North American Vision

2005 ANNUAL REPORT

UNI-SELECT

Mission

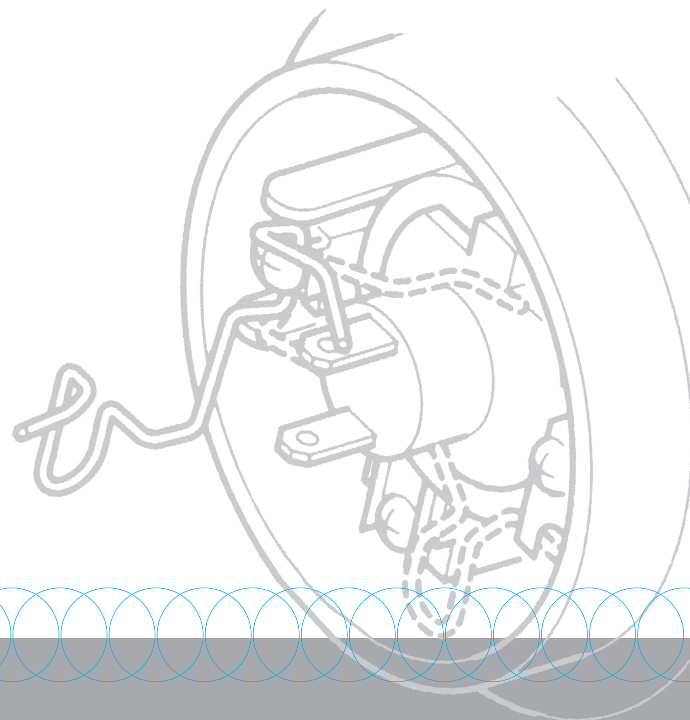
UNI-SELECT'S MISSION is to create economic value for its members and shareholders by building a solid North American network

+ of replacement parts for motorized vehicles
+ and services to members on a menu basis

to most efficiently meet the constantly evolving needs of merchant members and customers.

Uni-Select's priority is to ensure its growth and development mainly through its independent merchants.

Uni-Select will provide a competitive advantage to its merchant members in order for them to hold a dominant position in their respective markets.



ANNUAL GENERAL MEETING OF SHAREHOLDERS

May 17, 2006, at 1:30 p.m.
Omni Mont-Royal Hotel, Pierre de Coubertin Room
1050 Sherbrooke Street West, Montreal, Quebec

2005 Achievements

As a result of the acquisition of Middle Atlantic Warehouse Distributor, Inc. ("MAWDI") in November 2004, Uni-Select's sales reached $1.153 billion in 2005, of which 50% were generated in the United States.

NORTH AMERICAN CONSOLIDATOR/INTEGRATOR

Automotive Group USA:

> Sales up 175% (Cdn$575.8 million):

+ 12-month contribution from MAWDI (vs. 2 months in 2004)
+ 3.5% organic growth (excluding exchange rate fluctuation)
+ 8 other acquisitions that will add some $40 million to sales

> Year 1 of MAWDI integration plan in line with three-year schedule:

+ common product lines
+ financial and accounting systems
+ human resources
+ management
+ distribution and inventory management

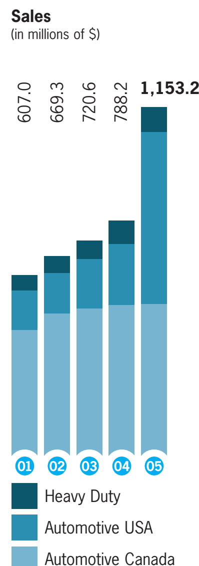
> Unified purchasing group: Automotive Distribution Network ("ADN")

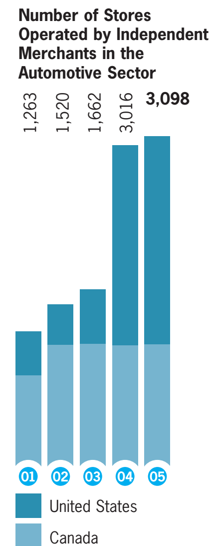
Automotive Group Canada:

> Acquisition of a wholesaler in Toronto (converted into a corporate store)

> Reorganization of Uni-Select's warehouse network in Quebec

> Enhancement of succession planning and partnership programs to support merchant members' expansion through acquisitions: several transactions completed





THE BEST BUSINESS PARTNER FOR OUR MERCHANT MEMBERS AND CUSTOMERS

Automotive Group Canada:

Deployment and fine-tuning of the updated business model in response to emerging trends in the North American market:

> Successful implementation in Quebec of the new distribution strategy (central distribution centre in Boucherville and secondary pickup warehouse in Quebec City), to ensure excellent parts availability while reducing operating costs and asset base

> Upgrading of the paperless Warehouse Management System ("WMS") in the main Boucherville centre

> Outsourcing of IT services in Canada

> Implementation of a more systematic and better structured approach to merchants' succession planning and partnership programs aimed at supporting their growth: conclusive results

> Introduction of the new SAX marketing program for installers

> Technical and administrative skills upgrading sessions offered to 3,110 people (merchant members, installers and their staff)

> Expansion of the *cybercommunity*: integration of all participants in distribution chain, enhancement of the VICTOR portal, introduction of DAVE (merchants-installers), development of MARC (suppliers-merchants)

Close to 80% of merchants of eligible Canadian members, approximately 600 stores, now trade via the uni-select.biz cybercommunity.

