AUTOCANADA INC.

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

For the three and six month periods ended June 30, 2012

As of August 9, 2012

READER ADVISORIES

The Management's Discussion & Analysis ("MD&A") was prepared as of August 9, 2012 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the six months ended June 30, 2012 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 for the six months ended June 30, 2012, the consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2011 and management's discussion and analysis for the year ended December 31, 2011. 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 Interim 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 and six month periods ended June 30, 2012 of the Company, and compares these to the operating results of the Company for the three and six month periods ended June 30, 2011.
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 CBCA 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 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 2011 Annual Information Form dated March 22, 2012, 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 24 wholly-owned franchised dealerships and 2 franchised dealership investments (see "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE") in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2011, our dealerships sold approximately 28,000 vehicles and processed approximately 300,000 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 dealerships and revenues by province for the three month periods ended June 30, 2012 and June 30, 2011.

(In thousands of dollars except % of total and number of dealerships)	June 30, 2012			June 30, 2011		
	Number of Dealerships	Revenue	% of Total	Number of Dealerships	Revenue	% of Total
British Columbia	9	112,235	38%	7	104,825	36%
Alberta	9	119,868	41%	9	112,075	39%
Ontario	3	25,300	9%	3	36,281	12%
All other	3	37,366	12%	3	37,556	13%
Total	24	294,769	100%	22	290,737	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:			
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	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
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	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
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	2010
Newmarket, Ontario	Newmarket Infiniti Nissan	Nissan / Infiniti	2008
Dealership investments:			
Edmonton, Alberta	Nicholson Chevrolet[(1)]	General Motors	2012
Sherwood Park, Alberta	Petersen Pontiac Buick GMC[(1)]	General Motors	2012

[1] On May 1, 2012, the Company acquired a 29.79% equity interest in Nicholson Chevrolet located in Edmonton, Alberta. On June 1, 2012, the Company acquired a 31% equity interest in Petersen Pontiac Buick GMC located in Sherwood Park, Alberta. The dealerships will be integrated into AutoCanada's operations.

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

New light vehicle sales in Canada in the six month period ended June 30, 2012 were up 7.1% when compared to the same period in 2011. Sales of new light vehicles for the first half of 2012 in Alberta and British Columbia, our primary markets, were up by 12.0% and 12.7% respectively. The following table summarizes Canadian new light vehicle sales for the six-month period ended June 30, 2012 by Province:

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

	June Year to Date		Percentage Change	Units Change
	2012	2011		
Province				
British Columbia	88,889	78,882	12.7%	10,007
Alberta	119,156	106,352	12.0%	12,804
Saskatchewan	26,478	23,854	11.0%	2,624
Manitoba	24,322	22,669	7.3%	1,653
Ontario	321,675	302,692	6.3%	18,983
Quebec	217,552	211,531	2.8%	6,021
New Brunswick	20,471	19,918	2.8%	553
PEI	3,410	3,041	12.1%	369
Nova Scotia	25,681	23,254	10.4%	2,427
Newfoundland	17,277	15,579	10.9%	1,698
Total	**864,911**	**807,772**	**7.1%**	**57,139**

[1] *DesRosiers Automotive Consultants Inc.*

The Company's retail new vehicle sales volumes to customers increased during the quarter by 5.8% over the three month period ended June 30, 2011. However, overall new vehicles sales volumes for the second quarter were down 5.7% as a result of a reduction in fleet sales to corporate customers. Fleet sales to corporate customers are generally high volume and low margin sales and contribute very little to the Company's overall gross profit and earnings. As a result of the increase in retail new vehicle sales, the Company increased its new vehicle department gross profit by 4.8%. New vehicle sales are also a primary driver of other higher margin sales opportunities. The new vehicle sales increases we have achieved over the past few quarters have provided our used vehicle departments with a good source of trade-ins and reconditioning opportunities for our parts and service departments. The Company achieved a 13.4% increase in used vehicle retail units sold. The increase in used vehicles retailed contributed to a used vehicle revenue increase of 20.7% over the second quarter of 2011, with a portion of the increase attributed to higher volumes of used vehicles wholesaled as a result of increased trade-ins from new vehicle sales. On a same store basis, the combination of higher new and used vehicles retailed contributed to a 21.2% increase in finance and insurance revenue. This increase in finance and insurance revenue translated into $2.8 million in additional gross profit for the second quarter, approximately 82% of our overall gross profit increase. Our parts, service and collision repair department also benefitted from higher vehicle sales and an improved economy in general. On a same store basis, our gross profit increased by 1.2% over the second quarter of 2011. In past cycles, we usually see new and used vehicle sales running counter-cyclically, which results in more moderate levels of gross profit and earnings. In the first half of 2012 we experienced continued increases in both new and used vehicle sales, which contributed significantly to higher overall margins and profits across all departments.

As noted in previous quarters, various manufacturers also provide our dealerships with performance based incentives for meeting and exceeding monthly new vehicle sales targets. Many of our dealerships have been exceeding sales targets which have resulted in higher performance based incentives in the first half of 2012. We cannot project the duration of these performance based incentives; the decrease or loss of such incentives would make it difficult for the Company to maintain its current level of profitability in its new vehicle department.

