UNI-SELECT®

# Consolidated Interim Report 1

1st quarter
Period ended March 31, 2007

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## MANAGEMENT REPORT

This Management Report on the operating results and cash flows of the Company for the period ended March 31, 2007 compared to the period ended March 31, 2006 and on its financial position for the period ended March 31, 2007 compared to December 31, 2006 should be read in conjunction with the consolidated financial statements and accompanying notes. The information contained in this Management Report takes into account any major event that occurred prior to May 10, 2007, on which date the financial statements and Management Report were approved by the Board of Directors of the Company. It presents the status and business context of the Company as they were, to management's best knowledge, at the time these lines were written.

Additional information on Uni-Select, including the audited financial statements as of December 31, 2006 and the Annual Information Form of the Company, is available on SEDAR's website at: www.sedar.com.

In this Management Report, "Uni-Select" or the "Company" designates, as the case may be, Uni-Select Inc., or its subsidiaries, divisions or joint ventures. Unless otherwise indicated, all financial amounts appearing in this Management Report, including tabular amounts, are expressed in thousands of Canadian dollars, and all comparisons are made with the previous period.

Certain sections of this Management Report contain forward-looking statements which, by their very nature, include risks and uncertainties, such that actual results could differ from those indicated in these forward-looking statements. Unless required to do so pursuant to applicable securities legislation, management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

The interim financial statements for the period ended March 31, 2007 have not been reviewed by the auditors of the Company.

## SUMMARY

**Uni-Select recorded sales of $273,165 for the first quarter of 2007, an increase of 5.2% compared to the same quarter in 2006. With respect to net earnings, Uni-Select reports a 3.2% increase compared to the same period a year ago, having reached $5,828 or $0.30 per share. These results are notably due to the integration of acquisitions completed in 2006.**

## 1. FINANCIAL HIGHLIGHTS OF THE FIRST QUARTER

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

| | First Quarter ended | | |
|---|---|---|---|
| | **March 31, 2007** | March 31, 2006 | % |
| **OPERATING RESULTS** | | | |
| Sales | **273,165** | 259,642 | 5.2% |
| Operating income (EBITDA) | **13,431** | 12,434 | 8.0% |
| *EBITDA margin* | ***4.9%*** | *4.8%* | |
| Earnings before income taxes and non-controlling interest | **9,789** | 9,575 | 2.2% |
| Net earnings | **5,828** | 5,646 | 3.2% |
| *Net profit margin* | ***2.1%*** | *2.2%* | |
| **COMMON SHARE DATA** | | | |
| Earnings per share | **0.30** | 0.29 | |
| Diluted earnings per share | **0.30** | 0.29 | |
| Dividend paid per share | **0.10** | 0.08 | |
| Number of shares issued and outstanding | **19,725,154** | 19,653,101 | |
| Weighted average number of outstanding shares | **19,711,957** | 19,631,778 | |
| **FINANCIAL POSITION** | **March 31, 2007** | December 31, 2006 | |
| Working capital | **310,202** | 301,869 | |
| *Working capital ratio* | ***2.7*** | *2.7* | |
| Total assets | **580,429** | 572,535 | |
| Total net indebtedness | **104,809** | 91,451 | |
| Long-term debt to shareholders' equity ratio | ***23.9%*** | *24.5%* | |
| Book value per share | **14.95** | 14.82 | |

## 2. DESCRIPTION OF THE ACTIVITIES OF THE COMPANY

**Founded in 1968, Uni-Select Inc. ("Uni-Select" or the "Company") is the second largest distributor of automotive replacement parts and accessories in Canada, and the eighth largest in the United States. Uni-Select's business is segmented into three distinct reportable sectors:**

• **Automotive Group Canada**, comprised of various subsidiaries, joint ventures and divisions, specializes in the distribution of automotive replacement parts, tools and accessories across Canada. Its customer base consists primarily of 548 independent jobbers serving installers and collision repair centers, as well as large national chains of installers. Through its 13 distribution centres located in all of Canada's major regions, Automotive Group Canada manages some 350,000 different products, mainly national brands, which it sources from a pool of North American and international manufacturers. Besides distribution services, the group provides merchant members with a broad selection of services on a menu basis, including several differentiating marketing programs under distinctive banners, training activities, IT management tools, financing and various programs aimed at supporting its customers' operations and expansion. Automotive Group Canada also operates 16 corporate stores.

• **Automotive Group USA**, of which Uni-Select USA, Inc. is a subsidiary owned 85.9% by the Company, conducts similar operations in the United States. This group currently operates 41 distribution centres and 207 corporate stores in 22 different states. This network provides it with coverage of approximately 70% of the U.S. registered vehicle fleet. Automotive Group USA serves some 1,485 independent merchants to whom it offers a large selection of products and services.

• **Heavy Duty Group,** of which Uni-Select's wholly-owned subsidiary Palmar Inc. is a part of, is involved in the distribution and sale of replacement parts and accessories for heavy duty trucks, trailers and buses, as well as specialty tools and wheels for all types of vehicles. It operates two distribution centres, one in Quebec and the other in Alberta, along with 22 corporate stores in Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Ontario.

## 3. ECONOMIC CONDITIONS

**Risks related to Industry and Economic Conditions**
The replacement parts market depends upon new vehicle sales, but is not cyclical as vehicle repairs are not as discretionary as the purchase of a new vehicle. Nevertheless, the Heavy Duty Group is affected by external factors, such as the number of trucks in operation.

The multiplicity of vehicle models, combined with increased longevity, translates into a proliferation of replacement parts, which forces distributors and merchants to supply a larger range of products in order to meet demands. In addition, the increase in Asian-import vehicles and technological developments that require a constant adaptation to the market are barriers to effective penetration of the market.

