2018 FIRST QUARTER INTERIM REPORT

FOCUSED ON EXECUTION

UNI-SELECT®

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

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QUARTERLY HIGHLIGHTS

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

	SALES	EBITDA [1]	ADJUSTED EBITDA [1]	NET EARNINGS	ADJUSTED EARNINGS [1]
2018	$422.1	$27.0 6.4%	$27.6 6.5%	$10.4 $0.25/SHARE	$12.1 $0.29/SHARE
2017	$297.2	$23.2 7.8%	$23.2 7.8%	$11.0 $0.26/SHARE	$11.0 $0.26/SHARE

- Consolidated sales increased by $124.9 or 42.0%, fuelled by the contribution of The Parts Alliance UK segment, amounting to $110.0 or 37.0% of the growth. The Canadian Automotive Group segment is reporting a solid organic growth [1] of 5.9%, offsetting the negative organic growth [1] of 2.8% reported by the FinishMaster US segment.
- EBITDA [1] and EBITDA margin [1] were respectively $27.0 and 6.4% compared to $23.2 and 7.8% last year. Once adjusted for net charges related to The Parts Alliance acquisition, adjusted EBITDA [1] increased by 19.2% to $27.6 from $23.2 last year, mainly benefiting from the contribution of The Parts Alliance UK segment, reporting an EBITDA margin [1] of 8.7%, and for which the first quarter followed by the second quarter of the year are usually the peak seasons.
- Net earnings were $10.4 compared to $11.0 last year. Once adjusted, earnings [1] increased by 10.2% to $12.1 in 2018 from $11.0 last year. Earnings per share (EPS) and adjusted EPS [1] were respectively $0.25 and $0.29 compared to $0.26 last year, representing an increase of 11.5% on an adjusted EPS [1] basis.
- As at March 31, 2018, total net debt [1] stood at $468.5 and $145.0 was still available on the credit facilities allowing further growth initiatives. Funds were required for typical spring investments in working capital, mainly for the Canadian Automotive Group segment, which is preparing for the maintenance season. Large payments were also required for the vendor financing program, mainly in the FinishMaster US segment.
- The 20/20 initiative is ongoing, reducing costs to serve model where, as a total, 6 company-owned stores from recent business acquisitions were integrated (3 in the FinishMaster US segment, 2 in The Parts Alliance UK segment and 1 in the Canadian Automotive Group segment.)
- As part of its strategic growth initiatives, The Parts Alliance UK segment is growing its geographical coverage by opening 4 greenfields. Furthermore, 2 additional greenfields were opened since the end of the first quarter.
- Early January, the FinishMaster US segment announced the opening of a new distribution centre in Grand Prairie, Texas, supporting its fulfillment strategy to its branch and customer network.
- On April 18, 2018, the Corporation announced its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019.

[1] This information represents a non-IFRS financial measure. *(Refer to the "Non-IFRS financial measures" section for further details.)*

SELECTED CONSOLIDATED INFORMATION

	First quarters		
(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	**2018**	2017	%
OPERATING RESULTS			
Sales	**422,094**	297,200	*42.0*
EBITDA [(1)]	**27,002**	23,173	*16.5*
EBITDA margin [(1)]	***6.4%***	*7.8%*	
Net transaction charges related to The Parts Alliance acquisition	**618**	-	
Adjusted EBITDA [(1)]	**27,620**	23,173	*19.2*
Adjusted EBITDA margin [(1)]	***6.5%***	*7.8%*	
Net earnings	**10,391**	10,998	*(5.5)*
Adjusted earnings [(1)]	**12,116**	10,998	*10.2*
Free cash flows [(1)]	**6,721**	21,094	*(68.1)*
COMMON SHARE DATA			
Net earnings	**0.25**	0.26	*(3.8)*
Adjusted earnings [(1)]	**0.29**	0.26	*11.5*
Dividend (C$)	**0.0925**	0.085	
Book value per share	**12.56**	11.44	
Number of shares outstanding	**42,273,812**	42,248,628	
Weighted average number of outstanding shares	**42,273,812**	42,246,792	
	Mar. 31, 2018	Dec. 31, 2017	
FINANCIAL POSITION			
Working capital	**308,811**	254,581	
Total assets	**1,510,861**	1,496,389	
Total net debt [(1)]	**468,493**	417,909	
Total equity	**530,859**	517,977	
Return on average total equity [(1)]	***8.7%***	*9.0%*	
Adjusted return on average total equity [(1)]	***10.5%***	*10.8%*	

(1) This information represents a non-IFRS financial measure. *(Refer to the "Non-IFRS financial measures" section for further details.)*

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the quarter ended March 31, 2018 compared with the quarter ended March 31, 2017, as well as its financial position as at March 31, 2018 compared with its financial position as at December 31, 2017. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2017 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to May 3, 2018, the date at which the interim condensed consolidated financial statements and MD&A were approved and authorized for issuance 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 MD&A, "Uni-Select" or the "Corporation" refers, as the case may be, to Uni-Select Inc. and its subsidiaries.

Unless otherwise indicated, the financial data presented in this MD&A, including tabular information, is expressed in thousands of US dollars, except per share amounts, percentages, number of shares and otherwise specified. Comparisons are presented in relation to the comparable periods of the prior year.

The interim condensed consolidated financial statements contained in the present MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have not been audited by the Corporation's external auditors.

FORWARD-LOOKING STATEMENTS

The MD&A 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 MD&A 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 included in the 2017 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 is 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.

PROFILE AND DESCRIPTION

Uni-Select is a leader in the distribution of automotive refinish and industrial paint and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada and in the UK. Uni Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (TSX) under the symbol UNS.

In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops through a growing national network of more than 1,100 independent customers and over 60 company-owned stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® AND FINISHMASTER® store banner programs. It also supports over 3,900 shops and stores through its automotive repair/installer shop banners, as well as through its automotive refinish banners.

In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of over 200 automotive refinish company-owned stores under the FINISHMASTER banner which services a network of over 30,000 customers annually, of which it is the primary supplier to over 6,800 collision repair centre customers.

In the UK and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a leading distributor of automotive parts supporting over 23,000 customer accounts with a network of close to 200 locations including over 170 company-owned stores.

NON-IFRS FINANCIAL MEASURES

The information included in this report contains certain financial 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 opinion that users of its MD&A 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 (1)	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 (1)	This measure represents net earnings excluding finance costs, depreciation and amortization 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, adjusted earnings and adjusted earnings per share [1]	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. These adjustments include, among other things, restructuring and other charges as well as net transaction charges, amortization of the premium on foreign currency options and amortization of intangible assets related to The Parts Alliance acquisition. The Management consider The Parts Alliance acquisition as transformational. The exclusion of these items does not indicate that they are non-recurring.
EBITDA margin [1] and adjusted EBITDA margin [1]	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. The adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
Free cash flows [2]	This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: changes in working capital items, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current period expenses. Uni-Select considers the free cash flows to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flows exclude certain variances 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 consolidated statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.
Total net debt [3]	This measure consists of long-term debt, including the portion due within a year *(as shown in note 11 to the interim condensed consolidated financial statements)*, net of cash.
Total net debt to total net debt and total equity ratio [3]	This ratio corresponds to total net debt divided by the sum of total net debt and total equity.
Long-term debt to total equity ratio [3]	This ratio corresponds to long-term debt, including the portion due within a year *(as shown in note 11 to the interim condensed consolidated financial statements)*, divided by the total equity.
Funded debt to adjusted EBITDA [3]	This ratio corresponds to total net debt to adjusted EBITDA [1].
Return on average total equity [3]	This ratio corresponds to net earnings, divided by average total equity.
Adjusted return on average total equity [3]	This ratio corresponds to adjusted earnings [1] to which the amortization of intangible assets related to The Parts Alliance acquisition is added back divided by average total equity.

