibles	-	-	(222)	-	-	-	(746)	-
Income from investments in associates	83	130	255	201	648	555	836	893
Income tax	2,216	2,379	2,540	2,309	3,976	3,920	3,490	2,881
Net earnings (4)	6,712	6,806	6,606	6,822	10,823	10,968	9,553	8,296
EBITDA (1)(4)	10,195	10,575	10,299	10,557	16,532	16,626	14,754	14,453
Basic earnings (loss) per share	0.338	0.344	0.334	0.345	0.532	0.507	0.441	0.383
Diluted earnings per share	0.338	0.344	0.334	0.345	0.532	0.507	0.441	0.383
Operating Data								
Vehicles (new and used) sold	8,154	8,087	6,703	7,341	10,062	10,325	8,046	8,766
Vehicles (new and used) sold including GM (5)	8,557	8,783	7,378	8,123	11,399	11,405	9,209	9,945
New vehicles sold including GM (5)	5,964	6,178	4,956	5,665	8,246	8,023	6,090	6,570
New retail vehicles sold	4,400	4,410	3,982	4,118	5,487	5,986	4,932	4,773
New fleet vehicles sold	1,313	1,265	549	1,036	1,923	1,365	552	1,132
Used retail vehicles sold	2,441	2,412	2,172	2,187	2,652	2,974	2,562	2,861
Number of service & collision repair orders completed	78,104	78,944	78,001	77,977	93,352	97,074	95,958	91,999
Absorption rate (2)	81%	89%	89%	85%	82%	90%	90%	85%
# of wholly-owned dealerships at period end	24	24	24	25	27	29	28	28
# of wholly-owned same store dealerships (3)	21	21	22	22	22	22	21	23
# of service bays at period end	333	333	333	341	341	388	381	381
Same store revenue growth (3)	2.4%	8.0%	7.4%	12.9%	26.2%	19.9%	8.9%	13.0%
Same store gross profit growth (3)	7.1%	7.9%	11.9%	16.9%	25.8%	18.5%	9.2%	8.1%
Balance Sheet Data								
Cash and cash equivalents	51,198	54,255	34,471	41,991	35,058	38,034	35,113	41,541
Restricted cash	-	-	10,000	10,000	10,000	-	-	-
Trade and other receivables	52,126	54,148	47,993	64,719	69,714	62,098	57,662	69,747
Inventories	201,662	194,438	199,085	217,663	232,837	237,421	278,062	261,764
Revolving floorplan facilities	221,174	212,840	203,525	225,387	246,325	228,526	264,178	261,263

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.

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

Same Store Revenue and Vehicles Sold

	For the Three Months Ended		
(in thousands of dollars)	**March 31, 2014**	**March 31, 2013**	**% Change**
Revenue Source			
New vehicles - retail	152,764	140,819	8.5%
New vehicles - fleet	35,358	29,336	20.5%
New vehicles	188,122	170,155	10.6%
Used vehicles - retail	56,319	46,318	21.6%
Used vehicles - wholesale	18,282	15,170	20.5%
Used vehicles	74,601	61,488	21.3%
Finance, insurance and other	18,275	17,041	7.2%
Subtotal	280,998	248,684	13.0%
Parts, service and collision repair	32,057	28,430	12.8%
Total	313,055	277,114	13.0%
New retail vehicles sold	4,115	4,018	2.4%
New fleet vehicles sold	1,044	1,027	1.7%
Used retail vehicles sold	2,447	2,145	14.1%
Total	7,606	7,190	5.8%
Total vehicles retailed	6,562	6,163	6.5%

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

Same Store Gross Profit and Gross Profit Percentage

	For the Three Months Ended					
	Gross Profit			**Gross Profit %**		
(in thousands of dollars)	**March 31, 2014**	**March 31, 2013**	**% Change**	**March 31, 2014**	**March 31, 2013**	**Change**
Revenue Source						
New vehicles - Retail	15,724	15,522	1.3%	10.3%	11.0%	(0.7)%
New vehicles - Fleet	19	120	(84.2)%	0.1%	0.4%	(0.3)%
New vehicles	15,743	15,642	0.6%	8.4%	9.2%	(0.8)%
Used vehicles - Retail	4,303	3,375	27.5%	7.6%	7.3%	0.3%
Used vehicles - Wholesale	695	351	98.0%	3.8%	2.3%	1.5%
Used vehicles	4,998	3,726	34.1%	6.7%	6.1%	0.6%
Finance and insurance	16,779	15,566	7.8%	91.8%	91.3%	0.5%
Subtotal	37,520	34,934	7.4%	13.4%	14.0%	(0.6)%
Parts, service and collision	16,346	14,730	11.0%	51.0%	51.8%	(0.8)%
Total	53,866	49,664	8.5%	17.2%	17.9%	(0.7)%

AutoCanada Inc.
Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited)
(in thousands of Canadian dollars except for share and per share amounts)

	Three month period ended March 31, 2014	Three month period ended March 31, 2013
	$	$
Revenue (Note 6)	364,264	284,051
Cost of sales (Note 7)	(300,793)	(232,912)
Gross profit	63,471	51,139
Operating expenses (Note 8)	(50,400)	(40,353)
Operating profit before other income	13,071	10,786
Gain (loss) on disposal of assets, net	38	(6)
Income from investments in associates (Note 11)	893	201
Operating profit	14,002	10,981
Finance costs (Note 9)	(3,058)	(2,163)
Finance income (Note 9)	233	313
Net income for the period before income tax	11,177	9,131
Income tax (Note 10)	2,881	2,309
Net and comprehensive income for the period	8,296	6,822

Earnings per share (Note 18)		
Basic	0.383	0.345
Diluted	0.383	0.345

Weighted average shares (Note 18)		
Basic	21,685,876	19,802,048
Diluted	21,685,876	19,802,048

