



THE POWER OF TEAMWORK



2019 FIRST QUARTER
INTERIM REPORT

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2019

Quarterly highlights	3
Preliminary comments to Management's discussion and analysis	5
Profile and description	5
Adoption of IFRS 16 - Leases	6
Non-IFRS financial measures	9
Update on the Performance Improvement Plan	11
Analysis of consolidated results	12
Analysis of results by segment	18
Cash flows	21
Financing	22
Capital structure	24
Financial position	26
Risk management	27
Modifications to significant accounting policies	27
Exchange rate data	27
Effectiveness of disclosure controls and procedures and internal controls over financial reporting	28
Outlook	28



QUARTERLY HIGHLIGHTS

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

2019				
SALES \$420.0	EBT \$(1.3) (0.3%)	ADJUSTED EBT ⁽¹⁾ \$7.1 1.7%	NET LOSS \$(1.3) \$(0.03)/SHARE	ADJUSTED EARNINGS ⁽¹⁾ \$5.1 \$0.12/SHARE
2018				
SALES \$422.1	EBT \$12.1 2.9%	ADJUSTED EBT ⁽¹⁾ \$14.2 3.4%	NET EARNINGS \$10.4 \$0.25/SHARE	ADJUSTED EARNINGS ⁽¹⁾ \$12.1 \$0.29/SHARE

Adoption of IFRS 16 - Leases:

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018. The 2019 interim condensed consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that earnings (loss) before income taxes ("EBT") is the preferred comparative measure to explain its results and performance, rather than the EBITDA⁽¹⁾ as previously used. The 2019 interim condensed consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of \$87.6 and \$97.0 respectively. To allow a better comparability, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

Highlights:

- Consolidated sales of \$420.0 for the current quarter included a foreign currency conversion impact amounting to \$12.6 or 3.0% compared to the same quarter last year. Consolidated organic growth⁽¹⁾ for the quarter was \$10.5 or 2.5%. The Canadian Automotive Group and the FinishMaster U.S. segments generated organic growth⁽¹⁾ of 4.9% and 3.1% respectively, while The Parts Alliance U.K. segment had a softer quarter and reported a negative organic growth⁽¹⁾ of 1.0%.
- EBT and EBT margin⁽¹⁾ were respectively \$(1.3) and (0.3%) compared to \$12.1 and 2.9% last year. Once adjusted for special items and amortization of intangible assets related to The Parts Alliance acquisition, EBT and EBT margin⁽¹⁾ were respectively \$7.1 and 1.7% compared to \$14.2 and 3.4% last year.
- Net earnings (loss) were \$(1.3) or \$(0.03) per share, compared to \$10.4 or \$0.25 per share last year. Once adjusted, earnings⁽¹⁾ were \$5.1 or \$0.12 per share in 2019 and \$12.1 or \$0.29 last year.
- In January 2019, the Board of Directors and Management initiated the development of a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment with the objective of realigning its operations to address changing market conditions. This resulted in restructuring and other charges of \$6.5 recorded during the quarter, of which, \$2.7 is non-cash, mostly for the write-off of right-of-use assets. These charges are mainly for additional reduction in the workforce, closures of company-owned stores and consulting fees. To optimize its logistical processes, and as part of the Performance Improvement Plan, the Corporation has integrated three smaller distribution centres into two larger ones, permitting increased competitiveness and efficiency. These new distribution centres situated in Calgary, Canada, and Midpoint, U.K. were operational during the first quarter of 2019. In addition, the FinishMaster U.S. segment integrated three company-owned stores during the quarter while the Canadian Automotive Group integrated one.

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

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	First quarters		
	2019	2018 ⁽¹⁾	%
OPERATING RESULTS			
Sales	420,037	422,094	(0.5)
EBITDA ⁽³⁾	21,356	27,002	(20.9)
EBITDA margin ⁽³⁾	5.1%	6.4%	
Adjusted EBITDA ⁽³⁾	28,451	27,620	3.0
Adjusted EBITDA margin ⁽³⁾	6.8%	6.5%	
EBT ⁽²⁾	(1,297)	12,105	(110.7)
EBT margin ^{(2) (3)}	(0.3%)	2.9%	
Adjusted EBT ^{(2) (3)}	7,079	14,168	(50.0)
Adjusted EBT margin ^{(2) (3)}	1.7%	3.4%	
Special items	7,095	618	
Net earnings (loss)	(1,333)	10,391	(112.8)
Adjusted earnings ⁽³⁾	5,050	12,116	(58.3)
Free cash flows ⁽³⁾	19,206	6,721	185.8
COMMON SHARE DATA			
Net earnings	(0.03)	0.25	(112.0)
Adjusted earnings ⁽³⁾	0.12	0.29	(58.6)
Dividend (C\$)	0.0925	0.0925	
Book value per share	12.27	12.56	
Number of shares outstanding	42,387,300	42,273,812	
Weighted average number of outstanding shares	42,387,300	42,273,812	
	Mar. 31, 2019	Jan. 1, 2019 ⁽⁴⁾	Dec. 31, 2018
FINANCIAL POSITION			
Working capital	332,020	237,614	256,365
Total assets	1,657,505	1,630,609	1,540,570
Total net debt ⁽³⁾	627,078	515,706	418,703
Total equity	520,234	519,930	523,882
Return on average total equity ⁽³⁾	4.7%	7.0%	7.0%
Adjusted return on average total equity ⁽³⁾	7.7%	9.1%	9.1%

⁽¹⁾ The Corporation adopted IFRS 16 - Leases on January 1, 2019, using the modified retrospective method and has not restated its comparative amounts of 2018 as permitted. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

⁽²⁾ With the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

⁽³⁾ This information represents a non-IFRS financial measure. (Refer to the "Non-IFRS financial measures" section for further details.)

⁽⁴⁾ Financial position figures and ratios were reconciled as at January 1, 2019 to take into consideration the adoption of IFRS 16 - Leases. (Refer to the "Adoption of IFRS 16 - Leases" 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, 2019 compared with the quarter ended March 31, 2018, as well as its financial position as at March 31, 2019 compared with its financial position as at December 31, 2018 and as at January 1, 2019 for reconciled figures as per the adoption of IFRS 16 - Leases. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2018 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to May 2, 2019, 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") applicable to the preparation of interim financial statements (IAS 34 "Interim Financial Reporting"). 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 2018 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 70 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 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 over 180 company-owned stores.

ADOPTION OF IFRS 16 - LEASES

The Corporation applied, for the first time, IFRS 16 - Leases that does not require restatement of previous consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

In January 2016, the IASB issued IFRS 16 - Leases, replacing the current standard on leases (IAS 17). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease obligation in the consolidated statement of financial position with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements and introduces new disclosure requirements.

The Corporation has applied the modified retrospective transition approach and did not restate comparative amounts for the year prior to its adoption, as permitted by IFRS 16. Under this approach, the cumulative effect of initially applying IFRS 16 was recognized as an adjustment to the opening balance of retained earnings at the date of the initial application. IFRS 16 has affected primarily the accounting for the Corporation's real estate operating leases. The Corporation has elected to apply the following transitional practical expedients:

- Apply the new standard to contracts that were previously identified as leases applying IAS 17;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Account for leases for which the remaining lease term ends within 12 months of the effective date as a short-term lease; and
- Recognize short-term leases and low value asset leases on a straight-line basis as "Other operating expenses" in the consolidated statements of earnings (loss).

Under the new standard, the Corporation recognized new assets (right-of-use assets) and liabilities (lease obligations) of \$87,628 and \$97,003 (\$22,538 in the current portion of long-term debt and \$74,465 in the long-term debt), respectively, as well as deferred tax assets of \$1,636. The following table presents a reconciliation of the elements impacted by IFRS 16 as part of the interim condensed consolidated statement of financial position as at January 1, 2019:

	Jan. 1, 2019	IFRS 16 adjustment	Dec. 31, 2018
Trade and other receivables	248,507	775	247,732
Total current assets	812,202	775	811,427
Property and equipment	171,584	87,628	83,956
Deferred tax assets	17,506	1,636	15,870
TOTAL ASSETS	1,630,609	90,039	1,540,570
Trade and other payables	531,380	(1,296)	532,676
Balance of purchase price, net	3,580	(482)	4,062
Provision for restructuring charges	2,939	(1,234)	4,173
Current portion of long-term debt	26,768	22,538	4,230
Total current liabilities	574,588	19,526	555,062
Long-term debt	497,068	74,465	422,603
TOTAL LIABILITIES	1,110,679	93,991	1,016,688
TOTAL EQUITY	519,930	(3,952)	523,882
TOTAL LIABILITIES AND EQUITY	1,630,609	90,039	1,540,570

The following table presents reconciliation of lease obligations as at January 1, 2019:

	Jan. 1, 2019
Minimum lease payments under operating contracts as at December 31, 2018	160,193
Practical expedients for:	
Short-term leases	(1,262)
Low value asset leases	(1,393)
Leases commencing in 2019	(39,117)
Lease-type obligations (service components)	(10,216)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(11,202)
Lease obligations recognized due to initial application of IFRS 16 as at January 1, 2019	97,003

The lease obligations were discounted at the borrowing rate as at January 1, 2019, in line with transition methodology selected by the Corporation. The weighted average discount rate was 5.0%.

The new disclosure requirements of IFRS 16 partially impacted the information described under notes 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2018. The following sections were modified as follows:

Basis of presentation - Use of accounting estimates and judgments

Leases: At inception of a contract, the Corporation uses judgment in determining whether the contract is, or contains, a lease.

