



GEARED FOR GROWTH

BE A PART OF IT.

Interim Management's Discussion and Analysis

as at June 30, 2014

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QUARTERLY HIGHLIGHTS

(In US dollars)

Sales
\$478.7 million

EBITDA
\$29.7 million

Net Earnings
\$15.5 million

- Overall consolidated sales increased by 0.5%. Consolidated organic growth of 2.9% generated during the quarter combined with sales from acquisitions, exceeded sales lost from store closures in the US operations and the effect of the declining Canadian dollar. Canadian operations generated a strong organic growth of 6.8% while the US operations concluded at 1.3%.
- EBITDA increased to \$29.7 million in the second quarter of 2014 from a loss of \$7.4 million last year. The 2013 second quarter EBITDA includes restructuring charges and others of \$35.2 million. Adjusted EBITDA increased by 6.8% to \$31.3 million (or 6.5% of sales) from \$29.3 million (or 6.2% of sales) last year. EBITDA improvements are mainly related to savings generated by the Action Plan.
- Net earnings increased to \$15.5 million in 2014 from a loss of \$9.3 million last year. 2013 results include restructuring charges, write-off of assets and others of \$23.9 million net of income taxes. Adjusted earnings increased by 5.8% from \$15.6 million last year to \$16.5 million in 2014, benefiting from the Action Plan savings.
- Free cash flow was \$23.4 million compared to \$24.2 million for the same quarter last year.
- Debt decreased by \$37.6 million from \$297.2 million to \$259.6 million.

(in thousands of US dollars, except per share amounts and percentages)	Second quarter			Six-month period		
	2014	2013	%	2014	2013	%
OPERATING RESULTS						
Sales	478,690	476,176	0.5	891,767	897,996	(0.7)
EBITDA ⁽¹⁾	29,681	(7,394)		48,283	8,534	
Adjusted EBITDA ^{(1) (2)}	31,306	29,320	6.8	52,142	46,631	11.8
Adjusted EBITDA margin	6.5%	6.2%		5.8%	5.2%	
Restructuring charges and others	-	35,180		-	35,180	
Net earnings (loss)	15,532	(9,295)		23,920	(3,151)	
Adjusted earnings ⁽²⁾	16,470	15,561	5.8	26,193	22,556	16.1
Free cash flow	23,375	24,226		37,115	30,514	
COMMON SHARE DATA						
Net earnings (loss)	0.73	(0.43)		1.12	(0.15)	
Adjusted earnings	0.77	0.72	6.9	1.23	1.05	17.1
Dividend (C\$)	0.15	0.13	15.4	0.28	0.26	7.7
Number of shares outstanding (in thousands)	21,258	21,465		21,258	21,465	
Weighted average number of outstanding shares (in thousands)	21,264	21,465		21,264	21,482	
FINANCIAL POSITION				June 30,	Dec. 31,	
				2014	2013	
Working capital				421,587	417,465	
Total assets				1,210,452	1,205,891	
Total net debt				259,557	277,658	
Total equity				504,888	488,755	
Adjusted return on average total shareholders' equity				10.7%	9.8%	
Book value per share				23.75	22.99	

⁽¹⁾ EBITDA represents net earnings excluding finance costs, depreciation and amortization, equity income and income taxes (Refer to the "Non-IFRS financial measures" 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 to provide comparable measures. (Refer to the "Non-IFRS financial measure" section for further details.)

PRELIMINARY COMMENTS TO THE MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis discusses the Corporation's operating results and cash flows for the quarter and six-month periods ended June 30, 2014 compared with those of the quarter and six-month periods ended June 30, 2013, as well as its financial position as at June 30, 2014 compared with its financial position as at December 31, 2013. This report should be read in conjunction with the 2013 Consolidated Financial Statements and accompanying notes included in the 2013 Annual Report. The information contained in this Management's Discussion and Analysis takes into account all major events that occurred up to July 30, 2014, the date at which the financial statements and Management's Discussion and Analysis were approved by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per 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 sedar.com.

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

Unless otherwise specified, the financial data presented in this Management's Discussion and Analysis, including tabular information, is expressed in thousands of US dollars, except per share amounts and percentages. Comparisons are presented in relation to the comparable periods of the prior year.

The financial statements contained in the present Management's Discussion and Analysis were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial reports were not audited by the Corporation's external auditors.

FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis 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's Discussion and Analysis contain forward-looking statements within the meaning of securities legislation concerning the Corporation's objectives, projections, estimates, expectations or forecasts.

Forward-looking statements involve known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. Risks that could cause the results to differ materially from expectations are discussed in the "Risk Management" section of the 2013 Annual Report. Those risks include, among others, 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.

COMPLIANCE WITH IFRS

The information included in this report contains certain measures that are inconsistent with IFRS. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other entities. The Corporation considers that users of its Management's Discussion and Analysis may analyze its results based on these measurements.

(Details in section "Non-IFRS financial measures.")

PROFILE AND DESCRIPTION

A MULTINATIONAL COMPANY IN THE AUTOMOTIVE AFTERMARKET

Founded in 1968, Uni-Select is a major distributor of replacement parts and paint products in the North American automotive aftermarket. With its 5,500 employees, 55 distribution centres and 418 corporate stores, the Corporation serves a large network of independent wholesalers and installers in Canada and the United States.

Uni-Select's clientele consists of 3,200 independent wholesalers, tens of thousands of repair and collision repair shops, national and regional accounts, and consumers. A key link in the supply chain that connects manufacturers, wholesalers and installers, Uni-Select offers a vast selection of products that includes 2 million replacement parts and accessories for domestic vehicles and over 27,000 Beck/Arnley products for foreign nameplate vehicles. It also offers 30,000 paint and related products, as well as equipment and tools for shops.

Uni-Select is a leader in Canada and the fifth-largest automotive parts distributor in North America. It is also the largest independent paint distributor in North America. The Corporation generates 72% of its sales in the United States and 28% in Canada.

ACTION PLAN AND RESTRUCTURING

Since the beginning of the year, the Action Plan progressed as per schedule with the opening of a distribution centre in the Washington D.C. area, while closing two distribution centres and one unprofitable store, consolidating one store and reducing headcount. The following table summarizes the expected and realized impacts of the various initiatives included in the Action Plan as of June 30, 2014:

	Expected				Realized		
	2013	2014	2015	Total	2013	2014	Since implementation
Sales erosion	20,000	45,000	5,000	70,000	13,100	22,600	35,700
Cost savings	10,000	15,000	5,000	30,000	13,000	9,400	22,400
Restructuring charges and others							
Recorded	36,000	-	-	36,000	35,180	-	35,180
As incurred	4,000	5,000	-	9,000	4,143	3,445	7,588
Inventory reduction	8,000	22,000	10,000	40,000	4,200	14,400	18,600
Capital expenditures	7,000	9,000	-	16,000	2,357	200	2,557

As at June 30, 2014, \$10,196 of these charges is presented as current liabilities within "Provision for restructuring charges and others" in the Corporation's Consolidated Statements of Financial Position. *(Refer to Note 6 in the Interim Consolidated Financial Statements for further details.)*

The expected figures represent forward-looking information. Delays in execution, unfavourable changes in economic and/or market conditions could reduce the benefits or increase the cash outlay stemming from the plan. To mitigate that risk, the Corporation dedicated resources and implemented processes to closely monitor its realization.