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved on behalf of the Company:

(Signed) "Gordon R. Barefoot", Director

(Signed) "Michael Ross", Director

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)

	March 31, 2014 (Unaudited) $	December 31, 2013 $
ASSETS		
Current assets		
Cash and cash equivalents	41,541	35,113
Trade and other receivables (Note 12)	69,747	57,662
Inventories (Note 13)	261,764	278,062
Other current assets	2,505	1,603
	375,557	372,440
Property and equipment (Note 14)	126,701	122,915
Intangible assets	96,985	96,985
Goodwill	6,672	6,672
Other long-term assets	6,684	6,797
Investments in associates (Note 11)	54,417	13,131
	667,016	618,940
LIABILITIES		
Current liabilities		
Trade and other payables (Note 15)	53,106	50,469
Revolving floorplan facilities (Note 16)	261,263	264,178
Current tax payable	17,007	4,785
Current lease obligations	1,709	1,398
Current indebtedness (Note 16)	2,875	2,866
	335,960	323,696
Long-term indebtedness (Note 16)	123,811	83,580
Deferred income tax	4,271	21,422
	464,042	428,698
EQUITY	202,974	190,242
	667,016	618,940

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the Periods Ended
(Unaudited)
(in thousands of Canadian dollars)

	Share capital	Treasury shares	Contributed surplus	Total capital	Accumulated deficit	Equity
	$	$	$	$	$	$
Balance, January 1, 2014	234,246	(1,308)	4,758	237,696	(47,454)	190,242
Net and comprehensive income	-	-	-	-	8,296	8,296
Dividends declared on common shares (Note 18)	-	-	-	-	(4,760)	(4,760)
Common shares issued (Note 18)	9,073	-	-	9,073	-	9,073
Common shares repurchased (Note 18)	-	(18)	-	(18)	-	(18)
Restricted share units settled	-	-	(16)	(16)	-	(16)
Share based compensation	-	-	157	157	-	157
Balance, March 31, 2014	243,319	(1,326)	4,899	246,892	(43,918)	202,974

	Share capital	Treasury shares	Contributed surplus	Total capital	Accumulated deficit	Equity
	$	$	$	$	$	$
Balance, January 1, 2013	190,435	(935)	4,423	193,923	(69,423)	124,500
Net and comprehensive income	-	-	-	-	6,822	6,822
Dividends declared on common shares	-	-	-	-	(3,564)	(3,564)
Common shares repurchased	-	(15)	-	(15)	-	(15)
Share based compensation	-	-	133	133	-	133
Balance, March 31, 2013	190,435	(950)	4,556	194,041	(66,165)	127,876

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the Periods Ended
(Unaudited)
(in thousands of Canadian dollars)

	Three month period ended March 31, 2014	Three month period ended March 31, 2013
Cash provided by (used in):		
Operating activities		
Net and comprehensive income	8,296	6,822
Income taxes (Note 10)	2,881	2,309
Income taxes paid	(7,279)	(5,076)
Amortization of prepaid rent (Note 8)	113	113
Depreciation of property and equipment	2,512	1,189
(Gain) Loss on disposal of assets	(38)	6
Share-based compensation - equity-settled	157	137
Share-based compensation - cash-settled (Note 11)	977	268
Income from investments in associates (Note 20)	(893)	(201)
Dividends received from investments in associates (Note 11)	1,258	-
Net change in non-cash working capital (Note 20)	866	558
	8,850	6,125
Investing activities		
Business acquisitions	-	(3,781)
Investment in associate (Note 11)	(32,578)	(7,057)
Purchases of property and equipment (Note 14)	(5,335)	(590)
Proceeds on sale of property and equipment	12	7
	(37,901)	(11,421)
Financing activities		
Proceeds from long-term indebtedness	135,463	45,785
Repayment of long-term indebtedness	(95,224)	(29,392)
Dividends paid	(4,760)	(3,578)
	35,479	12,815
Increase in cash	6,428	7,519
Cash and cash equivalents at beginning of period	35,113	34,472
Cash and cash equivalents at end of period	41,541	41,991

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ABOUT AUTOCANADA

AutoCanada is one of Canada's largest multi-location automobile dealership groups, currently operating 34 franchised dealerships in seven provinces and has approximately 1,600 employees. AutoCanada currently sells Chrysler, Dodge, Jeep, Ram, FIAT, Chevrolet, GMC, Buick, Cadillac, Infiniti, Nissan, Hyundai, Subaru, Mitsubishi, Audi, and Volkswagen branded vehicles. In 2013, our dealerships sold approximately 36,000 vehicles and processed approximately 364,000 service and collision repair orders in our 381 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 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. We earn fees for arranging financing on new and used vehicle purchases on behalf of third parties. Under our agreements with our retail financing sources we are required to collect and provide accurate financial information, which if not accurate, may require us to be responsible for the underlying loan provided to the consumer.

FORWARD LOOKING STATEMENTS

Certain statements contained in this press release 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.

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

This press release 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.

Adjusted EBITDA

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

Adjusted net earnings and Adjusted net earnings per share

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

EBIT

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

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 expenditures (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. Adjusted 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.

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.

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.

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, Adjusted Free Cash Flow, Absorption Rate, Average Capital Employed and 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, Adjusted Free Cash Flow, Absorption Rate, Average Capital Employed and Return on Capital Employed may differ from the methods used by other issuers. Therefore, the Company's EBITDA, EBIT, Free Cash Flow, Adjusted Free Cash Flow, Absorption Rate, Average Capital Employed and Return on Capital Employed may not be comparable to similar measures presented by other issuers.

Additional information about AutoCanada Inc. is available at the Company's website at www.autocan.ca and www.sedar.com.
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