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 %)	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Income Statement Data								
New vehicles	141,533	113,967	128,303	196,850	172,688	142,880	147,383	186,649
Used vehicles	50,922	45,414	44,906	52,054	55,351	53,719	60,453	62,822
Parts, service & collision repair	26,540	28,351	26,462	28,256	26,871	28,673	26,913	28,847
Finance, insurance & other	11,060	10,151	11,113	13,577	14,109	13,046	13,648	16,451
Revenue	230,055	197,883	210,784	290,737	269,019	238,318	248,397	294,769
New vehicles	9,983	9,023	9,725	13,974	12,740	11,267	12,046	14,647
Used vehicles	4,221	3,659	3,486	4,301	5,020	4,573	4,412	4,237
Parts, service & collision repair	14,031	13,994	13,277	15,159	14,493	14,551	14,004	15,228
Finance, insurance & other	9,843	9,050	9,947	12,118	12,641	11,853	12,386	14,878
Gross profit	38,078	35,725	36,435	45,552	44,894	42,244	42,848	48,990
Gross profit %	16.6%	18.1%	17.3%	15.7%	16.7%	17.7%	17.2%	16.6%
Operating expenses	33,207	32,010	31,891	35,127	35,742	34,086	35,381	37,661
Operating exp. as % of gross profit	87.2%	89.6%	87.5%	77.1%	79.6%	80.7%	82.6%	76.9%
Finance costs – floorplan	2,042	1,594	1,685	2,311	2,190	1,871	1.935	2,510
Finance costs – long-term debt	278	332	283	323	296	234	230	256
Reversal of impairment of intangibles	-	(8,059)	-	-	-	(25,543)	-	-
Income taxes	692	2,418	690	2,029	1,646	8,144	1,441	2,216
Net earnings [4]	1,983	7,575	1,994	5,950	5,230	23,608	4,113	6,711
EBITDA [1, 4]	4,011	3,469	4,047	9,319	8,216	7,547	6,808	10,210
Basic earnings (loss) per share	0.100	0.381	0.100	0.299	0.263	1.187	0.207	0.338
Diluted earnings (loss) per share	0.100	0.381	0.100	0.299	0.263	1.187	0.207	0.338
Operating Data								
Vehicles (new and used) sold	6,350	5,219	5,826	8,210	7,649	6,313	6,836	8,154
New retail vehicles sold	3,358	3,008	3,050	4,158	3,907	3,405	3,434	4,400
New fleet vehicles sold	831	306	796	1,900	1,340	775	969	1,313
Used retail vehicles sold	2,161	1,905	1,980	2,152	2,402	2,133	2,433	2,441
Number of service & collision repair orders completed	77,285	77,037	72,360	80,851	76,176	75,911	74,439	78,104
Absorption rate [2]	85%	86%	80%	91%	90%	91%	81%	89%
# of dealerships at period end	23	23	23	22	22	24	24	24
# of same store dealerships [3]	19	21	22	21	21	21	21	21
# of service bays at period end	339	339	339	322	322	333	333	333
Same store revenue growth [3]	6.7%	2.4%	2.7%	19.3%	21.6%	24.8%	20.2%	2.4%
Same store gross profit growth [3]	(4.0)%	2.9%	2.9%	8.2%	22.9%	20.6%	18.3%	7.1%
Balance Sheet Data								
Cash and cash equivalents	34,329	37,541	39,337	43,837	49,366	53,641	53,403	51,198
Accounts receivable	37,149	32,832	42,108	51,539	44,172	42,448	51,380	52,042
Inventories	137,507	118,088	134,710	149,481	159,732	136,869	155,778	201,302
Revolving floorplan facilities	145,652	124,609	152,075	172,600	175,291	150,816	178,145	221,174

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.

RESULTS FROM OPERATIONS

Second Quarter Operating Results

EBITDA for the three month period ended June 30, 2012 increased by 9.7% to $10.2 million, from $9.3 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA for the quarter can be mainly attributed to the improvement in our finance and insurance department.

The following table illustrates EBITDA for the six months ended June 30, for the last three years of operations.

Period from January 1 to June 30st	EBITDA (In thousands of dollars)
2010	9,259
2011	13,368
2012	17,017

Pre-tax earnings increased by $0.9 million or 11.3% to $8.9 million for the three month period ended June 30, 2012 from $8.0 million in the same period of the prior year. Net earnings increased by $0.7 million or 11.7% to a profit of $6.7 million in the second quarter of 2012 from a $6.0 million profit when compared to the prior year. Income tax expense increased to $2.2 million in the second quarter of 2012 from $2.0 million in the same period of 2011 due to higher pre-tax earnings.

For the six month period ended June 30, 2012, pre-tax earnings increased by $3.8 million or 35.5% to $14.5 million from $10.7 million in the same period of the prior year. Net earnings increased by $2.9 million or 36.7% to a profit of $10.8 million in the six months ended June 30, 2012 from a $7.9 million profit when compared to the prior year. Income tax expense increased to $3.7 million in the six months ended June 30, 2012 from $2.7 million in the same period of 2011.

Revenues

Revenues for the three and six month periods ended June 30, 2012 increased by $4.0 million and $41.6 million or 1.4% and 8.3% respectively as compared to the same period of the prior year. This increase was mainly driven by increases in used vehicle sales with modest increases in the finance and insurance and parts, service and collision repair business. New vehicle sales decreased by $10.2 million or 5.2% for the three month period ended June 30, 2012 to $186.6 million from $196.8 million in the same period of the prior year, mainly due to the decrease in number of fleet vehicles sold. Despite the decrease in new vehicle sales, finance and insurance revenue increased by $2.9 million or 21.2% and $5.4 million or 21.9% in the three and six month periods ended June 30, 2012 respectively. Used vehicle sales increased by $10.8 million or 20.7% for the three month period ended June 30, 2012. Used vehicle sales for the six month period ended June 30, 2012 also rose with an increase of $26.3 million or 27.1% when compared to the same period in the prior year. Parts, service and collision repair revenue posted a modest increase of $0.6 million or 2.1% and $1.0 million or 1.9% for the three and six month periods ended June 30, 2012 respectively.