The Canada/US exchange rate may affect the Company's consolidated sales and profits. The Company is of the opinion that the increase in the Canadian dollar over the last few years has resulted in deflation in the value of replacement parts sold in Canada, which has had a negative impact on the sales and on the profit margin.

Management has, nevertheless, taken measures to lessen the effects of these risks.

**Risks Relating to the Business Model and Strategic Plan of Uni-Select**
Uni-Select's business model which is based more on serving its merchant members than on having a network of stores, requires special measures to ensure the loyalty and longevity of these relationships. Uni-Select has implemented different programs to so ensure and remains proactive and open to the needs of its members (increasing product range, marketing service, financial support, etc.)

Growth through acquisitions has its own risks. Nonetheless, Uni-Select has fine-tuned its expertise in this domain. To limit risks, the Company applies a targeted and selective strategy, conducts stringent due diligence reviews and develops detailed integration plans.

## 4. NON GAAP PERFORMANCE MEASURES

The information contained in this report also includes some figures that are not performance measures consistent with Canadian generally accepted accounting principles ("GAAP").

For instance, the Company uses "EBITDA", which represents operating income before interests, amortization, income taxes and non-controlling interest, because this measure is a widely accepted financial indicator of a company's ability to service and incur debt. It should not be considered by an investor as an alternative to operating income or net earnings, as an indicator of operating performance or cash flows, nor as a measure of liquidity, but as complementary information. As EBITDA is not a measurement defined by Canadian GAAP, it may not be comparable to the EBITDA of other companies. In the Company's statement of earnings, EBITDA corresponds to *"Earnings before the following items"*. The EBITDA margin corresponds to the percentage of EBITDA divided by sales.

The Company also uses the "organic growth" measure, which consists in quantifying the increase in consolidated and segmented sales between two given periods, excluding the impact of acquisitions, strategic alliances and exchange rate fluctuations and, if applicable, the different number of billing days between the periods. Uni-Select uses this measure because it enables the Company to judge the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. The determination of the organic growth rate, which is based on reasonable findings according to management, could differ from actual organic growth rates. This measure may also not correspond to similarly titled measures used by other companies.

Finally, the Company uses "total net indebtedness", which consists of long-term debt and merchant members' deposits in a guarantee fund (including current portions), net of cash and cash equivalents and temporary investment. It also uses the total net debt to total invested capital ratio, which corresponds to the percentage of total net debt divided by the sum of total net debt and shareholders' equity. These measurements are not defined by Canadian GAAP and may therefore not be comparable to similarly titled measures used by other companies. They are used by Uni-Select because they are widely accepted indicators of a company's short and long-term financial health.

## 5. CONSOLIDATED QUARTERLY OPERATING RESULTS

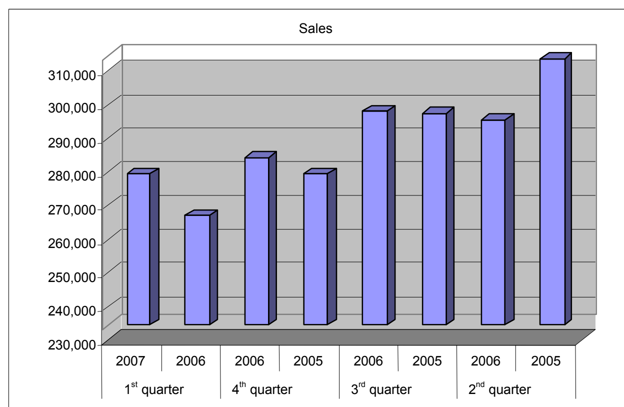
The following table summarizes the main financial information contained in the consolidated interim financial statements for each of the last eight quarters.

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

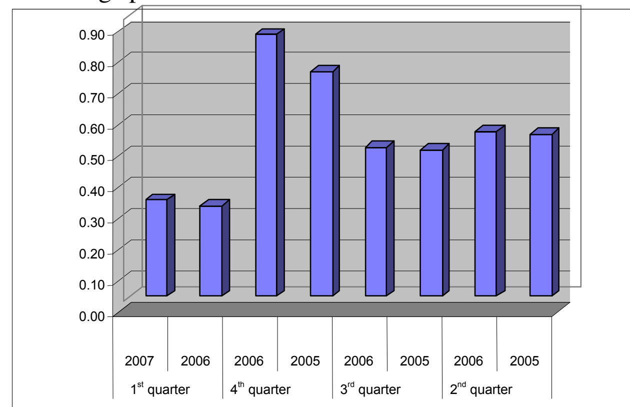
| | 1st quarter | | 4th quarter | | 3rd quarter | | 2nd quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Sales [1] | **273,165** | 259,642 | 279,827 | 274,928 | 293,421 | 292,982 | 291,013 | 309,298 |
| Operating income (EBITDA)[1] | **13,431** | 12,433 | 30,479 | 24,527 | 18,800 | 17,611 | 20,112 | 20,217 |
| *EBITDA margin* | ***4.9%*** | *4.8%* | *10.9%* | *8.9%* | *6.4%* | *6.0%* | *6.9%* | *6.5%* |
| Net earnings | **5,828** | 5,646 | 16,677 | 14,186 | 9,402 | 9,214 | 10,539 | 10,267 |
| *Net profit margin* | ***2.1%*** | *2.2%* | *6.0%* | *5.2%* | *3.2%* | *3.1%* | *3.6%* | *3.3%* |
| Earnings per share | **0.30** | 0.29 | 0.85 | 0.72 | 0.48 | 0.47 | 0.54 | 0.53 |
| Diluted earnings per share | **0.30** | 0.29 | 0.84 | 0.72 | 0.48 | 0.47 | 0.53 | 0.52 |
| Dividend per share | **0.10** | 0.08 | 0.10 | 0.08 | 0.10 | 0.08 | 0.10 | 0.08 |

[1] Certain figures have been reclassified to reflect the application of EIC-156 in 2006. *Accounting by a vendor for consideration to a customer (including a reseller of the Vendor's products)* and according to the new presentation adopted during the course of the period.

