

# INTERIM MANAGEMENT REPORT

2<sup>nd</sup>

Quarter 2012



## SUMMARY – 2<sup>nd</sup> Quarter 2012

Uni-Select recorded sales of \$483 million (including over \$337 million in the United States) in the second quarter, an increase of 1.7% compared to the second quarter of 2011. The contribution from the operations in Florida, acquired in October 2011, more than offset the negative impacts of the economic and climatic conditions prevailing during the quarter which resulted in a temporary downturn, as well as the effects of the fluctuation in exchange rates. Adjusted EBITDA reached \$31.9 million, a decrease of 4.2% compared to the corresponding quarter of 2011. This decline is mainly explained by semi-variable costs that could not be reduced at the same pace as sales, combined with aggressive sales prices, which resulted in pressure on margins. Moreover, net earnings reached \$15.1 million for the quarter, compared to \$18.5 million for the same period of last year. The Corporation has reduced its debt by \$18 million during the quarter by, amongst other measures, reducing inventory, as planned.

### Sales:

2012: \$482.8M  
2011: \$474.6M

### Adjusted EBITDA:

2012: \$31.9M  
2011: \$33.3M

### Net earnings:

2012: \$15.1M  
2011: \$18.5M

### Free cash flow:

2012: \$22.5M  
2011: \$24.1M

### Book value per share:

June 2012: \$22.72  
June 2011: \$21.29

### Return on shareholders' equity

11.5%

## TABLE OF CONTENTS

### Financial Highlights

#### Preliminary comments to the management report

*Basis of presentation of management report, Forward-looking statements, Corporate profile*

- |  |  |
|--|--|
| 1) Results Analysis  | 6) Risk Management   |
| <i>Sales</i>   | 7) Future Accounting Policies  |
| <i>EBITDA</i>  | 8) Compliance with IFRS  |
| <i>Other Items</i>   | 9) Exchange Rate Data  |
| <i>Earnings per share</i>                                  | 10) Effectiveness of Disclosure Controls and Procedures and Internal Controls over Financial Reporting |
| 2) Cash Flows, Sources of Financing and Financial Position | 11) Outlook  |
| 3) Consolidated Quarterly Operating Results                |  |
| 4) Subsequent Event  |  |
| 5) Related Party Transactions                              | Financial Statements   |

# FINANCIAL HIGHLIGHTS FOR THE QUARTER

(in thousands of US dollars, except per share amounts and percentages)

OPERATING RESULTS	Second quarter ended			Six-month periods ended		
	June 30 2012	June 30 2011	%	June 30 2012	June 30 2011	%
Sales	<b>482,772</b>	474,645	1.7%	<b>933,500</b>	871,429	7.1%
Adjusted EBITDA <sup>(1)(2)</sup>	<b>31,891</b>	33,304	(4.2%)	<b>59,206</b>	56,443	4.9%
Adjusted EBITDA margin	<b>6.6%</b>	7.0%		<b>6.3%</b>	6.5%	
EBITDA <sup>(1)</sup>	<b>30,194</b>	32,303	(6.5%)	<b>54,815</b>	54,003	1.5%
Adjusted earnings <sup>(2)</sup>	<b>16,147</b>	19,141	(15.6%)	<b>29,108</b>	30,489	(4.5%)
Net earnings	<b>15,085</b>	18,504	(18.4%)	<b>26,316</b>	28,166	(6.6%)
Free cash flow	<b>22,466</b>	24,135		<b>38,528</b>	31,138	

## COMMON SHARE DATA

Adjusted basic earnings	<b>0.75</b>	0.88		<b>1.35</b>	1.41	
Adjusted diluted earnings	<b>0.74</b>	0.87		<b>1.34</b>	1.40	
Basic earnings	<b>0.70</b>	0.85		<b>1.22</b>	1.30	
Diluted earnings	<b>0.69</b>	0.84		<b>1.21</b>	1.30	
Dividend (C\$)	<b>0.13</b>	0.12		<b>0.25</b>	0.24	
Number of shares outstanding at the end of the period (in thousands)	<b>21,638</b>	21,691		<b>21,638</b>	21,691	
Weighted average number of shares outstanding considered for basic earnings per share (in thousands)	<b>21,637</b>	21,691		<b>21,637</b>	21,626	
Weighted average number of shares outstanding considered for diluted earnings per share (in thousands)	<b>22,877</b>	22,963		<b>22,876</b>	22,856	

## FINANCIAL POSITION

	June 30 2012	December 31 2011
Working capital	<b>498,982</b>	498,575
Total assets	<b>1,218,507</b>	1,247,221
Total net indebtedness	<b>353,412</b>	359,596
Total shareholders' equity (including convertible debentures)	<b>539,248</b>	519,782
Long-term debt / total shareholders' equity	<b>65.7%</b>	69.4%
Total net debt / invested capital	<b>39.6%</b>	40.9%
Funded debt to EBITDA	<b>3.37</b>	3.31
Return on average total shareholders' equity	<b>11.5%</b>	12.5%
Book value per share	<b>22.72</b>	21.84

- (1) EBITDA represents operating profit before net gain on disposal of property and equipment, acquisition-related costs, finance costs, depreciation and amortization, income taxes and net earnings attributable to non-controlling interest. Refer to the "Compliance with IFRS" section for further details.
- (2) EBITDA and net earnings have been adjusted for costs that the Corporation views as uncharacteristic of normal operations. These costs are therefore excluded so as to provide comparable measures. Refer to the "Compliance with IFRS" section for further details.

The following table presents some of the initiatives undertaken and/or pursued in 2012 and their financial impacts for the Corporation.

HIGHLIGHTS	IMPACT – SECOND QUARTER	IMPACT – SIX-MONTH PERIOD
<b>Acquisitions</b>	<p>The synergies from FinishMaster and the acquired operations in Florida, continue to materialize and Management is confident that the projected goals will be achieved or surpassed.</p> <p>FinishMaster has acquired assets of a Corporation which operates in Florida, thereby strengthening its position in this state.</p>	<p>Buyback of the remaining non-controlling interests of Uni-Select Pacific Inc.</p>
<b>Acquisition and disposal of stores</b>	<p>New stores opened: 2 Stores closed: 2 Stores acquired: -</p>	<p>New stores opened: 3 Stores closed: 5 Stores acquired: 6</p>
<b>Merger of FinishMaster and Auto Parts Plus stores</b>	<p>Stores merged: 1</p> <p>Aiming to enable Uni-Select's clientele to purchase both auto parts and automotive paint products under the same roof, dual role stores emerge. As of now, there are 6 dual role stores in operation.</p>	<p>Stores merged: 3</p>
<b>New interest-rate swap agreements</b>	<p>A new interest-rate swap agreement, effective January 4, 2012, fixes the interest rate on \$80,000 of the Corporation's credit facility at 0.97%, and consequently decreases the Corporation's global interest rate.</p>	
<b>Vendor financing program</b>	<p>During the quarter, in the perspective of working capital management, the Corporation has renegotiated its authorized limit with financial institutions, going from \$75,000 to \$125,000 as at June 30, 2012.</p>	
<b>The development and deployment of the enterprise resource planning system</b>	<p>\$2.2 million in capital expenditures and \$1.7 million in non-recurring operating expenses were invested.</p>	<p>\$4.6 million in capital expenditures and \$4.4 million in non-recurring operating expenses were invested.</p>

**The deployment of the operational module of the enterprise resource planning system** is being pursued, according to the established plan, with a third wave of implementation beginning in June 2012, covering 6 warehouses and their respective stores. This marks the second wave of the year. As of now, 19 warehouses and 90 stores have been converted. The deployment will be pursued gradually to be completed during the first half of 2013.

## PRELIMINARY COMMENTS TO THE MANAGEMENT REPORT

### BASIS OF PRESENTATION OF MANAGEMENT REPORT

This management report discusses the Corporation's operating results and cash flows for the period ended June 30, 2012 compared with those of the period ended June 30, 2011, as well as on its financial position as at June 30, 2012 compared with its financial position as at December 31, 2011. This report should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in the 2011 Annual Report. The information contained in this management report takes into account all major events that occurred up to August 7, 2012, the date on which the financial statements and management report were approved by the Corporation's Board of Directors. It presents the Corporation's status and business as they existed, to management's best knowledge, as at that date.

Additional information on Uni-Select, including the audited Consolidated Financial Statements and the Corporation's Annual Information Form, is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

In this Management Report, "Uni-Select" or the "Corporation" refers, as the case may be, to Uni-Select Inc., its subsidiaries, divisions and joint ventures. Also, "Beck/Arnley" designates Beck/Arnley™ and "FinishMaster" designates FinishMaster™, both of which are wholly-owned subsidiaries.