Significant accounting policies – Property and equipment

Property and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset for its intended use. The cost less residual value of the property and equipment is depreciated over the estimated useful lives in accordance with the following methods and periods:

	Methods	Periods / Rate
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	30 to 50 years / 5%
Right-of-use assets – Buildings	Straight-line	Lease term
Furniture and equipment	Straight-line and diminishing balance	4 to 10 years / 20%
Computer equipment and system software	Straight-line and diminishing balance	3 to 5 years / 30%
Automotive equipment	Straight-line and diminishing balance	4 to 5 years / 30%
Right-of-use assets – Vehicles	Diminishing balance	30%
Leasehold improvements	Straight-line	Lease term ⁽¹⁾

⁽¹⁾ Excluding renewal options for additional periods, if any.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Significant accounting policies – Leases

In general, leases are recognized as a right-of-use asset and a corresponding lease obligation. On initial recognition, assets acquired under leases are recorded in “Property and equipment” at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a lease obligation within “Long-term debt”. In subsequent periods, the asset is depreciated over the estimated useful life and interest on the obligation is recorded in “Finance costs, net” in the consolidated statements of earnings (loss).

For exceptions, such as short-term leases and leases of low value assets, leased asset and its corresponding lease obligation are not recognized in the Corporation’s consolidated statements of financial position. Payments made under these leases are recognized in net earnings (loss) on a straight-line basis over the term of the lease.

FINANCIAL IMPACTS AND COMPARABILITY

The elected method adopted for the transition to IFRS 16 - Leases implies that 2018 consolidated financial statements have not been restated. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018.

The 2019 interim condensed consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used.

The following table summarizes the 2018 annual and quarterly EBT and adjusted EBT⁽¹⁾ by segment:

	Twelve-month period	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
FinishMaster U.S.					
EBT	56,100	6,813	16,721	17,125	15,441
EBT margin ⁽¹⁾	6.8%	3.3%	7.8%	8.1%	7.7%
Special items	1,693	1,693	-	-	-
Adjusted EBT ⁽¹⁾	57,793	8,506	16,721	17,125	15,441
Adjusted EBT margin ⁽¹⁾	7.0%	4.2%	7.8%	8.1%	7.7%
Canadian Automotive Group					
EBT	16,473	3,122	6,225	6,944	182
EBT margin ⁽¹⁾	3.3%	2.5%	4.7%	5.0%	0.2%
Special items	3,346	3,346	-	-	-
Adjusted EBT ⁽¹⁾	19,819	6,468	6,225	6,944	182
Adjusted EBT margin ⁽¹⁾	3.9%	5.3%	4.7%	5.0%	0.2%
The Parts Alliance U.K.					
EBT	17,962	(77)	4,298	6,459	7,282
EBT margin ⁽¹⁾	4.3%	(0.1%)	4.2%	5.8%	6.6%
Special items	1,230	1,230	-	-	-
Adjusted EBT ⁽¹⁾	19,192	1,153	4,298	6,459	7,282
Adjusted EBT margin ⁽¹⁾	4.6%	1.2%	4.2%	5.8%	6.6%
Corporate Office and Others					
EBT	(45,858)	(12,710)	(12,862)	(9,486)	(10,800)
Special items	8,320	2,376	5,212	114	618
Amortization of intangible assets related to the acquisition of The Parts Alliance	5,142	1,299	1,293	1,105	1,445
Adjusted EBT ⁽¹⁾	(32,396)	(9,035)	(6,357)	(8,267)	(8,737)
Consolidated					
EBT	44,677	(2,852)	14,382	21,042	12,105
EBT margin ⁽¹⁾	2.6%	(0.7%)	3.2%	4.6%	2.9%
Special items	14,589	8,645	5,212	114	618
Amortization of intangible assets related to the acquisition of The Parts Alliance	5,142	1,299	1,293	1,105	1,445
Adjusted EBT ⁽¹⁾	64,408	7,092	20,887	22,261	14,168
Adjusted EBT margin ⁽¹⁾	3.7%	1.7%	4.7%	4.8%	3.4%

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

The 2019 interim condensed consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of \$87,628 and \$97,003 respectively. To facilitate comparability with last year's figures, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018.

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 consolidated sales between two given periods, excluding the impact of acquisitions, 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⁾, adjusted EBITDA⁽¹⁾ and proforma adjusted EBITDA⁽¹⁾	<p>EBITDA 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.</p> <p>Adjusted EBITDA excludes certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, restructuring and other charges, severance and retention bonuses related to Management changes as well as net transaction charges related to The Parts Alliance acquisition.</p> <p>Proforma adjusted EBITDA subtracts from adjusted EBITDA the rent expenses included in the measurement of lease obligations. It represents adjusted EBITDA pre-adoption of IFRS 16 – Leases.</p>
EBITDA margin⁽¹⁾, adjusted EBITDA margin⁽¹⁾ and proforma adjusted EBITDA margin⁽¹⁾	EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales. Proforma adjusted EBITDA margin is a percentage corresponding to the ratio of proforma adjusted EBITDA to sales.
Adjusted EBT⁽²⁾, adjusted earnings and adjusted earnings per share⁽¹⁾	<p>Management uses adjusted EBT, adjusted earnings and adjusted earnings per share to assess EBT, 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 facilitate the analysis and provide a better understanding of the Corporation's operational performance, following the adoption of IFRS 16 - Leases. The intent of these measures is to provide additional information.</p> <p>These adjustments include, among other things, restructuring and other charges, severance and retention bonuses related to Management changes as well as amortization of intangible assets related to The Parts Alliance acquisition. Management considers The Parts Alliance acquisition as transformational. The exclusion of these items does not indicate that they are non-recurring.</p>
EBT margin^{(1) (2)} and adjusted EBT margin^{(1) (2)}	EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT to sales.

Free cash flows⁽³⁾	<p>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.</p> <p>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.</p>
Total net debt⁽⁴⁾	<p>This measure consists of long-term debt, including the portion due within a year (<i>as shown in note 11 to the interim condensed consolidated financial statements</i>), net of cash. Starting January 1, 2019, the total net debt includes new lease obligations arising from the adoption of IFRS 16 - Leases, for which the initial amount recorded was \$97,003.</p>
Total net debt to total net debt and total equity ratio⁽⁴⁾	<p>This ratio corresponds to total net debt divided by the sum of total net debt and total equity.</p>
Long-term debt to total equity ratio⁽⁴⁾	<p>This ratio corresponds to long-term debt, including the portion due within a year (<i>as shown in note 11 to the interim condensed consolidated financial statements</i>), divided by the total equity.</p>
Funded debt to adjusted EBITDA⁽⁴⁾	<p>This ratio corresponds to total net debt to adjusted EBITDA. For comparability purposes, new lease obligations arising from the adoption of IFRS 16 - Leases on January 1, 2019, are prorated to reflect the period of earnings reported under IFRS 16 - Leases.</p>
Return on average total equity⁽⁴⁾	<p>This ratio corresponds to net earnings, divided by average total equity.</p>
Adjusted return on average total equity⁽⁴⁾	<p>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.</p>

⁽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⁾ With the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance. (*Refer to the "Adoption of IFRS 16 - Leases" section for further details.*)

⁽³⁾ 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.

⁽⁴⁾ Refer to the "Capital structure" section for further details.

UPDATE ON THE PERFORMANCE IMPROVEMENT PLAN

During the second half of 2017, the Corporation launched the 20/20 initiative to improve efficiency in all operational segments.

Considering the evolving market conditions faced in 2018, the Corporation decided to further align the cost structure with this new reality. As a result, the Corporation launched the 25/20 Plan in November, which complemented the 20/20 initiative. This plan, affecting all segments, consists of headcount reduction and the integration of locations, as well as optimizing the supply chain logistics.

In January 2019, the Board of Directors and Management initiated the development of a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment with the objective of realigning its operations to address changing market conditions, including ongoing consolidation by national accounts and pricing pressures. This plan, which is expected to generate additional hard costs savings of \$10,000 by the end of 2019 through the consolidation of company-owned stores (approximately \$5,000), optimization (approximately \$4,500) and spending reductions (approximately \$500). The company-owned stores to be integrated are expected to produce marginal sales erosion since the strategy is to transfer sales activities to nearby locations, optimizing the logistical processes and costs efficiency.

The 25/20 Plan and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together are now referred to as the Performance Improvement Plan ("PIP") of the Corporation.

Through this plan, the Corporation expects to generate annualized cost savings of \$35,000 by the end of 2020, of which, \$21,400 has been realized as at March 31, 2019. The annualized savings realized by the FinishMaster U.S. segment during the current quarter represent about \$400, mainly from headcount reduction and the consolidation of three company-owned stores.

The total cash cost of implementing the PIP is expected to be \$13,500, mainly for severance, consulting fees and moving costs. The Corporation is also expecting to write down certain assets of approximately \$4,000, mainly for the FinishMaster U.S. segment. During the current quarter of 2019, the Corporation recognized restructuring and other charges totalling \$6,505, of which, \$2,679 is non-cash for the write-down of assets. *(Refer to the "Analysis of consolidated results" section for further details.)*

During the quarter, the Corporation reduced its workforce and integrated four company-owned stores. In addition, to optimize its logistical processes, the Corporation has integrated three smaller distribution centres into two larger ones, permitting increased competitiveness and efficiency. These new distribution centres were operational during the first quarter of 2019.