Revenues - Same Store Analysis

The following table summarizes the results for the three and six month periods ended June 30, 2012 on a same store basis by revenue source and compare these results to the same period in 2011.

Same Store Revenue and Vehicles Sold

	For the Three Months Ended			For the Six Months Ended		
(In thousands of dollars except % change and vehicle data)	**June 30, 2012**	**June 30, 2011**	**% Change**	**June 30, 2012**	**June 30, 2011**	**% Change**
Revenue Source						
New vehicles	176,520	183,504	(3.8)%	316,268	301,956	4.7%
Used vehicles	59,762	49,865	19.8%	117,861	92,911	26.9%
Finance & insurance and other	15,594	12,854	21.3%	28,579	23,335	22.5%
Subtotal	248,876	246,223		462,708	418,202	
Parts, service & collision repair	27,248	26,448	3.0%	52,802	51,070	3.4%
Total	279,124	272,671	2.4%	515,510	469,272	9.9%
New vehicles – retail sold	4,052	3,769	7.5%	7,207	6,509	10.7%
New vehicles – fleet sold	1,313	1,832	(28.3)%	2,282	2,590	(11.9)%
Used vehicles sold	2,286	2,033	12.4%	4,591	3,898	17.8%
Total	7,651	7,634	0.2%	14,080	12,997	8.3%
Total vehicles retailed	6,338	5,802	9.2%	11,798	10,407	13.4%

Same store revenue increased by $6.5 million or 2.4% in the three month period ended June 30, 2012 when compared to the same period in 2011. New vehicle revenues decreased by $7.0 million or 3.8% for the second quarter of 2012 over the prior year due in part to a decrease in new fleet vehicle sales of 519 units or 28.3%. Same store new vehicle revenues increased by $14.3 million or 4.7% for the six month period ended June 30, 2012 over the same period in the prior year due to a net increase in new vehicle sales of 390 units, consisting of an increase of 698 retail units and a decrease of 308 low margin fleet units.

Same store used vehicle revenues increased by $9.9 million or 19.8% for the three month period ended June 30, 2012 over the same period in the prior year. This increase was due to an additional 253 units sold in the quarter over 2011 and an increase in the average selling price per used vehicle retailed of $1,614. For the six month period ended June 30, 2012, used vehicle revenues also increased by $24.9 million or 26.9% due to an increase in the number of used vehicles sold of 693 units or 17.8%, partially offset by an increase in the average selling price per used vehicle retailed of $1,836.

Same store parts, service and collision repair revenue experienced a modest gain of $0.8 million or 3.0% for the second quarter of 2012 compared to the prior period and was primarily a result of an $18 or 5.1% increase in the average revenue per repair order completed, partially offset by a decrease in overall repair orders completed of 1,338. For the six month period ended June 30, 2012, parts, service and collision repair revenue increased by $1.7 million or 3.4%, mainly due to an increase in the number of repair orders completed of 2,450 and an increase in average revenue per repair order completed of $6.

Same store finance, insurance and other revenue increased by $2.7 million or 21.3% for the three month period ended June 30, 2012 over the same period in 2011. This was due to an increase in the average revenue per unit retailed of 11.0% along with an increase in the number of new and used vehicles retailed of 536 units. Credit conditions have continued to improve in the second quarter of 2012 which has allowed our finance and insurance departments to earn higher commissions on the increased ability of our customers to finance vehicles, parts, accessories and other insurance products. For the six month period ended June 30, 2012, same store finance, insurance and other revenue increased by $5.2 million or 22.5% over the same period in 2011 mainly due to an increase in the average revenue per vehicle retailed of $180 or 8.0% and an increase in total vehicles retailed of 1,391 units or 13.4%. The increases we experienced in both new and used retail sales reflected positively in our finance and insurance revenue for the first half of 2012.

Gross profit

Gross profit increased by $3.4 million and $9.9 million, or 7.5% and 12.0% respectively, for the three and six month periods ended June 30, 2012 when compared to the same periods in the prior year. Similar to revenues, gross profit increased due to increases in new retail vehicle sales, finance and insurance and parts, service and collision repair revenue. Gross profit on the sale of new vehicles increased by $0.7 million or 4.8% for the three month period ended June 30, 2012. The increase in new vehicle gross profit can be mainly attributed to an increase in the average profit per new vehicle sold of $257 or 11.1%, which was partially offset by a decrease in the number of new vehicles sold of 345 units or 5.7%, consisting of an increase in new retail vehicles sold of 242 units and a decrease in the number of new fleet vehicles sold of 587 units. Despite the decreases in new vehicle sales, due primarily to the significant reduction in fleet sales, gross profit from new vehicles still increased as fleet sales are typically low-margin sales. The Company's finance and insurance gross profit increased by $2.8 million or 22.8% during the second quarter of 2012. This increase can be mainly attributed to an increase in the average gross profit per unit retailed of $255 and an increase in the total number of vehicles retailed of 531 units. The increase in overall gross profit of the Company for the second quarter was partially offset by a decrease in used vehicle gross profit of $0.06 million or 1.5%. Parts, service and collision repair gross profit increased by $0.07 million in the second quarter of 2012 and mostly offset the decrease in used vehicle gross profit during the period.

Gross Profit - Same Store Analysis

The following table summarizes the results for the three and six month periods ended June 30, 2012, on a same store basis by revenue source, and compare these results to the same periods in 2011.