Unless indicated otherwise, all financial data presented in this management report, including the amounts in the tables, are expressed in thousands of US dollars. Comparisons are presented in relation to the comparable periods of the prior year.

The interim financial statements contained in the present management report, prepared in accordance with International Financial Reporting Standards (IFRS), have not been audited by the Corporation's external auditors.

### FORWARD-LOOKING STATEMENTS

The management report is intended to assist investors in understanding the nature and importance of the results and trends, as well as the risks and uncertainties, associated with Uni-Select's operations and financial position.

Certain sections of this management report contain forward-looking statements within the meaning of securities legislation concerning the Corporation's objectives, projections, estimates, expectations or forecasts.

These forward-looking statements are subject to a number of risks and uncertainties. Accordingly, actual results could differ materially from those indicated or underlying these forward-looking statements. The major factors that may lead to a material difference between the Corporation's actual results and the projections or expectations expressed in these forward-looking statements are described in the "Risk Management" section of the 2011 Annual Report. The Corporation's results may also be affected by the competitive environment, consumer purchasing habits, vehicle fleet trends, general economic conditions and the Corporation's financing capabilities.

There can be no assurance as to the realization of the results, performance or achievements expressed or implied by forward-looking statements. Unless required to do so pursuant to applicable securities legislation, Management assumes no obligation as to the updating or revision of forward-looking statements as a result of new information, future events or other changes.

### CORPORATE PROFILE

Founded in 1968, Uni-Select is a major distributor of replacement parts, equipment, tools and accessories for motor vehicles in North America. Uni-Select leads the Canadian market, and is the 6<sup>th</sup> largest distributor and largest independent distributor of automotive paint and related products in the United States. With 6,600 employees, the Uni-Select network includes over 2,500 independent jobbers and services more than 3,500 points of sale in North America. Uni-Select is headquartered in Boucherville and its shares are traded on the Toronto Stock Exchange (TSX) under the symbol UNS.

# 1. ANALYSIS OF CONSOLIDATED RESULTS

(in thousands of US dollars, except percentages)

	Second Quarter			Six-month period		
	2012	2011	%	2012	2011	%
Sales						
United States	<b>337,361</b>	324,774	3.9%	<b>672,397</b>	606,209	10.9%
Canada	<b>145,411</b>	149,871	(3.0%)	<b>261,103</b>	265,220	(1.6%)
	<b>482,772</b>	474,645	1.7%	<b>933,500</b>	871,429	7.1%
EBITDA	<b>30,194</b>	32,303	(6.5%)	<b>54,815</b>	54,003	1.5%
EBITDA Margin	<b>6.3%</b>	6.8%		<b>5.9%</b>	6.2%	
Adjustments <sup>(1)</sup>	<b>1,697</b>	1,001		<b>4,391</b>	2,440	
Adjusted EBITDA	<b>31,891</b>	33,304	(4.2%)	<b>59,206</b>	56,443	4.9%
Adjusted EBITDA Margin	<b>6.6%</b>	7.0%		<b>6.3%</b>	6.5%	

(1) Refer to the following table and the "Compliance with IFRS" section for further details.

The following table shows the various adjustments used to calculate adjusted EBITDA.

## TABLE OF ADJUSTMENTS

(in thousands of US dollars)

	Second Quarter		Six-month period	
	2012	2011	2012	2011
Expenses related to the development and deployment of the enterprise resource planning system (ERP) <sup>(1)</sup>	<b>1,697</b>	511	<b>4,391</b>	1,632
Expenses related to network reorganization and the closure and disposal of stores <sup>(2)</sup>	-	490	-	808
Total adjustments	<b>1,697</b>	1,001	<b>4,391</b>	2,440

(1) Mainly includes costs related to data conversion, employee training and deployment to various sites.

(2) Primarily consists of costs related to lease terminations, workforce and expenses required to relocate inventory, losses and write-offs of property and equipment.

## SALES

### SECOND QUARTER:

The 1.7% increase in sales for the second quarter of 2012 compared to the same period of last year is primarily due to:

- Acquisitions, mainly the acquired operations in Florida, with a positive contribution of 4.9%;

Partially offset by:

- A decline in Organic growth of 1.8%:
  - (2.8%) in the United States
  - 0.4% in Canada;
- The effects of fluctuations in the value of the Canadian dollar compared to the US dollar that had a unfavourable impact of 6.2 million dollars on sales;

### SIX-MONTH PERIOD:

The 7.1% increase in sales for the six-month period of 2012 compared to the same period of last year is primarily due to:

- Acquisitions, mainly the acquired operations in Florida and FinishMaster, with a positive contribution of 6.7%;
- Organic growth of 0.9% both in the United States and Canada;
- One additional billing day in the United States;

Partially offset by:

- The effects of fluctuations in the value of the Canadian dollar compared to the US dollar that had a unfavourable impact of 8.0 million dollars on sales;

## ADJUSTED EBITDA

### SECOND QUARTER:

The adjusted EBITDA margin is 6.6% of sales for the second quarter of 2012 compared to 7.0% for the same period of last year.

This decrease in the adjusted EBITDA margin is mainly attributable to:

- A rapid decrease in sales which exceeded the rate of decrease in expenses;
- An unfavourable change in the distribution channel mix;

Moreover, higher information technology maintenance and support costs related to the new ERP system, including the hosting of servers during the transition period between systems, had a negative impact on the adjusted EBITDA margin.

However, price increases in some product lines, put in place at the beginning of the quarter, combined with improvement in buying conditions from certain suppliers partly compensate the preceding items.

### SIX-MONTH PERIOD:

The adjusted EBITDA margin is 6.3% of sales for six-month period of 2012 compared to 6.5% for the same period of last year.

The adjusted EBITDA margin for the six-month period reflects the same factors as those cited for the quarter. However, the economic downturn has had a lesser impact for the six-month period as it has only been prevailing since April.

These items were partially offset by the additional marginal contribution arising from the acquisitions made in 2011, combined with the benefits from synergies.

## ANALYSIS OF OTHER ITEMS AND AMOUNTS RELATED TO CONSOLIDATED RESULTS

### NET GAIN ON THE DISPOSAL OF PROPERTY AND EQUIPMENT

(in thousands of US dollars)	Second quarter		Six-month period	
	2012	2011	2012	2011
Net gain on the disposal of property and equipment	-	-	-	1,728

In the first quarter of the prior year, the Corporation disposed of two buildings.

The net gain resulting from these transactions was presented as a separate line item in the Consolidated Statement of Earnings.

### ACQUISITION-RELATED COSTS

(in thousands of US dollars)	Second quarter		Six-month period	
	2012	2011	2012	2011
Acquisition-related costs	-	-	-	2,976

The expenses incurred in the first quarter of 2011 relate to the acquisition of FinishMaster, Inc.

These expenses were presented as a separate line item in the Consolidated Statement of Earnings. *(Refer to Note 6 to the Interim Consolidated Financial Statements for further details)*

### FINANCE COSTS, NET

(in thousands of US dollars)	Second quarter		Six-month period	
	2012	2011	2012	2011
Finance costs, net	<b>4,574</b>	4,187	<b>9,400</b>	8,715

#### SECOND QUARTER:

The increase in finance costs in the second quarter of 2012 compared to the same period of the last year is mainly due to:

- The financing of recent acquisitions;
- The cessation of interest capitalization with respect to the development of the ERP system. Interest capitalization ceased at the first wave of deployment in November 2011;

Partially offset by a decrease in interest rates as a result of the renegotiating of the swap agreements at lower rates.

#### SIX-MONTH PERIOD:

The increase in finance costs for the six-month period of 2012 compared to the same period of the prior year reflects the same factors as those cited in the quarter.

*(Refer to Note 4 to the Interim Consolidated Financial Statements for further details)*



## DEPRECIATION AND AMORTIZATION

(in thousands of US dollars)	Second Quarter		Six-month period	
	2012	2011	2012	2011
Depreciation and amortization	<b>7,109</b>	5,231	<b>13,168</b>	10,180

## SECOND QUARTER:

The increase in depreciation and amortization for the second quarter of 2012 compared to the same period of last year is mainly attributable to the amortization of intangible assets related to the ERP system, following the first waves of implementation.

## SIX-MONTH PERIOD:

The increase in depreciation and amortization for the six-month period of 2012 compared to the same period of last year reflects the same factors as those cited in the quarter.