Sales




Earnings per share



## 6. DISCUSSION AND ANALYSIS OF CONSOLIDATED RESULTS

(in thousands of dollars, except for percentages)

| | First quarter | | |
|---|---|---|---|
| | **2007** | 2006 | % |
| Sales | **273,165** | 259,642 | 5.2% |
| EBITDA | **13,431** | 12,434 | 8.0% |
| EBITDA margin | ***4.9%*** | 4.8% | |

### Sales

The increase by 5.2% in sales in the first quarter is attributable to the following:

- Sales generated by acquisitions completed in the last quarters,
- The depreciation in the Canadian dollar in relation to the U.S. dollar had a positive impact of 0.7% on the sales;

Partially countered by:

- A 4.1% decrease in organic sales due to a mild winter, particularly in Canada and the northern United States which resulted in a market slowdown;
- Larger than normal returns by a number of customers.

### Operating Income

The improvement of the EBITDA margin to 4.9% is mainly due to the following factors:

- The added contribution, since the second quarter of 2006, of 100% of the results of Uni-Select Prairies Inc. (previously a joint venture recorded at 50%);
- The achievement of synergies resulting from the latest acquisitions and action plans put into place during the course of the year in the USA;
- A larger proportion of sales to installers, for which the margin is higher;

Countered by:

- Non-recurring costs for the transformation of the London distribution center into a satellite warehouse and the continued implementation of the WMS in Edmonton for $470;
- A decrease in profitability of the Heavy Duty Group as a result of lowered sales and increased fuel prices.

## 7. DISCUSSION AND ANALYSIS OF SEGMENTED RESULTS

### 7.1 Automotive Group USA

(in thousands of dollars, except for percentages)

| | First quarter | | |
|---|---|---|---|
| | **2007** | 2006 | % |
| Sales | **148,538** | 134,354 | 10.6% |
| EBITDA | **7,930** | 7,057 | 12.4% |
| EBITDA margin | **5.3%** | 5.3% | |

**Sales**

Automotive Group USA realized an impressive 10.6% increase in sales over the corresponding quarter of the previous year. This increase is explained as follows:

- The increase of sales generated through acquisitions completed during the course of the last quarters representing a 12.5% increase in sales;
- The favourable impact of the Canadian/US exchange rate representing a 1.4% increase in sales;

In part countered by:

- A slowdown principally in the North-Central region of the market due to a mild winter;
- The closure of unprofitable stores;
- The change in purchasing habits of a major customer in South Western USA.

**Operating Income**

The EBITDA margin of Automotive Group USA was stable at 5.3% for the following reasons:

- An increased proportion of sales to installers stemming from the purchase of stores with more considerable gross margins;
- The realization of synergies pursuant to the integration of acquisitions;
- Improved buying conditions;

In part countered by:

- An increase in operating expenses essentially caused by the increase in distribution costs to serve the installers;
- An increase in delivery costs at the stores level due to increased fuel costs. Delivery routes are currently under review to improve efficiency;

## 7.2 Automotive Group Canada

(in thousands of dollars, except for percentages)

| | First quarter | | |
|---|---|---|---|
| | **2007** | 2006 | % |
| Sales | **110,832** | 109,825 | 0.9% |
| EBITDA | **6,649** | 6,045 | 10.0% |
| EBITDA margin | **6.0%** | 5.5% | |

### Sales

Automotive Group Canada's sales were similar to those of the corresponding quarter of the previous year. This situation is a result of:

- The purchase of certain stores during the course of previous quarters;
- The transfer of certain automotive activities from the Heavy Duty Group during the course of the third quarter of 2006;
- The contribution of 100% of the results of Uni-Select Prairies Inc. (previously a joint venture recorded at 50%) during the course of the corresponding quarter of 2006;
- Organic growth in the Pacific and Atlantic regions;

In part countered by:

- Decreased sales from a national account due to a decrease in the number of its franchisees;
- A very mild winter and high fuel costs which negatively impacted the market resulting in a slowdown in sales of certain categories of products;
- Larger than normal returns by a number of customers;
- The changeover of product lines for a large customer in the Prairies;

### Operating Income

The contribution of Automotive Group Canada in the first quarter increased by 0.5%. The improvement of the EBITDA margin is explained by the following factors:

- A higher gross margin due to:
  - The recording of Uni-Select Prairies Inc.'s results at 100% (previously a joint venture recorded at 50% in the corresponding quarter of 2006);
  - A larger proportion of sales to installers resulting from the acquisition of stores;
  - Improved buying conditions;

In part countered by:

- The increase in operating expenses pursuant to:
  - The recording of Uni-Select Prairies Inc.'s operating results at 100%;
  - Increased operating costs to serve installers;
  - Non-recurring costs for the transformation of the London distribution center to a satellite warehouse and the continued implementation of the WMS in Edmonton for $470.

## 7.3 Heavy Duty Group

(in thousands of dollars, except for percentages)

| | First quarter | | |
|---|---|---|---|
| | **2007** | 2006 | **%** |
| Sales | **13,795** | 15,453 | (10.8%) |
| EBITDA | **(1,148)** | (668) | (71.9%) |
| EBITDA margin | **(8.3%)** | (4.3%) | |

### Sales

A 10.8% decrease in sales for the Heavy Duty Group compared to the same quarter a year earlier is principally due to the following factors:

- The transfer of certain activities to Automotive Group Canada in September 2006 representing a 6.8% decrease for the quarter;
- The slowdown in the manufacturing sector in Quebec resulting in a decrease in transport and, by the same token, in the demand for parts in this sector.