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	Second quarter		Six-month period	
	2014	2013	2014	2013
<i>United States</i>	343,127	339,530	653,724	655,118
<i>Canada</i>	135,563	136,646	238,043	242,878
	478,690	476,176	891,767	897,996
Organic sales		%		%
Sales variance	2,514	0.5	(6,229)	(0.7)
Closed or sold locations	11,173	2.3	22,109	2.5
Effect of declining Canadian dollar	7,978	1.7	18,448	2.1
Effect of different number of billing days	2,034	0.4	-	-
Acquisitions and others	(9,969)	(2.0)	(13,394)	(1.6)
Consolidated organic sales	13,730	2.9	20,934	2.3
Canadian operations	9,239	6.8	14,006	5.8
US operations	4,491	1.3	6,928	1.1

SECOND QUARTER:

Sales increased by 0.5% compared to the same period last year. Organic growth has been partly offset by the declining Canadian dollar and by one less billing day in Canada, while sales lost from store closures, in line with the Action Plan, were partially offset by sales from acquisitions.

The overall organic growth of 2.9% results from the successful sales initiatives and the recruitment of new customers. It is also attributed to improved service level permitted by the completion of the ERP implementation.

SIX-MONTH PERIOD:

Sales decreased by 0.7% compared to the same period last year. Sales lost from store closures, in line with the Action Plan, combined with the declining Canadian dollar exceeded organic growth and sales from acquisitions.

The overall organic growth of 2.3% results from the same factors as those mentioned in the quarter.

GROSS MARGIN

	Second quarter		Six-month period	
	2014	2013	2014	2013
Gross margin	140,516	142,266	265,157	272,317
<i>In % of sales</i>	29.4%	29.9%	29.7%	30.3%

SECOND QUARTER:

Gross margin, in percentage of sales, decreased by 0.5% compared to the same period last year, mainly due to an unfavorable distribution channel and customer mix.

SIX-MONTH PERIOD:

Gross margin, in percentage of sales, decreased by 0.6% compared to the same period last year and reflects the same factors as those mentioned for the quarter and, as well, by lower vendor incentives during the first quarter.

EMPLOYEE BENEFITS

	Second quarter		Six-month period	
	2014	2013	2014	2013
Employee benefits	73,347	74,645	142,102	149,082
<i>In % of sales</i>	15.3%	15.7%	15.9%	16.6%

SECOND QUARTER:

Employee benefits, in percentage of sales, decreased by 0.4% compared to the same period last year and are mainly due to headcount reduction and closure of unprofitable locations in relation to the Action Plan, while maintaining the same level of service. Productivity improvement and sales leverage from organic growth is also contributing to the reduction.

SIX-MONTH PERIOD:

Employee benefits, in percentage of sales, decreased by 0.7% compared to the same period last year and reflect the same factors as those mentioned for the quarter.

OTHER OPERATING EXPENSES

	Second quarter		Six-month period	
	2014	2013	2014	2013
Other operating expenses	37,488	39,835	74,772	79,521
<i>In % of sales</i>	7.8%	8.4%	8.4%	8.9%

SECOND QUARTER:

Other operating expenses, in percentage of sales, decreased by 0.6% compared to the same period last year. This improvement is mainly derived from the Action Plan: closure of unprofitable locations, delivery reengineering and tighter control on expenses. Sales leverage from organic growth is also contributing to the reduction of the fixed expenses in percentage of sales.

SIX-MONTH PERIOD:

Other operating expenses, in percentage of sales, decreased by 0.5% compared to the same period last year and reflect the same factors as those mentioned for the quarter.

These savings are partially offset by higher utilities such as electricity, gas and snow removal caused by the weather conditions across North America during the first quarter.

RESTRUCTURING CHARGES AND OTHERS

	Second quarter		Six-month period	
	2014	2013	2014	2013
Restructuring charges and others	-	35,180	-	35,180

These charges, recorded in the second quarter of 2013, are related to the Action Plan as described in the section "Action Plan and restructuring" above.

(Refer to Note 6 in the Interim Consolidated Financial Statements for further details.)

EBITDA

	Second quarter			Six-month period		
	2014	2013	%	2014	2013	%
Net earnings (loss)	15,532	(9,295)		23,920	(3,151)	
Adjustments:						
Income tax expense (recovery)	3,968	(7,950)		4,047	(9,221)	
Equity income	(795)	(949)		(1,296)	(1,507)	
Depreciation and amortization	7,751	6,771		15,347	14,315	
Finance costs, net	3,225	4,029		6,265	8,098	
EBITDA	29,681	(7,394)		48,283	8,534	
Restructuring charges and others	-	35,180		-	35,180	
Expenses related to the development and deployment of the enterprise resource planning system (ERP) ⁽¹⁾	-	829		414	1,790	
Expenses related to the network optimization and to the closure and disposal of stores ⁽²⁾	1,625	705		3,445	1,127	
Adjusted EBITDA	31,306	29,320	6.8	52,142	46,631	11.8
Adjusted EBITDA Margin	6.5%	6.2%		5.8%	5.2%	

⁽¹⁾ Mainly include costs related to data conversion, employee training and deployment to various sites. Last deployment was made in December 2013.

⁽²⁾ Primarily consist of handling and freight expenses required to relocate inventory.

SECOND QUARTER:

The adjusted EBITDA margin represents 6.5% of sales compared to 6.2% for the same quarter last year.

The increase is mainly attributable to savings of \$3,800 derived from the Action Plan. The organic growth is improving fixed costs leverage and tighter control on expenses is also contributing to the improvement.

These positive items are partially offset by an unfavorable distribution channel and customer mix.

SIX-MONTH PERIOD:

The adjusted EBITDA margin was 5.8% of sales compared to 5.2% for the same period last year.

The increase is mainly attributable to the same factors as those mentioned in the quarter, as well as lower vendor incentives during the first quarter and the savings of \$9,400 derived from the Action Plan.

These savings are partially offset by higher utilities caused by weather conditions across North America during the first quarter.

FINANCE COSTS, NET

	Second quarter		Six-month period	
	2014	2013	2014	2013
Finance costs, net	3,225	4,029	6,265	8,098

SECOND QUARTER:

The decrease in finance costs for the quarter compared to the same quarter of 2013 is due primarily to the following items:

- Interest rates reduction resulting from the termination of swap tranches bearing interest at higher rates; and
- Debt reduction.

SIX-MONTH PERIOD:

The decrease in finance costs compared to the same period of 2013 reflects the same factors as those mentioned in the quarter.

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

DEPRECIATION AND AMORTIZATION

	Second quarter		Six-month period	
	2014	2013	2014	2013
Depreciation and amortization	7,751	6,771	15,347	14,315

SECOND QUARTER:

The increase in depreciation and amortization for the quarter is mainly related to the depreciation of the vehicle fleet renewal and computer hardware.

SIX-MONTH PERIOD:

The increase in depreciation and amortization compared to the same period of 2013 reflects the same factor mentioned in the quarter.