The following table summarizes the annualized impacts as at March 31, 2019:

	Expected	Realized		
	By the end of 2020	As at Dec. 2018	During 2019	As at Mar. 2019
Annualized cost savings	35,000	18,700	2,700	21,400
Restructuring and other charges:				
Restructuring charges	8,500	5,055	1,985	7,040
Other charges as incurred	5,000	2,523	1,841	4,364
Write-down of assets	4,000	-	2,679	2,679
	17,500	7,578	6,505	14,083
Net capital expenditures ⁽¹⁾	7,000	5,509	(370)	5,139

⁽¹⁾ Includes the proceeds from the sale of one building and tenant incentives.

As at March 31, 2019, a provision for restructuring charges of \$3,952 is presented as current liabilities in the Corporation's consolidated statement of financial position. *(Refer to note 4 in the interim condensed consolidated financial statements for further details.)*

ANALYSIS OF CONSOLIDATED RESULTS

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts for the year prior to its adoption as permitted. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018. The 2019 interim condensed consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

SALES

	First quarters	
	2019	2018
<i>FinishMaster U.S.</i>	204,510	201,379
<i>Canadian Automotive Group</i>	113,113	110,669
<i>The Parts Alliance U.K.</i>	102,414	110,046
Sales	420,037	422,094
		%
Sales variance	(2,057)	(0.5)
Conversion effect of the Canadian dollar and the British pound	12,599	3.0
Number of billing days	3,147	0.7
Acquisitions	(3,173)	(0.7)
Consolidated organic growth	10,516	2.5

Sales of \$420,037 for the period included a conversion effect of the Canadian dollar and the British pound into the US dollar of \$12,599 or 3.0% due to softer currencies, when compared to the same quarter last year.

The consolidated organic growth of \$10,516 or 2.5% was principally generated by the Canadian Automotive Group and the FinishMaster U.S. segments, respectively reporting organic growth of 4.9% and 3.1%. The Parts Alliance U.K. segment had a softer quarter and reported a negative organic growth of 1.0%.

GROSS MARGIN

	First quarters	
	2019	2018
Gross margin	135,545	142,769
<i>In % of sales</i>	32.3%	33.8%

The gross margin, as a percentage of sales, decreased by 150 basis points, compared to the same quarter in 2018, mainly due to pricing pressure and an evolving customer mix in the FinishMaster U.S. segment, as well as by lower volume rebates in The Parts Alliance U.K. segment resulting from the lower volume of sales.

These impacts were, in part, offset by additional rebates in the Canadian Automotive Group segment in relation to a higher volume of sales.

EMPLOYEE BENEFITS

	First quarters	
	2019	2018
Employee benefits	78,615	81,500
<i>In % of sales</i>	18.7%	19.3%

Employee benefits, as a percentage of sales, improved by 60 basis points, compared to the same quarter in 2018, essentially from a superior absorption of fixed payroll related to additional volume from overall organic growth, benefits from the PIP, as well as a reduction of the long-term compensation across the Corporation.

These elements were partially offset by the opening of greenfields, which requires new resources and affects employee benefits, as a percentage of sales, until reaching the optimized operational level, as well as by recent business acquisitions, until their full integration.

OTHER OPERATING EXPENSES

	First quarters	
	2019	2018
Other operating expenses	28,479	33,649
<i>In % of sales</i>	6.8%	8.0%

Other operating expenses, as a percentage of sales, decreased by 120 basis points, compared to the same quarter in 2018, principally in relation to the adoption of IFRS 16 - Leases on January 1, 2019, since the rent expenses are significantly reduced, and representing approximately 140 basis points.

Once the impact of IFRS 16 - Leases is excluded, the remaining increase is mainly due to the opening of greenfields, affecting other operating expenses, as a percentage of sales, until reaching the optimized operational level, as well as recent business acquisitions, until their full integration.

These elements were partially compensated by a superior absorption of fixed costs related to additional volume from overall organic growth, as well as by gains on foreign exchange recognized during the current quarter and resulting from the fluctuation of the Canadian currency, compared to losses recognized during the same period last year.

SPECIAL ITEMS

Special items comprise expenses which do not reflect the Corporation's core performance or where their separate presentation will assist readers of the interim condensed consolidated financial statements in understanding the Corporation's results for the period. Special items are detailed as follows:

	First quarters	
	2019	2018
Restructuring and other charges	6,505	-
Retention bonuses related to Management changes	590	-
Net transaction charges related to The Parts Alliance acquisition	-	618
	7,095	618
<i>In % of sales</i>	1.7%	0.1%

Restructuring and other charges

In January 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment, which mainly consists of headcount reduction and the consolidation of locations, while optimizing the supply chain. The 25/20 Plan announced during the fourth quarter of 2018 and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together are now referred to as the "Performance Improvement Plan" of the Corporation.

Restructuring and other charges are composed of \$2,679 in non-cash costs related to the write-down of assets, \$1,985 in restructuring charges mainly for severance and termination benefits, as well as \$1,841 for other charges, primarily comprising consulting fees related to the optimization of the logistical processes and the review of strategic alternatives.

Retention bonuses related to Management changes

On September 18, 2018, the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer, and the President and Chief Operating Officer of FinishMaster, Inc. The Corporation recognized during the quarter ended March 31, 2019, charges totalling \$590 mainly composed of retention bonuses.

Net transaction charges related to The Parts Alliance acquisition

In connection with The Parts Alliance acquisition completed in August 2017, the Corporation recognized transaction charges totaling \$618 for the quarter ended March 31, 2018. These charges included acquisition costs of \$286 and other charges related to the acquisition of \$332.

EBITDA

	First quarters		
	2019	2018	%
Net earnings (loss)	(1,333)	10,391	
Income tax expense	36	1,714	
Depreciation and amortization	15,868	9,934	
Finance costs, net	6,785	4,963	
EBITDA	21,356	27,002	(20.9)
<i>EBITDA margin</i>	5.1%	6.4%	
Special items	7,095	618	
Adjusted EBITDA	28,451	27,620	3.0
<i>Adjusted EBITDA margin</i>	6.8%	6.5%	
Rent expenses included in the measurement of lease obligations	(6,932)	-	
Proforma adjusted EBITDA	21,519	27,620	(22.1)
<i>Proforma adjusted EBITDA margin</i>	5.1%	6.5%	

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018. The 2019 interim condensed consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than the EBITDA as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

FINANCE COSTS, NET

	First quarters	
	2019	2018
Finance costs, net	6,785	4,963
<i>In % of sales</i>	1.6%	1.2%

The increase in finance costs, compared to the same quarter in 2018, is attributable to the interest expense on lease obligations, representing 40 bps, essentially the result of the adoption of IFRS 16 - Leases on January 1, 2019, as well as the net addition of 25 new locations over the last 12 months.

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

DEPRECIATION AND AMORTIZATION

	First quarters	
	2019	2018
Depreciation and amortization	15,868	9,934
<i>In % of sales</i>	3.8%	2.4%

The increase in depreciation and amortization, compared to the same quarter in 2018, is attributable to the depreciation of right-of-use assets, representing 140 bps, essentially the result of the adoption of IFRS 16 - Leases on January 1, 2019, as well as the net addition of 25 new locations over the last 12 months.

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

EBT

Following the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance, rather than EBITDA as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

	First quarters		
	2019	2018	%
Net earnings (loss)	(1,333)	10,391	
Income tax expense	36	1,714	
EBT	(1,297)	12,105	(110.7)
<i>EBT margin</i>	(0.3%)	2.9%	
Special items	7,095	618	
Amortization of intangible assets related to the acquisition of The Parts Alliance	1,281	1,445	
Adjusted EBT	7,079	14,168	(50.0)
<i>Adjusted EBT margin</i>	1.7%	3.4%	

The adjusted EBT margin decreased by 170 basis points, compared to the same quarter in 2018. This variance is mainly explained by pricing pressure and evolving customer mix in the FinishMaster U.S. segment, as well as reduced volume of sales at The Parts Alliance U.K. segment, impacting buying conditions. In addition, the opening of greenfields is affecting the margin until reaching the optimized operational level.

These elements were partially compensated by higher volume rebates from the Canadian Automotive Group segment, while the Corporation, overall, had benefitted from savings realized in relation to the PIP and from a superior absorption of fixed costs in relation to consolidated organic growth.

INCOME TAX EXPENSE

	First quarters	
	2019	2018
Income tax expense	36	1,714
<i>Income tax rate</i>	(2.8%)	14.2%

The variance of the income tax rate, compared to the same quarter in 2018, is mainly attributable to the change in the expected tax benefit related to a financing structure as a result of the December 20, 2018, U.S. proposed regulations, as well as the impact of the difference in tax rate from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes."

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

NET EARNINGS AND EARNINGS PER SHARE

	First quarters		
	2019	2018	%
Net earnings (loss)	(1,333)	10,391	(112.8)
Special items, net of taxes	5,320	555	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	1,063	1,170	
Adjusted earnings	5,050	12,116	(58.3)
Earnings (loss) per share	(0.03)	0.25	(112.0)
Special items, net of taxes	0.13	0.01	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	0.03	0.03	
Adjusted earnings per share	0.12	0.29	(58.6)

Adjusted earnings, compared to the same quarter in 2018, decreased by \$7,066 or 58.3%, mainly resulting from a lower adjusted EBT, and a change in the proposed U.S. regulations announced on December 20, 2018, which are expected to impact the benefits from a financing structure.