*(Refer to Note 5 in the Interim Consolidated Financial Statements for further details)*

## INCOME TAXES

(in thousands of US dollars, except percentages)	Second Quarter		Six-month period	
	2012	2011	2012	2011
Income taxes	<b>3,426</b>	4,542	<b>6,022</b>	6,015
<i>Effective tax rate</i>	<b>18.5%</b>	19.8%	<b>18.7%</b>	17.8%

## SECOND QUARTER:

The decrease of 1.3% in the effective tax rate for the second quarter of 2012 compared to the same period of last year is mainly due to a change in the geographical distribution of the Corporation's results.

## SIX-MONTH PERIOD:

The increase of 0.9% in the effective tax rate for the six-month period of 2012 compared to the same period of last year is also due to a change in the geographical distribution of the Corporation's results.

*(Refer to Note 8 in the Interim Consolidated Financial Statements for further details)*

## EARNINGS AND EARNINGS PER SHARE

The following table presents a reconciliation of adjusted earnings and adjusted earnings per share.

(in thousands of US dollars, except per share amounts and percentages)	Second Quarter			Six-month period		
	2012	2011	%	2012	2011	%
<b>Net earnings attributable to shareholders, as reported</b>	<b>15,085</b>	18,504	(18.5%)	<b>26,316</b>	28,166	(6.6%)
Gain on the disposal of property and equipment, net of taxes	-	-		-	(1,665)	
Acquisition-related costs, net of taxes	-	-		-	2,374	
Non-recurring items, net of taxes	<b>1,062</b>	637		<b>2,792</b>	1,614	
<b>Adjusted earnings</b>	<b>16,147</b>	19,141	(15.6%)	<b>29,108</b>	30,489	(4.5%)
<b>Net earnings per share attributable to shareholders, as reported</b>	<b>0.70</b>	0.85	(17.6%)	<b>1.22</b>	1.30	(6.9%)
Gain on the disposal of property and equipment, net of taxes	-	-		-	(0.08)	
Acquisition-related costs, net of taxes	-	-		-	0.11	
Non-recurring items, net of taxes	<b>0.05</b>	0.03		<b>0.13</b>	0.08	
<b>Adjusted earnings per share</b>	<b>0.75</b>	0.88	(14.8%)	<b>1.35</b>	1.41	(4.3%)
Dilutive effect of convertible debentures <sup>(1)</sup> and of options	<b>0.01</b>	0.01		<b>0.01</b>	0.01	
<b>Adjusted diluted earnings per share</b>	<b>0.74</b>	0.87		<b>1.34</b>	1.40	

(1) (Refer to Note 7 in the Interim Consolidated Financial Statements for further details)

## 2. CASH FLOWS, SOURCES OF FINANCING AND FINANCIAL POSITION

### CASH FLOWS

The following table shows the Corporation's ability to generate cash flows and to manage the timing of its cash inflows and disbursements.

(in thousands of US dollars)	Second quarter		Six month period	
	2012	2011	2012	2011
<b>EBITDA</b>	<b>30,194</b>	32,303	<b>54,815</b>	54,003
Other non-cash items	271	(162)	918	(51)
Interest paid	(4,313)	(2,989)	(10,131)	(6,146)
Income taxes received (paid)	715	(3,604)	(1,404)	(12,082)
Acquisitions of property and equipment	(4,401)	(1,413)	(5,670)	(4,586)
<b>Free cash flow</b>	<b>22,466</b>	<b>24,135</b>	<b>38,528</b>	<b>31,138</b>
Trade and other receivables	(7,115)	(19,089)	(20,000)	(28,428)
Inventory	31,317	(11,293)	53,542	2,181
Prepaid expenses	1,008	4,153	774	1,711
Trade and other payables and provisions	(19,062)	60,988	(42,192)	(1,981)
Working capital items	6,148	34,759	(7,876)	(26,517)
Increase in long-term debt	-	-	-	149,236
Issuance of convertible debentures, net of issuance costs	-	-	-	49,777
Issuance of shares, net of issuance costs	29	-	29	49,361
Disposals of property and equipment	98	4,271	220	5,681
<b>Total funds generated during the period</b>	<b>28,741</b>	<b>63,105</b>	<b>30,901</b>	<b>258,676</b>
Repayment of long term debt	(18,263)	(42,060)	(9,486)	-
Business acquisitions (incl. acquisition-related costs)	(759)	-	(2,329)	(225,741)
Buyback of non-controlling interests	(1,053)	(229)	(1,053)	(229)
Development of intangible assets	(1,974)	(7,951)	(7,073)	(15,138)
Bank indebtedness	(23)	(6,658)	(20)	(7,524)
Dividends paid	(2,735)	(2,778)	(5,351)	(5,074)
Receipts on investments and advances to merchant members	(3,870)	(3,137)	(5,104)	(4,998)
Others	(504)	362	(982)	503
<b>Total funds used during the period</b>	<b>(29,181)</b>	<b>(62,451)</b>	<b>(31,398)</b>	<b>(258,201)</b>
<b>Total changes in cash</b>	<b>(440)</b>	<b>714</b>	<b>(497)</b>	<b>475</b>
<b>Cash at the beginning of the period</b>	<b>1,614</b>	<b>140</b>	<b>1,671</b>	<b>379</b>
<b>Cash at the end of the period</b>	<b>1,174</b>	<b>854</b>	<b>1,174</b>	<b>854</b>

The most significant items which generated or used cash during the second quarter were:

### Free cash flow

The decrease in free cash flow is mainly due to:

- The decline of EBITDA;
- An increase in interest paid following the financing of the acquired operations in Florida;
- Increase in fixed assets spending mainly due to the renewal of the automotive fleet;

Partially offset by the increase of the financing structure that has permitted the Corporation to reduce income tax related cash disbursements.

### Working capital items

**Trade and other receivables:** The variance is essentially due to the seasonality of sales.

**Inventory:** The Corporation has proceeded with a planned and orderly reduction of its inventory in order to gradually bring it back to an optimal level. The increase in inventory in the second quarter of 2011 is a consequence of larger one-time purchases made in order to take advantage of additional discounts.

**Trade and other payables and provisions:** The decrease in payables in the quarter is primarily

attributable to reduced purchases in the second quarter. The increase in the second quarter of 2011 was primarily attributable to one-time purchases made in order to take advantage of additional discounts.

### Repayment of long-term debt

Earnings from operations as well as working capital management, more precisely inventory reduction, have permitted The Corporation to reduce its long-term debt.

### Development of intangible assets

Costs incurred for development of intangible assets are almost exclusively related to the development of the ERP system.

### Dividends paid

Dividends of C\$0.13 to common shareholders were paid in the quarter.

With respect to the six-month period of 2012, variances are essentially due to the same factors as the quarter. The most significant cash flows of the six-month period of 2011 are related to the FinishMaster, Inc. acquisition and the related renewal of the credit facility, combined with a new long-term debt which was used in part to reimburse the former credit facility. In order to complete the financing, the Corporation has also issued convertible debentures and issued shares. *(For further details, see Notes 8, 18 and 20 in the Consolidated Financial Statements included in the 2011 Annual Report)*

## SOURCES OF FINANCING

### CREDIT FACILITIES

The Corporation's unsecured credit agreement consists of two components. The first component is a \$188,750 term loan (\$194,375 at December 31, 2011) repayable through increasing quarterly instalments and bearing interest at the LIBOR rate plus 2.3%. The second is a \$250,000 long-term revolving credit facility bearing interest at variable rates. *(For more information on available credit facilities, refer to Note 18 to the Consolidated Financial Statements included in the 2011 Annual Report)*

At June 30, 2012, the Corporation had remaining availability of \$84,000 (\$82,000 as at December 31, 2011) on its credit facilities.

### FINANCIAL INSTRUMENTS

The Corporation uses financial derivatives to reduce the interest-rate risks to which its debt is exposed. The Corporation does not use financial instruments for trading or speculative purposes. The Corporation entered into various interest-rate swap agreements as part of its program to manage floating interest rates on its debt and its corresponding overall borrowing cost. These contracts, for a nominal amount of \$200,000 (of which \$80,000 was effective on January 4, 2012), mature in a series of tranches between 2012 and 2016. *(For more information on financial instruments, refer to Note 27 to the Consolidated Financial Statements included in the 2011 Annual Report)*

### VENDOR FINANCING PROGRAM

The Corporation benefits from a vendor financing program. Under this program, financial institutions make discounted accelerated payments to suppliers, and the Corporation makes full payment to the financial institution, according to the new extended terms agreed to with suppliers.

As at June 30, 2012, under these agreements, Uni-Select deferred payment of account payables in the amount of \$40,569 (\$51,724 as at December 31, 2011). These amounts are presented in the trade and other payables and provisions in the consolidated statement of financial position. This program is available upon request and may be modified by either party. In a perspective of working capital management, the Corporation has renegotiated its authorized limit with financial institutions, going from \$75,000 to \$125,000 as at June 30, 2012.