Same Store Gross Profit and Gross Profit Percentage

	For the Three Months Ended						For the Six Months Ended					
	Gross Profit			Gross Profit %			Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %)	June 30, 2012	June 30, 2011	% Change	June 30, 2012	June 30, 2011	Change	June 30, 2012	June 30, 2011	% Change	June 30, 2012	June 30, 2011	Change
Revenue Source												
New vehicles	13,778	13,281	3.7%	7.8%	7.2%	0.6%	25,196	22,508	11.9%	8.0%	7.5%	0.5%
Used vehicles	3,932	4,165	(5.6)%	6.6%	8.4%	(1.8)%	8,107	7,594	6.8%	6.9%	8.2%	(1.3)%
Finance & insurance and other	14,200	11,579	22.6%	91.1%	90.1%	1.0%	26,092	21,050	24.0%	91.3%	90.2%	1.1%
Subtotal	31,910	29,025	9.9%				59,395	51,152	16.1%			
Parts, service & collision repair	14,408	14,231	1.2%	52.9%	53.8%	(0.9)%	27,706	26,566	4.3%	52.5%	52.0%	0.5%
Total	46,318	43,256	7.1%	16.6%	15.9%	0.7%	87,101	77,718	12.1%	16.9%	16.6%	0.3%

Same store gross profit increased by $3.1 million or 7.1% and $9.4 million or 12.1% for the three and six month periods ended June 30, 2012 respectively when compared to the same period in the prior year. New vehicle gross profit increased by $0.5 million or 3.7% in the three month period ended June 30, 2012 when compared to 2011 as a result of the previously discussed increase in new retail vehicle sales of 283 units offset by the decrease in lower margin new fleet vehicle sales of 519 units. The average gross profit per new vehicle sold increased by $197 from 2011. As previously discussed, lower levels of fleet sales will have a positive impact on gross margin percentage in our new vehicle department. For the six month period ended June 30, 2012, new vehicle gross profit increased by $2.7 million or 11.9% which can be mainly attributed to an increase in unit sales of 390 for the period.

Used vehicle gross profit decreased by $0.2 million or 5.6% in the three month period ended June 30, 2012 over the prior year. This was primarily due to a decrease of $329 in the average gross profit earned per vehicle retailed, partially offset by an increase in the number of used vehicles sold of 253 units. For the six month period ended June 30, 2012, same store used vehicle gross profits increased by $0.5 million or 6.8% which was mainly due to an increase in volume of 693 units, partially offset by a decrease in the average gross profit per vehicle retailed of $182 or 9.3%.

Parts, service and collision repair gross profit increased by $0.2 million or 1.2% in the three month period ended June 30, 2012 when compared to the same period in the prior year as a result of an increase of $6 in the average gross profit earned per repair order completed, partially offset by a decrease of 1,338 in repair orders completed during the quarter. For the six month period ended June 30, 2012, parts, service and collision repair gross profit increased by $1.1 million or 4.3% which can be mainly attributed to an increase in the average gross per repair order completed of 2.7% and an increase in the number of repair orders completed of 2,450 units.

Finance and insurance gross profit increased by 22.6% or $2.6 million in the three month period ended June 30, 2012 when compared to the prior year as a result of an increase in the average gross profit per unit sold of $244 and an increase in units retailed of 536. For the six month period ended June 30, 2012, finance and insurance gross profit increased by $5.0 million or 23.9% and can be attributed to an increase in the average gross per vehicle retailed of $189 and an increase in units retailed of 1,391 vehicles.

Operating expenses

Operating expenses increased by 7.2% or $2.5 million during the three month period ended June 30, 2012 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 76.9% in the second quarter of 2012 from 77.1% in the same period of the prior year. For the six month period ended June 30, 2012, operating expenses as a percentage of gross profit also decreased to 79.5% from 81.7% in the same period of the prior year. Operating expenses consist of four major categories: employee costs, selling and administrative costs, facility lease costs and amortization.

Employee costs
During the three month period ended June 30, 2012, employee costs increased by $1.9 million to $23.7 million from $21.8 million in the prior year period. Employee costs as a percentage of gross profit increased to 48.5% compared to 47.8% in the same period of the prior year. Employee costs as a percentage of gross profit for the six month period ended June 30, 2012 increased to 49.9% from 48.6% 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 June 30, 2012, selling and administrative costs increased by $0.5 million or 5.6% primarily due to an increase in data processing expenses. Selling and administrative expenses as a percentage of gross profit decreased to 20.2% in the second quarter of 2012 from 20.6% in the comparable period of 2011. For the six month period ended June 30, 2012, selling and administrative costs as a percentage of gross profit decreased to 20.9% from 23.4% 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 June 30, 2012, facility lease costs increased by 1.3% to $3.0 million from $2.9 million. For the six month period ended June 30, 2012 the Company's facility lease costs have increased by 0.9%. Facility lease costs were generally flat due to the addition of two Volkswagen stores in late 2011 and the sale of Colombo Chrysler Jeep Dodge in early 2011 which generally offset each other.

Amortization
During the three month period ended June 30, 2012, amortization remained relatively flat at $1.0 million. For the six month period ended June 30, 2012, amortization also remained relatively flat at $2.1 million.

Finance costs

The Company incurs finance costs on its revolving floorplan facilities, long term indebtedness and banking arrangements. During the three month period ended June 30, 2012, finance costs on our revolving floorplan facilities increased by 8.6% to $2,510 from $2,311 in the second quarter of 2011, mainly due to the Company holding more inventory during the quarter. Finance costs on long term indebtedness remained constant at $0.3 million. Finance costs, net of finance income has remained relatively flat quarter over quarter due to the Company holding cash in its Ally account which is used to offset floorplan costs at the current rate of 4.20%.