Automotive Group USA:

> Improved purchasing power thanks to synergies derived from the integration of MAWDI

> Improved merchants' succession planning and partnership programs aimed at supporting their growth

> Development of new marketing programs with ADN (merchandising, advertising, training, e-commerce)

Heavy Duty Group:

> Development of value-added product lines

> Modernization of several business centres

2006

In order to reach sales of $1.5 billion within three years and maximize value for independent merchants and shareholders, Uni-Select will further integrate and expand its operations according to a NORTH AMERICAN VISION based on:

> the optimization of its purchasing conditions throughout North America and of synergies among its various groups,

> the pooling of management best practices,

> the continuous modernization of its business model and infrastructures.

To pursue and intensify our role as a consolidator/integrator...

Automotive Group USA (new strategic plan):

> Finalize the integration of MAWDI within two years with a view to maximizing purchasing, distribution, marketing and operational synergies

> Finish integrating the 2005 acquisitions

> Achieve large-scale acquisitions, mergers, strategic alliances, affiliations and partnerships in order to

+ strengthen its positioning in existing territories and increase its current product lines;
+ and establish a presence in new territories

> Continue to develop its network of corporate stores in urban areas

> Accelerate organic growth by recruiting new members and strengthening its programs to facilitate members' growth and succession

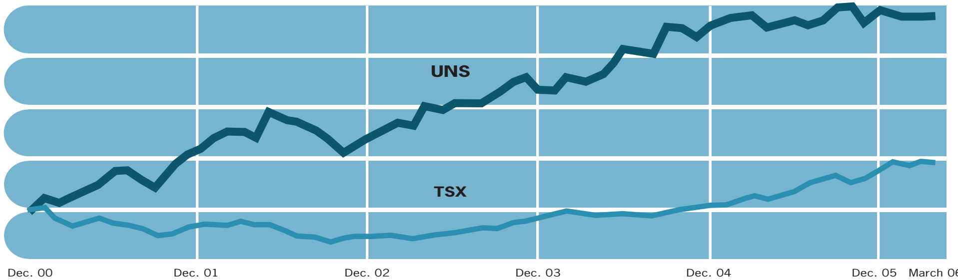
Auto Parts Plus | Bumper to Bumper Auto Parts Professionals | Uni Pro brakes mufflers suspension injection | ColorPlus | Procolor | Parts Plus | IAPA | Auto Plus | The Specialist | Select AutoXpert | ProColor Prestige Autobody Expert | Palmar | CarCareCenter | Automotive Distribution Network

CREATOR OF SHAREHOLDER VALUE

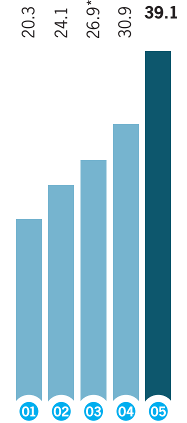
- > UNS stock price up 5.5% to $29.95 (annual compound return of 26% over the past five years)
- > Record net earnings of $39.1 million in 2005, up 26% over 2004
- > Earnings of $1.99 diluted per share, up 21% over $1.65 in 2004
- > Price/earnings ratio of 15.1 in 2005 (17.2 in 2004)
- > Return of 16.3% on average shareholders' equity (R.O.E. has consistently exceeded 15% over the last 10 years)
- > Dividend of $0.31 per share

Uni-Select was granted the 2005 *Korn Ferry/Revue Commerce* award, "Mid-Size Company" category, for the quality of its Board of Directors, governance practices, and return to shareholders over the past five years.

UNS Stock Price
(in relation to the TSX)



Net Earnings
(in millions of $)



* Excluding non-recurring revenue of $4.5 million (net of taxes)

-2008 Objectives

omotive Group Canada:

- n 2006, acquire the 50% interest of Uni-Select's partner in USI-AGI Prairies Inc.
- eek opportunities for acquisitions, mergers, strategic alliances, affiliations or partnerships
- timulate organic growth by continuously improving its business model, including succession nd partnership programs
- ogether with Automotive Group USA, increase Uni-Select's presence in growing product ategories, including parts for imported nameplates and value line products for North merican applications
- ptimize agreements with existing national accounts and develop other accounts
- cquire corporate stores in selected urban markets
- nplement the Warehouse Management System ("WMS") in Edmonton

vy Duty Group:

- eek opportunities for acquisitions, mergers, strategic alliances, affiliations or partnerships o consolidate its presence nationwide
- nprove the profitability of its business model
- ncrease market penetration for wheel and tooling products, integrate other value-added roduct lines with attractive profit margins and further diversify sources of supply
- ontinue to modernize business centres

stand out as the best business partner for North American ependent wholesalers and other customers...

emain a complete, efficient and proactive replacement parts distributor:

- supplying its members according to the most user-friendly and cost-effective method (direct from the manufacturer or Uni-Select's warehouses) and
- providing merchants with a total business solution based on a "no or low frills" formula, including technical, strategic and administrative training

- > Enhance proactive product management in the most strategic categories for merchants' competitiveness and success
- > Continue to improve our purchasing conditions and distribution efficiency in order to provide merchants with excellent parts availability at the best possible cost, while optimizing Uni-Select's operating costs and asset utilization
- > Continue to invest in advanced technologies, including the WMS warehouse management system and our *cybercommunity*
- > Intensify partnership programs and succession planning for Canadian and U.S. merchants, to facilitate their expansion and business continuity
- > Continue to increase the added value of products and services offered to our customers in the heavy duty sector

To create further shareholder value...

- > Within two years, achieve the full synergies resulting from the integration of MAWDI and remain an active North-American consolidator and efficient business integrator
- > Constantly improve our business model to remain a flexible distributor with operating costs among the lowest in the industry
- > Maintain an optimal asset base and maximize its utilization
- > Preserve a flexible capital structure and a reasonable debt load (net debt to invested capital ratio of 16.3% as at December 31, 2005)
- > Continue to deliver an annual return on shareholders' equity of 15% or more
- > Strengthen our financial and operational risk management practices

- > Maintain the quality and independence of our Board of Directors and our corporate governance practices
- > Pursue our dividend policy
- > Continue to raise the Company's profile in the North American financial community

Financial Highlights

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

Fiscal Years Ended December 31 [1]	2005	2004	2003	2002	2001
OPERATING RESULTS					
Sales	**1,153.2**	788.2	720.6	669.3	607.0
Variation	***46.3%***	*9.4%*	*7.7%*	*10.3%*	*4.6%*
Operating income (EBITDA) [2]	**74.1**	50.9	46.4	41.2	40.3
Variation	***45.6%***	*9.7%*	*12.5%*	*2.4%*	*6.1%*
Operating profit margin (EBITDA) [2]	**6.4%**	6.5%	6.4%	6.2%	6.6%
Net earnings	**39.1**	30.9	26.9 [3]	24.1	20.3
Variation	***26.3%***	*14.9%*	*11.8%*	*18.5%*	*17.3%*
Net profit margin	**3.4%**	3.9%	3.7% [3]	3.6%	3.3%
Return on average shareholders' equity	**16.3%**	16.3%	16.4% [3]	16.7%	16.1%
Return on average net assets	**13.6%**	15.4%	15.0% [3]	13.7%	12.7%
FINANCIAL POSITION					
Working capital	**294.2**	258.4	148.3	130.0	112.0
Shareholders' equity	**255.6**	223.9	173.8	153.9	134.6
Total assets	**495.7**	482.5	317.7	259.6	243.2
Long-term debt/equity	**28.2%**	31.8%	4.7%	5.5%	6.6%
Total net debt/invested capital	**16.3%**	22.3%	n.a.	16.1%	18.8%
COMMON SHARE DATA					
Book value [4]	**13.04**	11.53	9.47	8.47	7.48
Net earnings					
• basic [4]	**2.00**	1.67	1.47 [3]	1.33	1.13
• diluted [4]	**1.99**	1.65	1.46 [3]	1.32	1.12
Dividend	**0.31**	0.34 [5]	0.26	0.22	0.20
Number of shares issued at fiscal year-end [4]	**19,599,716**	19,423,289	18,347,758	18,169,513	17,986,020
Weighted average number of outstanding shares [4]	**19,516,512**	18,539,196	18,273,595	18,082,491	17,944,592

(1) Certain figures relating to prior fiscal years have been restated to reflect the application of new accounting rules.

(2) EBITDA represents operating income before interest, income taxes and amortization. As EBITDA is not a measurement defined by Canadian generally accepted accounting principles (GAAP), it may not be comparable with the EBITDA of other companies.

(3) In 2003, Uni-Select collected non-recurring revenue of $6.6 million before tax ($4.5 million net of related taxes) following the favourable settlement of litigation. To facilitate comparison of the Company's results between the various periods, this non-recurring amount has been excluded from the financial data for 2003 regarding total and per share net earnings, net profit margins and rates of return on average shareholders' equity and on average net assets.

(4) In November 2004, Uni-Select issued 1,000,000 common shares as partial consideration of the acquisition price of MAWDI.

(5) Including a special dividend of $0.05.