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

EQUITY INCOME

	Second quarter		Six-month period	
	2014	2013	2014	2013
Equity income	795	949	1,296	1,507

SECOND QUARTER:

The decrease is primarily due to the sale of a partnership in a joint venture during the fourth quarter of 2013 combined with the impact of the declining Canadian dollar.

SIX-MONTH PERIOD:

The decrease in equity income compared to the same period of 2013 reflects the same factors as those mentioned in the quarter.

INCOME TAX EXPENSES (RECOVERY)

	Second quarter		Six-month period	
	2014	2013	2014	2013
Income tax expenses (recovery)	3,968	(7,950)	4,047	(9,221)

SECOND QUARTER:

The income tax variance for the quarter is mainly related to higher taxable income and their different geographical distributions compared to the same quarter last year.

SIX-MONTH PERIOD:

The income tax variance compared to the same period of 2013 reflects the same factors as those mentioned in the quarter.

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

EARNINGS (LOSS) AND EARNINGS (LOSS) PER SHARE

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

	Second quarter			Six-month period		
	2014	2013	%	2014	2013	%
Net earnings (loss) attributable to shareholders, as reported	15,532	(9,295)		23,920	(3,151)	
Restructuring charges and others, net of taxes	-	23,926		-	23,926	
Expenses related to the development and deployment of the enterprise resource planning system (ERP), net of taxes	-	511		247	1,107	
Expenses related to the network optimization and to the closure and disposal of stores, net of taxes	938	419		2,026	674	
Adjusted earnings	16,470	15,561	5.8	26,193	22,556	16.1
Net earnings (loss) per share attributable to shareholders, as reported	0.73	(0.43)		1.12	(0.15)	
Restructuring charges and others, net of taxes	-	1.11		-	1.11	
Expenses related to the development and deployment of the enterprise resource planning system (ERP), net of taxes	-	0.02		0.01	0.05	
Expenses related to the network optimization and to the closure and disposal of stores, net of taxes	0.04	0.02		0.10	0.03	
Adjusted earnings per share	0.77	0.72	6.9	1.23	1.05	17.1

The effect of the declining Canadian dollar was \$0.02 on earnings per share for the quarter compared to the same quarter in 2013, while the effect for the six-month period was \$0.03 compared to the same period last year.

CONSOLIDATED QUARTERLY OPERATING RESULTS

The Corporation records earnings in each quarter. Historically, the Corporation's sales were typically stronger during the second and third quarters compared to the first and fourth quarters. It should be noted that net earnings were negatively impacted by restructuring charges and others during the third quarter of 2012 in the amount of \$18,458 (\$11,543 net of income taxes), while additional restructuring charges and others impacted the second quarter of 2013 by \$35,180 (\$23,926 net of income taxes).

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

	2014		2013				2012 ⁽¹⁾	
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter
Sales								
United States	343,127	310,597	304,907	334,090	339,530	315,588	298,499	330,095
Canada	135,563	102,480	120,673	130,419	136,646	106,232	119,741	127,248
	478,690	413,077	425,580	464,509	476,176	421,820	418,240	457,343
EBITDA	29,681	18,602	19,818	28,847	(7,394)	15,928	10,398	(4,812)
Adjusted EBITDA	31,306	20,836	24,475	30,079	29,320	17,311	12,310	24,672
Adjusted EBITDA margin	6.5%	5.0%	5.8%	6.5%	6.2%	4.1%	2.9%	5.4%
Restructuring charges and others	-	-	-	-	35,180	-	-	18,458
Net earnings (loss)	15,532	8,388	10,199	14,280	(9,295)	6,144	4,499	(1,078)
Adjusted earnings	16,470	9,723	13,117	14,987	15,561	6,995	5,708	11,359
Basic earnings (loss) per share	0.73	0.39	0.48	0.67	(0.43)	0.29	0.21	(0.05)
Adjusted basic earnings per share	0.77	0.46	0.62	0.70	0.72	0.33	0.26	0.53
Diluted earnings (loss) per share	0.72	0.39	0.48	0.66	(0.43)	0.29	0.21	(0.05)
Dividends paid per share (C\$)	0.15	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Average exchange rate for earnings	0.92:\$1	0.91:\$1	0.95:\$1	0.96:\$1	0.98:\$1	0.99:\$1	1.01:\$1	1.00:\$1

⁽¹⁾ 2012 has been restated to take into account the changes in accounting policies as per IFRS 11 "Joints Arrangements" and as per the amended IAS 1 "Employee Benefits".

CASH FLOWS

CASH FROM OPERATING ACTIVITIES

	Second quarter		Six-month period	
	2014	2013	2014	2013
Cash flows from operating activities	46,923	39,398	54,165	49,954

SECOND QUARTER:

Increase in net earnings combined with inventory reduction were partially offset by an increase of trade receivables in relation to increase in sales compared to the previous quarter and higher tax installments resulting from higher taxable income.

SIX-MONTH PERIOD:

Increase in net earnings combined with inventory reduction were partially offset by higher tax installments. For the same period last year, the Corporation generated cash flows by taking advantage of longer payment terms.

CASH FROM INVESTING ACTIVITIES

	Second quarter		Six-month period	
	2014	2013	2014	2013
Cash flows used in investing activities	(7,358)	(7,608)	(31,389)	(14,313)

SECOND QUARTER:

During the quarter of 2014, net business acquisitions generated inflows of cash and were offset by net advances to merchant members and capital expenses.

SIX-MONTH PERIOD:

During the period, cash was used for net business acquisitions, net advances to merchant members and capital expenditures.

CASH FROM FINANCING ACTIVITIES

	Second quarter		Six-month period	
	2014	2013	2014	2013
Cash flows used in financing activities	(39,576)	(31,802)	(22,777)	(35,680)

SECOND QUARTER:

The variance is explained by higher reimbursements of the credit facility during the second quarter of 2014 permitted by higher earnings and reduction of the working capital.

SIX-MONTH PERIOD:

The variance is explained by lower reimbursement of the credit facility in 2014 following the business acquisitions.

FREE CASH FLOW

	Second quarter		Six-month period	
	2014	2013	2014	2013
Cash flows from operating activities	46,923	39,398	54,165	49,954
Changes in working capital	(20,793)	(12,167)	(12,290)	(11,425)
Equity income	(795)	(949)	(1,296)	(1,507)
Acquisitions of property and equipment	(1,960)	(2,056)	(3,464)	(6,508)
Free cash flow	23,375	24,226	37,115	30,514

SECOND QUARTER:

The decrease in free cash flow is mainly due to higher income tax installments that were partially offset by the improved results.

SIX-MONTH PERIOD:

The increase in free cash flow is mainly due to improved results and lower interest disbursements resulting from debt reduction that were partially offset by higher income tax installments.

FINANCING

CREDIT FACILITIES

The Corporation has a total credit facility available for its needs of \$400,000. The date of maturity is January 7, 2017.

As at June 30, 2014, the unused portion amounted to \$138,000 (\$120,000 as at December 31, 2013).

(For more information about the credit facility, see Note 16 of the 2013 Consolidated Financial Statements.)

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 payment term agreements with the suppliers.

As at June 30, 2014, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$75,615 and used \$126,058 of the program (\$100,064 and \$122,772 respectively as at December 31, 2013). The authorized limit with the financial institutions is \$222,500. These amounts are presented in the trade and other payables in the Consolidated Statement of Financial Position. This program is available upon request and may be modified by either party.