Income taxes

Income tax expense for the three month period ended June 30, 2012 increased by $0.2 million to $2.2 million from $2.0 million in 2011. For the six month period ended June 30, 2012, income tax expense increased by $1.0 million from $2.7 million to $3.7 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. Although the amounts below can change based on our future taxable income, the Company estimates the following amounts to be recorded as current income tax payable over the next five years in conjunction with the payment of the deferral. The Company notes that amount in 2012 noted below has been included in our current tax payable as at June 30, 2012 and future amounts paid will be in addition to the normal current income tax payable of future years:

(In thousands of dollars)	**2012**	**2013**	**2014**	**2015**	**2016**
Increase to current tax payable	1,024	1,176	1,366	1,366	1,707

The Company expects income tax to have a more significant effect on our free cash flow and adjusted free cash flow as 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 half of 2012, the Company paid $3.1 million of cash taxes which relates to the fiscal 2011 taxation year and installments toward the 2012 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.

Inventory costs

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 and six month periods ended June 30, 2012, the floorplan credits earned were $1,608 (2011 - $1,593) and $2,966 (2011 - $2,778), 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:

	Three months ended June 30, 2012	**Three months ended June 30, 2011**	**Six months ended June 30, 2012**	**Six months ended June 30, 2011**
Floorplan financing costs	2,510	2,311	4,446	3,995
Floorplan credits earned	(1,608)	(1,593)	(2,966)	(2,778)
Net carrying cost of vehicle inventory	902	718	1,480	1,217

GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE

The Company operates twenty-six franchised automotive dealerships, 24 of which are wholly owned, and two in which it has an investment with significant influence.

During the three month period ended June 30, 2012, the Company invested a total of $4,154 to acquire a 60.8% non-voting common share interest in Dealer Holdings Ltd. (“DHL”). Although the Company’s interest consists of non-voting common shares, the Company currently exercises significant influence over DHL by virtue of its relationship with the controlling shareholder, Patrick Priestner, the Company’s Chief Executive Officer, and the Company’s contractual relationship to perform management services for DHL’s investments. The Company has applied equity accounting to its investment as a result of its significant influence over DHL. To comply with the terms of GM Canada’s approval, Patrick Priestner is required to have 100% voting control of DHL. As a result, Patrick Priestner has a 29.4% voting common share interest in DHL and other senior managers of the Company have a 9.8% non-voting common share interest in DHL. The investments in DHL were reviewed and approved by the independent members of AutoCanada’s Board of Directors.

During the period, DHL acquired a 49% voting common share interest in Nicholson Chevrolet (“Nicholson”) with an option to increase its interest to 51% upon Nicholson’s successful relocation to a new facility, which is expected to occur in September of 2012. The current owner of Nicholson retained a 51% interest in the dealership and will retain a 49% voting interest once the option is exercised by DHL. Nicholson has been servicing the Edmonton and Sherwood Park area for over thirty-nine years; and in 2011 sold 755 new vehicles and 307 used vehicles. The Company plans to integrate the operations of Nicholson into our Edmonton area platform.

In conjunction with the Nicholson investment, DHL is subject to a put option with Romland Development Holdings Ltd. (“Romland”), the owner of the dealership and body shop real estate used in Nicholson’s operations, whereby DHL may be required to purchase up to 49% of Romland. Upon Romland exercising the put option, DHL will have 180 days to purchase its portion of shares in Romland, which would require further investment in DHL from its shareholders.

During the period, DHL acquired a 51% voting common share interest in Petersen Buick GMC (“Petersen”). Petersen has been servicing the Sherwood Park and Edmonton area for over twenty-eight years and in 2011 sold 707 new vehicles and 604 used vehicles. The Company plans to integrate the operations of Nicholson into our Edmonton area platform.

The Nicholson and Petersen dealerships are both subject to financial covenants as part of its borrowing arrangements that may restrict their ability to transfer funds to the Company if the payment of such funds resulted in a breach of covenants.

As a result of DHL’s investments, the Company has indirectly acquired a 29.79% interest in Nicholson and a 31% interest in Petersen.

In respect to future GM dealership acquisitions outside the Sherwood Park area, we will seek to acquire a 100% ownership interest, in which AutoCanada would purchase an 80% non-voting equity interest, with our CEO, Pat Priestner and other senior managers purchasing a 20% equity interest. To meet GM Canada requirements, Mr. Priestner will have 100% voting control in future dealerships.

On April 20, 2012, the Company announced that it had signed a Letter of Intent with Kia Canada for an open point dealership in Edmonton, Alberta. The Company intends to build or secure an adequate facility with operations to commence in late 2013. The opening of the Edmonton Kia dealership will bring the total number of franchises operated by AutoCanada to twenty-seven; with six franchises in the Edmonton area platform. Open point dealerships generally take one to three years to achieve normal profitability levels due to the ability to attract new customers to the dealership and the conquest of customers from other brands and dealerships in its locality. However, management believes open point opportunities to be very attractive as the Company does not pay any goodwill for the dealership. At this time, management estimates the cost of building or securing an adequate facility to be approximately $10 million, of which it expects to be able to obtain mortgage debt for a portion of the cost.

The Company is not able to give further acquisition guidance due to the uncertainty with respect to timing and potential closing of various acquisition opportunities that arise.

Earlier in the year, Management developed a capital plan which included the possible relocation of four of its dealerships. Management estimates the capital requirements of the relocations to be approximately $20 million with expected completion by the end of fiscal 2014. 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 in the range of $6–8 million over the same period. Management will provide further guidance as to the timing and costs associated with relocations as the plans develop. Relocation of dealerships provides long-term earnings sustainability and is necessary to meet Manufacturer facility requirements and further Manufacturer relationships.