Uni-Select is…

> 3,297 employees

> 48 light vehicle products distribution centres located throughout Canada and the United States, totalling 2 million square feet

> 2 heavy duty vehicle distribution centres in Canada

> 172 corporate stores in the North-American automotive market and 22 in the Canadian heavy duty sector

> a total business solution offered under optimal cost and efficiency conditions, including more than 300,000 different products for automobiles and heavy duty vehicles, and a range of support services for merchants and installers

> 2,109 independent jobbers in North America operating 3,098 stores (in addition to the 172 corporate stores), serving an extensive base of installers.

AUTOMOTIVE CANADA
Distribution Centres

AUTOMOTIVE USA
Distribution Centres

HEAVY DUTY
Distribution Centres

Newfoundland

Prince Edward Island

Manitoba

Quebec

Ontario

Nova Scotia

New Brunswick

Maine

Vermont

New Hampshire

Massachussets

Rhode Island

Connecticut

New Jersey

Delaware

Maryland

West Virginia

Minnesota

Wisconsin

Michigan

New-York

Pennsylvania

Iowa

Illinois

Indiana

Ohio

Nebraska

Kansas

Missouri

Kentucky

Virginia

North Carolina

Tennessee

South Carolina

Oklahoma

Arkansas

Alabama

Georgia

Texas

Louisiana

Mississippi

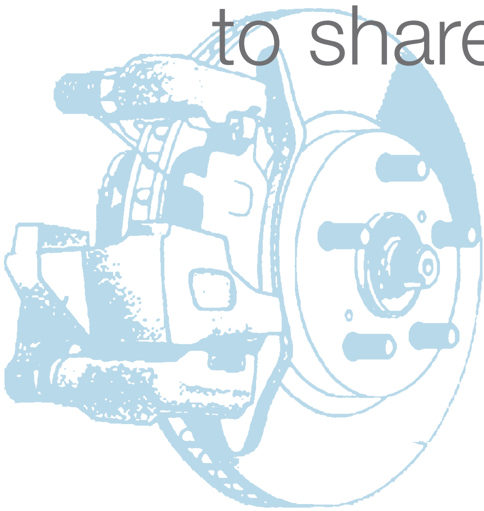
Florida

Jacques Landreville, President and Chief Executive Officer, and *Jean-Louis Dulac*, Chair of the Board

UNI-SELECT'S PERFORMANCE IN 2005 ATTESTS TO THE EXCELLENT VALUE OF THE NOVEMBER 2004 ACQUISITION OF MIDDLE ATLANTIC WAREHOUSE DISTRIBUTOR, INC. ("MAWDI"). NOT ONLY WAS THIS ACQUISITION THE PRIMARY DRIVER OF UNI-SELECT'S FINANCIAL GROWTH FOR THE LAST FISCAL YEAR, BUT THE EFFICIENCY OF ITS ONGOING INTEGRATION TO DATE CONTRIBUTES TO REINFORCE OUR REPUTATION AS A CREDIBLE CONSOLIDATOR AND INTEGRATOR WITHIN THE NORTH AMERICAN AUTOMOTIVE AFTERMARKET INDUSTRY.

AS WE ARE GAINING AN INCREASINGLY INFLUENTIAL MARKET POSITION, WE PLAN TO CONTINUE INTEGRATING AND EXPANDING OUR OPERATIONAL FOOTPRINT ACCORDING TO A TRULY NORTH AMERICAN VISION. MORE SPECIFICALLY, WE WILL STRIVE TO MAXIMIZE THE VALUE OFFERED TO NORTH AMERICAN INDEPENDENT MERCHANTS AND TO UNI-SELECT SHAREHOLDERS BY OPTIMIZING OUR PURCHASING CONDITIONS, LEVERAGING THE SYNERGIES AMONG OUR VARIOUS GROUPS AND CONTINUOUSLY MODERNIZING OUR BUSINESS MODEL AND INFRASTRUCTURES.

Message to shareholders



The fiscal year ended December 31, 2005 marked another significant milestone in the history of Uni-Select, whose sales have topped the billion dollar mark. In fact, our consolidated sales reached $1.153 billion in 2005, up 46% over 2004. This growth is essentially attributable to the contribution of MAWDI for the entire period in 2005, compared with the last two months of 2004. Revenues of the Automotive Group USA almost tripled to reach $575.8 million, thereby accounting for 50% of Uni-Select's consolidated sales. This group was also the main driver of the increase in Uni-Select's consolidated operating income, which rose by 46% to $74.1 million.

Meanwhile, sales and operating income for the Automotive Group Canada and the Heavy Duty Group were below expectations, largely due to non-recurring factors. However, both groups have resumed sales growth in the fourth quarter and are now headed for a performance more in line with their objectives for 2006.

Pierre Chesnay, V.P., Legal Affairs and Secretary
David G. Alderson, V.P., Management Information Systems
Martin Labrecque, Controller
Richard G. Roy, V.P., Administration and Chief Financial Officer

Uni-Select ended fiscal 2005 with record net earnings of $39.1 million, up 26.3% over net earnings of $30.9 million for 2004. Diluted earnings per share increased by 20.6% to stand at $1.99 compared with $1.65 the previous year. Note that one million common shares were issued in November 2004 in relation to the MAWDI acquisition. Uni-Select achieved a 16.3% return on average shareholders' equity in 2005. In addition, shareholders were paid a dividend of $0.31 per share, while the share price closed the year at $29.95 on the Toronto Stock Exchange. Incidentally, shareholders who invested in Uni-Select five years ago have seen their investment appreciate by 217%.