### Operating Income

The Heavy Duty Group recorded a negative margin of 8.3%, compared to a negative margin of 4.3% for the corresponding period in 2006. The decrease in the operating margin is essentially explained by the following factors:

- A lower gross margin stemming from the loss of automotive activities transferred to Automotive Group Canada whose margins are higher, combined with a decrease in prices due to increased competition;
- Operating expenses, which were basically semi-variable and could not be lowered proportionately with sales.

## 8. DISCUSSION AND ANALYSIS OF OTHER ITEMS AND AMOUNTS RELATING TO CONSOLIDATED RESULTS

(in thousands of dollars, except for percentages

| | First quarter | | |
|---|---|---|---|
| | **2007** | 2006 | % |
| Interest | **1,366** | 718 | 90.3% |
| Amortization | **2,276** | 2,141 | 6.3% |
| Income taxes | **3,348** | 3,338 | 0.3% |
| *Tax rates* | ***34.2%*** | *34.9%* | |

### 8.1 Interests

The increase in interest expense during the course of the first quarter is explained as follows:

- A $507 increase in interest expense on bank debt net of cash, cash equivalents and temporary investments, due to an average level of indebtedness superior to the preceding year resulting, in large part, from acquisitions in 2006 and the beginning of 2007;
- Long-term borrowing costs increased by 15.0% during the course of the first quarter, as a result of an increase in interest rates.

### 8.2 Amortization

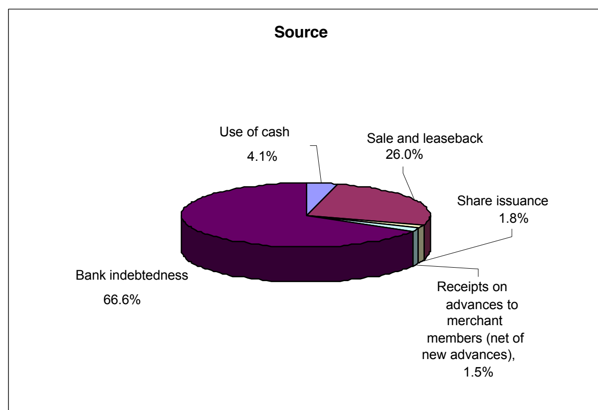
The increase in amortization costs by 6.3% in the first quarter is due to the acquisition of significant property, plant and equipment in 2006 required to modernize management systems as well as to the acquisitions completed in 2006 and during the first quarter of the period.

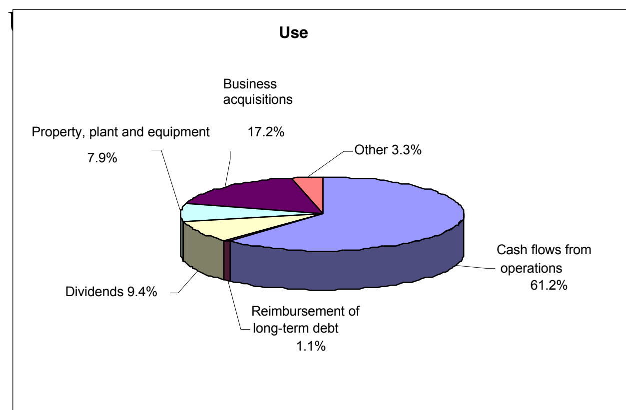
### 8.3 Income Taxes

In the first quarter of 2007, the effective tax rate decreased by 0.7% compared to the corresponding quarter in 2006. The decrease in tax rate is partially explained by an increase in weighted profits in the western provinces of Canada where rates decreased compared to 2006. This decrease is, nevertheless, counter-balanced in part by a larger proportion of profits in the US where rates were higher.

## 9. CASH FLOWS

The following graphs depict the main source and use of funds:




The following table summarizes cash flows.

(in thousands of dollars)

| | First quarter | |
|---|---|---|
| | **2007** | 2006 |
| Cash flows generated by operations before working capital items | **8,586** | 8,923 |
| Working capital items | **(21,400)** | (5,080) |
| Operating activities | **(12,814)** | 3,843 |
| Investing activities | **519** | (608) |
| Financing activities | **11,438** | (1,308) |
| Changes in cash and cash equivalents | **(857)** | 1,927 |

### 9.1 Cash Flows from Operating Activities

This use of cash during the course of the quarter is explained by the payment of income taxes as at December 31, 2006, seasonal effects and improved inventory management.

### 9.2 Cash Flows from Investing Activities

The main investing activities in the first quarter are the following:

- In order to pursue its expansion, the Company used $3,597 in cash for the acquisition of some assets and liabilities in the US and Canada. For further details, please refer to the complementary notes to the quarterly financial statements;

- The Company also purchased property, plant and equipment for $1,655. These purchases will allow, amongst other things, to pursue the modernization of the management systems;

- The transfer of assets for $5,452 mainly due to the sale and leaseback of the Mason City warehouse in order to optimize the asset base, as a result of which Uni-Select recorded a deferred gain of $1,834 which will be amortized over the course of the lease.

### 9.3 Cash Flows used in Financing Activities

The principal financing activities in the first quarter were as follows:

- The use of bank indebtedness for $13,959 to finance, among other things, acquisitions in both Canada and the US as well as an increase in working capital items resulting therefrom;
- The payment of dividends for $1,970 to holders of common shares, being $0.10 per share compared to $0.08 in 2006, an increase of 25%;
- The issuance of 25,820 common shares, through the exercise of stock options by management, generated $367.

Considering the total cash flows for the first quarter of 2007, cash and cash equivalents of the Company decreased by $857 for a total of $273 as at March 31, 2007.