(1) Refer to the "Analysis of consolidated results" section for a quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

(2) Refer to the "Cash flows" section for a quantitative reconciliation from the non-IFRS measures to the most directly comparable measure calculated in accordance with IFRS.

(3) Refer to the "Capital structure" section for further details.

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	First quarters	
	2018	2017
FinishMaster US	**201,379**	199,702
Canadian Automotive Group	**110,669**	97,498
The Parts Alliance UK	**110,046**	-
Sales	**422,094**	297,200
		%
Sales variance	**124,894**	***42.0***
Conversion effect of the Canadian dollar	**(4,800)**	***(1.6)***
Number of billing days	**1,657**	***0.5***
Acquisitions and others	**(121,644)**	***(40.9)***
Consolidated organic growth	**107**	***0.0***

The quarter growth of 42.0%, compared to the same quarter in 2017, was driven by the sales generated from recent business acquisitions, bringing additional sales of $121,644 or 40.9% of which The Parts Alliance UK segment represents $110,046 or 37.0%.

The solid performance of the Canadian Automotive Group segment, resulting in an organic growth of 5.9%, offset the performance of the FinishMaster US segment, facing some headwinds as it rebuilds sales momentum and reporting a negative organic growth of 2.8%.

GROSS MARGIN

	First quarters	
	2018	2017
Gross margin	**142,769**	93,917
In % of sales	***33.8%***	*31.6%*

The gross margin, in percentage of sales, increased by 220 basis points, compared to the same quarter in 2017, benefiting from The Parts Alliance acquisition, which has a higher gross margin than the other segments.

Once The Parts Alliance UK segment is excluded, the remaining gross margin variance, in percentage of sales, is explained by a revenue mix impact and lower special buys in the FinishMaster US segment. This element was in part compensated by improved buying conditions in the Canadian Automotive Group segment.

EMPLOYEE BENEFITS

	First quarters	
	2018	2017
Employee benefits	**79,886**	48,565
In % of sales	***18.9%***	*16.3%*

Employee benefits, in percentage of sales, increased by 260 basis points, compared to the same quarter in 2017. This variance is mainly attributable to a different business model in The Parts Alliance UK segment requiring a higher level of employee benefits.

During the quarter, the Canadian Automotive Group incurred severance, which was, in part, compensated by savings resulting from the 20/20 initiative implemented in the second half of 2017, mainly benefiting the FinishMaster US segment.

OTHER OPERATING EXPENSES

	First quarters	
	2018	2017
Other operating expenses	**35,263**	22,179
In % of sales	***8.4%***	*7.5%*

Other operating expenses, in percentage of sales, increased by 90 basis points, compared to the same quarter in 2017 and were mainly affected by a different business model in The Parts Alliance UK segment requiring a higher level of fixed costs.

Once The Parts Alliance UK segment is excluded, the remaining variance, in percentage of sales, is mainly related to the internalization of the servers, which was a favorable one-time saving in 2017 when compared to the present quarter.

NET TRANSACTION CHARGES RELATED TO THE PARTS ALLIANCE ACQUISITION

	First quarters	
	2018	2017
Net transaction charges related to The Parts Alliance acquisition	**618**	-

In August 2017, the Corporation completed the acquisition of The Parts Alliance.

For the quarter ended March 31, 2018, these charges included acquisition costs and other charges related to the acquisition amounting to $286 and $332 respectively.

EBITDA

	First quarters		
	2018	2017	%
Net earnings	**10,391**	10,998	
Income tax expense	**1,714**	5,787	
Depreciation and amortization	**9,934**	4,802	
Finance costs, net	**4,963**	1,586	
EBITDA	**27,002**	23,173	*16.5*
EBITDA margin	**6.4%**	*7.8%*	
Net transaction charges related to The Parts Alliance acquisition	**618**	-	
Adjusted EBITDA	**27,620**	23,173	*19.2*
Adjusted EBITDA margin	***6.5%***	*7.8%*	

The adjusted EBITDA margin decreased by 130 basis points, compared to the same quarter in 2017. This variance is mainly explained by a revenue mix impact and lower special buys in the FinishMaster US segment as well as by undertaken integration efforts to optimize the growing network of company-owned stores in the Canadian Automotive Group segment, which included severance.

These elements were partially compensated by savings resulting from the 20/20 initiative as well as by an improved cost absorption at The Parts Alliance UK segment benefiting from its peak season.

FINANCE COSTS, NET

	First quarters	
	2018	2017
Finance costs, net	**4,963**	1,586

The increase in finance costs, compared to the same quarter in 2017, is mainly attributable to a higher average debt, mostly from The Parts Alliance acquisition, resulting in higher borrowing costs.

(Refer to note 5 in the interim condensed consolidated financial statements for further details.)

DEPRECIATION AND AMORTIZATION

	First quarters	
	2018	2017
Depreciation and amortization	**9,934**	4,802

The increase in depreciation and amortization, compared to the same quarter in 2017, is mainly attributable to The Parts Alliance acquisition, notably from the amortization of the customer relationship intangible assets. Depreciation on recent capital investments also contributed to the increase.

(Refer to note 5 in the interim condensed consolidated financial statements for further details.)

INCOME TAX EXPENSE

	First quarters	
	2018	2017
Income tax expense	**1,714**	5,787
Income tax rate	***14.2%***	*34.5%*

The income tax rate variance, compared to the same quarter in 2017, is mainly attributable to the lower enacted US corporate tax rate announced in December 2017 combined with different geographic pre-tax earnings with distinct tax rates.

(Refer to note 5 in the interim condensed consolidated financial statements for further details.)

NET EARNINGS AND EARNINGS PER SHARE

	First quarters		
	2018	2017	*%*
Net earnings	**10,391**	10,998	*(5.5)*
Net transaction charges related to The Parts Alliance acquisition, net of taxes	**555**	-	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**1,170**	-	
Adjusted earnings	**12,116**	10,998	*10.2*
Earnings per share	**0.25**	0.26	*(3.8)*
Net transaction charges related to The Parts Alliance acquisition, net of taxes	**0.01**	-	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**0.03**	-	
Adjusted earnings per share	**0.29**	0.26	*11.5*

The increase of 10.2% of the adjusted earnings compared to the same quarter in 2017 mainly resulted from The Parts Alliance UK segment contribution and the reduction of the Corporation's income tax rate for its US operations. These elements were partially offset by additional finance costs as well as depreciation and amortization, all related to recent business acquisitions and investments of capital.

CONSOLIDATED QUARTERLY OPERATING RESULTS

Corporation's sales follow seasonal patterns: sales are typically stronger during the second and the third quarters for the FinishMaster US and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance UK segment. Sales are also impacted by business acquisitions as well as by the conversion effect of the Canadian dollar and the British pound into US dollar. The Corporation records earnings in each quarter.

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

	2018	2017				2016		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Sales								
United States	**201,379**	198,956	206,495	209,486	199,702	180,758	202,215	196,478
Canada	**110,669**	123,023	133,612	130,801	97,498	110,228	116,330	127,280
United Kingdom [(1)]	**110,046**	92,999	55,700	-	-	-	-	-
	422,094	414,978	395,807	340,287	297,200	290,986	318,545	323,758
EBITDA	**27,002**	25,854	32,181	29,544	23,173	24,570	30,836	29,739
EBITDA margin	***6.4%***	*6.2%*	*8.1%*	*8.7%*	*7.8%*	*8.4%*	*9.7%*	*9.2%*
Restructuring and other charges	**-**	-	(523)	-	-	(746)	-	-
Net transaction charges related to The Parts Alliance acquisition	**618**	2,130	2,257	2,916	-	-	-	-
Adjusted EBITDA	**27,620**	27,984	33,915	32,460	23,173	25,350	30,836	29,739
Adjusted EBITDA margin	***6.5%***	*6.7%*	*8.6%*	*9.5%*	*7.8%*	*8.7%*	*9.7%*	*9.2%*
Net earnings	**10,391**	8,721	11,159	13,738	10,998	12,695	17,281	16,806
Adjusted earnings	**12,116**	11,613	15,851	16,635	10,998	13,068	17,281	16,806
Basic earnings per share	**0.25**	0.21	0.26	0.33	0.26	0.30	0.41	0.40
Adjusted basic earnings per share	**0.29**	0.27	0.38	0.39	0.26	0.31	0.41	0.40
Diluted earnings per share	**0.25**	0.21	0.26	0.32	0.26	0.30	0.41	0.40
Dividends declared per share (C$)	***0.0925***	*0.0925*	*0.0925*	*0.0925*	*0.085*	*0.085*	*0.085*	*0.085*
Average exchange rate for earnings (C$)	**0.79:$1**	0.79:$1	0.80:$1	0.74:$1	0.76:$1	0.75:$1	0.77:$1	0.78:$1
Average exchange rate for earnings (£)	**1.39:$1**	1.33:$1	1.31:$1	-	-	-	-	-

(1) Sales since the completion of the acquisition on August 7, 2017.