During the quarter, the independent members of AutoCanada's Board of Directors formed a committee to evaluate the potential purchase of real estate from subsidiaries of CAG, a related party. The real estate committee is currently obtaining appraisals of thirteen properties which, depending on the results and further financial analysis, may result in AutoCanada purchasing all or some of the properties from the subsidiaries of CAG. The Company's Chief Executive Officer, Pat Priestner, and President, Tom Orysiuk are both shareholders and directors of CAG. As such, both Mr. Priestner and Mr. Orysiuk are not members of the committee evaluating the potential purchase. Based on preliminary analysis, Management would expect significant cash flow savings as a result of the purchase. The Company will provide additional information with respect to the purchase as the committee continues to evaluate the transaction. If pursued, due to the magnitude of the transaction and the fact that it would be purchased from a related party, the Company may be required to hold a special meeting of the shareholders in which minority shareholders would have the ability to vote on whether they are in favour or not in favour of the transaction.

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. A significant decline in sales as a result of the inability to procure adequate supply of vehicles and/or lower consumer demand may reduce our cash flows from operations and limit our ability to fund capital expenditures, repay our debt obligations, fund future growth internally and/or fund future dividends.

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 June 30, 2012 was $6.6 million (cash provided by operating activities of $9.6 million less net change in non-cash working capital of $3.0 million) compared to $5.3 million (cash provided by operating activities of $9.1 million less net change in non-cash working capital of $3.8 million) in the same period of the prior year.

Cash Flow from Investing Activities

For the three month period ended June 30, 2012, cash flow from investing activities of the Company was a net outflow of $7.8 million as compared to a net inflow of $0.3 million in the same period of the prior year. In the second quarter of 2012, the Company paid approximately $4.2 million to acquire equity interests in Nicholson Chevrolet and Petersen Pontiac Buick GMC. The Company also purchased land for approximately $3.2 million in the second quarter of 2012.

Cash Flow from Financing Activities

For the three month period ended June 30, 2012, cash flow from financing activities was a net outflow of $1.0 million as compared to $1.1 million in the same period of 2011.

Economic Dependence

As stated in Note 5 of the condensed interim consolidated financial statements for the period ended June 30, 2012, the Company has significant commercial and economic dependence on Chrysler Canada and Ally Credit Canada Limited ("Ally Credit"). 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, and Ally Credit, which provides the Company with revolving floorplan facilities for 22 of its 24 wholly-owned dealerships.

Credit Facilities and Floor Plan Financing

On July 31, 2012, the Company entered into an agreement with The Bank of Nova Scotia ("Scotiabank"), whereby Scotiabank would provide the Company a revolving floorplan facility to finance new and used vehicle inventory in the total amount of $240,000. The facility for new vehicle inventory bears interest at the lower of Scotiabank prime rate plus 0.50% (3.50% at June 30, 2012) or Bankers' Acceptance rate plus 1.80% per annum (3.05% at June 30, 2012). The facility for used vehicle inventory bears interest at Scotiabank prime rate plus 0.50% (3.50% at June 30, 2012). The facility will be collateralized by the individual dealerships' assets which are directly financed by Scotiabank and a general security agreement with each dealership financed and AutoCanada Holdings Inc., a subsidiary of the Company.

The facility has been provided to 21 of the 26 dealerships in which AutoCanada operates. The terms and conditions of the facility apply only to the collective group of 21 dealerships which are to be funded (the "Borrowers"). With respect to financial covenants, the Borrowers are required to maintain the following covenants:

- The ratio of consolidated current assets to current liabilities of the Borrowers is to be maintained at all times at 1.1:1 or better.
- Consolidated Tangible Net Worth of the Borrowers is to be maintained in excess of $40,000 at all times.
- The ratio of consolidated Debt to Tangible Net Worth of the Borrowers is not to exceed 7.5:1.

The facility also contains a requirement for Mr. Pat Priestner, CEO of AutoCanada, to maintain an indirect ownership interest in AutoCanada Inc. of a minimum of 10%. The Company plans to be fully refinanced under the new facility during the third quarter of 2012.

Subsequent to the period ended June 30, 2012, the Company received a renewal letter from HSBC with respect to its HSBC Revolver. The HSBC Revolver has been increased to $40,000 and may be increased to $50,000 subject to a 30 day notice and credit approval by HSBC. The HSBC Revolver will bear interest at the lower of HSBC Prime Rate plus 0.75% per annum or Bankers' Acceptance rate plus 2.25%. The HSBC Revolver will have a two year term and is extendible by one year on the first anniversary of the term. Security, covenants, fees and other terms remain consistent with the current HSBC Revolver.

Subsequent to the period ended June 30, 2012, the Company also received a renewal letter from HSBC with respect to its HSBC Term Loan. The HSBC Term Loan has been extended to September 30, 2012, which if not renewed at the time will become payable on September 30, 2013. The security, covenants, fees, interest rates and other terms remain consistent with the current HSBC Term Loan.

With respect to the HSBC renewals, the Company is currently reviewing the agreements and has yet to sign the renewal letters.

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, 2011. 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)	April 1, 2012 to June 30, 2012 $	January 1, 2012 to June 30, 2012
Leasehold improvements	35	148
Machinery and equipment	101	193
Furniture and fixtures	66	107
Computer equipment	159	253
Company & lease vehicles	5	26
	366	727

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 and six month periods ended June 30, 2012 growth capital expenditures of $3.3 million were incurred. These expenditures related primarily to land that was purchased for future dealership operations during the second quarter of 2012 for $3.2 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)	April 1, 2012 to June 30, 2012 $	January 1, 2012 to June 30, 2012 $
Purchase of property and equipment from the Statement of Cash Flows	3,624	3,985
Less: Amounts related to the expansion of sales and service capacity	(3,258)	(3,258)
Purchase of non-growth property and equipment	366	727

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 month and six month periods ended June 30, 2012, were $0.5 million and $1.1 million (2011 - $0.4 million and 1.0 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.