The Automotive Group USA had a very successful year in 2005, a tribute to the successful integration of MAWDI, and also to organic development.

The results achieved so far while integrating the assets and resources of MAWDI and Uni-Select USA, Inc. are consistent with and, in some respects, ahead of the three-year plan implemented at the end of 2004. Among other things, the integration of product lines common to both entities is well advanced and has generated synergies slightly in excess of what was expected, while the integration of distribution activities is progressing according to plan. Furthermore, we have almost completed the integration of the accounting and financial management systems as well as human resources management, at the new head office in Buffalo. We are also very satisfied with the way management teams are being integrated, providing Automotive Group USA with an excellent staff driven by a common culture and objectives.

We wish to emphasize the remarkable teamwork that has developed in recent months, not only within the expanded Uni-Select organization in the United States, but also between the Automotive Group USA, the Automotive Group Canada and head office. Drawing from the strong experience of MAWDI and Uni-Select in business acquisitions, this cooperation is a key factor behind the successful integration of our U.S. base, a demanding operation which has been carried out so far without causing any erosion in either our customer base or personnel. In fact, a culture of openness and sharing of best practices is rapidly developing within Uni-Select, which will prove valuable in achieving our North American vision as the preferred partner of independent merchants, wherever they may operate throughout the continent.

In 2005, following the 2004 merger of MAWDI's and Uni-Select USA, Inc.'s former purchasing groups (Independent Auto Parts of America and Parts Plus) to form Automotive Distribution Network ("ADN"), we also began integrating and developing the marketing services offered to merchants. New programs and tools combining the best value from each founding entity have recently been introduced, or soon will be, to support the performance of independent merchants and their installer customers in the areas of merchandising, advertising, e-commerce and the acquisition of technical and managerial skills.

Gary O'Connor, Executive V.P., Automotive Group Canada
Robert de Montigny, Executive V.P., Heavy Duty Group
James E. Buzzard, Executive V.P., Automotive Group USA

Our membership in the "ADN" unified purchasing group, which has a business volume in excess of US$2 billion, gives us significant benefits including improved purchasing conditions. It also facilitates our relations with other U.S. distributors, which represents a substantial advantage given Uni-Select's expansion strategy through acquisitions, mergers, strategic alliances, affiliations and partnerships.

In 2005, the Automotive Group USA completed eight acquisitions that, together, will add almost $40 million to its annual sales while strengthening its position in the States of Washington, Texas, Oklahoma, Missouri, Minnesota, as well as in New England. The acquired distribution activities were integrated with existing distribution centres in these regions, while an additional warehouse and five corporate stores were added to the Automotive Group USA's network, which today comprises 159 stores.

Meanwhile, U.S. operations existing prior to the acquisition of MAWDI generated organic growth of 3.5% in 2005, excluding the impact of currency fluctuation. The South Central division achieved a particularly strong rate of new market penetration while the profitability of the Northwest division improved substantially, as a result of rigorous management methods implemented in this region over the last three years.

The Automotive Group USA also made significant progress in its programs to facilitate merchants' succession and support their expansion through acquisitions, two of the top priorities of Uni-Select's growth strategy in both the United States and Canada.

The Automotive Group USA is currently finalizing its new strategic plan for the years 2006 to 2010, that should provide guidance for its organic growth and expansion through acquisitions in a market that is particularly ripe for consolidation. One of its main objectives for the next two years will also be to maximize synergies resulting from the integration of MAWDI.

In 2006, its integration efforts will focus primarily on the operating information systems, distribution activities, non-common product lines and on a greater harmonization of the U.S. and Canadian programs.

Like the Automotive Group Canada, the Automotive Group USA will aim to spur organic growth by improving its business model to attract more independent merchants. Improvements will include the broadening of its product lines in response to the evolving needs of merchants, the development of economical and value-added services, and the strengthening of merchants' succession and expansion programs.

Michel Maheux, Senior V.P., North American Market Development

Guy Archambault, V.P., Corporate Development

Luc L'Espérance, V.P., Human Resources

Florent Jacques, V.P., Distribution and Integration

Russell D. Sturgeon, V.P., Corporate Purchasing

Lastly, after a year of integration and field experience, our U.S. team is ready to make one or more large-scale acquisitions. More specifically, we are targeting companies that will reinforce the Automotive Group USA's positioning in its existing markets – in terms of both territories and product line – or enable it to move into new territories and to broaden its selection of products in growth categories, such as parts for imported nameplates, value line parts for North American applications, tooling and equipment. The Automotive Group USA is in an excellent position to interest potential sellers given its experienced management, the scope of its geographic footprint that covers most of the U.S.A., and its diversified expertise in both distribution activities and the operation of corporate stores.