ANALYSIS OF RESULTS BY SEGMENT

SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster US: distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the US market.

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial paint and related products, through Canadian networks.

The Parts Alliance UK: distribution of automotive original equipment manufacturer (OEM) and aftermarket parts, serving local and national customers across the UK.

Corporate Office and Others: head office expenses and other expenses mainly related to the financing structure.

The profitability measure employed by the Corporation for assessing performance is EBITDA.

OPERATING RESULTS – FINISHMASTER US

Sales

	First quarters	
	2018	2017
Sales	**201,379**	199,702
		%
Sales variance	**1,677**	***0.8***
Acquisitions and others	**(7,324)**	***(3.6)***
Organic growth	**(5,647)**	***(2.8)***

Sales from this segment increased by 0.8%, compared to the same quarter in 2017, supported by recent business acquisitions, representing a growth of 3.6%.

The FinishMaster US segment, faced some headwinds while rebuilding sales momentum and reported a negative organic growth of 2.8%. However, starting in the second quarter, this segment will benefit from winning new business volume. This is expected to progressively offset the impact of the first quarter by the end of the third quarter.

This segment is on track with the various organic growth initiatives and expects to see a progressive improvement throughout the year.

EBITDA

	First quarters		
	2018	2017	*%*
EBITDA	**19,859**	23,322	*(14.8)*
EBITDA margin	***9.9%***	*11.7%*	

The EBITDA margin decreased by 180 basis points impacted by lower special buys in the current quarter when compared to the same quarter last year as well as an evolving customer mix, as a result of recent business acquisitions that have a higher percentage of MSO customers and for which discounts are more significant.

These negative elements were partially compensated by savings arising from the 20/20 initiative, with the integration of 3 stores and the alignment of employee benefits and operating expenses to its evolving cost to serve model. Other operational initiatives are also underway to improve the efficiency, such as delivery route optimization and bar coding across the network.

OPERATING RESULTS – CANADIAN AUTOMOTIVE GROUP

Sales

	First quarters	
	2018	2017
Sales	**110,669**	97,498
		%
Sales variance	**13,171**	***13.5***
Conversion effect of the Canadian dollar	**(4,800)**	***(4.9)***
Number of billing days	**1,657**	***1.7***
Acquisitions and others	**(4,274)**	***(4.4)***
Organic growth	**5,754**	***5.9***

Sales for this segment increased by 13.5%, compared to the same quarter in 2017, driven by a solid organic growth of 5.9%, the impact of the Canadian dollar on its conversion to US dollar, as well as by recent business acquisitions.

This performance is stemming from sales to independent customers as well as from sales through its growing network of company-owned stores, comprising the BUMPER TO BUMPER auto parts program and the FINISHMASTER brand in Canada.

EBITDA

	First quarters		
	2018	2017	*%*
EBITDA	**3,162**	2,936	*7.7*
EBITDA margin	***2.9%***	*3.0%*	

The EBITDA margin decrease of 10 basis points, compared to the same quarter in 2017, is mainly related to the internalization of the servers, which was a favorable one-time saving in 2017 when compared to the present quarter, as well as undertaken integration efforts in 2018 to optimize its company-owned stores, including severance, as part of the 20/20 initiative. These elements were, in part, compensated by higher volume rebates, improving the gross margin in the current quarter when compared to the corresponding quarter last year.

Integration of the company-owned stores, including store rebranding, store processes and the implementation of the new point of sales (POS) system are progressing as per plan. Once completed, these respective activities are expected to yield additional synergies and efficiency and are expected to leverage the solid foundation with further acquisitions or greenfield stores.

OPERATING RESULTS – THE PARTS ALLIANCE UK

	First quarters	
	2018	2017
Sales	**110,046**	-
EBITDA	**9,595**	-
EBITDA margin	***8.7%***	*N/A*

The business model of The Parts Alliance UK segment is generating a higher gross margin than the other segments of the Corporation, but is also requiring a higher level of employee benefits and operating expenses. The peak season of this segment, which typically covers the first and second quarters, is enabling the leverage of its cost base. Further supported by cost actions taken during the last quarter of 2017, the result was an EBITDA margin of 8.7% for the current quarter, in contrast to 4.0% recorded in the fourth quarter of 2017.

In addition, The Parts Alliance UK segment, with undertakings as part of the ongoing 20/20 initiative, is in the process of integrating the operations of its acquired stores and of maximizing their contribution. Two stores were integrated since the beginning of the year, while 4 greenfields were opened as planned. Furthermore, 2 additional greenfields opened since the end of the first quarter.

The growth model of this segment is a combination of organic growth, opening of greenfields stores and business acquisitions.

OPERATING RESULTS – CORPORATE OFFICE AND OTHERS

	First quarters		
	2018	2017	*%*
EBITDA	**(5,614)**	(3,085)	
Net transaction charges related to The Parts Alliance acquisition	**618**	-	
Adjusted EBITDA	**(4,996)**	(3,085)	*(61.9)*

The variance, compared to the same quarter in 2017, is mainly explained by a charge resulting from the equity swap instruments related to the stock-based compensation, in line with the recent stock price.

CASH FLOWS

OPERATING ACTIVITIES

	First quarters	
	2018	2017
Cash flows from (used in) operating activities	**(30,284)**	2,125

The variance in the use of cash flows from operating activities compared to the same quarter in 2017 is mainly explained by higher disbursements for: investments in inventory, Canadian tax installments and interest in relation to the financing of recent business acquisitions.

These elements were partially compensated by the increasing operating income, notably benefiting from the contribution of The Parts Alliance UK segment.

INVESTING ACTIVITIES

	First quarters	
	2018	2017
Cash flows used in investing activities	**(14,962)**	(86,288)

The variance in cash outflows from investing activities compared to the same quarter in 2017 is mainly related to business acquisitions closed during the 2017 quarter, notably D'Angelo, the biggest acquisition to date of the FinishMaster US segment.

FINANCING ACTIVITIES

	First quarters	
	2018	2017
Cash flows from financing activities	**33,020**	73,771

The variance in cash inflows from financing activities compared to the same quarter in 2017 is mainly explained by a lower level of business acquisition activities financed by debt in 2018, which was partially offset by additional working capital investments in the current quarter.

FREE CASH FLOWS

	First quarters	
	2018	2017
Cash flows from (used in) operating activities	**(30,284)**	2,125
Changes in working capital	**41,135**	20,292
	10,851	22,417
Acquisitions of property and equipment	**(3,929)**	(1,219)
Difference between amounts paid for post-employment benefits and current period expenses	**(201)**	(104)
Free cash flows	**6,721**	21,094

The variance in free cash flows compared to the same quarter in 2017 is mainly explained by larger Canadian tax installments, capital investments for property and equipment at The Parts Alliance UK segment, including greenfield openings, as well as higher payments of interest related to the financing of recent business acquisitions. These elements were, in part, compensated by the increasing operating income, notably benefiting from the contribution of The Parts Alliance UK segment.