CAPITAL STRUCTURE

The Corporation's capital management strategy optimizes the capital structure to enable the Corporation to benefit from strategic opportunities that may arise while minimizing related costs and maximizing returns to shareholders. The Corporation adapts capital management to changing business conditions, and the risks related to the underlying assets.

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

The strategy of the Corporation is to maintain the following policies and guidelines to ensure flexibility in the capital structure:

- Total net debt to total net debt and total shareholders' equity of less than 45%;
- Long-term debt to total shareholders' equity ratio of less than 125%;
- Funded debt to adjusted EBITDA ratio at a maximum of 3.50;
- Return on average total shareholders' equity of at least 9% greater than the risk-free interest rate; and
- Dividend payout ratio target between 20% and 25% of the adjusted earnings of the previous year.

		June 30, 2014	Dec. 31, 2013
Components of debt ratios:			
Long-term debt		259,613	277,715
Total net debt		259,557	277,658
Total shareholders' equity (including convertible debentures)		552,057	535,584
Debt ratios⁽¹⁾:			
	Objectives:		
<i>Total net debt to total net debt and total shareholders' equity ratio</i>	<i>Less than 45%</i>	32.0%	34.1%
<i>Long-term debt to total shareholders' equity ratio</i>	<i>Less than 125%</i>	47.0%	51.9%
<i>Funded debt to adjusted EBITDA ratio</i>	<i>Maximum 3.50</i>	2.43	2.75
<i>Adjusted return on average total shareholders' equity</i>	<i>At least 9% greater than the risk free interest rate</i>	10.7%	9.8%
<i>Dividend payout ratio</i>	<i>Between 20% and 25% of the adjusted earnings of the previous year</i>	22.8%	24.5%

⁽¹⁾ These ratios do not constitute the calculations and ratios required in banking commitments but rather those that the Corporation considers pertinent to follow as a way of ensuring flexibility in the capital structure.

The Corporation's Management continuously reviews its working capital items to improve and maintain the funded debt to adjusted EBITDA ratio.

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*, improved as the debt decreased.

The *funded debt to adjusted EBITDA ratio* variation is attributed to a lower level of debt combined with an increase in adjusted EBITDA.

The *adjusted return on average total shareholders' equity* increased as a direct effect of the Corporation's higher adjusted net earnings.

(For further details on how the Corporation calculates those ratios, see the section on "Non-IFRS financial measures".)

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at June 30, 2014, the Corporation met all the requirements.

DIVIDENDS

On April 30, 2014, the Corporation declared the second quarterly dividend of 2014 of C\$0.15 per share, payable on July 22, 2014 to shareholders of record as at June 30, 2014.

On July 30, 2014, the Corporation declared the third quarterly dividend of 2014 of C\$0.15 per share, payable on October 21, 2014 to shareholders of record as at September 30, 2014.

The dividends are eligible for income tax purposes.

INFORMATION ON CAPITAL STOCK

As at June 30, 2014, 21,257,969 shares of the Corporation were outstanding.

NORMAL COURSE ISSUER BID

During the six-month period of 2014, the Corporation repurchased 5,700 (86,100 for 2013) common shares for a cash consideration of \$148 (\$1,962 in 2013) including a share repurchase premium of \$123 (\$1,565 in 2013) applied as a reduction of retained earnings.

ISSUANCE OF SHARES

No shares were issued during the normal course of business in 2014 and in 2013.

STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plans include an equity-settled common share stock option plan, and cash settled plans consisting of a deferred share unit plan and a performance share unit plan.

During the six-month period of 2014, 203,243 options were granted to management employees and officers of the Corporation (298,338 for the same period last year) with an exercise price of C\$28.76 (C\$22.90 in 2013).

As at June 30, 2014, options granted for the issuance of 524,066 common shares (358,338 as at June 30, 2013) were outstanding under the Corporation's stock option plan.

Compensation expense of \$199 and \$674 (\$521 and \$835 for 2013) was recorded in the net earnings (loss) for the three and six-month periods ended June 30, 2014, with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit plan

For the six-month period ended June 30, 2014, the Corporation granted 30,838 deferred share units ("DSUs") (20,565 DSUs for 2013). Compensation expense of \$98 and \$773 (\$170 and \$370 in 2013) was recorded during the three and six-month periods, and 73,321 DSUs were outstanding as at June 30, 2014 (30,669 as at June 30, 2013).

Performance share unit plan

For the six-month period ended June 30, 2014, the Corporation granted 92,419 performance share units ("PSUs") (108,877 PSUs for 2013). Compensation expense of \$325 and \$695 (\$185 and \$363 in 2013) was recorded during the three and six-month periods, and 189,159 PSUs were outstanding as at June 30, 2014 (108,877 as at June 30, 2013).

(For more information about stock-based compensation, see Note 19 in the 2013 Consolidated Financial Statements.)

FINANCIAL POSITION

During the second quarter, the financial position when compared to December 31, 2013, has been impacted by the declining Canadian dollar and by net business acquisitions.

The following table shows an analysis of the main variances in the Consolidated Statement of Financial Position:

	June 30, 2014	Dec. 31, 2013	Impact of business acquisitions or disposals	Exchange rate impact	(1) Net variance
Trade and other receivables	256,494	220,942	4,101	(140)	31,591
Inventory	504,760	532,045	8,514	(153)	(35,646)
Trade and other payables	(352,534)	(341,429)	(372)	299	(11,031)
Other working capital items	17,823	10,517	2,892	(33)	4,447
Working capital excluding cash, and instalments on long-term debt	426,543	422,075	15,135	(27)	(10,640)
Equity investments, other investments and advances to merchant members	24,834	36,855	(13,426)	(44)	1,449
Goodwill	195,906	184,449	11,530	(73)	-
Long term debt (including short-term portion)	259,613	277,715	17,577	(303)	(35,376)

(1) Explanations for net variance:

Trade and other receivables: Increase is related to additional sales during the last month of the quarter.

Inventory: Reduction is related to lower purchases in 2014 due to booking of additional inventory at year end for the last ERP wave and in preparation for the new warehouse combined with Action Plan initiatives.

Trade and other payables: The Corporation took an increase advantage of better payment terms.

Long term debt (including short-term portion): Cash generated by operating activities permitted the reimbursement.

RELATED PARTIES

For the three and six-month periods ended June 30, 2014, the Corporation incurred rental expenses of \$749 and \$1,551 (\$842 and \$1,731 for 2013) to the benefit of Clarit Realty, Ltd., a company controlled by a related party. The associated lease payments were concluded in the Corporation's normal course of business for various terms of no more than five years.

(For more information about related-party transactions, see Note 24 in the 2013 Consolidated Financial Statements.)

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks that may have a material impact on its business activities, operating results, cash flows and financial position. Uni-Select continuously updates its system of analysis and of operational, strategic and financial risk control to manage and implement activities with objectives to mitigate the main risks mentioned in the 2013 Annual Report.

No significant change occurred during the second quarter of 2014 with respect to these risks.