### CONVERTIBLE DEBENTURES

To finance the FinishMaster acquisition, the Corporation issued convertible unsecured subordinated debentures bearing interest at a rate of 5.9% per annum. The convertible debentures are convertible at the holder's option into the Corporation's common shares at a conversion rate of \$41.76 per share. *(For more information on convertible debentures, see note 18 of Consolidated Financial Statements included in the 2011 Annual Report)*

The following table summarizes interest-rate swap agreements and their respective maturities:

Initial nominal amount	Nominal amount at June 30, 2012	Average fixed rate	Maturity				
			2012	2013	2014	2015	2016
120,000	60,000	3.68%	20,000	40,000	-	-	-
80,000	80,000	0.97%	-	-	-	-	80,000
200,000	140,000		20,000	40,000	-	-	80,000

## CAPITAL STRUCTURE

### INDEBTEDNESS

The Corporation strives to maintain the following objectives:

(in thousands of US dollars, except percentages)	Objectives	June 30, 2012	December 31, 2011
Long-term debt		354,110	360,770
Total net debt		353,412	359,596
Total shareholders' equity (including convertible debentures)		539,248	519,782
<i>Total net debt to total net debt and total shareholders' equity</i>	<i>Less than 45%</i>	<i>39.6%</i>	<i>40.9%</i>
<i>Long-term debt to total shareholders' equity ratio</i>	<i>Less than 125%</i>	<i>65.7%</i>	<i>69.4%</i>
<i>Funded debt to EBITDA ratio</i>	<i>Maximum 3.50</i>	<i>3.37</i>	<i>3.31</i>

The improvement of the *total net debt to total net debt and total shareholders equity ratio*, as well as the *long-term debt to total shareholders' equity ratio*, is essentially due to the decrease in indebtedness which arises from, amongst others, inventory reduction.

With respect to the *funded debt to EBITDA ratio*, the increase is due to the Corporation's performance in the second quarter.

### SHAREHOLDERS' EQUITY

#### Information on capital stock

At August 7, 2012, 21,638,036 shares of the Corporation were outstanding, and stock options for the purchase of 60,000 common shares were exercisable.

#### Common share stock option plan for management employees and officers

On May 8, 2012, the Corporation amended and restated its Stock option plan for management employees and officers (the "Plan"). A total of 1,700,000 shares have been reserved for issuance under the amended and restated terms of the Plan. The options are granted at the average closing price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the grant date, and are exercisable over a period of no greater than seven years. At June 30, 2012, options for the issuance of 61,769 common shares have been granted and 1,638,231 common shares are reserved for additional options under the Plan.

#### Dividends

The Corporation paid dividends of \$2,735 (C\$0.13 per share) in the second quarter of 2012 (\$5,351 or C\$0.25 per share for the six-month period), compared with \$2,778 (C\$0.12 per share) for the corresponding quarter of last year (\$5,074 or C\$0.24 per share for the corresponding six-month period of last year). This represents an increase of 8.3% in the quarterly dividend in 2012 and is mainly due to the increase in net earnings in 2011.

The second quarterly dividend in 2012, in the amount of C\$0.13 per share, was declared on May 8, 2012, and paid on July 20, 2012 to shareholders of record at June 30, 2012.

On August 7, 2012, the Corporation declared a third quarterly dividend of C\$0.13 per share, payable on October 20, 2012 to shareholders of record at September 30, 2012.

## FINANCIAL POSITION

The main variances in the consolidated statement of financial position stem from the following:

- Business acquisitions;
- Operational activity generated by seasonality; and
- Fluctuations in exchange rates

In the second quarter of 2012, there were no acquisitions that could significantly affect the financial position when compared to December 31, 2011. Furthermore, the exchange rates have remained relatively stable during this same period. Consequently, few significant variances occurred in the Corporation's financial position related to these factors.

The following table shows an analysis of the main items in the consolidated statement of financial position.

(in thousands of US dollars)	June 30, 2012	December 31 2011	Variance	Impact of business acquisitions or disposals	Exchange rate impact	Net Variance	Explanations for net variance
<b>Working capital excluding cash, bank indebtedness and instalments on long-term debt</b>	<b>516,181</b>	513,095	3,086	480	16	2,590	The increase is mainly explained by the increase in trade and other receivables due to seasonality, as inventory reduction was greatly offset by a reduction in trade and other payables and provisions.
<b>Long-term debt, including short-term portion</b>	<b>362,442</b>	353,013	(6,571)	3,426	85	(9,912)	The decrease in long-term debt is explained by cash flows generated from operations.

### 3. CONSOLIDATED QUARTERLY OPERATING RESULTS

The Corporation records earnings in each quarter, but the second and third quarters have historically generated higher sales than the first and fourth quarters. It should be noted that for 2012 and 2011, earnings include the sales of FinishMaster, acquired on January 11, 2011, to which is added sales from acquired operations in Florida in the fourth quarter, thus affecting all comparison with quarters from the prior year.

The following table summarizes the main financial information drawn from the consolidated interim financial report for each of the last eight quarters.

(in thousands of US dollars, except per share amounts and percentages)

	2012		2011				2010	
	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter
Sales								
United States	<b>337,361</b>	335,036	313,169	322,901	324,774	281,435	180,846	204,753
Canada	<b>145,411</b>	115,692	123,481	149,590	149,871	115,349	124,570	130,564
	<b>482,772</b>	450,728	436,650	472,491	474,645	396,784	305,416	335,317
Adjusted EBITDA	<b>31,891</b>	27,315	22,732	30,759	33,304	23,139	15,296	25,613
Adjusted EBITDA margin	<b>6.6%</b>	6.1%	5.2%	6.5%	7.0%	5.8%	5.0%	7.6%
EBITDA	<b>30,194</b>	24,621	21,361	29,904	32,303	21,700	14,180	23,542
Adjusted earnings from continuing operations	<b>16,147</b>	12,961	12,808	17,186	19,141	11,347	10,848	14,485
Earnings from continuing operations	<b>15,085</b>	11,231	11,746	16,633	18,504	9,662	10,240	13,152
Net earnings	<b>15,085</b>	11,231	11,746	16,633	18,504	9,662	9,326	13,152
Adjusted basic earnings per share from continuing operations	<b>0.75</b>	0.60	0.59	0.79	0.88	0.53	0.55	0.73
Basic earnings per share from continuing operations	<b>0.70</b>	0.52	0.54	0.77	0.85	0.45	0.52	0.67
Basic earnings per share	<b>0.70</b>	0.52	0.54	0.77	0.85	0.45	0.47	0.67
Diluted earnings per share	<b>0.69</b>	0.52	0.54	0.75	0.84	0.45	0.47	0.67
Dividends paid per share (C\$)	<b>0.130</b>	0.120	0.120	0.120	0.120	0.117	0.117	0.117
Average exchange rate for earnings	<b>0.99</b>	1.00	0.98	1.02	1.03	1.01	0.99	0.96



## 4. SUBSEQUENT EVENT

On August 7, 2012, the Board of Directors approved a distribution network consolidation plan which also includes a revision of the operational structure and the reduction of administrative expenses. The Corporation expects cost savings of approximately \$8,000 in 2012 and of \$20,000 annually beginning in 2013. The cost of implementing the consolidation plan will be approximately \$22,000 of which approximately \$13 million represents an asset write-down. A portion of which will be recognized in the third quarter of 2012 in accordance with current accounting guidance.

## 5. RELATED PARTY TRANSACTIONS

The Corporation incurred rental expenses of \$891 (\$882 in 2011) for the three-month period ended June 30, 2012 and \$1,775 (\$1,764 in 2011) for the six-month period ended June 30, 2012 to the benefit of Clarit Realty Ltd, an entity controlled by a director of the Corporation. These lease agreements were concluded in the Corporation's normal course of business and have variable terms of no more than 5 years.

## 6. RISK MANAGEMENT

Uni-Select regularly updates its analysis and control systems for operational, strategic and financial risks, implemented throughout recent years. The Corporation continuously manages and implements numerous initiatives whose objective is to mitigate the main risks mentioned in the 2011 Annual Report.

No significant change occurred during the course of the first six months of 2012 with respect to these risks.

## 7. FUTURE ACCOUNTING POLICIES

### **Financial statement presentation**

In May 2012, the IASB issued amendments to IAS 1 "Presentation of Financial Statements". These amendments require incremental disclosures regarding comparative information, retrospective restatement or reclassification or change in accounting policy.