FINANCING

CREDIT FACILITIES

The Corporation has access, for its needs, to a $525,000 unsecured long-term revolving credit facility, as well as a $20,000 letter of credit facility, both with a maturity date of June 30, 2021 and a $100,000 unsecured term facility maturing in tranches with the latest maturity date on June 30, 2020.

As at March 31, 2018, the unused portion amounted to $145,000 ($193,000 as at December 31, 2017). *(Refer to note 11 in the interim condensed consolidated financial statements for further details.)*

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 institutions according to the new extended payment term agreements with suppliers.

As at March 31, 2018, Uni-Select benefited from additional deferred payments of accounts payable in the amount of $150,141 and used $195,473 of the program ($166,344 and $229,468 respectively as at December 31, 2017). The authorized limit with the financial institutions is $267,500. These amounts are presented in “Trade and other payables” in the condensed consolidated statements of financial position. This program is available upon the Corporation’s request and may be modified by either party.

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at March 31, 2018 are as follows:

Currencies (sold/bought)	Maturity	Average rate [(1)]	Notional amount [(2)]
CAD/USD	Up to November 2018	0.79	9,542
GBP/USD	Up to June 2018	1.40	1,753
EURO/GBP	Up to May 2018	0.88	1,396
			12,691

[(1)] Rates are expressed as the number of units of the currency bought for one unit of currency sold.

[(2)] Exchange rates as at March 31, 2018 were used to translate amounts in foreign currencies.

Derivative financial instruments used in cash flow hedges - hedge of interest rate risk

In 2017, the Corporation entered into various swap agreements to hedge the variable interest cash flows on a portion of the Corporation’s revolving credit facility and term loan for total nominal amounts at inception of $80,000 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, these agreements are fixing the interest cash flows between 1.745% and 1.760% for interest rate swaps denominated in US dollars, and to 0.955% for interest rate swaps denominated in British pounds.

Derivative financial instruments – hedge of share-based payments cost

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at March 31, 2018, the equity swap agreements covered the equivalent of 364,277 common shares of the Corporation.

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

Guided by its low-asset-base-high-utilization philosophy, the Corporation's strategy is to monitor the following ratios to ensure flexibility in the capital structure:

- Total net debt to total net debt and total equity;
- Long-term debt to total equity ratio;
- Funded debt to adjusted EBITDA ratio;
- Adjusted return on average total equity; and
- Dividend payout ratio based on the adjusted earnings of the previous year converted in Canadian dollars.

	Mar. 31,	Dec. 31,
	2018	2017
Components of debt ratios:		
Long-term debt	**487,503**	448,581
Total net debt	**468,493**	417,909
Total equity	**530,859**	517,977
Debt ratios [(1)]:		
Total net debt to total net debt and total equity ratio	***46.9%***	*44.7%*
Long-term debt to total equity ratio	***91.8%***	*86.6%*
Funded debt to adjusted EBITDA ratio	***3.84***	*3.56*
Return on average total equity	***8.7%***	*9.0%*
Adjusted return on average total equity	***10.5%***	*10.8%*
Dividend payout ratio	***21.5%***	*19.3%*

(1) These ratios are not required for banking commitments but represent the ones that the Corporation considers pertinent to monitor and to ensure flexibility in the capital structure. However, until a twelve-month period of operations is consolidated with The Parts Alliance UK segment, the Corporation is also monitoring the funded debt to adjusted EBITDA ratio using annualized results related to this transaction, which results in a ratio of 3.55 (3.04 as at December 31, 2017).

Management continuously monitors its working capital items to improve the cash conversion cycle, in particular, on optimizing inventory levels in all business segments.

The variances of the total net debt to total net debt and total equity and the long-term debt to total equity ratios are mainly explained by the debt increase, since funds were required for large payments through the vendor financing program as well as for investments in working capital in preparation for the peak season in Canada. This debt increase was partially compensated by an increase of the total equity resulting from the net earnings of the period.

The funded debt to adjusted EBITDA ratio variance resulted from the debt increase, and was partially compensated by the growing EBITDA.

The adjusted return on average total equity variance is mainly explained by the increase of the average total equity resulting from the net earnings of the last twelve months, impacted most recently by the additional amortization of intangible assets and finance costs related to business acquisitions.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at March 31, 2018, the Corporation met all the requirements.

DIVIDENDS

On February 19, 2018, the Corporation declared the first quarterly dividend of 2018 of C$0.0925, paid on April 17, 2018 to shareholders of record as at March 31, 2018.

On May 3, 2018, the Corporation declared the second quarterly dividend of 2018 of C$0.0925, payable on July 17, 2018 to shareholders of record as at June 30, 2018.

These dividends are eligible dividends for income tax purposes.

INFORMATION ON CAPITAL STOCK

As of March 31, 2018, 42,273,812 common shares were outstanding (42,273,812 as at December 31, 2017).

Issuance of shares

During the first quarter of 2017, the Corporation issued 34,450 common shares at the exercise of stock options for a cash consideration of $380. The weighted average price of the exercise of stock options was C$14.76 for the quarter of 2017.

New normal course issuer bid

On April 18, 2018, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the redemption of common shares during self-imposed blackout periods. Such redemptions will be determined by the broker in its sole discretion based on the Corporation's parameters.

STOCK-BASED COMPENSATION

Common share stock option plan for management employees and officers

For the quarter ended March 31, 2018, 181,679 options were granted to management employees and officers of the Corporation (80,054 for 2017), with an average exercise price of C$28.61 (C$29.64 in 2017). During the period, no option was exercised (34,450 for 2017) and no option was forfeited or expired (same for 2017). As at March 31, 2018, options granted for the issuance of 1,088,038 common shares (438,382 as at March 31, 2017) were outstanding under the Corporation's stock option plan. For the quarter ended March 31, 2018, compensation expense of $482 ($185 for 2017) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the quarter ended March 31, 2018, the Corporation granted 24,470 DSUs (15,704 DSUs for 2017) and redeemed no DSUs (none for 2017). Compensation expense (reversal) of $(630) (expense of $983 in 2017) was recorded during the period, and 177,807 DSUs were outstanding as at March 31, 2018 (157,960 DSUs as at March 31, 2017). As at March 31, 2018, the compensation liability was $2,777 ($3,482 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of $1,338 (liability of $352 as at December 31, 2017).

Performance share unit ("PSU") plan

For the quarter ended March 31, 2018, the Corporation granted 135,709 PSUs (110,454 PSUs for 2017) and redeemed 97,704 PSUs (61,330 PSUs for 2017). Compensation expense (reversal) of $(574) (expense of $1,828 in 2017) was recorded during the period, and 311,000 PSUs were outstanding as at March 31, 2018 (265,160 PSUs as at March 31, 2017). As at March 31, 2018, the compensation liability was $1,694 ($4,945 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of $1,728 (liability of $356 as at December 31, 2017).

FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2017, has been impacted by business acquisitions and the conversion effect of the Canadian dollar and the British pound into US dollar.

The following table shows an analysis of selected items from the condensed consolidated statements of financial position:

	Mar. 31, 2018	Dec. 31, 2017	Impact of business acquisitions	Impact on conversion C$/US$ and £/US$	Net variances
Short-term					
Trade and other receivables	**249,133**	236,811	(21)	1,108	11,235
Income taxes receivable, net	**25,316**	12,448	-	43	12,825
Inventory	**466,792**	458,354	(110)	(49)	8,597
Trade and other payables	**428,246**	446,370	32	150	(18,306)
Long-term					
Long-term debt (including short-term portion)	**487,503**	448,581	2,696	2,659	33,567

Explanations for net variances:

Trade and other receivables: The increase is mainly related to seasonality at The Parts Alliance UK segment, for which sales activity is typically higher during the first quarter.

Income taxes receivable, net: The increase is mainly explained by the 2017 Canadian tax installments.