CONSOLIDATED QUARTERLY OPERATING RESULTS

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

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

	2019	2018				2017		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Sales								
United States	204,510	203,440	214,209	210,954	201,379	198,956	206,495	209,486
Canada	113,113	122,460	131,128	139,572	110,669	123,023	133,612	130,801
United Kingdom ⁽¹⁾	102,414	93,555	103,508	111,045	110,046	92,999	55,700	-
	420,037	419,455	448,845	461,571	422,094	414,978	395,807	340,287
EBITDA	21,356	12,783	29,712	35,443	27,002	25,854	32,181	29,544
EBITDA margin	5.1%	3.0%	6.6%	7.7%	6.4%	6.2%	8.1%	8.7%
Adjusted EBITDA	28,451	21,428	34,924	35,557	27,620	27,984	33,915	32,460
Adjusted EBITDA margin	6.8%	5.1%	7.8%	7.7%	6.5%	6.7%	8.6%	9.5%
EBT ⁽²⁾	(1,297)	(2,852)	14,382	21,042	12,105	10,891	18,880	20,062
EBT margin ⁽²⁾	(0.3%)	(0.7%)	3.2%	4.6%	2.9%	2.6%	4.8%	5.9%
Adjusted EBT ⁽²⁾	7,079	7,092	20,887	22,261	14,168	14,400	22,767	24,071
Adjusted EBT margin ⁽²⁾	1.7%	1.7%	4.7%	4.8%	3.4%	3.5%	5.8%	7.1%
Special items	7,095	8,645	5,212	114	618	2,130	1,734	2,916
Net earnings (loss)	(1,333)	(2,363)	10,594	17,875	10,391	8,721	11,159	13,738
Adjusted earnings	5,050	5,430	15,528	18,399	12,116	11,613	15,851	16,635
Basic earnings (loss) per share	(0.03)	(0.06)	0.25	0.42	0.25	0.21	0.26	0.33
Adjusted basic earnings per share	0.12	0.13	0.37	0.44	0.29	0.27	0.37	0.39
Diluted earnings (loss) per share	(0.03)	(0.06)	0.25	0.42	0.25	0.21	0.26	0.32
Dividends declared per share (C\$)	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925	0.0925
Average exchange rate for earnings (C\$)	0.75:¥1	0.76:¥1	0.77:¥1	0.77:¥1	0.79:¥1	0.79:¥1	0.80:¥1	0.74:¥1
Average exchange rate for earnings (£)	1.30:¥1	1.29:¥1	1.30:¥1	1.36:¥1	1.39:¥1	1.33:¥1	1.31:¥1	-

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

⁽²⁾ With the adoption of IFRS 16 - Leases, the Corporation considers that EBT is the preferred comparative measure to explain its results and performance. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

ANALYSIS OF RESULTS BY SEGMENT

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018. The 2019 interim condensed consolidated statement of earnings includes reduced rent expenses from the elimination of the classification as operating leases, higher finance costs from the interest expense on lease obligations and higher depreciation of right-of-use assets. Consequently, the Corporation considers that EBT is the preferred comparative measure to explain the results and performance of the segments, rather than EBITDA as previously used. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

- FinishMaster U.S.:** distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the U.S. market.
- Canadian Automotive Group:** distribution of automotive aftermarket parts, including refinish and industrial paint and related products, through Canadian networks.
- The Parts Alliance U.K.:** distribution of automotive original equipment manufacturer ("OEM") and aftermarket parts, serving local and national customers across the U.K.
- Corporate Office and Others:** head office expenses and other expenses mainly related to the financing structure.

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	First quarters	
	2019	2018
Sales	204,510	201,379
		%
Sales variance	3,131	1.6
Number of billing days	3,147	1.5
Organic growth	6,278	3.1

The FinishMaster U.S. segment is reporting a growth of 1.6%, compared to the same quarter last year, which is the result of the organic growth of 3.1%, partially offset by the 1.5% impact of a different number of billing days.

This segment is reporting organic growth for a fourth consecutive quarter, attributable to the sales team efforts on driving growth by developing business volume and the on-boarding of new customer accounts.

EBT

	First quarters		
	2019	2018	%
EBT	3,680	15,441	(76.2)
<i>EBT margin</i>	1.8%	7.7%	
Special items	5,313	-	
Adjusted EBT	8,993	15,441	(41.8)
<i>Adjusted EBT margin</i>	4.4%	7.7%	

The adjusted EBT margin decreased by 330 basis points when compared to the same quarter last year. This variance is mainly attributable to pressure on the gross margin from the combination of an evolving customer mix and pricing pressure. The customer mix impact resulted from a shift towards the national account customers, for which discounts are more significant.

These elements were partially compensated by an improved absorption of fixed costs in relation to organic growth and by realized benefits from the PIP.

The in-depth review initiated in January 2019 to address and align the business model to changing market conditions resulted in the PIP, leveraging the 25/20 Plan already in place, and consists of headcount reduction, closure of company-owned stores as well as a review of the organizational structure. During the quarter, the FinishMaster U.S. segment successfully started its plan with the integration of three company-owned stores, in addition to the reduction of costs initiated in 2018.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP**Sales**

	First quarters	
	2019	2018
Sales	113,113	110,669
		%
Sales variance	2,444	2.2
Conversion effect of the Canadian dollar	5,637	5.1
Acquisitions	(2,699)	(2.4)
Organic growth	5,382	4.9

Sales for the Canadian Automotive Group segment increased by 2.2%, compared to the same quarter in 2018, fuelled by organic growth of 4.9% and the contribution of business acquisitions, exceeding the effect of the Canadian dollar on its conversion to the US dollar.

Organic growth reported by this segment for the quarter is, in part, attributable to timing in sales of paint, body and equipment.

EBT

	First quarters		
	2019	2018	%
EBT	2,667	182	1,365.4
<i>EBT margin</i>	2.4%	0.2%	
Special items	880	-	
Adjusted EBT	3,547	182	1,848.9
<i>EBT margin</i>	3.1%	0.2%	

The adjusted EBT margin improved by 290 basis points, compared to the same quarter in 2018, benefiting from a different timing in rebates, as well as from an improved performance of company-owned stores, stimulated by the initiatives of optimization recently implemented. Furthermore, this segment benefited from a gain on foreign exchange, while a loss was recorded last year, as well as from a reduction of the performance-based compensation.

In relation to the PIP, the Canadian Automotive Group segment integrated the current distribution centres in Saskatoon and Calgary into a superior one in Calgary, which started operating during the first quarter of 2019. This will permit a broader selection of inventory, while optimizing the supply chain processes. In addition, this segment opened a superstore in the Montréal metropolitan area and integrated one company-owned store, improving the logistical and service processes.

OPERATING RESULTS—THE PARTS ALLIANCE U.K.**Sales**

	First quarters	
	2019	2018
Sales	102,414	110,046
		%
Sales variance	(7,632)	(6.9)
Conversion effect of the British pound	6,962	6.3
Acquisitions	(474)	(0.4)
Organic growth	(1,144)	(1.0)

Sales for this segment were \$102,414, a decrease of 0.6% compared to the same quarter last year, once adjusted for the effect of the British pound on its conversion to the US dollar. This variance is attributable to a negative organic growth of 1.0%, offsetting the contribution of business acquisitions.

Organic growth for the segment was impacted by lower sales of electrical products as a result of a mild winter in contrast to a hard winter last year, by the loss of a sales contract in the last quarter of 2018, as well as by the uncertainty of Brexit. These elements were partially compensated by the contribution of the recent greenfields. During the quarter, two greenfields were opened as per the plan, for a total of 17 since its acquisition, expanding the footprint in the U.K.

EBT

	First quarters		
	2019	2018	%
EBT	2,320	7,282	(68.1)
<i>EBT margin</i>	2.3%	6.6%	
Special items	-	-	
Adjusted EBT	2,320	7,282	(68.1)
<i>Adjusted EBT margin</i>	2.3%	6.6%	

The adjusted EBT margin decreased by 430 basis points, compared to the same quarter in 2018. This variance is mainly due to the lower volume of sales, impacting the buying conditions and reducing the absorption of fixed costs. In addition, the adjusted EBT margin is affected by recent investments in greenfields, as well as by the opening of a new distribution centre. Greenfields are expected to affect the EBT margin until reaching the optimized operational level, which may vary between 12 and 24 months.

As part of the PIP, The Parts Alliance U.K. segment inaugurated a national distribution centre, situated in the heart of the U.K., and allowing the ability to grow while improving efficiency.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	First quarters		
	2019	2018	%
EBT	(9,964)	(10,800)	(7.7)
Special items	902	618	
Amortization of intangible assets related to the acquisition of The Parts	1,281	1,445	
Adjusted EBT	(7,781)	(8,737)	(10.9)

The variance, compared to the same quarter in 2018, is mainly attributable to lower charges related to the long-term compensation, which are affected by the price of the stock as well as by the performance of the Corporation.

CASH FLOWS

OPERATING ACTIVITIES

	First quarters	
	2019	2018
Cash flows used in operating activities	(69,487)	(30,284)

The variance in cash outflows from operating activities, compared to the same quarter in 2018, is the result of large payments through the vendor financing program, as expected, related to purchase of inventory made in 2018.

This variance was partially compensated by a reduction in inventory as well as the reduction of corporate tax instalments.

INVESTING ACTIVITIES

	First quarters	
	2019	2018
Cash flows used in investing activities	(8,001)	(14,962)

The decrease in cash outflows used in investing activities, compared to the same quarter in 2018, mostly resulted from the lower level of customer investments and business acquisitions during the current quarter, as well as the proceeds from the sale of a building, offsetting the increase of capital expenditures related to the opening of new distribution centres and greenfields.