## 10. FINANCIAL POSITION

**Analysis of the main items of the consolidated balance sheet.**

(in thousands of dollars)

| | **March 31 2007** | Dec. 31 2006 | Variance | Impact from acquisitions | Residual amount | Explanation for remaining variances |
|---|---|---|---|---|---|---|
| Working capital items | **310,202** | 301,869 | 8,333 | (3,068) | 5,265 | The increase is a result of seasonal effects, improved inventory management and the fluctuation of the exchange rate. |
| Long-term investments | **6,225** | 6,575 | (350) | - | (350) | The receipt of advances was superior to new advances to merchant members. |
| Property, plant and equipment | **37,702** | 41,714 | (4,012) | (252) | (4,264) | Explained mainly by the sale and leaseback of the Mason City warehouse for $3,570 (refer to the cash flows analysis), by the amortization of $2,127, acquisitions during the period of $1,655 and by the fluctuation of the exchange rate. |
| Goodwill | **44,927** | 44,257 | 670 | (867) | (197) | Principally explained by the fluctuation of the exchange rate. |

## 11. CAPITAL RESOURCES

Cash flows generated by operations, together with credit facilities available to the Company, are sufficient to meet the needs of the Company with respect to acquisitions, mergers, strategic alliances, affiliations and partnerships, purchase of property, plant and equipment (approximately $12,000 planned for 2007 mainly for the development of information systems) and the payment of dividends in keeping with its policy. In the event a business development requires larger resources, Uni-Select will evaluate the different alternatives available to it.

As at March 31, 2007, the Company has $125,000 unused credit facilities available for its development ($129,000 as at December 31, 2006).

The credit facilities are composed of a revolving renewable credit coming to term in October 2008. Upon expiration, the revolving credit is converted into a two-year term loan. The credit facilities also include an operating credit which is renewable annually.

### 11.1 Indebtedness

(in thousands of dollars except for percentages)

| | **March 31,2007** | December 31, 2006 | % |
|---|---|---|---|
| Shareholders' equity | **294,902** | 291,933 | 1.0% |
| Total net indebtedness | **104,809** | 91,451 | 14.6% |
| Total net debt to total invested capital ratio | ***26.2%*** | *23.9%* | |

The increase is essentially due to the acquisitions completed during the course of the first quarter of 2007 and to the use of working capital items from the growth of US activities. Uni-Select benefits from a solid financial position to pursue its current operations and expansion projects.

### 11.2 Capital stock

(in thousands of shares)

| | First quarter | |
|---|---|---|
| | **2007** | 2006 |
| Number of shares issued and outstanding | **19,725** | 19,699 |
| Weighted average number of outstanding shares | **19,711** | 19,674 |

For the first quarter, 25,820 shares were issued essentially upon the exercise of stock options by management. The share dilution takes into account the eventual exercise of share options held by management.

As at May 10, 2007, the Company's capital stock consists of 19,725,154 issued and outstanding shares and options to purchase 63,332 shares are outstanding but not exercised.

## 12. CHANGES IN ACCOUNTING POLICIES

**Financial Instruments, Hedges, Comprehensive Income and Shareholders Equity**

On January 1, 2007, in accordance with the applicable transitional provisions, the Company retroactively adopted, without restatement of prior periods, the new recommendations of CICA Handbook included in Section 3855 Financial Instruments - Recognition and Measurement, 3865 Hedges, 1530 Comprehensive Income, 3861 Financial Instruments - Disclosure and Presentation and 3251 Equity. Sections 3855 and 3861 establish standards for the classification, recognition, measurement and identification of information that should be disclosed about financial instruments (including derivatives) and non-financial derivatives in financial statements. Section 3865 describes when and how hedge accounting may be applied. Section 1530 establishes standards for reporting and display of comprehensive income and its components including net income and accumulated other comprehensive income and Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period.

As stipulated in Section 3855 - Financial Instruments - Recognition and Measurement, the Company elected to apply hedge accounting on an interest rate swap as cash flow hedge. This derivative is measured at fair value at the end of each period and the gains or losses resulting from remeasurement are recognized in other comprehensive income when the hedge is deemed effective. Any ineffective portion is recognized in net income.

The adjustments related to the adoption of the new standards described above translated into an increase of balance sheet accounts as of January 1, 2007 as follows:

| | |
|---|---|
| Derivative financial instrument | $254 |
| Current future income taxes | 81 |
| Accumulated other comprehensive income | 173 |

**Accounting Changes**

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of CICA Handbook included in Section 1506, Accounting Changes. Section 1506 establishes standards for disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

## 13. SUBSEQUENT EVENTS

On April 2, 2007, the Company purchased most of the assets of Thompson & Company, Inc. and MGT, Inc. These companies operate one distribution center and nine stores in the Automotive USA segment.

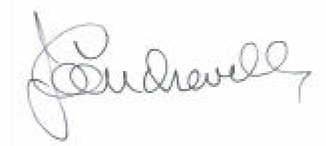
On May 1, 2007, the Company purchased most of the assets of 2733-1450 Quebec Inc., 2742-7608 Quebec Inc. and 9079-3712 Quebec Inc. These companies operate four stores in the Automotive Canada segment.

## 14. INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The President and Chief Executive Officer and the Vice President and Chief Financial Officer have evaluated whether there were changes to internal controls over financial reporting during the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. No such changes were identified through their evaluation.

## 15. PERSPECTIVES

Recent acquisitions have contributed to the results for the quarter. The Company is considering various expansion projects and is confident it will conclude value-creating acquisitions in 2007. In an acutely fragmented market where the largest player controls less than 7% of the North American market share, opportunities are plentiful, but Uni-Select must insist on meeting its requirements for acquisitions in terms of compatibility, purchase price, possible synergies and the potential for value creation. The purchase of the assets of Thompson & Company, Inc. and MGT, Inc. announced last month met these criteria. In conclusion, past experience indicates that the slower sales for parts witnessed in North America as a result of increased fuel costs are temporary and that consumers will adapt to this situation.