### **Financial instruments - Presentation**

In May 2012, the IASB issued an amendment to IAS 32 "Financial instruments: Presentation". The amendment requires entities to account income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction in accordance with IAS 12 "Income Taxes".

The above amendments are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standards.

*(For further details, refer to Note 4 to the Consolidated Financial Statements contained in the 2011 Annual Report)*

## 8. COMPLIANCE WITH IFRS

The following table presents performance measures used by the Corporation which are not defined in IFRS.

<b>Organic Growth</b>	This measure consists of quantifying the increase in pro forma consolidated sales between two given periods, excluding the impact of acquisitions, sales and disposals of stores, exchange-rate fluctuations and, when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.
<b>EBITDA</b>	This measure represents operating profit before the net gain on disposal of property and equipment, acquisition related costs, finance costs, depreciation and amortization, income taxes and net earnings attributable to non-controlling interests. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.
<b>EBITDA margin</b>	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.
<b>Adjusted EBITDA, adjusted earnings and adjusted earnings per share</b>	<p>Management uses adjusted EBITDA, adjusted earnings and adjusted earnings per share to assess EBITDA, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes (for adjusted earnings and adjusted earnings per share), which may affect the comparability of the Corporation's financial results. Management is of the view that these measures are more representative of the Corporation's operational performance and more appropriate in providing additional information.</p> <p>These adjustments include, amongst others, the non-capitalizable costs related to the development and implementation of the ERP system and costs related to network reorganization and the closure and disposal of stores.</p> <p>The exclusion of these items does not indicate that they are non-recurring.</p>
<b>Free cash flow</b>	<p>This measure corresponds to EBITDA adjusted for the following items: other non-cash items according to the statement of cash flows, interest paid, income taxes paid and acquisitions of property and equipment. Uni-Select considers free cash flow to be a good indicator of financial strength and of operating performance because it shows how much funds are available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise.</p> <p>The free cash flow excludes certain variations in working capital items (such as trade and other receivables, inventory and trade and other payables and provisions) and other funds generated and used according to the statement of cash flows. Therefore it should not be considered as an alternative to the Consolidated Statement of Cash Flows, or as a measure of liquidity, but as additional information.</p>
<b>Total net indebtedness</b>	This measure consists of bank indebtedness, long-term debt and merchant members' deposits in the guarantee fund (including short-term portions), net of cash.

**Ratio of total net debt to total invested capital**

This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total shareholders' equity.

**Long-term debt to shareholders' equity**

This ratio corresponds to the sum of long-term debt and merchant members' deposits in the guarantee fund (including short-term portions) divided by the sum of convertible debentures and total shareholders' equity.

**Funded debt to EBITDA**

This ratio corresponds to total net debt to EBITDA.

## 9. EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon rates expressed as US dollars per C\$1.00:

	Second quarter ended		Six-month periods ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<b>Average for the period</b> For statement of earnings	<b>0.99</b>	1.03	<b>0.99</b>	1.02
			<b>June 30, 2012</b>	June 30, 2011
<b>Period end</b> For statement of financial position			<b>0.97</b>	0.98

As the Corporation uses the US dollar as its reporting currency, in its consolidated financial statements and in this document, unless otherwise indicated, results from its Canadian operations are translated into US dollars using the average rate for the period. Variances and explanations related to variations in the foreign exchange rate and the volatility of the Canadian dollar are therefore related to the translation in US dollars of the Corporation's

Canadian operations' results and do not have an economic impact on its performance since most of the Corporation's consolidated sales and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, the sensitivity of the Corporation's results to variations in foreign exchange rates is economically limited.

## 10. EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management plans and performs an audit of the Corporation's internal controls related to the Canadian Securities Authorities National Instrument 52-109 "Certification of Disclosure in Issuer's Annual and Interim Filings" (NI 52-109). These audits are performed in accordance with the recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) control framework.

### Disclosure controls and procedures

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with NI 52-109 guidelines. At June 30, 2012, the President and Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective.

### Internal controls over financial reporting

Uni-Select has evaluated the effectiveness of internal controls over financial reporting as at June 30, 2012, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Vice-President and Chief Financial Officer to conclude that internal controls over financial reporting were effective and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Over the course of the second quarter of 2012, no significant changes to internal controls over financial reporting have occurred that materially affected, or are reasonably likely to have materially affected, such controls.

## 11. OUTLOOK

During the next quarters, the Corporation intends to implement specific measures, as the plan mentioned in the Subsequent event section, aiming to reduce its fixed costs and consequently have greater structure flexibility to face market changes and will also continue to focus on the following objectives:

- Maintaining efforts to increase the efficiency of operations through increased sales, improved productivity and margins;
- Reduce working capital in order to decrease the level of indebtedness;
- Pursue the integration of FinishMaster™ activities as well as those related to assets acquired in Florida; and
- Pursue the orderly deployment of the enterprise resource planning system.

Management is confident that it will continue to improve profitability. Increased profitability combined with sound management of assets and working capital will result in a reduction of the debt to the level that our investors and shareholders are accustomed to.



Richard G. Roy, FCPA, FCA  
President and Chief Executive Officer



Denis Mathieu, CA, MBA  
Executive Vice-President, Corporate Services and  
Chief Financial Officer

Approved by the Board of Directors on August 7, 2012.

Head Office  
170 Industriel Boulevard  
Boucherville, Québec  
J4B 2X3  
Tel.: (450) 641-2440  
Fax: (450) 449-4908  
[www.uniselect.com](http://www.uniselect.com)

Ticker Symbol  
UNS, Toronto Stock Exchange

Investor Relations  
Ms. Karine Vachon, Manager, Investor Relations and  
Communications  
Tel : (450) 641-6972  
Email: [Investorrelations@uniselect.com](mailto:Investorrelations@uniselect.com)

# Uni-Select Inc.

## Interim Consolidated Financial Statements for the quarter ended June 30, 2012



**UNI-SELECT®**

Financial Statements	
Consolidated Statement of Earnings	21
Consolidated Statement of Comprehensive Income	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Consolidated Statement of Financial Position	25
Notes to the Interim Consolidated Financial Statements	26 - 32

**Notice related to the review of the Interim Consolidated Financial Statements**

The Interim Consolidated Financial Statements for the periods ended June 30, 2012 and 2011 have not been reviewed by the independent auditors of the Corporation

UNI-SELECT INC.  
**CONSOLIDATED STATEMENT OF EARNINGS**

(In thousands of US dollars, except per share amounts, unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Sales</b>	<b>482,772</b>	474,645	<b>933,500</b>	871,429
Earnings before the following items:	<b>30,194</b>	32,303	<b>54,815</b>	54,003
Finance costs, net (Note 4)	<b>4,574</b>	4,187	<b>9,400</b>	8,715
Depreciation and amortization (Note 5)	<b>7,109</b>	5,231	<b>13,168</b>	10,180
Net gain on the disposal of property and equipment	—	—	—	(1,728)
Acquisition-related costs (Note 6)	—	—	—	2,976
Earnings before income taxes	<b>18,511</b>	22,885	<b>32,247</b>	33,860
Income taxes (Note 8)				
Current	<b>246</b>	1,943	<b>8,457</b>	2,059
Deferred	<b>3,180</b>	2,599	<b>(2,435)</b>	3,956
	<b>3,426</b>	4,542	<b>6,022</b>	6,015
<b>Net earnings</b>	<b>15,085</b>	18,343	<b>26,225</b>	27,845
Attributable to shareholders	<b>15,085</b>	18,504	<b>26,316</b>	28,166
Attributable to non-controlling interests	—	(161)	<b>(91)</b>	(321)
	<b>15,085</b>	18,343	<b>26,225</b>	27,845
<b>Earnings per share</b> (Note 7)				
Basic	<b>0.70</b>	0.85	<b>1.22</b>	1.30
Diluted	<b>0.69</b>	0.84	<b>1.21</b>	1.30
<b>Weighted average number of shares outstanding (in thousands)</b> (Note 7)				
Basic	<b>21,637</b>	21,691	<b>21,637</b>	21,626
Diluted	<b>22,877</b>	22,963	<b>22,876</b>	22,856

The Consolidated Statement of Earnings by nature is presented in Note 16.