Management is also considering the purchase of real estate for some of the properties in which it currently leases. Based on current lease rates, our estimates of appraisal values and current market financing rates, Management believes that the purchase of certain properties may provide value and will continue to evaluate this option if opportunities arise in which a property is available to purchase. If a significant real estate purchase is undertaken, the Company may seek additional debt and/or equity financing to fund the purchase.

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 Company leases the majority of the lands and buildings used in its franchised automobile dealership operations from related parties and other third parties.

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

	$
2012	4,777
2013	9,074
2014	8,770
2015	8,447
2016	7,262
Thereafter	56,481
Total	94,811

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, 2011 and December 31, 2010, as well as unaudited balances of the Company at June 30, 2012, March 31, 2012, September 30, 2011, June 30, 2011, March 31, 2011, and September 30, 2010.

Balance Sheet Data	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Cash and cash equivalents	51,198	53,403	53,641	49,366	43,837	39,337	37,541	34,329
Accounts receivable	52,042	51,380	42,448	44,172	51,539	42,260	32,832	37,149
Inventories	201,302	155,778	137,016	159,732	149,481	134,865	118,088	137,326
Total assets	414,061	361,307	334,370	327,568	318,956	291,291	261,435	271,635
Revolving floorplan facilities	221,174	178,145	150,816	175,291	172,600	152,075	124,609	145,652
Non-current debt and lease obligations	23,027	20,071	20,115	20,210	24,895	24,989	25,094	24,200

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At June 30, 2012, the aggregate of net working capital requirements was approximately $32.7 million. At June 30, 2012, 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 June 30, 2012, the Company had aggregate working capital of approximately $42.9 million.

The net working capital requirements above restrict the Company's ability to transfer funds up from its subsidiary's as each subsidiary dealership is required to be appropriately capitalized as explained above. In addition, our VCCI Facilities required the two VW 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 June 30, 2012 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.

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 2012:

(In thousands of dollars)

Record date	Payment date	Total Declared $	Total Paid $
February 28, 2012	March 15, 2012	2,783	2,783
May 31, 2012	June 15, 2012	2,982	2,982
August 31, 2012	September 17, 2012	3,181	-

On August 9, 2012, the Board declared a quarterly eligible dividend of $0.16 per common share on AutoCanada's outstanding Class A common shares, payable on September 17, 2012 to shareholders of record at the close of business on August 31, 2012. The quarterly eligible dividend of $0.16 represents an annual dividend rate of $0.64 per share or a 6.3% increase in the annual dividend rate from the prior quarter.

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 $ except unit and per unit amounts)	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Cash provided by operating activities	4,983	7,810	4,166	5,289	10,851	9,718	3,520	6,569
Deduct:								
Purchase of property and equipment	(572)	(2,130)	(930)	(612)	(694)	(718)	(361)	(3,624)
Free Cash Flow [1]	4,411	5,680	3,236	4,677	10,157	9,000	3,159	2,945
Weighted average shares outstanding at end of period	19,880,930	19,880,930	19,880,930	19,880,930	19,880,930	19,880,930	19,880,930	19,876,139
Free cash flow per share	0.222	0.286	0.163	0.235	0.511	0.453	0.159	0.148
Free cash flow – 12 month trailing	25,970	29,945	26,553	18,004	23,753	27,073	26,996	25,261

[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 three month periods ended June 30, 2012 and June 30, 2011.

(In thousands of dollars)	April 1, 2012 to June 30, 2012 $	April 1, 2011 to June 30, 2011 $
Accounts receivable	(678)	(9,403)
Inventories	(46,160)	(20,920)
Prepaid expenses	(1,460)	(732)
Accounts payable and accrued liabilities	1,700	1,507
Leased vehicle repurchase obligations	529	4
Revolving floorplan facility	43,029	25,759
	(3,040)	(3,785)

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 $ except unit and per unit amounts)	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Cash provided by operating activities before changes in non-cash working capital	3,836	3,313	3,882	9,074	8,032	7,799	4,391	9,609
Deduct:								
Purchase of non-growth property and equipment	(365)	(565)	(232)	(188)	(244)	(407)	(361)	(366)
Adjusted Free Cash Flow[1]	3,471	2,748	3,650	8,886	7,788	7,392	4,030	9,243
Weighted average shares outstanding at end of period	19,880,930	19,880,930	19,880,930	19,880,930	19,880,930	19,880,930	19,880,930	19,876,139
Adjusted Free Cash Flow / Share	0.175	0.138	0.184	0.447	0.392	0.372	0.203	0.465
Adjusted Free Cash flow – 12 Month Trailing	14,267	14,009	15,097	18,755	23,074	27,718	28,096	28,453

[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 first half of 2012, the Company paid approximately $3.1 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 – Second 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 $ except share and per share amounts)	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
EBITDA[1]	4,011	3,469	4,047	9,321	8,216	7,547	6,808	10,210
Add (deduct):								
Amortization	(1,058)	(1,207)	(1,079)	(1,017)	(1,044)	(1,104)	(1,024)	(1,027)
EBIT[1]	2,953	2,262	2,967	8,302	7,172	6,443	5,784	9,183
Average long-term debt	21,924	25,461	26,201	26,071	25,201	24,282	23,873	25,276
Average shareholders' equity	75,000	78,985	82,973	86,056	89,156	102,383	113,794	116,050
Average capital employed[1]	96,924	104,445	109,174	111,127	114,357	126,665	137,666	141,326
Return on capital employed[1]	3.0%	2.2%	2.7%	7.5%	6.3%	5.1%	4.2%	6.5%
Comparative adjustment[2]	9,301	3,579	3,579	3,579	3,579	(15,376)	(15,376)	(15,376)
Adjusted average capital employed[2]	106,225	110,885	112,753	114,706	117,936	120,766	122,290	125,950
Adjusted return on capital employed[2]	2.8%	2.0%	2.6%	7.2%	6.1%	5.3%	4.7%	7.3%

[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, 2011.