ACCOUNTING POLICIES

ADOPTED IN 2014

FINANCIAL INSTRUMENTS: PRESENTATION

In December 2011, the IASB issued an amendment to IAS 32 "Financial Instruments: Presentation," focusing on the meaning of "currently has a legally enforceable right of set-off" and the application of simultaneous realization and settlement for applying the offsetting requirements. This amendment is effective for annual periods beginning on or after January 1, 2014. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation's interim consolidated financial statements.

FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

In June 2013, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement," permitting the continuation of hedge accounting in specific cases where a derivative instrument designed as a hedging instrument is novated to a derivative instrument cleared through a central counterparty in order to comply with local laws or regulations. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation's interim consolidated financial statements.

FUTURE ACCOUNTING CHANGES

At the date of authorization of these interim consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted earlier by the Corporation.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's interim consolidated financial statements.

FINANCIAL INSTRUMENTS

In November 2009, the IASB issued IFRS 9 "Financial Instruments." It addresses classification and measurement of financial assets and replaces measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through net earnings.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through net earnings or at fair value through other comprehensive income. Where such equity instruments are either recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in net earnings; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

In November 2013, the IASB issued amendments to IFRS 9 "Financial Instruments," including a new chapter on hedge accounting replacing IAS 39 and improvements to the reporting of changes in the fair value of an entity's own debt. The mandatory effective date of January 1, 2015 was also removed and has yet to be determined, but earlier adoption is still permitted.

The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

NON-IFRS FINANCIAL MEASURES

The information included in this report contains certain measures that are inconsistent with IFRS. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore, unlikely to be comparable to similar measures presented by other entities. The Corporation is of the view that users of its Management's Discussion and Analysis may analyze its results based on these measurements.

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

Organic growth	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.
EBITDA	This measure represents net earnings excluding finance costs, depreciation and amortization, equity income and income taxes. 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.
Adjusted EBITDA margin	The adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
Adjusted EBITDA, adjusted earnings and adjusted earnings per share	<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 considers that these measures are more representative of the Corporation's operational performance and more appropriate in providing additional information.</p> <p>These adjustments include, among other things, the non-capitalizable costs related to the development and implementation of the ERP system, costs related to the closure and disposal of stores, as well as restructuring charges and others.</p> <p>The exclusion of these items does not indicate that they are non-recurring.</p>
Free cash flow	<p>This measure corresponds to the cash flow from operating activities according to the statement of cash flows adjusted for the following items: changes in working capital items, equity income and acquisitions of property and equipment. Uni-Select considers the 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 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>
Total net debt	This measure consists of long-term debt, including the portion due within a year (<i>as shown in note 12 to the Interim Consolidated Financial Statements</i>) net of cash. Debentures are excluded from the long term debt.

Total net debt to total net debt and total shareholders' equity ratio	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 total shareholders' equity ratio	This ratio corresponds to long-term debt, including the portion due within a year (<i>as shown in note 12 to the Interim Consolidated Financial Statements</i>) divided by the sum of convertible debentures and total shareholders' equity.
Funded debt to adjusted EBITDA	This ratio corresponds to total net debt to adjusted EBITDA. Debentures are excluded from the total net debt.
Adjusted return on average total shareholders' equity	This ratio corresponds to net earnings adjusted for restructuring charges and others as well as the non-recurring expenses related to the Action Plan and to the closure and disposal of stores, divided by average total shareholders' equity.

EXCHANGE RATE DATA

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

	Second quarters		Six-month periods	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Average for the period				
For statement of earnings	0.92	0.98	0.91	0.98
Period end			June 30, 2014	Dec.31, 2013
For statement of financial position			0.94	0.94

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.

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 original 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 the NI 52-109 guidelines. As at June 30, 2014, the President and Chief Executive Officer and the Executive Vice President, Corporate Services and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at June 30, 2014, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Executive Vice President, Corporate Services and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

There has been no change in the Corporation's internal control over financial reporting that occurred since December 2013 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

OUTLOOK

During the following quarters of 2014, Uni-Select will focus on its 2012-2015 Strategic Plan centred on customer service, sales, operations and operating margin. More specifically, the Corporation will:

- Continue to execute its 2013 Action Plan to optimize its operations by reducing its inventory level and achieving its cost reduction objectives. The Action Plan is expected to be completed by the end of 2014;
- Pursue its organic growth by recruiting new customers, intensifying enrolment to its banner programs, leveraging business opportunities in the paint distribution sector and improving its product offering;
- Improve adjusted EBITDA margin by taking advantage of the Action Plan and the ongoing cost reduction initiatives, by leveraging its enterprise resource planning system and by continuing to improve the overall buying conditions.

Management is confident that these initiatives will contribute to improve its profitability, allowing further growth and debt reduction.



Richard G. Roy, FCPA, FCA

President and Chief Executive Officer



Denis Mathieu, CPA, CA, MBA

Executive Vice President, Corporate Services and Chief Financial Officer

Approved by the Board of Directors on July 30, 2014.

Interim Consolidated Financial Statements

(unaudited)

as at June 30, 2014

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

The Interim Consolidated Financial Statements for the three and six-month periods ended June 30, 2014 have not been reviewed by the independent auditors of the Corporation.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts, unaudited)	Note	Three-month periods ended June 30,		Six-month periods ended June 30,	
		2014	2013	2014	2013
Sales		478,690	476,176	891,767	897,996
Purchases, net of changes in inventories		338,174	333,910	626,610	625,679
Gross margin		140,516	142,266	265,157	272,317
Employee benefits		73,347	74,645	142,102	149,082
Other operating expenses		37,488	39,835	74,772	79,521
Restructuring charges and others	6	-	35,180	-	35,180
Earnings (loss) before finance costs, depreciation and amortization, equity income and income taxes		29,681	(7,394)	48,283	8,534
Finance costs, net	4	3,225	4,029	6,265	8,098
Depreciation and amortization	5	7,751	6,771	15,347	14,315
Earnings (loss) before equity income and income taxes		18,705	(18,194)	26,671	(13,879)
Equity income		795	949	1,296	1,507
Earnings (loss) before income taxes		19,500	(17,245)	27,967	(12,372)
Income tax expense (recovery)	7				
Current		5,202	5,456	8,203	4,756
Deferred		(1,234)	(13,406)	(4,156)	(13,977)
		3,968	(7,950)	4,047	(9,221)
Net earnings (loss) attributable to shareholders		15,532	(9,295)	23,920	(3,151)
Earnings (loss) per share basic	8	0.73	(0.43)	1.12	(0.15)
Earnings (loss) per share diluted	8	0.72	(0.43)	1.12	(0.15)
Weighted average number of common shares outstanding basic (in thousands)	8	21,264	21,465	21,264	21,482
Weighted average number of common shares outstanding diluted (in thousands)	8	22,573	21,465	22,566	21,482