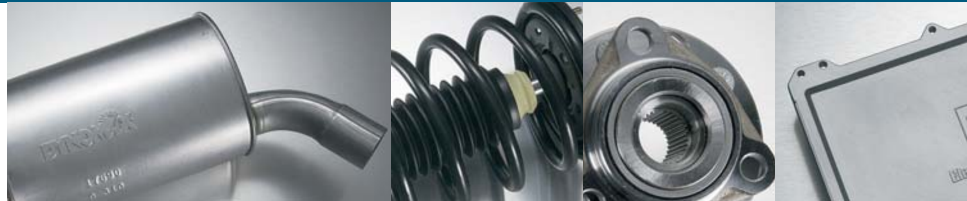
Although the Automotive Group Canada's business environment was relatively positive in 2005, a number of non-recurring factors contributed to slow its growth. Nonetheless, it continued to consolidate its base of merchant members and to deploy the main components of its updated business model.

In 2005, the Automotive Group Canada's sales decreased by 0.1% to $503.4 million, while our segment of the Canadian industry achieved growth of approximately 3.5%.

The slight decline in the Automotive Group Canada's sales is mostly attributable to the national accounts segment. In particular, its agreement with MIDAS required major structural adjustments following the customer's decision to discontinue the manufacture of mufflers and exhaust system components. Consequently, we had to develop a new private label product line with a manufacturer in order to continue serving MIDAS franchisees. The new agreement is operational and we expect to bring sales back to a satisfactory level within a few quarters.

The Automotive Group Canada's sales increased by 0.8% in its core business: distribution services for independent merchants, which generate more than 90% of its sales. This growth is essentially organic, as one acquisition only was made during the year, namely a wholesaler in Ontario whose outlet was converted into a corporate store. Sales growth was stronger in the Prairies and Western Canada, while market conditions were more challenging in the East.

Among others, our Quebec operations were disrupted during a few weeks as we proceeded with a major upgrading of our central technology platform. This transition, which coincided with the partial outsourcing of our Canadian information systems infrastructure, entailed exceptional expenses and temporarily affected the level of service at our Boucherville distribution centre.



However, we are now equipped with improved technology that can better support our future expansion projects. In view of these significant changes, we decided to postpone the implementation of the Warehouse Management System ("WMS") at the Edmonton distribution centre to the end of 2006.

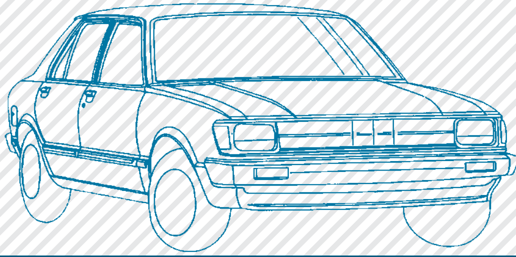
In 2005, furthermore, as the Canadian dollar did not stabilize in relation to the American dollar as we had hoped, there were no significant price increases from manufacturers and almost no inflation in the value of parts on hand. The Automotive Group Canada's average selling prices actually declined slightly as a result of the growing proportion of value line products in its sales mix. However, while this factor contributed to slow its revenue growth, it had no negative impact on its profitability.

Over 2005 we initiated a new distribution model. On the one hand, full service distribution centres offer daily replenishment of parts and accessories to merchant members assuring that their inventory remains at its peak while, on the other hand, regional distribution centres offer slower moving or critical parts to be picked-up by merchant members. This formula has allowed a reduction of our asset base while maintaining service to customers.

Our distribution centre in Quebec City was converted into a pickup warehouse, while service was enhanced at the Boucherville main distribution centre to ensure excellent parts availability and fast delivery. This transformation has allowed us to substantially reduce our asset base, particularly inventories, along with our operating costs. We will eventually deploy this concept across Canada, while adapting it to specific regional conditions.

Other initiatives were also taken in 2005 to support the performance of our merchant members, including the introduction of the SAX loyalty program for installers. The results of this program, which was introduced, deployed and fine-tuned during 2005, should materialize in 2006. We also made significant progress in the areas of succession planning and partnership programs aimed at safeguarding our network and fostering our merchants' growth, thanks to the more systematic and better structured approach developed in 2004. Many cases were handled in 2005 and most of them were settled to the satisfaction of Uni-Select and its merchants.

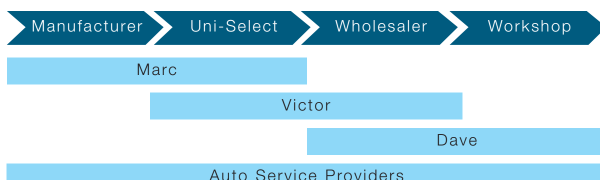
Lastly, we continue to provide our merchants with access to advanced technology tools, including our *cybercommunity*, that was enhanced with a new portal in 2005, DAVE. DAVE electronically links merchants to installers to whom they can offer transparent, differentiating and higher quality service.