FINANCING ACTIVITIES

	First quarters	
	2019	2018
Cash flows from financing activities	74,327	33,020

The variance in cash flows from financing activities, compared to the same quarter in 2018, is mainly explained by the large payments for the vendor financing payables mentioned above, which required additional funding from the credit facility in 2019.

FREE CASH FLOWS

	First quarters	
	2019	2018
Cash flows used in operating activities	(69,487)	(30,284)
Changes in working capital	95,021	41,135
Acquisitions of property and equipment	(6,063)	(3,929)
Difference between amounts paid for post-employment benefits and current period expenses	(265)	(201)
Free cash flows	19,206	6,721

The variance in free cash flows, compared to the same quarter in 2018, is explained by the lower level of income tax instalments and, to a lower extent, the increasing operating cash income. These elements were offset, in part, by the additional capital investments for the new distribution centres, as part of the PIP.

FINANCING

LONG-TERM DEBT AND CREDIT FACILITIES

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018. The 2019 interim condensed consolidated financial position includes new liabilities (lease obligations) of \$97,003 recognized on January 1, 2019. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

The following table presents the composition of the long-term debt:

	Maturity	Effective interest rate	Current portion	Mar. 31,	Jan. 1,	Dec. 31,
				2019	2019	2018
Revolving credit facility, variable rates ⁽¹⁾⁽²⁾	2023	2.602% to 7.100%		502,230	414,741	414,741
Lease obligations—vehicles, variable rates	-	-	4,127	11,523	11,987	11,987
Lease obligations—buildings, variable rates ⁽³⁾	-	-	24,723	118,351	97,003	-
Others	2021	-	4	10	11	11
			28,854	632,114	523,742	426,739
Instalments due within a year				28,854	26,674	4,136
Long-term debt				603,260	497,068	422,603

⁽¹⁾ As at March 31, 2019, a nominal amount of \$506,463 was used under the Corporation's revolving credit facility (\$418,220 as at December 31, 2018). The difference with the carrying amount presented above is composed of deferred financing costs.

⁽²⁾ As at March 31, 2019, a principal amount of \$353,116 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations (\$302,865 as at December 31, 2018).

⁽³⁾ Refer to the "Adoption of IFRS 16 - Leases" section for further details.

Credit facilities

The Corporation currently has access, for its needs, to a \$625,000 unsecured long-term revolving credit facility, as well as a \$20,000 letter of credit facility, both with a maturity date of June 30, 2023.

As at March 31, 2019, the unused portion, subject to financial covenants, amounted to \$119,000 (\$207,000 as at December 31, 2018).

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, 2019, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$187,090 and used \$217,677 of the program (\$213,478 and \$291,582 respectively as at December 31, 2018). The authorized limit with the financial institutions is \$300,000. 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, 2019, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to September 2019	0.76	8,736
GBP/USD	Up to May 2019	1.27	1,647

⁽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, 2019, were used to translate amounts in foreign currencies.

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

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 of \$67,500 for interest rate swaps denominated in US dollars (same in 2018), and £70,000 for interest rate swaps denominated in British pounds (same in 2018). 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, 2019, the equity swap agreements covered the equivalent of 364,277 common shares of the Corporation (same as at December 31, 2018).

CAPITAL STRUCTURE

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018. The 2019 interim condensed consolidated financial position includes new liabilities (lease obligations) recognized on January 1, 2019, of \$97,003. To allow a better comparability, financial position ratios and variances should be compared with reconciled figures as at January 1, 2019, when applicable, instead of December 31, 2018. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

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,	Jan. 1,	Dec. 31,
	2019	2019	2018
Components of debt ratios:			
Long-term debt	632,114	523,742	426,739
Total net debt	627,078	515,706	418,703
Total equity	520,234	519,930	523,882
Debt ratios⁽¹⁾:			
<i>Total net debt to total net debt and total equity ratio</i>	54.7%	49.8%	44.4%
<i>Long-term debt to total equity ratio</i>	121.5%	100.7%	81.5%
<i>Funded debt to adjusted EBITDA ratio⁽²⁾</i>	4.47	3.50	3.50
<i>Return on average total equity</i>	4.7%	7.0%	7.0%
<i>Adjusted return on average total equity</i>	7.7%	9.1%	9.1%
<i>Dividend payout ratio</i>	22.1%	21.9%	21.9%

⁽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.

⁽²⁾ For comparability purposes, new lease obligations arising from the adoption of IFRS 16 - Leases on January 1, 2019, are prorated to reflect the period of earnings reported under IFRS 16 - Leases.

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

Variances in debt ratios, when compared with reconciled figures as at January 1, 2019, are principally attributable to a higher level of debt resulting from large payments of trade payables during the current quarter.

The variance of the adjusted return on average total equity is explained by lower adjusted earnings, which were, in part, compensated by an increase in the average total equity.

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, 2019, the Corporation met all the requirements.

DIVIDENDS

On February 20, 2019, the Corporation declared the first quarterly dividend of 2019 of C\$0.0925, paid on April 16, 2019, to shareholders of record as of March 31, 2019.

On May 2, 2019, the Corporation declared the second quarterly dividend of 2019 of C\$0.0925, payable on July 16, 2019, to shareholders of record as of June 30, 2019.

These dividends are eligible dividends for income tax purposes.

INFORMATION ON CAPITAL STOCK

As of March 31, 2019, 42,387,300 common shares were outstanding (same as at December 31, 2018).

STOCK-BASED COMPENSATION

Common share stock option plan for management employees and officers

For the quarter ended March 31, 2019, 207,169 options were granted to management employees and officers of the Corporation (181,679 for 2018), with an average exercise price of C\$19.17 (C\$28.61 in 2018). During the quarter, no options were exercised (same for 2018) and no options were forfeited or expired (same for 2018). As at March 31, 2019, options granted for the issuance of 748,663 common shares (1,088,038 as at March 31, 2018) were outstanding under the Corporation's stock option plan. For the quarter ended March 31, 2019, compensation expense of \$129 (\$482 for 2018) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the quarter ended March 31, 2019, the Corporation granted 46,626 DSUs (24,470 DSUs for 2018) and no DSUs were redeemed (same for 2018). Compensation expense reversal of \$105 (reversal of \$630 in 2018) was recorded during the quarter, and 197,093 DSUs were outstanding as at March 31, 2019 (177,807 DSUs as at March 31, 2018). As at March 31, 2019, the compensation liability was \$2,056 (\$2,114 as at December 31, 2018) and the fair value of the equity swap agreement was a liability of \$1,996 (liability of \$1,332 as at December 31, 2018).

Performance share unit ("PSU") plan

For the quarter ended March 31, 2019, the Corporation granted 173,839 PSUs (135,709 PSUs for 2018) and redeemed 18,818 PSUs (97,704 PSUs for 2018). Compensation expense reversal of \$144 (reversal of \$574 in 2018) was recorded during the quarter, and 315,124 PSUs were outstanding as at March 31, 2019 (311,000 PSUs as at March 31, 2018). As at March 31, 2019, there was no compensation liability (\$317 as at December 31, 2018) and the fair value of the equity swap agreement was a liability of \$2,645 (liability of \$1,726 as at December 31, 2018).

FINANCIAL POSITION

On January 1, 2019, the Corporation applied, for the first time, IFRS 16 - Leases using the modified retrospective transition approach and did not restate comparative amounts of the year prior to its adoption as permitted. As a result, the 2019 interim condensed consolidated financial statements present significant variances when compared to 2018. The 2019 interim condensed consolidated financial position includes new long-term assets (right-of-use assets) and liabilities (lease obligations) recognized on January 1, 2019, of \$87,628 and \$97,003 respectively. To allow a better comparability, financial position variances should be compared with reconciled figures as at January 1, 2019, instead of December 31, 2018. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

During the period, the financial position, when compared to January 1, 2019, due to the adoption of IFRS 16 - Leases, has been impacted by business acquisitions and the conversion effect of the Canadian dollar and the British pound into the US dollar.

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

	Mar. 31, 2019	Jan. 1, 2019	Dec. 31, 2018	Impact of business acquisitions	Impact on conversion C\$/US\$ and £/US\$	Net variances
Short-term						
Trade and other receivables	260,341	248,507	247,732	361	3,752	7,721
Inventory	516,142	524,335	524,335	272	5,760	(14,225)
Trade and other payables	439,719	531,380	532,676	-	6,302	(97,963)
Long-term						
Property and equipment	189,447	171,584	83,956	31	2,708	15,124
Long-term debt (including short-term portion)	632,114	523,742	426,739	1,250	4,536	102,586

Explanations for net variances:

Trade and other receivables: The increase is mostly related to seasonality.

Inventory: The decrease is mainly attributable to the FinishMaster U.S. segment selling year-end additional inventory, which was required to benefit from annual performance rebates. This element was partially offset by spring booking in the Canadian Automotive Group segment, in preparation for the maintenance season.

Trade and other payables: The increase is mainly explained by large payments of trade payables as part of the vendor financing program.

Property and equipment: The increase is mainly attributable to the addition of real estate leases (right-of-use assets) in relation to locations opened during the quarter, notably the distribution centres as part of the PIP, as well as real estate leases negotiated during the quarter, which were, in part, compensated by the depreciation of the quarter.

Long-term debt: The variance is mainly explained by the large payments for the vendor financing payables mentioned above, which required additional funding from the credit facility.

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks and uncertainties that may have a material and adverse 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 2018 Annual Report.