Jacques Landreville
President and Chief Executive Officer

Denis Mathieu, CA
Vice President and Chief Financial Officer

Approved by the Audit Committee on May 9, 2007 and by the Board of Directors on May 10, 2007

**Uni-Select Inc.**

# Consolidated Interim Financial Statements
**March 31, 2007 and 2006**

Financial Statements


| | |
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**Notice related to the review of interim financial statements**

The consolidated interim financial statements for the period ended March 31, 2007 have not been reviewed by the auditors of the Company.

**CONSOLIDATED EARNINGS**
**THREE-MONTH PERIODS ENDED MARCH 31, 2007 AND 2006**
(in thousands of dollars, except earnings per share, unaudited)

| | 3 MONTHS | |
|---|---|---|
| | **2007** | **2006** |
| | **$** | **$** |
| **SALES** | **273,165** | 259,642 |
| **Earnings before the following items** | **13,431** | 12,434 |
| Interests (Note 4) | **1,366** | 718 |
| Amortization (Note 4) | **2,276** | 2,141 |
| | **3,642** | 2,859 |
| **Earnings before income taxes and non-controlling interest** | **9,789** | 9,575 |
| Income taxes | | |
| Current | **3,466** | 2,793 |
| Future | **(118)** | 545 |
| | **3,348** | 3,338 |
| **Earnings before non-controlling interest** | **6,441** | 6,237 |
| Non-controlling interest | **613** | 591 |
| **Net earnings** | **5,828** | 5,646 |
| **Basic earnings per share (Note 5)** | **0.30** | 0.29 |
| **Diluted earnings per share (Note 5)** | **0.30** | 0.29 |
| Number of issued and outstanding common shares | **19,725,154** | 19,653,101 |

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

## CONSOLIDATED RETAINED EARNINGS
## THREE-MONTH PERIODS ENDED MARCH 31, 2007 AND 2006

(in thousands of dollars, unaudited)

| | 3 MONTHS | |
|---|---|---|
| | **2007** | **2006** |
| | **$** | **$** |
| **Balance, beginning of period** | **255,355** | 220,966 |
| Net earnings | **5,828** | 5,646 |
| | **261,183** | 226,612 |
| Dividends | **2,119** | 1,965 |
| **Balance, end of period** | **259,064** | 224,647 |

## CONSOLIDATED COMPREHENSIVE INCOME
## THREE-MONTH PERIODS ENDED MARCH 31, 2007 AND 2006

(in thousands of dollars, unaudited)

| | 3 MONTHS | |
|---|---|---|
| | **2007** | **2006** |
| | **$** | **$** |
| **Net income** | **5,828** | 5,646 |
| **Other comprehensive income** | | |
| Gain on a derivative financial instrument designated as cash flow hedges prior to January 1, 2007, transferred to net income in the current period (net of income taxes of $20) | **(43)** | – |
| Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations | **(1,237)** | 2 |
| | **(1,280)** | 2 |
| **Comprehensive income for the period** | **4,548** | 5,648 |

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

## CONSOLIDATED CASH FLOWS
## THREE-MONTH PERIODS ENDED MARCH 31, 2007 AND 2006

(in thousands of dollars, except dividends paid per common share, unaudited)

| | 3 MONTHS | |
|---|---|---|
| | **2007** | **2006** |
| | **$** | **$** |
| **OPERATING ACTIVITIES** | | |
| Net earnings | **5,828** | 5,646 |
| Non-cash items | | |
| Amortization | **2,276** | 2,141 |
| Amortization of deferred gain | **(13)** | - |
| Future income taxes | **(118)** | 545 |
| Non-controlling interest | **613** | 591 |
| | **8,586** | 8,923 |
| Changes in working capital items | **(21,400)** | (5,080) |
| CASH FLOWS FROM OPERATING ACTIVITIES | **(12,814)** | 3,843 |
| **INVESTING ACTIVITIES** | | |
| Business acquisitions (Note 6) | **(3,597)** | (395) |
| Advances to merchant members | **(636)** | (834) |
| Receipts on advances to merchant members | **955** | 1,970 |
| Property, plant and equipment | **(1,655)** | (1,349) |
| Disposal of property, plant and equipment | **5,452** | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | **519** | (608) |
| **FINANCING ACTIVITIES** | | |
| Bank indebtedness | **13,959** | (97) |
| Balance of purchase price | **(393)** | - |
| Long-term debt | **472** | 572 |
| Repayment of long-term debt | **(708)** | (878) |
| Merchant members' deposits in guarantee fund | **(289)** | (3) |
| Issuance of shares | **367** | 666 |
| Dividends paid | **(1,970)** | (1,568) |
| CASH FLOWS FROM FINANCING ACTIVITIES | **11,438** | (1,308) |
| **Net increase (decrease) in cash and cash equivalents** | **(857)** | 1,927 |
| Cash and cash equivalents, beginning of period | **1,130** | 19,108 |
| **Cash and cash equivalents, end of period** | **273** | 21,035 |
| Dividends paid per common share | **0.10** | 0.08 |