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of US dollars, unaudited)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2014	2013	2014	2013
Net earnings (loss)	15,532	(9,295)	23,920	(3,151)
Other comprehensive income (loss)				
Items that will subsequently be reclassified to net earnings (loss):				
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$35 and \$59 for the three and six-month periods (\$60 and \$47 in 2013))	(85)	(162)	(158)	129
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income tax of \$48 and \$88 for the three and six-month periods (\$97 and \$195 in 2013))	116	215	238	481
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	(5,307)	6,501	(37)	11,320
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	9,497	(9,089)	300	(15,862)
	4,221	(2,535)	343	(3,932)
Items that will not subsequently be reclassified to net earnings (loss):				
Remeasurements of long-term employee benefit obligations (net of income tax of \$529 and \$1,193 for the three and six-month periods (\$794 and \$1,160 in 2013))	(829)	2,157	(3,222)	3,154
Total other comprehensive income (loss)	3,392	(378)	(2,879)	(778)
Comprehensive income (loss) attributable to shareholders	18,924	(9,673)	21,041	(3,929)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, unaudited)	Note	Attributable to shareholders					Total equity
		Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (loss)	
Balance, December 31, 2012		88,563	392	1,687	384,902	8,661	484,205
Net loss		-	-	-	(3,151)	-	(3,151)
Other comprehensive income (loss)		-	-	-	3,154	(3,932)	(778)
Comprehensive income (loss)		-	-	-	3	(3,932)	(3,929)
Contributions by and distributions to shareholders:							
Share repurchases	9	(397)	-	-	(1,565)	-	(1,962)
Dividends		-	-	-	(5,429)	-	(5,429)
Stock-based compensation	10	-	835	-	-	-	835
		(397)	835	-	(6,994)	-	(6,556)
Balance, June 30, 2013		88,166	1,227	1,687	377,911	4,729	473,720
Balance, December 31, 2013		87,271	1,332	1,687	394,716	3,749	488,755
Net earnings		-	-	-	23,920	-	23,920
Other comprehensive income (loss)		-	-	-	(3,222)	343	(2,879)
Comprehensive income		-	-	-	20,698	343	21,041
Contributions by and distributions to shareholders:							
Share repurchases	9	(25)	-	-	(123)	-	(148)
Dividends		-	-	-	(5,434)	-	(5,434)
Stock-based compensation	10	-	674	-	-	-	674
		(25)	674	-	(5,557)	-	(4,908)
Balance, June 30, 2014		87,246	2,006	1,687	409,857	4,092	504,888

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Note	Three-month periods ended June 30,		Six-month periods ended June 30,	
		2014	2013	2014	2013
OPERATING ACTIVITIES					
Net earnings (loss)		15,532	(9,295)	23,920	(3,151)
Non-cash items:					
Finance costs, net		3,225	4,029	6,265	8,098
Depreciation and amortization		7,751	6,771	15,347	14,315
Restructuring charges and others	6	-	35,180	-	35,180
Income tax expense (recovery)	7	3,968	(7,950)	4,047	(9,221)
Other non-cash items		1,490	(618)	5,291	(147)
Changes in working capital items		20,793	12,167	12,290	11,425
Interest paid		(2,164)	(2,805)	(5,287)	(7,732)
Income taxes recovered (paid)		(3,672)	1,919	(7,708)	1,187
Cash flows from operating activities		46,923	39,398	54,165	49,954
INVESTING ACTIVITIES					
Net business acquisitions	11	2,209	(448)	(17,577)	(1,401)
Balances of purchase price		198	(136)	36	(252)
Advances to merchant members		(6,728)	(3,775)	(10,496)	(6,883)
Receipts on investments and advances to merchant members		1,944	1,781	3,994	4,257
Acquisitions of property and equipment		(1,960)	(2,056)	(3,464)	(6,508)
Disposals of property and equipment		221	307	361	483
Acquisitions and development of intangible assets		(3,242)	(3,281)	(4,243)	(4,009)
Cash flows used in investing activities		(7,358)	(7,608)	(31,389)	(14,313)
FINANCING ACTIVITIES					
Increase in long-term debt		11,621	4,752	44,034	201,691
Repayment of long-term debt		(48,659)	(33,886)	(61,714)	(229,499)
Merchant members' deposits in the guarantee fund		(21)	36	95	(467)
Share repurchases	9	(148)	-	(148)	(1,962)
Dividends paid		(2,369)	(2,704)	(5,044)	(5,443)
Cash flows used in financing activities		(39,576)	(31,802)	(22,777)	(35,680)
Effects of fluctuations in exchange rates on cash		2	(3)	-	(5)
Net decrease in cash		(9)	(15)	(1)	(44)
Cash, beginning of period		65	93	57	122
Cash, end of period		56	78	56	78

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	Note	June 30, 2014	Dec. 31, 2013
ASSETS			
Current assets:			
Cash		56	57
Trade and other receivables		256,494	220,942
Income taxes receivable		18,060	16,883
Inventory		504,760	532,045
Prepaid expenses		12,951	11,417
Total current assets		792,321	781,344
Equity investments, other investments and advances to merchant members	11	24,834	36,855
Property and equipment		52,336	49,494
Intangible assets		134,303	140,598
Goodwill		195,906	184,449
Deferred tax assets		10,752	13,151
TOTAL ASSETS		1,210,452	1,205,891
LIABILITIES			
Current liabilities:			
Trade and other payables		352,534	341,429
Provision for restructuring charges and others	6	10,196	15,185
Dividends payable		2,992	2,598
Current portion of long-term debt and merchant members' deposits in the guarantee fund		5,012	4,667
Total current liabilities		370,734	363,879
Long-term employee benefit obligations		24,651	19,561
Long-term debt	12	254,736	273,165
Convertible debentures		47,169	46,829
Merchant members' deposits in the guarantee fund		7,063	6,988
Derivative financial instruments		781	890
Deferred tax liabilities		430	5,824
TOTAL LIABILITIES		705,564	717,136
EQUITY			
Share capital	9	87,246	87,271
Contributed surplus		2,006	1,332
Equity component of the convertible debentures		1,687	1,687
Retained earnings		409,857	394,716
Accumulated other comprehensive income		4,092	3,749
TOTAL EQUITY		504,888	488,755
TOTAL LIABILITIES AND EQUITY		1,210,452	1,205,891

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

Uni-Select Inc. ("Uni-Select") is a corporation domiciled in Canada and duly incorporated and governed by the Business Corporations Act (Québec). Uni-Select is the parent company of a group of entities, which includes Uni-Select and its subsidiaries (collectively, the "Corporation"). The Corporation is a major distributor of replacement parts, equipment, tools and accessories and paint and related products for motor vehicles. The Corporation's registered office is located at 170 Industriel Blvd., Boucherville, Québec, Canada.

These interim consolidated financial statements present the operations and financial position of the Corporation and all of its subsidiaries as well as the Corporation's interests in jointly controlled entities.

The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol UNS.

2 - BASIS OF PRESENTATION

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. As permitted under IAS 34 "Interim Financial Reporting", these interim consolidated financial statements constitute a condensed set of financial statements, as the Corporation does not present all the notes to financial statements included in its annual report. To avoid repetition of previously reported information, the Corporation deemed it unnecessary to include such information. These interim consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements and should therefore be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2013.

The accounting policies followed in these interim consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2013, except for the changes in accounting policies as described in note 3. The Corporation has consistently applied the same accounting policies for all the periods presented.

The Board of Directors approved these interim consolidated financial statements on July 30, 2014.

Basis of measurement

These 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 the best estimates of the expenditures required to settle the obligation and the post-employment benefit obligations which are measured at the present value of the defined-benefit obligation, adjusted for unrecognized past service costs and reduced by the net value of plan assets.