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

MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CHANGES ADOPTED IN 2019

The Corporation applied, for the first time, IFRS 16 - Leases. (Refer to the "Adoption of IFRS 16 - Leases" section for further details.)

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, 2018. 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, 2019	Mar. 31, 2018
Average for the period (to translate the statement of earnings)		
Canadian dollar	0.75	0.79
British pound	1.30	1.39
	Mar. 31, 2019	Dec. 31, 2018
Period end (to translate the statement of financial position)		
Canadian dollar	0.75	0.73
British pound	1.30	1.27

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 U.K. 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 U.K. 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 Interim 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, 2019, the Interim President and Chief Executive Officer and the Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

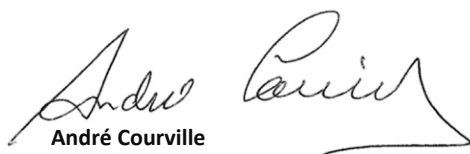
INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at March 31, 2019, in accordance with the NI 52-109 guidelines. This evaluation enabled the Interim 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, 2019, 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.

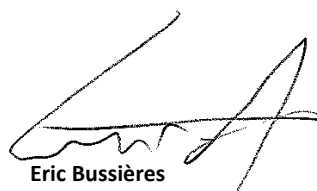
OUTLOOK

A discussion of management's expectations as to our outlook for the 2019 year is included in our press release announcing the 2019 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.



André Courville

Interim President and Chief Executive Officer



Eric Bussi res

Chief Financial Officer

Approved by the Board of Directors on May 2, 2019.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019 (unaudited)

Condensed consolidated statements of earnings (loss)	30
Condensed consolidated statements of comprehensive income	31
Condensed consolidated statements of changes in equity	32
Condensed consolidated statements of cash flows	33
Condensed consolidated statements of financial position	34
Notes to interim condensed consolidated financial statements	35

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts, unaudited)	Note	Quarters ended	
		2019	March 31, 2018
Sales		420,037	422,094
Purchases, net of changes in inventories		284,492	279,325
Gross margin		135,545	142,769
Employee benefits		78,615	81,500
Other operating expenses		28,479	33,649
Special items	4	7,095	618
Earnings before finance costs, depreciation and amortization and income taxes		21,356	27,002
Finance costs, net	5	6,785	4,963
Depreciation and amortization	5	15,868	9,934
Earnings (loss) before income taxes		(1,297)	12,105
Income tax expense	5	36	1,714
Net earnings (loss)		(1,333)	10,391
Earnings (loss) per share (basic and diluted)	6	(0.03)	0.25
Weighted average number of common shares outstanding (in thousands)	6		
Basic		42,387	42,274
Diluted		42,387	42,355

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	
	2019	March 31, 2018
Net earnings (loss)	(1,333)	10,391
Other comprehensive income		
Items that will subsequently be reclassified to net earnings (loss):		
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$162 (\$353 in 2018))	(461)	1,027
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings (loss) (net of income tax of \$28 (\$36 in 2018))	(81)	104
Unrealized exchange gains on the translation of financial statements to the presentation currency	5,808	15,544
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations (no income tax (same in 2018))	2,670	(11,455)
	7,936	5,220
Items that will not subsequently be reclassified to net earnings (loss):		
Remeasurements of long-term employee benefit obligations (net of income tax of \$1,224 (\$37 in 2018))	(3,482)	(118)
Total other comprehensive income	4,454	5,102
Comprehensive income	3,121	15,493

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				Total equity
		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	
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
Balance, December 31, 2018		100,244	6,005	457,455	(39,822)	523,882
IFRS 16 adjustment	3	-	-	(4,944)	992	(3,952)
Balance, January 1, 2019		100,244	6,005	452,511	(38,830)	519,930
Net loss		-	-	(1,333)	-	(1,333)
Other comprehensive income (loss)		-	-	(3,482)	7,936	4,454
Comprehensive income (loss)		-	-	(4,815)	7,936	3,121
Contributions by and distributions to shareholders:						
Dividends		-	-	(2,946)	-	(2,946)
Stock-based compensation	9	-	129	-	-	129
		-	129	(2,946)	-	(2,817)
Balance, March 31, 2019		100,244	6,134	444,750	(30,894)	520,234

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	
		2019	March 31, 2018
OPERATING ACTIVITIES			
Net earnings (loss)		(1,333)	10,391
Non-cash items:			
Special items	4	7,095	-
Finance costs, net	5	6,785	4,963
Depreciation and amortization	5	15,868	9,934
Income tax expense	5	36	1,714
Amortization and reserves related to incentives granted to customers		5,334	4,108
Other non-cash items		1,643	(939)
Changes in working capital items	7	(95,021)	(41,135)
Interest paid		(6,020)	(4,371)
Income taxes paid		(3,874)	(14,949)
Cash flows used in operating activities		(69,487)	(30,284)
INVESTING ACTIVITIES			
Business acquisitions		(294)	-
Net balance of purchase price		(956)	(2,696)
Advances to merchant members and incentives granted to customers		(4,383)	(8,930)
Reimbursement of advances to merchant members		1,597	844
Acquisitions of property and equipment		(6,063)	(3,929)
Proceeds from disposal of property and equipment		2,368	300
Acquisitions and development of intangible assets		(228)	(551)
Other provisions paid		(42)	-
Cash flows used in investing activities		(8,001)	(14,962)
FINANCING ACTIVITIES			
Increase in long-term debt		95,659	68,521
Repayment of long-term debt	7	(18,226)	(32,615)
Net increase (decrease) in merchant members' deposits in the guarantee fund		(153)	264
Dividends paid		(2,953)	(3,150)
Cash flows from financing activities		74,327	33,020
Effects of fluctuations in exchange rates on cash		161	564
Net decrease in cash		(3,000)	(11,662)
Cash, beginning of period		8,036	30,672
Cash, end of period		5,036	19,010

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	Mar. 31,	Jan. 1,	Dec. 31,
		2019	2019	2018
ASSETS			(note 3)	
Current assets:				
Cash		5,036	8,036	8,036
Cash held in escrow		3,641	3,591	3,591
Trade and other receivables		260,341	248,507	247,732
Income taxes receivable		23,830	16,789	16,789
Inventory		516,142	524,335	524,335
Prepaid expenses		12,247	10,502	10,502
Derivative financial instruments	13	60	442	442
Total current assets		821,297	812,202	811,427
Investments and advances to merchant members		43,022	46,039	46,039
Property and equipment	8	189,447	171,584	83,956
Intangible assets		208,412	210,331	210,331
Goodwill		376,351	372,007	372,007
Derivative financial instruments	13	212	940	940
Deferred tax assets		18,764	17,506	15,870
TOTAL ASSETS		1,657,505	1,630,609	1,540,570
LIABILITIES				
Current liabilities:				
Trade and other payables		439,719	531,380	532,676
Balance of purchase price, net		3,087	3,580	4,062
Provision for restructuring charges	4	3,952	2,939	4,173
Income taxes payable		5,987	3,987	3,987
Dividends payable		2,939	2,876	2,876
Current portion of long-term debt and merchant members' deposits in the guarantee fund		28,952	26,768	4,230
Derivative financial instruments	13	4,641	3,058	3,058
Total current liabilities		489,277	574,588	555,062
Long-term employee benefit obligations		17,726	12,799	12,799
Long-term debt	11	603,260	497,068	422,603
Merchant members' deposits in the guarantee fund		5,385	5,424	5,424
Balance of purchase price		1,238	1,212	1,212
Other provisions		1,421	1,424	1,424
Deferred tax liabilities		18,964	18,164	18,164
TOTAL LIABILITIES		1,137,271	1,110,679	1,016,688
TOTAL EQUITY		520,234	519,930	523,882
TOTAL LIABILITIES AND EQUITY		1,657,505	1,630,609	1,540,570

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 consolidated 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, 2018, 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, 2018.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on May 2, 2019.

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 obligations 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.

Seasonality of interim operations

Sales of the Corporation follow seasonal patterns. Typically, sales are stronger during the second and the third quarters for FinishMaster U.S. and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance U.K. segment. As such, the operating results for any interim period are not necessarily indicative of full-year performance. Refer to note 14 for further details on segmented information.

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, 2018, 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 2019

The Corporation applied, for the first time, IFRS 16 “Leases” that does not require restatement of previous consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Leases

In January 2016, the IASB issued IFRS 16 “Leases”, replacing the current standard on leases (IAS 17). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease obligation in the consolidated statement of financial position with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements and introduces new disclosure requirements.

The Corporation has applied the modified retrospective transition approach and did not restate comparative amounts for the year prior to its adoption, as permitted by IFRS 16. Under this approach, the cumulative effect of initially applying IFRS 16 was recognized as an adjustment to the opening balance of retained earnings at the date of the initial application. IFRS 16 has affected primarily the accounting for the Corporation’s real estate operating leases. The Corporation has elected to apply the following transitional practical expedients:

- Apply the new standard to contracts that were previously identified as leases applying IAS 17;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Account for leases for which the remaining lease term ends within 12 months of the effective date as a short-term lease; and
- Recognize short-term leases and low value asset leases on a straight-line basis as “Other operating expenses” in the consolidated statements of earnings (loss).