Inventory: The increase is mainly related to the Canadian Automotive Group segment, in preparation for the maintenance season.

Trade and other payables: The decrease is mainly attributable to large payments in relation to the vendor financing program.

Long-term debt: The variance is mainly attributable to seasonal investments in working capital as well as large payments in relation to the vendor financing program.

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. The Corporation continuously maintains and updates its system of analysis and controls on operational, strategic and financial risks to manage and implement activities with the objective of mitigating the main risks mentioned in the 2017 Annual Report.

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

MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CHANGES ADOPTED IN 2018

The Corporation applied, for the first time, IFRS 15 “Revenues from contracts with customers” and IFRS 9 “Financial Instruments” that require restatement of previous consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Revenues from contracts with customers

In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB’s current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers.

The Corporation has applied IFRS 15 as of January 1, 2018 using the full retrospective method of adoption. The effect of adopting this standard is detailed as follows:

Effects on the consolidated financial statements and notes for the year ended December 31, 2017

Under the new standard, the transfer of products with a right of return is presented gross as a refund liability and an asset for recovery. In the Corporation's audited consolidated financial position as at December 31, 2017, the allowance for returns was presented on a net basis and, therefore, a reclassification of $9,644 from "Trade and other payables" to "Trade and other receivables" is required.

The implementation of IFRS 15 had no material impact on the Corporation's consolidated statement of earnings, comprehensive income, changes in equity and cash flows for the year ended on December 31, 2017.

The new disclosure requirements of IFRS 15 partially impacted the information described under notes 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2017. The following sections were modified as follows:

Basis of presentation - Use of accounting estimates and judgments

Sales recognition: Estimates are used in determining the amounts to be recorded for the right of return, assurance warranties and trade and volume discounts. These estimates are calculated segment-by-segment based on the agreed-on specifications with the customers, the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Significant accounting policies - Sales recognition

The Corporation recognizes sales upon shipment of products, when the control has been transferred to the buyer, there is no continuing Management involvement with the products, the recovery of the consideration is probable and the amount of revenue can be measured reliably. Sales are measured at the fair value of the consideration to which the Corporation is entitled to receive in exchange for transferring the promised products, net of the provisions for the right of return and assurance warranties as well as other trade and volume discounts.

The Corporation offers its customers a right of return on the sale of products as well as certain warranties to cover the compliance of the products transferred with agreed-on specifications. At the time of sales recognition, the Corporation records provisions for the right of return and assurance warranties which are based on the Corporation's historical experience and Management's assumptions.

Financial instruments

In July 2014, the IASB issued a complete and final version of IFRS 9 "Financial Instruments", replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model.

The Corporation has applied IFRS 9 retrospectively, with the initial application date as of January 1, 2018. This transition had no significant impact on the consolidated financial statements. The key changes to the Corporation's accounting policies described under note 3 of the audited annual consolidated financial statements for the year ended December 31, 2017 are summarized below.

Significant accounting policies – Financial instruments

(i) Classification and measurement of non derivative financial instruments

Financial assets are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Except for certain trade receivables, financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition. The subsequent measurement of financial assets depends on their classification, that is based on two criteria: (i) the Corporation's business model for managing the financial assets; and (ii) whether the instruments' contractual cash flows represent solely payments and interest on the principal amount outstanding (the "SPPI criterion").

As a result of the adoption of IFRS 9, the Corporation reclassified its cash, cash held in escrow, trade and other receivables and advances to merchant members from loans and receivables to financial assets measured at amortized cost.

The amortized cost category is for non-derivative financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. After initial recognition, financial assets under that category are measured at amortized cost using the effective interest method, less any impairment.

The assessment of the Corporation's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before that date. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 did not result in any measurement adjustments to the financial assets and, therefore, does not require restatement of comparative periods. As well, it had no significant effect on the Corporation's accounting policies for financial liabilities and derecognition of financial instruments.

(ii) Impairment of non derivative financial instruments

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") approach.

Under the new impairment model, all financial assets, except for those measured at fair value through net earnings, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Corporation' has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. For other debt financial assets (i.e.: advances to merchant members), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of IFRS 9 had no significant impact on the Corporation's accounting for impairment losses for financial assets.

(iii) Derivative financial instruments and hedge accounting

The Corporation has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Corporation to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The adoption of the hedge accounting requirements of IFRS 9 did not result in any changes in the eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date.

FUTURE ACCOUNTING CHANGES

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2017. Certain other new standards and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon rates expressed as US dollars per comparative currency unit:

	First quarters	
	Mar. 31, 2018	Mar. 31, 2017
Average for the period (to translate the statement of earnings)		
Canadian dollar	**0.79**	0.76
British Pound	**1.39**	-
	Mar. 31, 2018	Dec. 31, 2017
Period end (to translate the statement of financial position)		
Canadian dollar	**0.78**	0.80
British Pound	**1.40**	1.35

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

EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation, are responsible for the implementation and maintenance of disclosure controls and procedures, and of the internal control over financial reporting, as provided for in National Instrument 52-109 regarding the Certification of Disclosure in Issuers' Annual and Interim Filings. They are assisted in this task by the Disclosure Committee, which is comprised of members of the Corporation's senior management.

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 March 31, 2018, the President and Chief Executive Officer and the 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 March 31, 2018, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the 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 the interim condensed consolidated financial statements in accordance with IFRS.

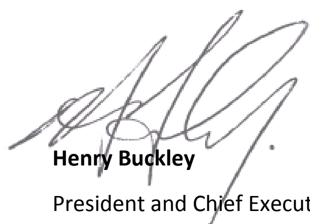
During the quarter ended March 31, 2018, no change in the Corporation's internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

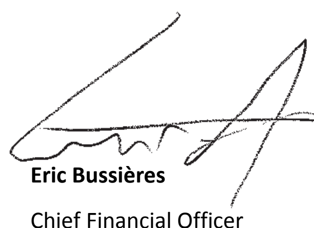
Management has limited the scope of design of its disclosure controls and procedures and its internal controls over financial reporting to exclude the controls, policies and procedures of The Parts Alliance UK segment. This is due to the size and timing of the transaction, which occurred on August 7, 2017. The limitation is primarily based on the time required to assess The Parts Alliance UK segment's controls over financial reporting and to confirm they are consistent with those of the Corporation, as permitted by the Canadian Securities Administrator's National Instrument 52-109 for 365 days following an acquisition.

The Parts Alliance UK segment's results are included in the Corporation's interim condensed consolidated financial statements and constituted approximately 19.7% of total assets as at March 31, 2018, 26.1% of consolidated sales, and 58.2% of consolidated net earnings for the quarter ended March 31, 2018.

OUTLOOK

A discussion of management's expectations as to our outlook for the following quarters of 2018 is included in our press release announcing the 2018 first quarter results, under the section Outlook. The press release is available on SEDAR website at sedar.com and under the "Investors - Newsroom" section of our corporate website at uniselect.com.