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. These 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 recognized 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 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 described in the Corporation's audited consolidated financial statements for the year ended December 31, 2013.

3 - CHANGES IN ACCOUNTING POLICIES

ADOPTED IN 2014

(i) Financial instruments: Presentation

In December 2011, the International Accounting Standards Board ("IASB") issued an amendment to IAS 32 "Financial Instruments: Presentation", focusing on the meaning of "currently has a legally enforceable right of set-off" and the application of simultaneous realization and settlement for applying the offsetting requirements. This amendment is effective for annual periods beginning on or after January 1, 2014. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation's interim consolidated financial statements.

(ii) Financial instruments: Recognition and measurement

In June 2013, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement", permitting the continuation of hedge accounting in specific cases where a derivative instrument designed as a hedging instrument is novated to a derivative instrument cleared through a central counterparty in order to comply with local laws or regulations. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation's interim consolidated financial statements.

FUTURE ACCOUNTING CHANGES

At the date of authorization of these interim consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted earlier by the Corporation.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's interim consolidated financial statements.

(i) Financial instruments

In November 2009, the IASB issued IFRS 9 "Financial Instruments". It addresses classification and measurement of financial assets and replaces measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through net earnings.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through net earnings or at fair value through other comprehensive income. Where such equity instruments are either recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in net earnings; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

In November 2013, the IASB issued amendments to IFRS 9 "Financial Instruments", including a new chapter on hedge accounting replacing IAS 39 and improvements to the reporting of changes in the fair value of an entity's own debt. The mandatory effective date of January 1, 2015 was also removed and has yet to be determined, but earlier adoption is still permitted.

The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

4 - FINANCE COSTS, NET

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2014	2013	2014	2013
Interest on long-term debt	1,771	2,186	3,617	4,450
Interest on convertible debentures	700	746	1,392	1,503
Accreted interest on convertible debentures	105	111	209	222
Amortization of financing costs	300	410	601	730
Interest on the net defined benefit obligation	222	278	442	559
Interest on merchant members' deposits in the guarantee fund and others	35	80	70	122
Reclassification of realized losses to net earnings on derivative financial instruments designated as cash flow hedges	162	312	326	676
Total finance costs	3,295	4,123	6,657	8,262
Interest income from merchant members and others	(70)	(94)	(392)	(164)
Total finance costs, net	3,225	4,029	6,265	8,098

5 - DEPRECIATION AND AMORTIZATION

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2014	2013	2014	2013
Depreciation of property and equipment	4,279	3,196	7,251	6,454
Amortization of intangible assets	3,472	3,575	8,096	7,861
Total depreciation and amortization	7,751	6,771	15,347	14,315

6 - PROVISION FOR RESTRUCTURING CHARGES AND OTHERS

During the second quarter of 2013, the Corporation's Board of Directors approved an internal strategic and operational plan (the "Action Plan"), which complements the distribution network consolidation plan announced in 2012. The Action Plan includes the closure and rightsizing of certain stores and warehouses, as well as the addition of two new facilities, among other initiatives. The plan is expected to be completed by the end of 2014. As at June 30, 2014, the resulting provision for restructuring charges and others is detailed as follows:

	Six-month period ended	Year ended	Six-month period ended
	June 30, 2014	Dec. 31, 2013	June 30, 2013
Balance, beginning of period	15,185	4,392	4,392
Restructuring charges and others recognized during the period ⁽¹⁾	-	17,642	17,642
Provision used during the period	(4,959)	(6,813)	(3,818)
Effects of fluctuations in exchange rates	(30)	(36)	(30)
Balance, end of period	10,196	15,185	18,186

⁽¹⁾ The Corporation recognized additional restructuring charges of \$31,680 in the second quarter of 2013 related to site closure and consolidation costs. The Corporation also recorded, in 2013, a write-off of \$3,500 in the value of certain software, which will no longer be used in its operations.

7 - INCOME TAXES

Reconciliation of the income tax expense (recovery)

The following table presents a reconciliation of income taxes at the combined Canadian statutory income tax rates applicable in the jurisdictions in which the Corporation operates to the amount of reported income taxes in the Consolidated Statements of Earnings (Loss):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2014	2013	2014	2013
Income taxes at the Corporation's statutory tax rate – 26.90% for both the three and six-month periods (27.13% and 27.09% in 2013)	5,242	(4,679)	7,520	(3,352)
Effect of tax rates in foreign jurisdictions	436	(1,213)	619	(1,433)
Tax benefit from a financing structure	(2,154)	(2,352)	(4,308)	(4,705)
Non-deductible expenses	214	(46)	191	125
Others	230	340	25	144
Income tax expense (recovery) reported in the Consolidated Statements of Earnings (Loss)	3,968	(7,950)	4,047	(9,221)

8 - EARNINGS (LOSS) PER SHARE

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2014	2013	2014	2013
Net earnings (loss) attributable to shareholders considered for basic earnings (loss) per share	15,532	(9,295)	23,920	(3,151)
Impact of the convertible debentures ⁽¹⁾	670	-	1,326	-
Net earnings (loss) attributable to shareholders considered for diluted earnings (loss) per share	16,202	(9,295)	25,246	(3,151)
Weighted average number of common shares outstanding for basic earnings (loss) per share	21,263,514	21,465,070	21,263,591	21,482,492
Impact of the convertible debentures ⁽¹⁾	1,239,224	-	1,239,224	-
Impact of the stock options ⁽²⁾	70,234	-	63,658	-
Weighted average number of common shares outstanding for diluted earnings (loss) per share	22,572,972	21,465,070	22,566,473	21,482,492
Earnings (loss) per share (basic)	0.73	(0.43)	1.12	(0.15)
Earnings (loss) per share (diluted)	0.72	(0.43)	1.12	(0.15)

⁽¹⁾ For the three and six-month periods ended June 30, 2014, 1,239,224 weighted average common shares issuable on the conversion of convertible debentures (nil in 2013) were included in the calculation of diluted earnings per share as the conversion impact was dilutive.

⁽²⁾ For both the three and six-month periods ended June 30, 2014, 50,000 weighted average common shares issuable on the exercise of stock options (358,338 for the three and six-month periods ended June 30, 2013) were respectively excluded from the calculation of diluted earnings per share as the exercise price of the options was higher than the average market price of the shares.

9 - SHARE CAPITAL

Repurchase of Common Shares

During the six-month period of 2014, the Corporation repurchased 5,700 (86,100 for 2013) common shares for a cash consideration of \$148 (\$1,962 in 2013) including a share repurchase premium of \$123 (\$1,565 in 2013) applied as a reduction of retained earnings. As a result of the share repurchases, 21,257,969 (21,465,070 for 2013) common shares were outstanding as at June 30, 2014.

Dividends

Dividends of C\$0.15 per common share were declared by the Corporation for the three-month period ended June 30, 2014 (C\$0.13 for 2013). A total of C\$0.28 per common share were declared by the Corporation for the six-month period (C\$0.26 for 2013).

10 - STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plans include an equity-settled common share stock option plan, and cash settled plans consisting of a deferred share unit plan and a performance share unit plan.

During the six-month period of 2014, 203,243 options were granted to management employees and officers of the Corporation (298,338 for the same period last year) with an exercise price of C\$28.76 (C\$22.90 in 2013).