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

## CONSOLIDATED BALANCE SHEETS
## MARCH 31, 2007 AND 2006 AND DECEMBER 31, 2006

(in thousands of dollars, unaudited)

| | MARCH 31, 2007 | MARCH 31, 2006 | DECEMBER 31, 2006 |
|---|---|---|---|
| | $ | $ | $ |
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | **273** | 21,035 | **1,130** |
| Temporary investment | **6,897** | 4,942 | **6,897** |
| Accounts receivable | **146,661** | 146,292 | **136,834** |
| Income taxes receivable | **9,349** | 6,977 | **7,398** |
| Inventory | **313,364** | 260,965 | **313,384** |
| Prepaid expenses | **5,314** | 5,799 | **4,737** |
| Derivative financial instrument | **191** | - | **-** |
| Future income taxes | **6,577** | 2,763 | **6,332** |
| | **488,626** | 448,773 | **476,712** |
| Investments and volume discounts receivable | **6,225** | 6,827 | **6,575** |
| Property, plant and equipment | **37,702** | 35,588 | **41,714** |
| Financing costs | **788** | 1,201 | **893** |
| Covenants not to compete | **524** | - | **578** |
| Goodwill | **44,927** | 18,002 | **44,257** |
| Future income taxes | **1,637** | 1,867 | **1,806** |
| | **580,429** | 512,258 | **572,535** |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Bank indebtedness | **41,565** | 1,834 | **27,860** |
| Accounts payable | **134,579** | 142,902 | **136,197** |
| Income taxes payable | **-** | 785 | **8,268** |
| Dividends payable | **2,119** | 1,965 | **1,970** |
| Instalments on long-term debt and on merchant members' deposits in guarantee fund | **100** | 139 | **529** |
| Future income taxes | **61** | **-** | **19** |
| | **178,424** | 147,625 | **174,843** |
| Deferred gain on a sale-leaseback arrangement (Note 3) | **1,823** | **-** | **-** |
| Deferred government grants | **-** | 392 | **-** |
| Long-term debt | **62,365** | 64,140 | **63,275** |
| Merchant members' deposits in guarantee funds | **7,949** | 7,533 | **7,814** |
| Future income taxes | **5,089** | 5,042 | **5,082** |
| Non-controlling interest | **29,877** | 27,560 | **29,588** |
| | **285,527** | 252,292 | **280,602** |
| **SHAREHOLDERS' EQUITY** | | | |
| Capital stock | **49,711** | 48,722 | **49,344** |
| Retained earnings | **259,064** | 224,647 | **255,355** |
| Accumulated other comprehensive income (Note 7) | **(13,873)** | (13,403) | **(12,766)** |
| | **294,902** | 259,966 | **291,933** |
| | **580,429** | 512,258 | **572,535** |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2007 AND 2006**
(in thousands of dollars, except for per share amounts, unaudited)

**1. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all the information required for complete financial statements. They are also consistent with the accounting policies outlined in the Company's audited financial statements for the year ended December 31, 2006. The interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2006. When necessary, the financial statements include amounts based on informed estimates and management's best judgements. The operating results for the interim periods reported are not necessarily indicative of results to be expected for the year.

**2. CHANGES IN ACCOUNTING POLICIES**

**Financial instruments, hedges, comprehensive income and equity**

On January 1, 2007, in accordance with the applicable transitional provisions, the Company retroactively adopted, without restatement of prior periods, the new recommandations of CICA Handbook included in Section 3855 *Financial Instruments - Recognition and Measurement* , 3865 *Hedges* , 1530 *Comprehensive Income* , 3861 *Financial Instruments - Disclosure and Presentation* and 3251 *Equity* . Sections 3855 and 3861 establish standards for the classification, recognition, measurement and identification of information that should be disclosed about financial instruments (including derivatives) and non-financial derivatives in financial statements. Section 3865 describes when and how hedge accounting may be applied. Section 1530 establishes standards for reporting and display of comprehensive income and its components including net income and accumulated other comprehensive income and Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period.

The adoption of these new standards translated into the following changes on classification and measurement of financial instruments of the Company which were previously recorded at cost.

- Cash and cash equivalents are classified as assets held for trading. They are measured at fair value and fair value variations are accounted for in net income.

- The temporary investment is classified as held-to-maturity investment. It is measured at cost, which upon its initial measurement is equal to its fair value. Subsequent measurements are recorded at amortized cost using the effective interest method less impairment.

- Accounts receivable, investments and volume discounts receivable are classified as loans and receivables. Accounts receivable are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost, which is generally equal to the initial measurement less allowance for doubtful accounts. Investments and volume discounts receivable are recorded at cost, which upon their initial measurement is equal to its fair value. Subsequent measurements are recorded at amortized cost using the effective interest method less impairment.

- Bank indebtedness, accounts payable, dividends payable, long-term debt and merchant members' deposits in guarantee fund are classified as other financial liabilities. They are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using effective interest method.

- As stipulated in Section 3855 - *Financial Instruments - Recognition and Measurement* , the Company elected to apply hedge accounting on an interest rate swap as cash flow hedge. This derivative is measured at fair value at the end of each period and the gains or losses resulting from remeasurement are recognized in other comprehensive income when the hedge is deemed effective. Any ineffective portion is recognized in net income.

The adjustments related to the adoption of the new standards described above translated into an increase of balance sheet accounts as of January 1, 2007 as follows:

| | |
|---|---|
| Derivative financial instrument | $254 |
| Current future income taxes | 81 |
| Accumulated other comprehensive income | 173 |

**Accounting changes (Note 12)**

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommandations of CICA Handbook included in Section 1506, *Accounting Changes* . Section 1506 establishes standards for disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

**3. ACCOUNTING POLICIES**

**Deferred gain on a sale-leaseback arrangement**
This gain is amortized on a straight-line basis over the lease term.

**Comparative figures**
Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

## 4. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS

| | 3 MONTHS | |
|---|---|---|
| **Interests** | **2007** | **2006** |
| Interests on bank indebtedness | **503** | 132 |
| Interests on long-term debt | **1,011** | 879 |
| Interests on merchant members' deposits in guarantee funds | **104** | 77 |
| Interest income on cash and cash equivalents | **(133)** | (269) |
| Interest income from merchant members | **(119)** | (101) |
| | **1,366** | 718 |
| **Amortization** | | |
| Amortization of property, plant and equipment | **2,128** | 2,020 |
| Amortization of other assets | **148** | 121 |
| | **2,276** | 2,141 |