We also constantly improve the functionalities of our VICTOR portal linking merchants with Uni-Select, which is now used by 79% of eligible merchants, operating close to 600 stores. Today, merchants place 51% of their orders via the Internet, an effective vehicle for reducing our costs and improving service to members, while facilitating their management. In 2006, a new portal, MARC, will be added to the other two, allowing for the transfer of strategic information between Uni-Select and its manufacturers.

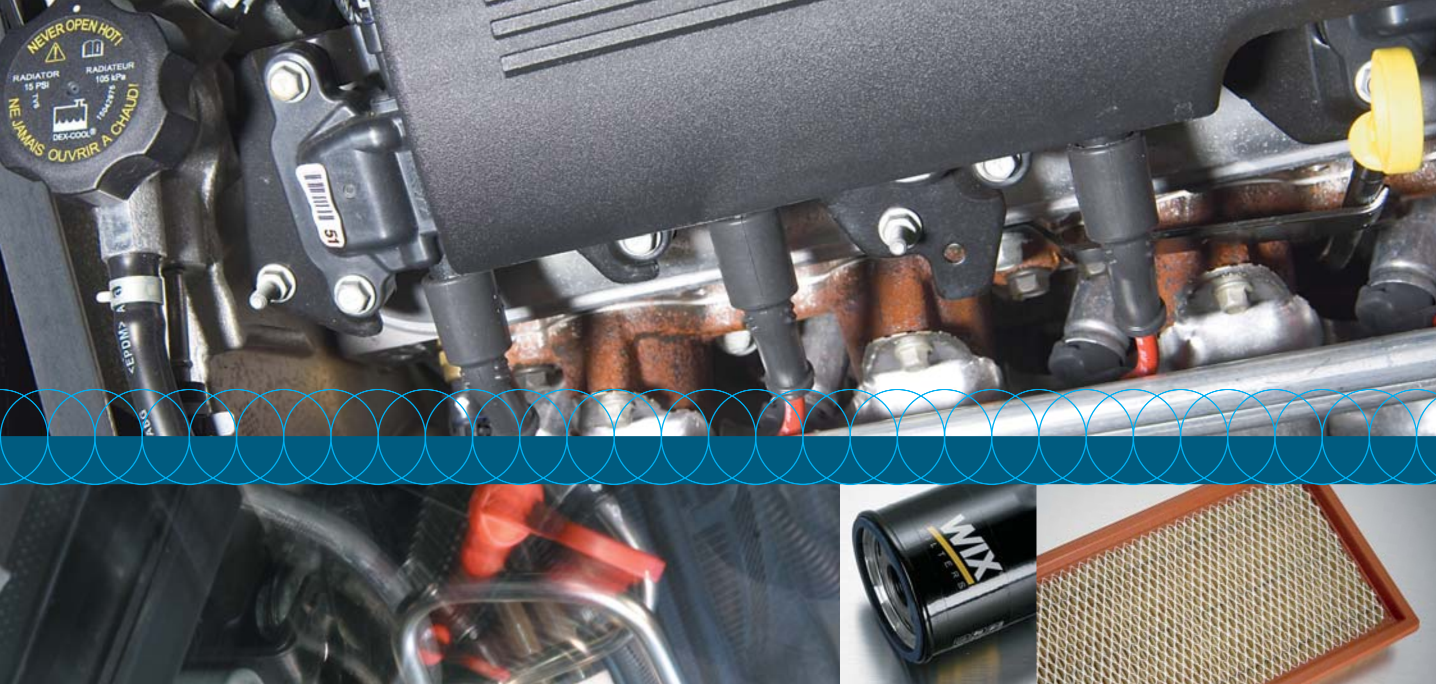
In 2006, the Automotive Group Canada will continue to upgrade and fine-tune the execution of its business model, with particular emphasis on proactive product management and customer relations, both to help recruit new merchants and reinforce the loyalty of existing members.

Together, the Automotive Group Canada and the Automotive Group USA are currently studying a number of alternatives to accelerate Uni-Select's growth and increase its market share in two product categories experiencing significant development in North America: value line products and parts for European and Asian branded vehicles or so-called "import" vehicles (which, in fact, are increasingly made in North America).



As consumers' perception of foreign branded cars improves, their proportion in the total fleet of vehicles continues to rise. Uni-Select is already established in this market, but is determined to increase its presence, particularly in body parts and electronic components. Accordingly, we are currently participating in some initiatives, which we expect will produce positive results, to make training and diagnostic tools for foreign nameplates more accessible to installers.

Acquisitions will remain an important pillar of the Automotive Group Canada's growth strategy. In 2006, notably, we will exercise our option to acquire the 50% interest of our partner in the joint venture USI-AGI Prairies Inc., which will make a positive contribution to the Group's operating profit. We also expect to deploy more resources to acquire corporate stores in urban centres. This strategy serves many purposes, including stabilizing our network by preventing some stores from passing into the hands of competitors, and improving service to our merchant members by using corporate stores as direct windows on the market and laboratories for the implementation of new technologies.