Henry Buckley
President and Chief Executive Officer

Eric Bussières
Chief Financial Officer

Approved by the Board of Directors on May 3, 2018.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 (unaudited)

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of US dollars, except per share amounts, unaudited)	**Note**	**Quarters ended March 31,**	
		2018	2017
Sales		**422,094**	297,200
Purchases, net of changes in inventories		**279,325**	203,283
Gross margin		**142,769**	93,917
Employee benefits		**79,886**	48,565
Other operating expenses		**35,263**	22,179
Net transaction charges related to The Parts Alliance acquisition	4	**618**	-
Earnings before finance costs, depreciation and amortization and income taxes		**27,002**	23,173
Finance costs, net	5	**4,963**	1,586
Depreciation and amortization	5	**9,934**	4,802
Earnings before income taxes		**12,105**	16,785
Income tax expense	5	**1,714**	5,787
Net earnings		**10,391**	10,998
Earnings per share (basic and diluted)	6	**0.25**	0.26
Weighted average number of common shares outstanding (in thousands)	6		
Basic		**42,274**	42,247
Diluted		**42,355**	42,414

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of US dollars, unaudited)	Quarters ended March 31,	
	2018	2017
Net earnings	**10,391**	10,998
Other comprehensive income (loss)		
Items that will subsequently be reclassified to net earnings:		
Effective portion of changes in the fair value of cash flow hedges (net of income tax of $353)	**1,027**	-
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income tax of $36)	**104**	-
Unrealized exchange gains on the translation of financial statements to the presentation currency	**15,544**	1,862
Unrealized exchange losses on the translation of debt designated as a hedge of net investments in foreign operations	**(11,455)**	-
	5,220	1,862
Items that will not subsequently be reclassified to net earnings:		
Remeasurements of long-term employee benefit obligations (net of income tax of $37 ($16 in 2017))	**(118)**	68
Total other comprehensive income	**5,102**	1,930
Comprehensive income	**15,493**	12,928

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, unaudited)	**Note**	Attributable to shareholders				
		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	**Total equity**
Balance, December 31, 2016		96,924	4,260	401,420	(30,242)	472,362
Net earnings		-	-	10,998	-	10,998
Other comprehensive income		-	-	68	1,862	1,930
Comprehensive income		-	-	11,066	1,862	12,928
Contributions by and distributions to shareholders:						
Issuance of common shares	12	380	-	-	-	380
Dividends		-	-	(2,715)	-	(2,715)
Stock-based compensation	9	-	185	-	-	185
		380	185	(2,715)	-	(2,150)
Balance, March 31, 2017		97,304	4,445	409,771	(28,380)	483,140
Balance, December 31, 2017		**97,585**	**5,184**	**432,470**	**(17,262)**	**517,977**
Net earnings		**-**	**-**	**10,391**	**-**	**10,391**
Other comprehensive income (loss)		**-**	**-**	**(118)**	**5,220**	**5,102**
Comprehensive income		**-**	**-**	**10,273**	**5,220**	**15,493**
Contributions by and distributions to shareholders:						
Dividends		**-**	**-**	**(3,093)**	**-**	**(3,093)**
Stock-based compensation	9	**-**	**482**	**-**	**-**	**482**
		-	**482**	**(3,093)**	**-**	**(2,611)**
Balance, March 31, 2018		**97,585**	**5,666**	**439,650**	**(12,042)**	**530,859**

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Note	Quarters ended March 31,	
		2018	2017
OPERATING ACTIVITIES			
Net earnings		**10,391**	10,998
Non-cash items:			
Finance costs, net	5	**4,963**	1,586
Depreciation and amortization	5	**9,934**	4,802
Income tax expense	5	**1,714**	5,787
Amortization and reserves related to incentives granted to customers		**4,108**	3,543
Other non-cash items		**(939)**	(25)
Changes in working capital items	7	**(41,135)**	(20,292)
Interest paid		**(4,371)**	(1,229)
Income taxes paid		**(14,949)**	(3,045)
Cash flows from (used in) operating activities		**(30,284)**	2,125
INVESTING ACTIVITIES			
Business acquisitions		**-**	(66,082)
Net balance of purchase price		**(2,696)**	(3,405)
Cash held in escrow		**-**	(8,477)
Advances to merchant members and incentives granted to customers		**(8,930)**	(7,604)
Reimbursement of advances to merchant members		**844**	1,328
Acquisitions of property and equipment		**(3,929)**	(1,219)
Proceeds from disposal of property and equipment		**300**	-
Acquisitions and development of intangible assets		**(551)**	(829)
Cash flows used in investing activities		**(14,962)**	(86,288)
FINANCING ACTIVITIES			
Increase in long-term debt		**68,521**	116,494
Repayment of long-term debt		**(32,615)**	(40,181)
Net increase (decrease) in merchant members' deposits in the guarantee fund		**264**	(196)
Issuance of common shares	12	**-**	380
Dividends paid		**(3,150)**	(2,726)
Cash flows from financing activities		**33,020**	73,771
Effects of fluctuations in exchange rates on cash		**564**	11
Net decrease in cash		**(11,662)**	(10,381)
Cash, beginning of period		**30,672**	22,325
Cash, end of period		**19,010**	11,944

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	Note	March 31,	Dec. 31,
		2018	2017
ASSETS			
Current assets:			
Cash		**19,010**	30,672
Cash held in escrow		**2,174**	8,147
Trade and other receivables		**249,133**	236,811
Income taxes receivable		**32,786**	29,279
Inventory		**466,792**	458,354
Prepaid expenses		**13,328**	10,196
Total current assets		**783,223**	773,459
Investments and advances to merchant members		**33,218**	30,628
Property and equipment		**77,861**	78,644
Intangible assets		**233,399**	231,365
Goodwill		**371,945**	372,119
Derivative financial instruments	13	**1,609**	-
Deferred tax assets		**9,606**	10,174
TOTAL ASSETS		**1,510,861**	1,496,389
LIABILITIES			
Current liabilities:			
Trade and other payables		**428,246**	446,370
Balance of purchase price, net		**6,665**	15,469
Income taxes payable		**7,470**	16,831
Dividends payable		**3,032**	3,110
Current portion of long-term debt and merchant members' deposits in the guarantee fund		**28,999**	37,098
Total current liabilities		**474,412**	518,878
Long-term employee benefit obligations		**17,209**	20,985
Long-term debt	11	**458,589**	411,585
Merchant members' deposits in the guarantee fund		**5,666**	5,543
Balance of purchase price, net		**3,058**	2,944
Other provisions		**1,383**	1,331
Derivative financial instruments	13	**3,066**	1,041
Deferred tax liabilities		**16,619**	16,105
TOTAL LIABILITIES		**980,002**	978,412
EQUITY			
Share capital	12	**97,585**	97,585
Contributed surplus		**5,666**	5,184
Retained earnings		**439,650**	432,470
Accumulated other comprehensive loss		**(12,042)**	(17,262)
TOTAL EQUITY		**530,859**	517,977
TOTAL LIABILITIES AND EQUITY		**1,510,861**	1,496,389

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

NOTES TO INTERIM CONDENSED 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 automotive products and paint and related products for motor vehicles. The Corporation’s registered office is located at 170 Industriel Blvd., Boucherville, Québec, Canada.

These interim condensed consolidated financial statements present the operations and financial position of the Corporation and all of its subsidiaries.

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 condensed 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. The significant accounting policies followed in these interim condensed 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, 2017, except for the changes in accounting policies as described in note 3. These interim condensed consolidated financial statements should be read in conjunction with the Corporation’s audited annual consolidated financial statements for the year ended December 31, 2017.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on May 3, 2018.

Basis of measurement

These interim condensed 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 and reduced by the fair 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 US dollar for entities located in the United States, the Canadian dollar for entities located in Canada and the British pound for entities located in the United Kingdom. These interim condensed consolidated financial statements are presented in US dollars, which is the Corporation’s presentation currency.

Use of accounting estimates and judgments

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, 2017, except for the modifications resulting from IFRS first time adoption as described in note 3.

3 - MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES

Accounting changes adopted in 2018

The Corporation applied, for the first time, IFRS 15 “Revenues from contracts with customers” and IFRS 9 “Financial Instruments” that require restatement of previous consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

<u>Revenues from contracts with customers</u>

In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB’s current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers.

3 - MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation has applied IFRS 15 as of January 1, 2018 using the full retrospective method of adoption. The effect of adopting this standard is detailed as follows:

Effects on the consolidated financial statements and notes for the year ended December 31, 2017

Under the new standard, the transfer of products with a right of return is presented gross as a refund liability and an asset for recovery. In the Corporation's audited consolidated financial position as at December 31, 2017, the allowance for returns was presented on a net basis and, therefore, a reclassification of $9,644 from "Trade and other payables" to "Trade and other receivables" is required.