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

UNI-SELECT INC.  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(In thousands of US dollars, unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Net earnings</b>	<b>15,085</b>	18,343	<b>26,225</b>	27,845
Other comprehensive income				
Effective portion of changes in the fair value of cash flow hedges (net of income taxes of \$223 and \$323 for the three and six-month periods (\$178 and \$159 in 2011))	(606)	(390)	(877)	(442)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income taxes of \$164 and \$344 for the three and six-month periods (\$219 and \$453 in 2011))	452	607	935	1,240
	(154)	217	58	798
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	4,779	553	312	(2,321)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	(6,494)	196	(495)	6,053
Actuarial loss on defined benefit pension plans (net of income taxes of \$687 and \$530 for the three and six-month periods)	(1,866)	—	(1,440)	—
Other comprehensive income	(3,735)	966	(1,565)	4,530
Comprehensive income	<b>11,350</b>	19,309	<b>24,660</b>	32,375
Attributable to shareholders	11,350	19,470	24,751	32,696
Attributable to non-controlling interests	—	(161)	(91)	(321)
	<b>11,350</b>	19,309	<b>24,660</b>	32,375

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

UNI-SELECT INC.  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(In thousands of US dollars, unaudited)

	Attributable to shareholders				Attributable to non-controlling interests (Note 6)	Total equity
	Share capital	Accumulated other comprehensive income (Note 12)	Equity component of convertible debentures and contributed surplus	Retained earnings		
	\$	\$	\$	\$	\$	\$
<b>Balance at December 31, 2010</b>	<b>39,099</b>	<b>4,700</b>	<b>375</b>	<b>337,795</b>	<b>2,623</b>	<b>384,592</b>
Net earnings	—	—	—	28,166	(321)	27,845
Other comprehensive income	—	4,530	—	—	—	4,530
Comprehensive income	—	4,530	—	28,166	(321)	32,375
Contributions by and distributions to shareholders						
Share issuances	49,980	—	—	—	—	49,980
Issuance of convertible debentures	—	—	2,418	—	—	2,418
Dividends	—	—	—	(5,393)	—	(5,393)
Stock-based compensation expense	—	—	39	—	—	39
	49,980	—	2,457	(5,393)	—	47,044
Changes in ownership interests in subsidiaries that do not result in a loss of control						
Buy-back of non-controlling interests	—	—	—	—	(229)	(229)
Foreign exchange translation adjustment on non-controlling interests	—	—	—	—	81	81
<b>Balance at June 30, 2011</b>	<b>89,079</b>	<b>9,230</b>	<b>2,832</b>	<b>360,568</b>	<b>2,154</b>	<b>463,863</b>
<b>Balance at December 31, 2011</b>	<b>88,940</b>	<b>6,216</b>	<b>2,139</b>	<b>375,262</b>	<b>1,033</b>	<b>473,590</b>
Net earnings	—	—	—	26,316	(91)	26,225
Other comprehensive income	—	(125)	—	(1,440)	—	(1,565)
Comprehensive income	—	(125)	—	24,876	(91)	24,660
Contributions by and distributions to shareholders						
Share issuances	29	—	—	—	—	29
Share redemptions	(3)	—	—	(10)	—	(13)
Dividends	—	—	—	(5,567)	—	(5,567)
Stock-based compensation expense	—	—	19	—	—	19
	26	—	19	(5,577)	—	(5,532)
Changes in ownership interests in subsidiaries that do not result in a loss of control						
Buy-back of non-controlling interests	—	—	(98)	—	(1,053)	(1,151)
Foreign exchange translation adjustment on non-controlling interests	—	—	—	—	111	111
<b>Balance at June 30, 2012</b>	<b>88,966</b>	<b>6,091</b>	<b>2,060</b>	<b>394,561</b>	<b>—</b>	<b>491,678</b>

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.



UNI-SELECT INC.  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In thousands of US dollars, unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings	15,085	18,343	26,225	27,845
Non-cash items				
Depreciation and amortization (Note 5)	7,109	5,231	13,168	10,180
Income tax expense (Note 8)	3,426	4,542	6,022	6,015
Finance costs, net (Note 4)	4,574	4,187	9,400	8,715
Net gain on disposal of property and equipment	—	—	—	(1,728)
Other non-cash items	271	(162)	918	(51)
Changes in working capital items	6,148	34,759	(7,876)	(26,517)
Interest paid	(4,313)	(2,989)	(10,131)	(6,146)
Income taxes (paid) recovered	715	(3,604)	(1,404)	(12,082)
Cash flows from operating activities	<b>33,015</b>	<b>60,307</b>	<b>36,322</b>	<b>6,231</b>
<b>INVESTING ACTIVITIES</b>				
Business acquisitions (Note 6)	(759)	—	(2,329)	(222,765)
Repurchase of non-controlling interests (Note 6)	(1,053)	(229)	(1,053)	(229)
Proceeds from business disposals	—	157	—	157
Balance of purchase or sale price	(533)	80	(897)	117
Advances to merchant members	(4,373)	(3,836)	(7,053)	(6,607)
Receipts on investments and advances to merchant members	503	699	1,949	1,609
Acquisitions of property and equipment (Note 9)	(4,401)	(1,413)	(5,670)	(4,586)
Disposals of property and equipment (Note 9)	98	4,271	220	5,681
Acquisitions and development of intangible assets (Note 10)	(1,974)	(7,951)	(7,073)	(15,138)
Cash flows from investing activities	<b>(12,492)</b>	<b>(8,222)</b>	<b>(21,906)</b>	<b>(241,761)</b>
<b>FINANCING ACTIVITIES</b>				
Net increase (decrease) in bank indebtedness	(23)	(6,658)	(20)	(7,524)
Increase in long-term debt	19,564	876	40,794	363,211
Repayment of long-term debt	(37,827)	(42,936)	(50,280)	(213,975)
Merchant members' deposits in the guarantee fund	57	125	(75)	227
Issuance of convertible debentures, net of issuance costs	—	—	—	49,777
Share issuances, net of issuance costs	29	—	29	49,361
Share redemptions	—	—	(13)	—
Dividends paid	(2,735)	(2,778)	(5,351)	(5,074)
Cash flows from financing activities	<b>(20,935)</b>	<b>(51,371)</b>	<b>(14,916)</b>	<b>236,003</b>
Effects of fluctuations in exchange rates on cash	(28)	—	3	2
Increase (Decrease) in cash	(440)	714	(497)	475
Cash, beginning of period	1,614	140	1,671	379
Cash, end of period	<b>1,174</b>	<b>854</b>	<b>1,174</b>	<b>854</b>

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

UNI-SELECT INC.  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(In thousands of US dollars, unaudited)

	June 30, 2012	December 31, 2011
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	1,174	1,671
Trade and other receivables	220,379	198,495
Income taxes receivable	18,998	25,234
Inventory	528,196	579,246
Prepaid expenses	10,853	11,358
Total current assets	<u>779,600</u>	<u>816,004</u>
Investments and advances to merchant members	26,261	22,149
Property and equipment (Note 9)	45,691	43,134
Intangible assets (Note 10)	156,395	156,958
Goodwill (Note 10)	185,980	184,734
Deferred tax assets	24,580	24,242
<b>TOTAL ASSETS</b>	<b><u>1,218,507</u></b>	<b><u>1,247,221</u></b>
<b>LIABILITIES</b>		
Current liabilities		
Bank indebtedness	476	497
Trade and other payables and provisions	259,486	298,686
Dividends payable	2,759	2,552
Instalments on long-term debt and on merchant members' deposits in the guarantee fund	17,897	15,694
Total current liabilities	<u>280,618</u>	<u>317,429</u>
Long-term employee benefit obligations	28,544	27,319
Long-term debts	328,545	337,319
Convertible debentures	47,570	47,225
Merchant members' deposits in the guarantee fund	7,668	7,757
Derivative financial instruments	2,427	2,505
Deferred tax liabilities	31,457	34,077
<b>TOTAL LIABILITIES</b>	<b><u>726,829</u></b>	<b><u>773,631</u></b>
<b>EQUITY</b>		
Share capital (Note 11)	88,966	88,940
Contributed surplus	373	452
Equity component of the convertible debentures	1,687	1,687
Retained earnings	394,561	375,262
Accumulated other comprehensive income (Note 12)	6,091	6,216
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>491,678</u></b>	<b><u>472,557</u></b>
Non-controlling interests	—	1,033
<b>TOTAL EQUITY</b>	<b><u>491,678</u></b>	<b><u>473,590</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>1,218,507</u></b>	<b><u>1,247,221</u></b>

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

# UNI-SELECT INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars, except per share amounts and percentages, unaudited)

### 1 – GOVERNING STATUTE AND NATURE OF OPERATIONS

Uni-Select Inc. (the “Company”) is a corporation domiciled in Canada and incorporated under Part IA of the Companies Act (Québec). The Company is the parent company of a group of entities which includes the Company and its subsidiaries (collectively, the “Corporation”). The Corporation is a major distributor of replacement parts, equipment, tools, accessories and paint and related products for motor vehicles. The Corporation’s registered office is located at 170 Industriel Blvd., Boucherville, Québec, Canada.