As at June 30, 2014, options granted for the issuance of 524,066 common shares (358,338 as at June 30, 2013) were outstanding under the Corporation's stock option plan.

Compensation expense of \$199 and \$674 (\$521 and \$835 for 2013) was recorded in the net earnings (loss) for the three and six-month periods ended June 30, 2014, with the corresponding amounts recorded in "Contributed surplus."

Deferred share unit plan

For the six-month period ended June 30, 2014, the Corporation granted 30,838 deferred share units ("DSUs") (20,565 DSUs for 2013). Compensation expense of \$98 and \$773 (\$170 and \$370 in 2013) was recorded during the three and six-month periods, and 73,321 DSUs were outstanding as at June 30, 2014 (30,669 as at June 30, 2013).

Performance share unit plan

For the six-month period ended June 30, 2014, the Corporation granted 92,419 performance share units ("PSUs") (108,877 PSUs for 2013). Compensation expense of \$325 and \$695 (\$185 and \$363 in 2013) was recorded during the three and six-month periods, and 189,159 PSUs were outstanding as at June 30, 2014 (108,877 as at June 30, 2013).

11 - BUSINESS COMBINATIONS

In the normal course of business, the Corporation acquires the assets and liabilities of companies. During the six-month period ended June 30, 2014, the Corporation acquired the assets and liabilities of 4 companies operating in the United States.

The total cost of these acquisitions of \$28,330 was preliminary allocated to the acquired assets and liabilities based on their fair value. The aggregate fair value amounts recognized for each class of the acquiree's assets and liabilities at the acquisition dates was as follows:

	June 30, 2014
Trade and other receivables	3,501
Inventory	8,514
Prepaid expenses	63
Property, plant and equipment	318
Intangible assets	3,920
Goodwill	11,530
Other non-current assets	484
Total cost	28,330
Balance of purchase price	(372)
Net disbursement	27,958

Interests in an equity investment

During the second quarter of 2014, the Corporation sold its partnership in an equity investment for a cash consideration of \$10,381.

12 - LONG-TERM DEBT

	Maturity	Effective interest rate	Current portion	June 30, 2014	Dec. 31, 2013
Revolving facility, variable rates, designated as a hedge of net investments in foreign operations – \$266,854 (\$265,888 as at December 31, 2013)	2017	1.90% to 4.50%	-	244,589	262,747
Finance leases, variable rates	-	-	4,872	14,989	14,930
Others	2021	-	5	35	38
			4,877	259,613	277,715
Instalments due within a year				4,877	4,550
Long-term debt				254,736	273,165

⁽¹⁾ The interest rates reflect the derivative financial instruments designated as interest rate hedges as described in Note 14.

13 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

For the three-month period ended June 30, 2014, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$750 (\$856 for 2013), and the net interest expense of \$222 (\$278 for 2013) was recorded in "Finance costs, net". Employee benefits expense of \$606 (\$621 for 2013) related to the Corporation's defined-contribution pension plans was also recognized for the same period.

For the six-month period ended June 30, 2014, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$1,500 (\$1,712 for 2013), and the net interest expense of \$442 (\$559 for 2013) was recorded in "Finance costs, net". Employee benefits expense of \$1,134 (\$1,085 for 2013) related to the Corporation's defined-contribution pension plans was also recognized for the same period.

14 - FINANCIAL INSTRUMENTS

The classification of financial instruments as well as their carrying amounts and fair values, are summarized as follows:

	June 30, 2014		December 31, 2013			
	Carrying amount	Fair value	Carrying amount	Fair value		
Financial liabilities carried at amortized cost						
Long-term debt (except finance leases)	Level 2	244,624	244,624	Level 2	262,785	262,785
Convertible debentures	Level 1	47,169	49,282	Level 1	46,829	49,577
Financial liabilities carried at fair value						
Derivative financial instruments	Level 2	781	781	Level 2	890	890
Other liabilities						
Finance leases	Level 2	14,989	14,989	Level 2	14,930	14,930

Financial assets classified as loans and receivables

The fair value of cash and trade receivables approximate their carrying amount given that they will mature shortly. The Corporation classified those financial assets as Level 1, as their fair values are determined using quoted market prices.

Financial liabilities carried at amortized cost

The fair value of trade and other payables, and dividends payable approximate their carrying amount given that they will mature shortly. The Corporation classified those financial liabilities as Level 2 and Level 1 respectively, as their fair values are determined using observable market data and quoted market prices respectively.

The fair value of long-term debt (except finance leases) has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the economic conditions at the reporting date. As at June 30, 2014, the fair value of long-term debt approximates its carrying value as the effective interest rates applicable to the Corporation's credit facility reflect current market conditions.

The fair value of the convertible debentures, as set out above, was determined using their bid price at the end of the period.

The fair value of merchant members' deposits in the guarantee fund could not be determined given that they result from transactions not observable in the market. The Corporation classified those financial liabilities as Level 3.

Financial liabilities carried at fair value

The fair value of the interest rate swaps was determined using quoted prices for similar assets or liabilities.

Other liabilities

The fair value of finance leases has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the economic conditions at the reporting date. As at June 30, 2014, the fair value of finance leases approximates its carrying value as the effective interest rates applicable to the Corporation's credit facility reflect current market conditions.

Fair value hierarchy

Financial instruments measured at fair value in the Statement of Financial Position are classified according to the following hierarchy:

- Level 1: consists of measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: consists of measurement techniques based mainly on inputs, other than quoted prices (included within Level 1), that are observable either directly or indirectly in the market, and;
- Level 3: consists of measurement techniques that are not based mainly on observable market data.

14 - FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments used in cash flow hedges

In 2011, the Corporation entered into swap agreements to hedge the variable interest cash flows related to forecasting transactions beginning in 2012 on a portion of the Corporation's revolving credit for a nominal amount at inception and as at June 30, 2014 of \$80,000. These interest rate swaps fix the interest cash flows at 0.97% until their maturity in 2016. The cash flows related to the interest rate swaps are expected to occur in the same periods as they are expected to affect the net earnings.

The fair values of the interest rate swaps are calculated using quotes for similar instruments at the reporting date and represent an amount payable by the Corporation of \$781 as at June 30, 2014 (\$890 as at December 31, 2013).

15 - RELATED PARTIES

For the three and six-month periods ended June 30, 2014, the Corporation incurred rental expenses of \$749 and \$1,551 (\$842 and \$1,731 for 2013) to the benefit of Clarit Realty, Ltd., a company controlled by a related party. The associated lease payments were concluded in the Corporation's normal course of business for various terms of no more than five years.

16 - GEOGRAPHIC INFORMATION

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2014	2013	2014	2013
Sales				
United States	343,127	339,530	653,724	655,118
Canada	135,563	136,646	238,043	242,878
Total	478,690	476,176	891,767	897,996
June 30, 2014				
		United States	Canada	Total
Property and equipment		39,373	12,963	52,336
Intangible assets		118,242	16,061	134,303
Goodwill		156,337	39,569	195,906
December 31, 2013				
		United States	Canada	Total
Property and equipment		36,674	12,820	49,494
Intangible assets		124,544	16,054	140,598
Goodwill		144,807	39,642	184,449

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