The implementation of IFRS 15 had no material impact on the Corporation's consolidated statement of earnings, comprehensive income, changes in equity and cash flows for the year ended on December 31, 2017.

The new disclosure requirements of IFRS 15 partially impacted the information described under notes 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2017. The following sections were modified as follows:

Basis of presentation - Use of accounting estimates and judgments

Sales recognition: Estimates are used in determining the amounts to be recorded for the right of return, assurance warranties and trade and volume discounts. These estimates are calculated segment-by-segment based on the agreed-on specifications with the customers, the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Significant accounting policies - Sales recognition

The Corporation recognizes sales upon shipment of products, when the control has been transferred to the buyer, there is no continuing Management involvement with the products, the recovery of the consideration is probable and the amount of revenue can be measured reliably. Sales are measured at the fair value of the consideration to which the Corporation is entitled to receive in exchange for transferring the promised products, net of the provisions for the right of return and assurance warranties as well as other trade and volume discounts.

The Corporation offers its customers a right of return on the sale of products as well as certain warranties to cover the compliance of the products transferred with agreed-on specifications. At the time of sales recognition, the Corporation records provisions for the right of return and assurance warranties which are based on the Corporation's historical experience and Management's assumptions.

Financial instruments

In July 2014, the IASB issued a complete and final version of IFRS 9 "Financial Instruments", replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model.

The Corporation has applied IFRS 9 retrospectively, with the initial application date as of January 1, 2018. This transition had no significant impact on the consolidated financial statements. The key changes to the Corporation's accounting policies described under note 3 of the audited annual consolidated financial statements for the year ended December 31, 2017 are summarized below.

Significant accounting policies – Financial instruments

(i) Classification and measurement of non derivative financial instruments

Financial assets are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Except for certain trade receivables, financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition. The subsequent measurement of financial assets depends on their classification, that is based on two criteria: (i) the Corporation's business model for managing the financial assets; and (ii) whether the instruments' contractual cash flows represent solely payments and interest on the principal amount outstanding (the "SPPI criterion").

As a result of the adoption of IFRS 9, the Corporation reclassified its cash, cash held in escrow, trade and other receivables and advances to merchant members from loans and receivables to financial assets measured at amortized cost.

The amortized cost category is for non-derivative financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. After initial recognition, financial assets under that category are measured at amortized cost using the effective interest method, less any impairment.

3 - MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The assessment of the Corporation's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before that date. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 did not result in any measurement adjustments to the financial assets and, therefore, does not require restatement of comparative periods. As well, it had no significant effect on the Corporation's accounting policies for financial liabilities and derecognition of financial instruments.

(ii) Impairment of non derivative financial instruments

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") approach.

Under the new impairment model, all financial assets, except for those measured at fair value through net earnings, are subject to review for impairment at least at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Corporation has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. For other debt financial assets (i.e.: advances to merchant members), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of IFRS 9 had no significant impact on the Corporation's accounting for impairment losses for financial assets.

(iii) Derivative financial instruments and hedge accounting

The Corporation has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Corporation to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The adoption of the hedge accounting requirements of IFRS 9 did not result in any changes in the eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date.

Future accounting changes

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2017. Certain other new standards and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

4 - NET TRANSACTION CHARGES RELATED TO THE PARTS ALLIANCE ACQUISITION

In August 2017, the Corporation completed the acquisition of The Parts Alliance.

For the quarter ended March 31, 2018, the Corporation recognized transaction charges totaling $618 in connection with The Parts Alliance acquisition, including acquisition costs of $286 and other charges related to the acquisition of $332.

5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

Finance costs, net

	Quarters ended March 31,	
	2018	2017
Interest on long-term debt	**4,447**	1,380
Amortization of financing costs	**244**	111
Net interest expense on the long-term employee benefit obligations	**130**	105
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net earnings	**140**	-
Interest on merchant members' deposits in the guarantee fund and others	**43**	38
	5,004	1,634
Interest income from merchant members and others	**(41)**	(48)
	4,963	1,586

Depreciation and amortization

	Quarters ended March 31,	
	2018	2017
Depreciation of property and equipment	**4,778**	1,889
Amortization of intangible assets	**5,156**	2,913
	9,934	4,802

Income taxes

For the quarter ended March 31, 2018, the income tax expense was $1,714 ($5,787 for 2017), and the corresponding tax rate was 14.2% (34.5% in 2017). The variation year-over-year is mainly attributable to the US Tax Reform, as well as different geographic "Earnings before income taxes" and non-deductible expenses related to The Parts Alliance acquisition.

6 - EARNINGS PER SHARE

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

	Quarters ended March 31,	
	2018	2017
Net earnings considered for basic and diluted earnings per share	**10,391**	10,998
Weighted average number of common shares outstanding for basic earnings per share	**42,273,812**	42,246,792
Impact of the stock options (1)	**80,847**	167,606
Weighted average number of common shares outstanding for diluted earnings per share	**42,354,659**	42,414,398
Earnings per share basic and diluted	**0.25**	0.26

(1) For the quarter ended March 31, 2018, 881,854 weighted average common shares issuable on the exercise of stock options (126,960 in 2017) were excluded from the calculation of diluted earnings per share as the strike price of the options was higher than the average market price of the shares.

7 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	Quarters ended March 31,	
	2018	2017
Trade and other receivables	**(9,697)**	(2,699)
Inventory	**(8,597)**	8,597
Prepaid expenses	**(2,919)**	(243)
Trade and other payables	**(19,922)**	(25,738)
Provision for restructuring and other charges	**-**	(209)
	(41,135)	(20,292)

8 - BUSINESS COMBINATIONS

As at March 31, 2018, the Corporation finalized the purchase price allocation of all companies acquired during the first quarter of 2017. It resulted in reclassifications of $3,429 from goodwill to intangible assets (mainly customer relationships).

9 - STOCK-BASED COMPENSATION

Common share stock option plan for management employees and officers

For the quarter ended March 31, 2018, 181,679 options were granted to management employees and officers of the Corporation (80,054 for 2017), with an average exercise price of C$28.61 (C$29.64 in 2017). During the period, no option was exercised (34,450 for 2017) and no option was forfeited or expired (same for 2017). As at March 31, 2018, options granted for the issuance of 1,088,038 common shares (438,382 as at March 31, 2017) were outstanding under the Corporation's stock option plan. For the quarter ended March 31, 2018, compensation expense of $482 ($185 for 2017) was recorded in the "Net earnings", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the quarter ended March 31, 2018, the Corporation granted 24,470 DSUs (15,704 DSUs for 2017) and redeemed no DSUs (none for 2017). Compensation expense (reversal) of $(630) (expense of $983 in 2017) was recorded during the period, and 177,807 DSUs were outstanding as at March 31, 2018 (157,960 DSUs as at March 31, 2017). As at March 31, 2018, the compensation liability was $2,777 ($3,482 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of $1,338 (liability of $352 as at December 31, 2017).

Performance share unit ("PSU") plan

For the quarter ended March 31, 2018, the Corporation granted 135,709 PSUs (110,454 PSUs for 2017) and redeemed 97,704 PSUs (61,330 PSUs for 2017). Compensation expense (reversal) of $(574) (expense of $1,828 in 2017) was recorded during the period, and 311,000 PSUs were outstanding as at March 31, 2018 (265,160 PSUs as at March 31, 2017). As at March 31, 2018, the compensation liability was $1,694 ($4,945 as at December 31, 2017) and the fair value of the equity swap agreement was a liability of $1,728 (liability of $356 as at December 31, 2017).

10 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter ended March 31, 2018, the employee benefits expense related to the Corporation's defined-benefit pension plans was $673 ($623 for 2017), and the net interest expense of $130 ($105 for 2017) was recorded in "Finance costs, net". Employee benefits expense of $1,035 ($614 for 2017) related to the Corporation's defined-contribution pension plans was also recognized for the same period.