These condensed Interim Consolidated Financial Statements of the Corporation present the operations and financial position of the Company and all of its subsidiaries as well as the Corporation’s interests in jointly controlled entities.

The Company’s shares are listed on the Toronto Stock Exchange under the symbol UNS.

### 2 – BASIS OF PRESENTATION

#### Statement of compliance

These condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and do not include all of the information required for full annual financial statements. The condensed Interim Consolidated Financial Statements should be read in conjunction with the Corporation’s December 31, 2011 audited Consolidated Financial Statements.

The accounting policies applied for the three-month and six-month periods ended June 30, 2012 comply with International Financial Reporting Standards (“IFRS”) and are consistent with the accounting policies applied by the Corporation in its December 31, 2011 annual Consolidated Financial Statements.

These Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on August 7, 2012.

#### Basis of measurement

The Interim Consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value, provisions which are measured based on best estimates of the expenditures to settle the obligation and the post-employment benefit obligations which are recognized as the net total of the plan assets and unrecognized past service cost less the present value of the defined benefit obligation.

#### Functional and presentation currency

Items included in the financial statements of each of the Corporation’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Corporation’s functional currencies are the Canadian dollar for entities located in Canada and the US dollar for entities located in the United States of America. The Interim Consolidated Financial Statements are presented in US dollars, which is the Corporation’s presentation currency.

#### Use of accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to apply judgment and to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the Interim Consolidated Financial Statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

The most significant uses of judgment, estimates and assumptions are the same as those presented in the Corporation’s December 31, 2011 audited Consolidated Financial Statements

### 3 – CHANGES IN ACCOUNTING POLICIES

#### FUTURE ACCOUNTING CHANGES

##### (i) Financial statement presentation

In May 2012, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. These amendments require incremental disclosures regarding comparative information, retrospective restatement or reclassification or change in accounting policy.

##### (ii) Financial instruments - Presentation

In May 2012, the IASB issued an amendment to IAS 32 “Financial instruments: Presentation”. The amendment requires entities to account income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction in accordance with IAS 12 “Income Taxes”.

The above amendments are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standards.

UNI-SELECT INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars, except per share amounts and percentages, unaudited)

**4 – FINANCE COSTS, NET**

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Interest on bank indebtedness	—	207	5	455
Interest on long-term debts	2,757	2,503	5,699	5,276
Interest on convertible debentures	756	699	1,517	1,423
Accreted interest on convertible debentures	109	159	220	304
Amortization of financing costs	377	394	756	699
Interest on merchant members' deposits in the guarantee fund	42	40	84	80
Reclassification of realized losses to net earnings on derivative financial instruments designated as cash flow hedges	616	826	1,279	1,693
Total finance costs	4,657	4,828	9,560	9,930
Capitalized interest	—	(568)	—	(1,047)
Interest income on merchant members' deposits in the guarantee fund	(83)	(73)	(160)	(168)
Total finance costs, net	4,574	4,187	9,400	8,715

**5 – DEPRECIATION AND AMORTIZATION**

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Property and equipment	3,368	3,030	6,547	6,014
Intangible assets	3,741	2,201	6,621	4,166
Total depreciation and amortization	7,109	5,231	13,168	10,180

**6 – BUSINESS COMBINATIONS AND REPURCHASE OF NON-CONTROLLING INTERESTS**

**Business acquisitions**

**2012**

In the normal course of business, the Corporation acquires the assets and liabilities of companies. During the six-month period ended June 30, 2012, the Corporation acquired the assets and liabilities of two companies operating in the United States of America and another operating in Canada. The total cost of these acquisitions of \$2,361, of which \$396 was payable at June 30, 2012, was allocated to the assets and liabilities based on their fair values.

The fair value amounts recognized for each class of the acquirees' assets and liabilities at the acquisition date were \$4,052 for the current assets, \$931 for the non-current assets, \$3,572 for the current liabilities, and \$950 for goodwill.

During the six month period ended June 30, 2012, the Corporation finalized the purchase price allocation of a company acquired in 2011 in Canada, which resulted in an increase of \$364 in goodwill.

The Corporation did not incur any acquisition-related costs and the contributions to sales and net earnings were immaterial.

**2011**

On January 11, 2011, as part of its strategy of growth through acquisitions, the Corporation proceeded to the acquisition of all of the outstanding shares of FinishMaster, Inc., ("FinishMaster"), a company based in the United States of America. FinishMaster was the largest North American independent distributor of automotive paints, coatings and paint-related accessories to the automotive collision industry. The purchase price, which was settled in cash, amounted to \$221,774, including the assumption of a net debt of \$57,565.

Acquisition-related costs amounting to \$2,976, excluded from the consideration transferred, were recognized as an expense in the 2011 Consolidated Statements of Earnings.

Goodwill recognized on the acquisition is mainly attributable to synergies expected to be derived from the business combination and the value of FinishMaster's workforce which cannot be recognized as an intangible asset. The goodwill recognized on this business combination is not expected to be deductible for tax purposes.

UNI-SELECT INC.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars, except per share amounts and percentages, unaudited)

**6 – BUSINESS COMBINATIONS AND REPURCHASE OF NON-CONTROLLING INTERESTS (CONTINUED)**

During the six month-period ended June 30 2011, the Corporation completed acquisitions of assets and liabilities of other companies operating in the United States of America and in Canada. The total cost of these acquisitions of \$2,551, of which \$87 was payable at June 30, 2011, was allocated to the acquired assets and liabilities based on their fair values.

The fair value amounts recognized for each class of the acquirees' assets and liabilities at the acquisition date were \$135,431 for the current assets, \$91,727 for the non-current assets, \$80,675 for the current liabilities, \$12,611 for the non-current liabilities, and \$90,517 for goodwill.

**Repurchase of non-controlling interests**

**2012**

During the six-month period ended June 30, 2012, the Corporation repurchased the remaining non-controlling interests in its subsidiary Uni-Select Pacific Inc. The total consideration of \$1,053 was based on the carrying amounts as at December 31, 2011 in accordance with the shareholders' agreement.

**2011**

During the six-month period ended June 30, 2011, the Corporation increased its interest by 1.92% in its subsidiary, Uni-Select Pacific Inc., for a total consideration of \$229. The consideration paid was based on the carrying amounts in accordance with the shareholders' agreement. As a result of this transaction, the Corporation's interest in its subsidiary increased from 78.85% to 80.77%.

**7 – EARNINGS PER SHARE**

The following table presents a reconciliation of basic and diluted earnings per share:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net earnings attributable to shareholders considered for basic earnings per share	15,085	18,504	26,316	28,166
Conversion impact of convertible debentures	711	776	1,427	1,493
Net earnings attributable to shareholders considered for diluted earnings per share	15,796	19,280	27,743	29,659
Weighted average number of shares outstanding for basic earnings per share	21,637,142	21,691,387	21,636,751	21,625,627
Conversion impact of convertible debentures	1,239,224	1,239,224	1,239,224	1,198,145
Impact of stock option exercise	640	32,216	440	31,760
Weighted average number of shares outstanding for diluted earnings per share	22,877,006	22,962,827	22,876,415	22,855,532
Earnings per share				
Basic	0.70	0.85	1.22	1.30
Diluted	0.69	0.84	1.21	1.30

UNI-SELECT INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of US dollars, except per share amounts and percentages, unaudited)

**8 – INCOME TAXES**

The following table presents a reconciliation of the effective tax rate:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	%	%	%	%
Income tax at the Corporation's domestic tax rate	26.74	28.39	26.74	28.33
Effect of tax rates in foreign jurisdictions	1.74	8.34	3.42	8.51
Earnings taxable at lower rates in future years	—	(0.43)	—	(0.60)
Capital gains taxable at a lower rate	—	—	—	(1.13)
Non-deductible expenses	1.19	0.53	1.37	2.18
Tax benefit from a financing structure	(10.23)	(15.21)	(12.87)	(19.08)
Recognition of previously unrecognized tax gains	—	—	(0.97)	—
Losses at higher tax rates and others	(0.93)	(1.77)	0.98	(0.45)
Effective tax rate	18.51	19.85	18.67	17.76