Under the new standard, the Corporation recognized new assets (right-of-use assets) and liabilities (lease obligations) of \$87,628 and \$97,003 (\$22,538 in the current portion of long-term debt and \$74,465 in the long-term debt), respectively, as well as deferred tax assets of \$1,636. The following table presents a reconciliation of the elements impacted by IFRS 16 as part of the interim condensed consolidated statement of financial position as at January 1, 2019:

	Jan. 1, 2019	IFRS 16 adjustment	Dec. 31, 2018
Trade and other receivables	248,507	775	247,732
Total current assets	812,202	775	811,427
Property and equipment	171,584	87,628	83,956
Deferred tax assets	17,506	1,636	15,870
TOTAL ASSETS	1,630,609	90,039	1,540,570
Trade and other payables	531,380	(1,296)	532,676
Balance of purchase price, net	3,580	(482)	4,062
Provision for restructuring charges	2,939	(1,234)	4,173
Current portion of long-term debt	26,768	22,538	4,230
Total current liabilities	574,588	19,526	555,062
Long-term debt	497,068	74,465	422,603
TOTAL LIABILITIES	1,110,679	93,991	1,016,688
TOTAL EQUITY	519,930	(3,952)	523,882
TOTAL LIABILITIES AND EQUITY	1,630,609	90,039	1,540,570

3 - MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table presents reconciliation of lease obligations as at January 1, 2019:

	January 1, 2019
Minimum lease payments under operating contracts as at December 31, 2018	160,193
Practical expedients for:	
Short-term leases	(1,262)
Low value asset leases	(1,393)
Leases commencing in 2019	(39,117)
Lease-type obligations (service components)	(10,216)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(11,202)
Lease obligations recognized due to initial application of IFRS 16 as at January 1, 2019	97,003

The lease obligations were discounted at the borrowing rate as at January 1, 2019, in line with transition methodology selected by the Corporation. The weighted average discount rate was 5.0%.

The new disclosure requirements of IFRS 16 partially impacted the information described under notes 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2018. The following sections were modified as follows:

Basis of presentation - Use of accounting estimates and judgments

Leases: At inception of a contract, the Corporation uses judgment in determining whether the contract is, or contains, a lease.

Significant accounting policies – Property and equipment

Property and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset for its intended use. The cost less residual value of the property and equipment is depreciated over the estimated useful lives in accordance with the following methods and periods:

	Methods	Periods / Rate
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	30 to 50 years / 5%
Right-of-use assets - Buildings	Straight-line	Lease term
Furniture and equipment	Straight-line and diminishing balance	4 to 10 years / 20%
Computer equipment and system software	Straight-line and diminishing balance	3 to 5 years / 30%
Automotive equipment	Straight-line and diminishing balance	4 to 5 years / 30%
Right-of-use assets - Vehicles	Diminishing balance	30%
Leasehold improvements	Straight-line	Lease term ⁽¹⁾

⁽¹⁾ Excluding renewal options for additional periods, if any.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Significant accounting policies – Leases

In general, leases are recognized as a right-of-use asset and a corresponding lease obligation. On initial recognition, assets acquired under leases are recorded in “Property and equipment” at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a lease obligation within “Long-term debt”. In subsequent periods, the asset is depreciated over the estimated useful life and interest on the obligation is recorded in “Finance costs, net” in the consolidated statements of earnings (loss).

For exceptions, such as short-term leases and leases of low-value assets, leased asset and its corresponding lease obligation are not recognized in the Corporation’s consolidated statements of financial position. Payments made under these leases are recognized in net earnings (loss) on a straight-line basis over the term of the lease.

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, 2018. Certain other new standards and interpretations have been issued but had no material impact on the Corporation’s interim condensed consolidated financial statements.

4 - SPECIAL ITEMS

Special items comprise expenses which do not reflect the Corporation's core performance or where their separate presentation will assist users of the interim condensed consolidated financial statements in understanding the Corporation's results for the period. Special items are detailed as follows:

	Quarters ended March 31,	
	2019	2018
Restructuring and other charges	6,505	-
Retention bonuses related to Management changes	590	-
Net transaction charges related to The Parts Alliance acquisition	-	618
	7,095	618

Restructuring and other charges

In January 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment, which mainly consists of headcount reduction and the consolidation of locations, while optimizing the supply chain. The 25/20 Plan announced during the fourth quarter of 2018 and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together are now referred to as the "Performance Improvement Plan" of the Corporation.

Restructuring and other charges are composed of \$2,679 in non-cash costs related to the write-down of assets, \$1,985 in restructuring charges mainly for severance and termination benefits, as well as \$1,841 for other charges, primarily comprising consulting fees related to the optimization of the logistical processes and the review of strategic alternatives.

The variances in the provision for restructuring charges are detailed as follows:

	Quarter ended March 31,	Year ended December 31,
	2019	2018
Balance, beginning of period, December 31	4,173	-
Plus: IFRS 16 adjustment (note 3)	(1,234)	-
Balance, beginning of period, January 1	2,939	-
Restructuring charges recognized during the period	1,985	5,055
Provision used during the period	(1,031)	(848)
Effects of fluctuations in exchange rates	59	(34)
Balance, end of period	3,952	4,173

Retention bonuses related to Management changes

On September 18, 2018, the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer, and the President and Chief Operating Officer of FinishMaster, Inc. The Corporation recognized during the quarter ended March 31, 2019, charges totalling \$590 mainly composed of retention bonuses.

Net transaction charges related to The Parts Alliance acquisition

In connection with The Parts Alliance acquisition completed in August 2017, the Corporation recognized transaction charges totalling \$618 for the quarter ended March 31, 2018. These charges included acquisition costs of \$286 and other charges related to the acquisition of \$332.

5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS (LOSS)

Finance costs, net

	Quarters ended March 31,	
	2019	2018
Interest on long-term debt	4,816	4,312
Interest on lease obligations	1,725	135
Amortization of financing costs	193	244
Net interest expense on the long-term employee benefit obligations	108	130
Reclassification of realized losses (gains) on derivative financial instruments designated as cash flow hedges to net earnings (loss)	(109)	140
Interest on merchant members' deposits in the guarantee fund and others	107	43
	6,840	5,004
Interest income from merchant members and others	(55)	(41)
	6,785	4,963

Depreciation and amortization

	Quarters ended March 31,	
	2019	2018
Depreciation of property and equipment	3,893	3,644
Depreciation of right-of-use assets	7,069	1,134
Amortization of intangible assets	4,906	5,156
	15,868	9,934

Income taxes

For the quarter ended March 31, 2019, the income tax expense was \$36 (\$1,714 in 2018), and the corresponding tax rate was (2.8)% (14.2% in 2018). The variation year-over-year is mainly attributable to the change in the expected tax benefit related to a financing structure as a result of the December 20, 2018, U.S. proposed regulations, as well as the impact of the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes".

6 - EARNINGS (LOSS) PER SHARE

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

	Quarters ended March 31,	
	2019	2018
Net earnings (loss) considered for basic and diluted earnings (loss) per share	(1,333)	10,391
Weighted average number of common shares outstanding for basic earnings (loss) per share	42,387,300	42,273,812
Impact of the stock options ⁽¹⁾	-	80,847
Weighted average number of common shares outstanding for diluted earnings (loss) per share	42,387,300	42,354,659
Earnings (loss) per share basic and diluted	(0.03)	0.25

⁽¹⁾ For the quarter ended March 31, 2019, options to acquire 748,663 common shares (881,854 in 2018) were excluded from the calculation of diluted earnings (loss) 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

Changes in working capital items

The changes in working capital items are detailed as follows:

	Quarters ended March 31,	
	2019	2018
Trade and other receivables	(7,136)	(9,697)
Inventory	14,225	(8,597)
Prepaid expenses	(1,540)	(2,919)
Trade and other payables	(99,539)	(19,922)
Provision for restructuring and other charges (note 4)	(1,031)	-
	(95,021)	(41,135)

Repayment of long-term debt

As at March 31, 2019, repayment of long-term debt includes cash outflow for leases totalling \$6,715 (\$9,341 as at March 31, 2018).

8 - PROPERTY AND EQUIPMENT

	Land and paving	Buildings	Right-of-use assets - Buildings	Furniture and equipment	Computer equipment and system software	Automotive equipment	Right-of-use assets - Vehicles	Leasehold improvements	Total
Cost	6,257	23,530	-	39,715	34,849	22,141	25,242	23,984	175,718
Accumulated depreciation	(420)	(9,501)	-	(21,707)	(23,794)	(10,157)	(13,562)	(12,621)	(91,762)
Net book value, end of year 2018	5,837	14,029	-	18,008	11,055	11,984	11,680	11,363	83,956
Plus: IFRS 16 adjustment (note 3)									
Cost ⁽¹⁾	-	-	170,210	-	-	-	-	1,582	171,792
Accumulated depreciation	-	-	(84,164)	-	-	-	-	-	(84,164)
Total net adjustment	-	-	86,046	-	-	-	-	1,582	87,628
Cost	6,257	23,530	170,210	39,715	34,849	22,141	25,242	25,566	347,510
Accumulated depreciation	(420)	(9,501)	(84,164)	(21,707)	(23,794)	(10,157)	(13,562)	(12,621)	(175,926)
Net book value, January 1, 2019	5,837	14,029	86,046	18,008	11,055	11,984	11,680	12,945	171,584
Additions	-	9	25,560	2,993	1,131	309	649	250	30,901
Impairment (note 4)	-	-	(2,341)	(99)	(60)	-	-	(179)	(2,679)
Disposals	(521)	(1,407)	-	(27)	(2)	(105)	(39)	(4)	(2,105)
Depreciation (note 5)	(11)	(203)	(6,192)	(811)	(1,131)	(1,127)	(877)	(610)	(10,962)
Effects of fluctuations in exchange rates	135	274	1,224	373	197	291	28	186	2,708
Balance, March 31, 2019	5,440	12,702	104,297	20,437	11,190	11,352	11,441	12,588	189,447
Cost	5,880	22,538	195,580	43,372	36,308	22,840	25,758	25,903	378,179
Accumulated depreciation	(440)	(9,836)	(91,283)	(22,935)	(25,118)	(11,488)	(14,317)	(13,315)	(188,732)
Net book value, March 31, 2019	5,440	12,702	104,297	20,437	11,190	11,352	11,441	12,588	189,447

⁽¹⁾ Included in the cost as at the transition date, January 1, 2019, is an impairment of \$1,184 related to the restructuring previously accounted for as onerous leases as at December 31, 2018.