11 - LONG-TERM DEBT AND CREDIT FACILITIES

	Maturity	Effective interest rate	Current portion	March 31, 2018	Dec. 31, 2017
Revolving credit facility, variable rates - $379,517 ($331,867 as at December 31, 2017) [1]	2021	2.198% to 5.950%		**376,834**	328,970
Term facility, variable rates - $100,000 [1]	2018 to 2020	3.460% to 3.577%	**25,000**	**99,669**	99,633
Finance leases, variable rates	-	-	**3,910**	**10,986**	19,962
Others	2021	-	**4**	**14**	16
			28,914	**487,503**	448,581
Installments due within a year				**28,914**	36,996
Long-term debt				**458,589**	411,585

[1] As at March 31, 2018, a principal amount of $333,718 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations ($322,075 as at December 31, 2017).

Letter of credit facility

As at March 31, 2018, $7,897 of letters of credit have been issued ($8,137 as at December 31, 2017).

12 - SHARE CAPITAL

Repurchase and cancellation of shares

On April 18, 2018, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid (“NCIB”), for cancellation purposes, up to 1,500,000 common shares, representing approximately 3.5% of its 42,273,812 issued and outstanding common shares as of April 16, 2018 over a twelve-month period beginning on April 23, 2018 and ending on April 22, 2019. In connection with the NCIB, the Corporation established an Automatic Purchase Plan (“APP”), enabling itself to provide standard instructions regarding the redemption of common shares during self-imposed blackout periods. Such redemptions will be determined by the broker in its sole discretion based on the Corporation’s parameters.

Issuance of shares

During the quarter ended March 31, 2018, there was no common share issued. During the first quarter of 2017, the Corporation issued 34,450 common shares at the exercise of stock options for a cash consideration of $380. The weighted average price of the exercise of stock options was C$14.76 for the quarter of 2017.

As of March 31, 2018, 42,273,812 common shares were outstanding (42,273,812 as at December 31, 2017).

Dividends

A total of C$0.0925 per common share was declared by the Corporation for the quarter ended March 31, 2018 (C$0.0850 for 2017).

13 - FINANCIAL INSTRUMENTS

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

		March 31, 2018			December 31, 2017	
		Carrying amount	**Fair value**		Carrying amount	Fair value
Financial assets (liabilities) carried at amortized cost						
Cash		**19,010**	**19,010**		30,672	30,672
Cash held in escrow		**2,174**	**2,174**		8,147	8,147
Trade and other receivables		**228,011**	**228,011**		217,045	217,045
Advances to merchant members	**Level 2**	**2,911**	**2,911**	Level 2	3,213	3,213
Trade and other payables		**(414,128)**	**(414,128)**		(430,165)	(430,165)
Balance of purchase price, net		**(9,723)**	**(9,723)**		(18,413)	(18,413)
Dividends payable		**(3,032)**	**(3,032)**		(3,110)	(3,110)
Long-term debt (except finance leases and financing costs)	**Level 2**	**(479,531)**	**(479,531)**	Level 2	(431,883)	(431,883)
Merchant members' deposits in the guarantee fund	**Level 2**	**(5,751)**	**(5,751)**	Level 2	(5,645)	(5,645)
Financial assets (liabilities) carried at fair value						
Derivative financial instruments						
Foreign exchange forward contracts	**Level 2**	**17**	**17**	Level 2	(404)	(404)
Interest rate swaps [1]	**Level 2**	**1,592**	**1,592**	Level 2	71	71
Equity swap agreements	**Level 2**	**(3,066)**	**(3,066)**	Level 2	(708)	(708)

[1] Derivatives designated in a hedge relationship.

Financial assets (liabilities) carried at amortized cost

The fair value of the cash, cash held in escrow, trade and other receivables, trade and other payables, balance of purchase price, net and dividends payable approximate their carrying amount given that they will mature shortly.

The fair value of the advances to merchant members was determined based on discounted cash flows using effective interest rates available to the Corporation at the end of the reporting period for similar instruments.

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

The fair value of the merchant members' deposits in the guarantee fund is equivalent to their carrying value since their interest rates are comparable to market rates.

Financial assets (liabilities) carried at fair value

The fair value of the foreign exchange forward contracts was determined using exchange rates quoted in the active market adjusted for the credit risk added by the financial institutions.

The fair value of the interest rate swaps was determined using interest rates quoted in the active market adjusted for the credit risk added by the financial institutions.

The fair value of the equity swap agreements was determined using share prices quoted in the active market adjusted for the credit risk added by the financial institutions.

Fair value hierarchy

Financial instruments measured at fair value in the consolidated statements 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 mainly based 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 mainly based on observable market data.

13 - FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at March 31, 2018 are as follows:

Currencies (sold/bought)	Maturity	Average rate [(1)]	Notional amount [(2)]
CAD/USD	Up to November 2018	0.79	9,542
GBP/USD	Up to June 2018	1.40	1,753
EURO/GBP	Up to May 2018	0.88	1,396
			12,691

(1) Rates are expressed as the number of units of the currency bought for one unit of currency sold.

(2) Exchange rates as at March 31, 2018 were used to translate amounts in foreign currencies.

Derivative financial instruments used in cash flow hedges - hedge of interest rate risk

In 2017, the Corporation entered into various swap agreements to hedge the variable interest cash flows on a portion of the Corporation's revolving credit facility and term loan for total nominal amounts at inception of $80,000 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, these agreements are fixing the interest cash flows between 1.745% and 1.760% for interest rate swaps denominated in US dollars, and to 0.955% for interest rate swaps denominated in British pounds.

Derivative financial instruments – hedge of share-based payments cost

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at March 31, 2018, the equity swap agreements covered the equivalent of 364,277 common shares of the Corporation.

14 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster US: distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the US market;

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial paint and related products, through Canadian networks;

The Parts Alliance UK: distribution of automotive original equipment manufacturer and aftermarket parts, serving local and national customers across the United Kingdom; and

Corporate Office and Others: head office expenses and other expenses mainly related to the financing structure.

The profitability measure employed by the Corporation for assessing segment performance is segment income.

										Quarters ended March 31,
	FinishMaster US		Canadian Automotive Group		The Parts Alliance UK		Corporate Office and Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Sales	**201,379**	199,702	**110,669**	97,498	**110,046**	-	**-**	-	**422,094**	297,200
Segment income [(1)]	**19,859**	23,322	**3,162**	2,936	**9,595**	-	**(4,996)**	(3,085)	**27,620**	23,173
Net transaction charges related to The Parts Alliance acquisition	**-**	-	**-**	-	**-**	-	**618**	-	**618**	-
Segment income reported [(2)]	**19,859**	23,322	**3,162**	2,936	**9,595**	-	**(5,614)**	(3,085)	**27,002**	23,173

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being gross margin less employee benefits and other operating expenses.

(2) Per consolidated statements of earnings, corresponds to "Earnings before finance costs, depreciation and amortization and income taxes".

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

	Quarters ended March 31,	
	2018	2017
Sales		
United States	**201,379**	199,702
Canada	**110,669**	97,498
United Kingdom	**110,046**	-
	422,094	297,200

				March 31, 2018
	United States	**Canada**	**United Kingdom**	**Total**
Property and equipment	**26,076**	**24,038**	**27,747**	**77,861**
Intangible assets with definite useful lives	**109,729**	**22,347**	**62,334**	**194,410**
Intangible assets with indefinite useful lives	**7,900**	**-**	**31,089**	**38,989**
Goodwill	**201,950**	**48,298**	**121,697**	**371,945**

				December 31, 2017
	United States	Canada	United Kingdom	Total
Property and equipment	27,303	25,085	26,256	78,644
Intangible assets with definite useful lives	109,474	22,839	61,141	193,454
Intangible assets with indefinite useful lives	7,900	-	30,011	37,911
Goodwill	204,655	50,289	117,175	372,119

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