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 year ended June 30, 2012. A listing of new standards can be found in Note 4 of the annual consolidated financial statements for the year ended December 31, 2011. During the quarter ended June 30, 2012, the Company elected to early adopt IFRS 10, IFRS 11, IFRS 12, IAS 27, and IAS 28. Note 3 of the condensed interim consolidated financial statements of the Company for the period ended June 30, 2012 contains related disclosures for the early adoption of these standards.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended June 30, 2012, 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 3.2 percent in 2012 as compared to the prior year.

New Vehicle Sales Outlook by Province*

(thousands of units, annual rates)

	1994-2005 Average	2006-09 Average	2010	2011	2012f
Canada	**1,446**	**1,592**	**1,557**	**1,589**	**1,640**
Atlantic	**102**	**117**	**122**	**119**	**121**
Central	**936**	**983**	**990**	**997**	**1,025**
Quebec	366	406	414	408	418
Ontario	570	577	576	589	607
West	**408**	**492**	**445**	**473**	**494**
Manitoba	42	44	44	47	49
Saskatchewan	36	44	46	50	52
Alberta	166	225	200	218	229
British Columbia	164	179	155	158	164

* Includes cars and light trucks

Source: Scotia Economics - Global Auto Report, June 26, 2012

During the first half of 2012, the Company continued to benefit from the general improvement in the Canadian economy. Inflation and vehicle pricing is expected to be relatively stable; the unemployment rate and consumer confidence indexes are generally good indicators of the health of auto and continue to improve, all of which support the increase in retail new and used vehicle sales and finance and insurance revenues (an indicator of improved credit conditions).

It was within this context that on July 10, 2012, the Board of Directors held its annual strategic review meeting. As a result of the continued improvement in the above macroeconomic conditions, the recently announced investment in two GM dealerships and a Kia open point, together with 2012 PwC Trendsetter report which indicates a dealership succession issue in the coming years due to an aging dealer body and ever increasing facility capital requirements, the Board believes that there will be greater growth opportunities over the coming years than previously considered as independent owners exit the business. It is expected that the bulk of these growth opportunities will come in the latter two to five years more so than in the short term. Regardless of the timing, the Board supports Management in actively seeking appropriately accretive growth opportunities as a means to provide superior long term shareholder value, while remaining committed to a high dividend.

Regarding dividends, without targeting a specific dividend payout ratio based on earnings, as noted, the Board of Directors remains committed to a high dividend which it shall periodically review within the context of earnings growth, alternative strategic opportunities to re-invest in the business, and sustainability, as evidenced by its decision to raise the quarterly dividend to a rate of $0.16 per share or an annual rate of $0.64 per share.

The Company also notes, however, that it has not convinced a number of Manufacturers to accept the public ownership model. Although the Company is not privy to the reasons, it appears that some Manufacturers strongly prefer a model that favours a single vested owner who controls the dealership, as evidenced by the GM Canada requirement in respect to the Company's recently announced investments in GM Canada dealerships that Mr. Priestner, CEO of AutoCanada, retain 100 percent voting control of the GM dealership entity as well as invest personally in the dealership, a prerequisite which may or may not be imposed by other brands the Company currently does not represent.

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 2011 Annual Information Form dated March 22, 2012 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 2011 Annual Information Form dated March 22, 2012 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 2011 Annual Information Form dated March 22, 2012 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 ownership restrictions noted above, Mr. Priestner will also be required to maintain a minimum 10% indirect ownership interest in AutoCanada as a result of the recently signed revolving floorplan facility agreement with Scotiabank.

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 future level of performance based incentives and its effect on our profitability;
- expectations and estimates regarding income taxes and their effect on cash flow and dividends;
- estimates regarding the impact on free cash flow of an increase or decrease of one new retail vehicle sold (and the associated finance and insurance income on the sale);
- expectations and future plans regarding Nicholson Chevrolet, Petersen GMC Buick and other potential GM acquisitions;
- expectations and future plans regarding the Kia open point dealership;
- our assumption on the amount of time it may take for an acquisition or open point to achieve normal operating results;
- guidance with respect to future acquisition 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 and estimates related to dealership real estate relocations and purchases and its impact on liquidity, financial performance and the Company's capital requirements;
- the impact of working capital requirements and its impact on future liquidity;
- our expectations regarding annual non-growth capital expenditures;
- our expectations regarding growth expenditures and their related impact
- our expectation to increase annual capital expenditures and the reasons for this expected increase;
- our expectations regarding the potential purchase of real estate properties and the reasons for the purchase
- our belief that free cash flow can fluctuate significantly and the impact of these fluctuations on our operations and performance
- our potential use of Adjusted Return on Capital Employed as a measure for comparison and analysis
- our expectation that if the business landscape changes and new brands consider the acceptance of the public ownership model, that Management and the Board may revise the dividend policy to better align the Company's capital structure to fund future growth expectations;
- management's assessment of our dividend policy and its effect on liquidity;
- our assumptions regarding financial covenants and our ability to meet covenants in the future;
- expectations and assumptions regarding the Company's ability to pay future dividends and growth;
- assumptions over non-GAAP measures and their impact on the Company;
- 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.