## 5. EARNINGS PER SHARE

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

| | 3 MONTHS | | | | | |
|---|---|---|---|---|---|---|
| | | | **2007** | | | **2006** |
| | Net earnings | Weighted average number of shares | Earnings per share | Net earnings | Weighted average number of shares | Earnings per share |
| | $ | | $ | $ | | $ |
| Basic earnings per share | 5,828 | 19,711,957 | 0.30 | 5,646 | 19,631,778 | 0.29 |
| Impact of stock options exercised | | 39,752 | | | 86,632 | |
| Diluted earnings per share | 5,828 | 19,751,709 | 0.30 | 5,646 | 19,718,410 | 0.29 |

## 6. BUSINESS ACQUISITIONS

During the first quarter of 2007, the Company acquired the assets and assumed a portion of the liabilities of five companies operating in the Automotive USA segment and one company in the Automotive Canada segment.

In addition, the Company increased its interest by 1.92 % in its joint venture, Uni-Select Pacific Inc.. Following this transaction, the interest of the Company in its joint venture increased to 65.38 %.

The operating results are consolidated in the statement of earnings since the acquisition date.

The following purchase price allocation is preliminary and is subject to changes based on the finalization of acquired assets' valuation and on the final determination of direct costs associated with the transaction.

| | **Total** |
|---|---|
| Current assets | 3,861 |
| Property, plant and equipment | 252 |
| Other long-term assets | 8 |
| Goodwill | 867 |
| Assumed current liabilities | (240) |
| Assumed long-term liabilities | (14) |
| | 4,734 |
| Settlement of accounts receivable of companies acquired | (552) |
| Balance of purchase price payable | (585) |
| Total consideration paid | **3,597** |

## 7. ACCUMULATED OTHER COMPREHENSIVE INCOME

| | MARCH 31, 2007 | DECEMBER 31, 2006 |
|---|---|---|
| **Balance, beginning of period** | - | - |
| Unrealized losses on translation of financial statements of self-sustaining foreign operations | **(12,766)** | (13,405) |
| Cumulative impact of accounting changes relating to financial instruments (net of income taxes of $81) (Note 2) | **173** | - |
| **Adjusted balance, beginning of period** | **(12,593)** | (13,405) |
| Other comprehensive income for the period | **(1,280)** | 639 |
| **Balance, end of period** | **(13,873)** | (12,766) |

## 8. EMPLOYEE FUTURE BENEFITS

As at March 31, 2007, the Company's pension plans are defined benefit and defined contributions plans.

For the three-month period ended March 31, 2007, the total expense for the defined contribution pension plans was $391 ($298 in 2006) and $602 ($505 in 2006) for the defined benefit pension plans.

## 9. GUARANTEES

Per inventory repurchase agreements, the Company has made a commitment to financial institutions to repurchase inventories from some of its customers at a rate of 60% to 75% of the value of cost of the inventories for a maximum amount of $67,581 ($68,286 as at December 31, 2006). In the event of proceedings, the inventories would be liquidated in the normal course of the Company's business. These agreements are for an undetermined period of time. In management's opinion, the likelihood of major payments being made and losses being absorbed is low, since the value of the assets held in guarantee is significantly higher than the Company's commitments.

As at March 31, 2007, the Company was contingently liable for letters of credit issued in the aggregate amount of $5,465 ($5,118 in 2006).

## 10. SEGMENTED INFORMATION

| | Automotive Canada | | Automotive USA | | Heavy Duty | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **$** | $ | **$** | $ | **$** | $ | **$** | $ |
| Sales | **110,832** | 109,825 | **148,538** | 134,354 | **13,795** | 15,463 | **273,165** | 259,642 |
| Earnings before interests, amortization, income taxes and non-controlling interest | **6,649** | 6,045 | **7,930** | 7,057 | **(1,148)** | (668) | **13,431** | 12,434 |
| Assets | **236,965** | 210,073 | **307,785** | 261,208 | **35,679** | 40,977 | **580,429** | 512,258 |
| Acquisition of property, plant and equipment | **423** | 624 | **1,478** | 690 | **6** | 58 | **1,907** | 1,372 |
| Acquisition of goodwill | **428** | - | **439** | 23 | - | - | **867** | 23 |

The Automotive USA segment includes property, plant and equipment for an amount of $14,058 ($14,502 as at March 31, 2006) and goodwill for an amount of $18,127 ($6,217 as at March 31, 2006).

**11. SUBSEQUENT EVENTS**

On April 2, 2007, the Company acquired most of the assets of Thompson & Company, Inc. and MGT, Inc.. These companies operate one distribution center and nine stores in the Automotive USA segment, totalling sales of $12.4 millions.

On May 1, 2007, the Company acquired most of the assets of 2733-1450 Quebec Inc., 2742-7608 Quebec Inc. and 9079-3712 Quebec Inc.. These companies operate four stores in the Automotive Canada segment, totalling sales of $4 millions.

**12. FUTURE ACCOUNTING CHANGES**

**Financial Instruments - Disclosures**

In December 2006, CICA issued Section 3862, *Financial Instruments - Disclosures*. This Section applies to fiscal years beginning on or after October 1, 2007. It describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Sections 3855 *Financial Instruments - Recognition and Measurement*, 3863 *Financial instruments - Presentation* and 3865 *Hedges*. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

**Financial Instruments - Presentation**

In December 2006, CICA issued Section 3863 *Financial Instruments - Presentation*. This Section applies to fiscal years beginning on or after October 1, 2007. It establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of Section 3861 *Financial Instruments - Disclosure and Presentation*. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

**Capital Disclosures**

In December 2006, CICA issued Section 1535 *Capital Disclosures*. This Section applies to fiscal years beginning on or after October 1, 2007. It establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.