**9 – PROPERTY AND EQUIPMENT**

	Land and paving	Buildings	Furniture and equipment	Computer equipment and software	Automotive equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Cost	1,479	16,634	39,425	27,066	22,837	11,078	118,519
Accumulated depreciation	(264)	(7,762)	(27,931)	(19,181)	(13,097)	(7,150)	(75,385)
<b>Balance at December 31, 2011</b>	<b>1,215</b>	<b>8,872</b>	<b>11,494</b>	<b>7,885</b>	<b>9,740</b>	<b>3,928</b>	<b>43,134</b>
Depreciation	(5)	(270)	(1,251)	(2,073)	(2,044)	(904)	(6,547)
Disposals	—	(4)	(10)	—	(202)	(4)	(220)
Acquisitions through business combinations	60	199	216	44	101	—	620
Additions	1,234	116	1,316	1,883	3,652	562	8,763
Effects of fluctuations in exchange rates	(19)	(10)	(7)	(19)	(1)	(3)	(59)
Total changes	1,270	31	264	(165)	1,506	(349)	2,557
Cost	2,754	16,919	40,883	41,001	25,547	17,846	144,950
Accumulated depreciation	(269)	(8,016)	(29,125)	(33,281)	(14,301)	(14,267)	(99,259)
<b>Balance at June 30, 2012</b>	<b>2,485</b>	<b>8,903</b>	<b>11,758</b>	<b>7,720</b>	<b>11,246</b>	<b>3,579</b>	<b>45,691</b>

UNI-SELECT INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of US dollars, except per share amounts and percentages, unaudited)

**10 – INTANGIBLE ASSETS AND GOODWILL**

	Intangible assets			Goodwill	
	Trademarks	Customer relationships and others	Software	Total	
	\$	\$	\$	\$	\$
Cost	8,650	76,867	99,072	184,589	184,734
Accumulated amortization	—	(7,983)	(19,648)	(27,631)	—
<b>Balance at December 31, 2011</b>	<b>8,650</b>	<b>68,884</b>	<b>79,424</b>	<b>156,958</b>	<b>184,734</b>
Amortization		(3,568)	(3,053)	(6,621)	—
Additions from internal development <sup>(1)</sup>	—	—	4,610	4,610	—
Additions	—	35	1,407	1,442	—
Acquisitions through business combinations	—	50	—	50	1,314
Disposals	—	(4)	(5)	(9)	—
Effect of fluctuations in exchange rates	—	(3)	(32)	(35)	(68)
Total changes	—	(3,490)	2,927	(563)	1,246
Cost	8,650	76,344	107,539	192,533	185,980
Accumulated amortization	—	(10,950)	(25,188)	(36,138)	—
<b>Balance at June 30, 2012</b>	<b>8,650</b>	<b>65,394</b>	<b>82,351</b>	<b>156,395</b>	<b>185,980</b>

<sup>(1)</sup> Software includes the capitalized portion of costs, amounting to \$75,156 at June 30, 2012, related to the acquisition and internal development of an ERP which will be fully operational during the next fiscal year. Amortization for the financial component of the ERP began when it was ready to be put into service in 2010. Amortization for the operational components of the ERP at various locations began when the components were ready to be put into service, beginning in 2011.

**11 – SHARE CAPITAL**

**Common share stock option plan for management employees and officers**

On May 8, 2012, the Corporation amended and restated its Stock option plan for management employees and officers (the “Plan”). A total of 1,700,000 shares have been reserved for issuance under the amended and restated terms of the Plan. The options are granted at the average closing price of the Corporation’s common shares on the Toronto Stock Exchange for the five trading days preceeding the grant date, and are exercisable over a period of no greater than seven years.

At June 30, 2012, options for the issuance of 61,769 common shares have been granted and 1,638,231 common shares are reserved for additional options under the Plan. No options were granted during the three and six-month periods ended June 30, 2012.

**12 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

	Cumulative translation account	Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	Accumulated changes in fair value of derivative financial instruments designated as cash flow hedges	Total
	\$	\$	\$	\$
Balance at December 31, 2010	382	7,834	(3,516)	4,700
Other comprehensive income (loss)	(2,321)	6,053	798	4,530
<b>Balance at June 30, 2011</b>	<b>(1,939)</b>	<b>13,887</b>	<b>(2,718)</b>	<b>9,230</b>
Balance at December 31, 2011	5,433	2,612	(1,829)	6,216
Other comprehensive income (loss)	312	(495)	58	(125)
<b>Balance at June 30, 2012</b>	<b>5,745</b>	<b>2,117</b>	<b>(1,771)</b>	<b>6,091</b>

UNI-SELECT INC.  
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars, except per share amounts and percentages, unaudited)

**13 – POST-EMPLOYMENT BENEFIT OBLIGATIONS**

The Corporation sponsors both defined benefit and defined contribution pension plans.

For the three-month period ended June 30, 2012, the total expense was \$778 (\$649 in 2011) for the defined benefit pension plans and \$333 (\$298 in 2011) for the defined contribution pension plans.

For the six-month period ended June 30, 2012, the total expense was \$1,636 (\$1,287 in 2011) for the defined benefit pension plans and \$659 (\$588 in 2011) for the defined contribution pension plans.

**14 – RELATED PARTIES**

The Corporation incurred rental expenses of \$891 for the three-month period ended June 30, 2012 (\$882 in 2011) and \$1,775 for the six-month period ended June 30, 2012 (\$1,764 in 2011) to the benefit of Clarit Realty Ltd., a company controlled by a related party. The associated lease agreements were concluded in the Corporation's normal course of business for various terms of no more than five years.

**15 – GEOGRAPHIC INFORMATION**

The Corporation considers its distribution of replacement parts, equipment, tools, accessories and paint and related products for motor vehicles as a single operating segment.

The Corporation operates in Canada and the United States of America. The primary financial information per geographic location is as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Sales in Canada	145,411	149,871	261,103	265,220
Sales in the United States of America	337,361	324,774	672,397	606,209
Total sales	482,772	474,645	933,500	871,429

	June 30, 2012		
	Canada	United States of America	Total
	\$	\$	\$
Property and equipment	14,350	31,341	45,691
Intangible assets	20,708	135,687	156,395
Goodwill	41,223	144,757	185,980

	December 31, 2011		
	Canada	United States of America	Total
	\$	\$	\$
Property and equipment	12,956	30,178	43,134
Intangible assets	20,988	135,970	156,958
Goodwill	40,048	144,686	184,734



UNI-SELECT INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands of US dollars, except per share amounts and percentages, unaudited)

**16 – CONSOLIDATED STATEMENT OF EARNINGS BY NATURE**

	Three-month period ended June 30,		Six-month period ended June 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Sales</b>	<b>482,772</b>	474,645	<b>933,500</b>	871,429
Operating expenses				
Employee benefits	77,620	75,815	157,201	147,622
Purchases, net of changes in inventories	333,867	332,728	638,935	607,927
Other expenses	41,091	33,799	82,549	61,877
	<b>452,578</b>	442,342	<b>878,685</b>	817,426
<b>Earnings before depreciation and amortization, net gain on disposal of property and equipment, acquisition-related costs, finance costs and income taxes</b>	<b>30,194</b>	32,303	<b>54,815</b>	54,003
Depreciation and amortization (Note 5)	7,109	5,231	13,168	10,180
Net gain on the disposal of property and equipment	—	—	—	(1,728)
Acquisition-related costs (Note 6)	—	—	—	2,976
	<b>7,109</b>	5,231	<b>13,168</b>	11,428
<b>Operating profit</b>	<b>23,085</b>	27,072	<b>41,647</b>	42,575
Finance costs, net (Note 4)	4,574	4,187	9,400	8,715
Earnings before income taxes	18,511	22,885	32,247	33,860
Income taxes (Note 8)				
Current	246	1,943	8,457	2,059
Deferred	3,180	2,599	(2,435)	3,956
	<b>3,426</b>	4,542	<b>6,022</b>	6,015
<b>Net earnings</b>	<b>15,085</b>	18,343	<b>26,225</b>	27,845
Attributable to shareholders	15,085	18,504	26,316	28,166
Attributable to non-controlling interests	—	(161)	(91)	(321)
	<b>15,085</b>	18,343	<b>26,225</b>	27,845
<b>Earnings per share (Note 7)</b>				
Basic	0.70	0.85	1.22	1.30
Diluted	0.69	0.84	1.21	1.30
<b>Weighted average number of shares outstanding (in thousands) (Note 7)</b>				
Basic	21,637	21,691	21,637	21,626
Diluted	22,877	22,963	22,876	22,856

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

**17 – SUBSEQUENT EVENTS**

On August 7, 2012, the Board of Directors approved a distribution network consolidation plan which also includes a revision of the operational structure and the reduction of administrative expenses. The cost of implementing the consolidation plan will be approximately \$22,000, a portion of which will be recognized in the third quarter of 2012 in accordance with current accounting guidance.