9 - STOCK-BASED COMPENSATION

Common share stock option plan for management employees and officers

For the quarter ended March 31, 2019, 207,169 options were granted to management employees and officers of the Corporation (181,679 for 2018), with an average exercise price of C\$19.17 (C\$28.61 in 2018). During the quarter, no options were exercised (same for 2018) and no options were forfeited or expired (same for 2018). As at March 31, 2019, options granted for the issuance of 748,663 common shares (1,088,038 as at March 31, 2018) were outstanding under the Corporation's stock option plan. For the quarter ended March 31, 2019, compensation expense of \$129 (\$482 for 2018) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the quarter ended March 31, 2019, the Corporation granted 46,626 DSUs (24,470 DSUs for 2018) and no DSUs were redeemed (same for 2018). Compensation expense reversal of \$105 (reversal of \$630 in 2018) was recorded during the quarter, and 197,093 DSUs were outstanding as at March 31, 2019 (177,807 DSUs as at March 31, 2018). As at March 31, 2019, the compensation liability was \$2,056 (\$2,114 as at December 31, 2018) and the fair value of the equity swap agreement was a liability of \$1,996 (liability of \$1,332 as at December 31, 2018).

Performance share unit ("PSU") plan

For the quarter ended March 31, 2019, the Corporation granted 173,839 PSUs (135,709 PSUs for 2018) and redeemed 18,818 PSUs (97,704 PSUs for 2018). Compensation expense reversal of \$144 (reversal of \$574 in 2018) was recorded during the quarter, and 315,124 PSUs were outstanding as at March 31, 2019 (311,000 PSUs as at March 31, 2018). As at March 31, 2019, there was no compensation liability (\$317 as at December 31, 2018) and the fair value of the equity swap agreement was a liability of \$2,645 (liability of \$1,726 as at December 31, 2018).

10 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter ended March 31, 2019, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$490 (\$673 for 2018), and the net interest expense of \$108 (\$130 for 2018) was recorded in "Finance costs, net". Employee benefits expense of \$1,143 (\$1,035 for 2018) 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, 2019	Jan. 1, 2019	Dec. 31, 2018
Revolving credit facility, variable rates ^{(1) (2)}	2023	2.602% to 7.100%		502,230	414,741	414,741
Lease obligations - vehicles, variable rates	-	-	4,127	11,523	11,987	11,987
Lease obligations - buildings, variable rates ⁽³⁾	-	-	24,723	118,351	97,003	-
Others	2021	-	4	10	11	11
			28,854	632,114	523,742	426,739
Installments due within a year				28,854	26,674	4,136
Long-term debt				603,260	497,068	422,603

⁽¹⁾ As at March 31, 2019, a nominal amount of \$506,463 was used under the Corporation's revolving credit facility (\$418,220 as at December 31, 2018). The difference with the carrying amount presented above is composed of deferred financing costs.

⁽²⁾ As at March 31, 2019, a principal amount of \$353,116 of the revolving credit facility was designated as a hedge of net investments in foreign operations (\$302,865 as at December 31, 2018).

⁽³⁾ See note 3 for further details following the adoption of IFRS 16.

Letter of credit facility

As at March 31, 2019, \$7,137 of letters of credit have been issued (\$7,337 as at December 31, 2018).

12 - SHARE CAPITAL

Issuance of shares

During the quarter ended March 31, 2019, there was no common share issued (same in 2018).

As of March 31, 2019, 42,387,300 common shares were outstanding (42,387,300 as at December 31, 2018).

Dividends

A total of C\$0.0925 per common share was declared by the Corporation for the quarter ended March 31, 2019 (C\$0.0925 for 2018).

13 - FINANCIAL INSTRUMENTS

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

	March 31, 2019		January 1, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets (liabilities) carried at amortized cost						
Cash	5,036	5,036	8,036	8,036	8,036	8,036
Cash held in escrow	3,641	3,641	3,591	3,591	3,591	3,591
Trade receivables ⁽¹⁾	238,917	238,917	227,996	227,996	227,221	227,221
Advances to merchant members	Level 2 2,281	2,281	Level 2 2,511	2,511	2,511	2,511
Trade and other payables ⁽¹⁾	(422,443)	(422,443)	(513,409)	(513,409)	(514,705)	(514,705)
Balance of purchase price, net ⁽¹⁾	(4,325)	(4,325)	(4,792)	(4,792)	(5,274)	(5,274)
Dividends payable	(2,939)	(2,939)	(2,876)	(2,876)	(2,876)	(2,876)
Long-term debt (except lease obligations and financing costs)	Level 2 (506,473)	(506,473)	Level 2 (418,231)	(418,231)	(418,231)	(418,231)
Merchant members' deposits in the guarantee fund	Level 2 (5,483)	(5,483)	Level 2 (5,518)	(5,518)	(5,518)	(5,518)
Financial assets (liabilities) carried at fair value						
Derivative financial instruments						
Foreign exchange forward contracts	Level 2 60	60	Level 2 442	442	442	442
Interest rate swaps ⁽²⁾	Level 2 212	212	Level 2 940	940	940	940
Equity swap agreements	Level 2 (4,641)	(4,641)	Level 2 (3,058)	(3,058)	(3,058)	(3,058)

⁽¹⁾ See note 3 for further details following the adoption of IFRS 16.

⁽²⁾ Derivatives designated in a hedge relationship.

13 - FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (liabilities) carried at amortized cost

The fair value of the advances to merchant members is equivalent to their carrying value as these instruments are bearing interests that reflect current market conditions for similar instruments.

The fair value of the long-term debt (except lease obligations 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.

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, 2019, are as follows:

Currencies (sold/bought)	Maturity	Average rate ⁽¹⁾	Notional amount ⁽²⁾
CAD/USD	Up to September 2019	0.76	8,736
GBP/USD	Up to May 2019	1.27	1,647

⁽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, 2019, were used to translate amounts in foreign currencies.

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

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 of \$67,500 for interest rate swaps denominated in US dollars (same in 2018), and £70,000 for interest rate swaps denominated in British pounds (same in 2018). 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, 2019, the equity swap agreements covered the equivalent of 364,277 common shares of the Corporation (same as at December 31, 2018).

14 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

- FinishMaster U.S.:** distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the U.S. market;
- Canadian Automotive Group:** distribution of automotive aftermarket parts, including refinish and industrial paint and related products, through Canadian networks;
- The Parts Alliance U.K.:** 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 (loss).

Following the adoption of IFRS 16 (note 3), the Corporation considers that the “Earnings (loss) before income taxes” is the preferred comparative measure to assess the performance of the segments, rather than the “Earnings before finance costs, depreciation and amortization and income taxes” as previously used.

	Quarters ended March 31,									
	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sales	204,510	201,379	113,113	110,669	102,414	110,046	-	-	420,037	422,094
Segment income (loss) ⁽¹⁾	8,993	15,441	3,547	182	2,320	7,282	(9,062)	(10,182)	5,798	12,723
Special items (note 4)	5,313	-	880	-	-	-	902	618	7,095	618
Segment income (loss) reported ⁽²⁾	3,680	15,441	2,667	182	2,320	7,282	(9,964)	(10,800)	(1,297)	12,105
Income tax expense									36	1,714
Net earnings (loss)									(1,333)	10,391

⁽¹⁾ The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being earnings (loss) before income taxes plus special items.

⁽²⁾ Per consolidated statements of earnings (loss), corresponds to “Earnings (loss) before income taxes”.

14 - SEGMENTED INFORMATION (CONTINUED)

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,	
	2019	2018
Sales		
United States	204,510	201,379
Canada	113,113	110,669
United Kingdom	102,414	110,046
	420,037	422,094

	March 31, 2019			
	United States	Canada	United Kingdom	Total
Property and equipment	55,583	63,138	70,726	189,447
Intangible assets with definite useful lives	100,477	25,924	44,629	171,030
Intangible assets with indefinite useful lives	7,900	-	29,482	37,382
Goodwill	201,951	56,964	117,436	376,351

	January 1, 2019			
	United States	Canada	United Kingdom	Total
Property and equipment ⁽¹⁾	61,353	48,799	61,432	171,584
Intangible assets with definite useful lives	102,834	26,234	44,666	173,734
Intangible assets with indefinite useful lives	7,900	-	28,697	36,597
Goodwill	201,951	55,743	114,313	372,007

	December 31, 2018			
	United States	Canada	United Kingdom	Total
Property and equipment	25,460	26,206	32,290	83,956
Intangible assets with definite useful lives	102,834	26,234	44,666	173,734
Intangible assets with indefinite useful lives	7,900	-	28,697	36,597
Goodwill	201,951	55,743	114,313	372,007

⁽¹⁾ See note 3 for further details following the adoption of IFRS 16.



UNISELECT.COM

170 Industriel Blvd.
Boucherville, QC
J4B 2X3