To achieve these objectives and foster the Automotive Group Canada's growth, we are pleased to announce that its team has been considerably strengthened in 2005 with the addition of new executives, including Randy Klein at the head of the Ontario Division, Robert Beauchamp as Vice President, Marketing, and Gary O'Connor as Executive Vice President, Automotive Group Canada. Mr. O'Connor replaces Michel Maheux who was appointed to the newly created position of Senior Vice President, North American Market Development, with a mandate to help achieve Uni-Select's North American vision, including by harmonizing our expansion strategies in Canada and the United States and implementing our best practices throughout the Company.

For the first time in four years, the Heavy Duty Group, of which the Palmar Inc. subsidiary is the main entity, sustained a decline in its results for 2005. However, a number of improvements were made to its infrastructure and its business model, whose beneficial effects began to materialize in the fourth quarter.

This group's sales amounted to $74.1 million in 2005, down 1.6% from the previous year. This decrease can be explained partly by the transfer of some of its sales to the Automotive Group Canada. In addition, the Heavy Duty Group was faced with a challenging business environment for the Canadian heavy duty vehicle replacement parts industry on account, in particular, of the high cost of petroleum and steel and a relatively soft economy in Eastern Canada.

Lastly, its sales and profit margins were affected by a more intense competition resulting from a slowdown in demand.

Moreover, the Heavy Duty Group's performance was penalized by a number of exceptional factors, including quality problems beyond its control regarding its supply of wheels, which were resolved in the fourth quarter of 2005. Although this negatively affected its profit margins, the group still achieved significant sales growth in this value added product category. It has undertaken to further diversify its wheel supply to guarantee irreproachable product quality for its customers.

Lastly, the Heavy Duty Group incurred non-recurring expenses in 2005 in connection with the relocation of several of its business units. In Montreal, in particular, three former warehouses were relocated into a single, more functional building that will accommodate the Group's future growth while improving its productivity. In addition, the corporate store in Montreal was merged with one of the outlets of Les Batteries Électriques Gagnon Inc. acquired in 2004, while two other stores, located south of Montreal and in Mississauga, Ontario, were moved to premises offering a much larger retail space.

Despite a challenging business environment, the Heavy Duty Group anticipates improved performance in 2006, in light of the recent modernization of several of its business centres and the strengthening of its sources of supply.

The Group has also developed an aggressive merchandising campaign to restore its organic sales growth, particularly in the tooling segment. These various improvements allowed the Heavy Duty Group to achieve organic growth of more than 15% in the fourth quarter. In 2006, in addition to improving profit margins and return on assets, its priority will be to enhance every aspect of its customer service by adding value-added product lines, improving its purchasing power, upgrading its stores and training its personnel. Lastly, it will remain on the lookout for potential acquisitions, particularly in Western Canada.

The review of fiscal 2005 would not be complete without an account of the year's main achievements at the corporate level.

Among other things, we are satisfied with Uni-Select's succession plan, which is now in place at every level of the business. Our groups are backed by a solid executive team – combining both aftermarket expertise and experience in business integration – capable of ensuring their development for many years ahead.

Moreover, Uni-Select continued to fine-tune its risk management and corporate governance practices last year, especially with respect to the definition of the various committees' roles, management's certifications that are gradually coming into force and the disclosure of information to investors. On January 24, 2006, after being selected as a finalist for the third consecutive year, Uni-Select was honored with the Korn Ferry/Revue Commerce award, in the "Mid-Size Company" category, in recognition of the quality and independence of its Board of Directors and of its corporate governance, as well as the return provided to its shareholders over the past five years. We are particularly proud of this award in view of the significant efforts made by Uni-Select with respect to corporate governance.

Indeed, Uni-Select has stood apart for its sound corporate governance by adopting several practices long before they were required or recommended by regulatory authorities. For instance, the Chairman of Uni-Select's Board has been independent from operations for more than ten years and our audit committee has, for a long time, consisted of people with financial skills.

"Uni-Select was founded in the 1960s by entrepreneurs who, as their business developed, felt the need to access the capital markets and to adopt strict and particularly sophisticated rules of corporate governance, well before market regulators made that a requirement. Why? Simply to be fair to shareholders and because the Company concluded, more than twenty years ago (!), that such rules would help manage the business more effectively." (translation)
– Revue Commerce, February 2006

For three years now, members of the Board have been meeting, when deemed necessary, in the absence of management, and shareholders have had the power to vote for each director individually. Lastly, the Company has always had one single class of shares issued. These few examples reflect the integrity and independence of Uni-Select's Board of Directors, which consists mainly of independant members whose diverse skills converge to ensure shareholders that the Company is managed in a transparent and responsible fashion.

We look forward to Uni-Select's short and long-term future with great confidence and enthusiasm. The fundamentals of our industry in North America are generally favourable and we have developed clear and realistic strategies to capitalize on such trends.

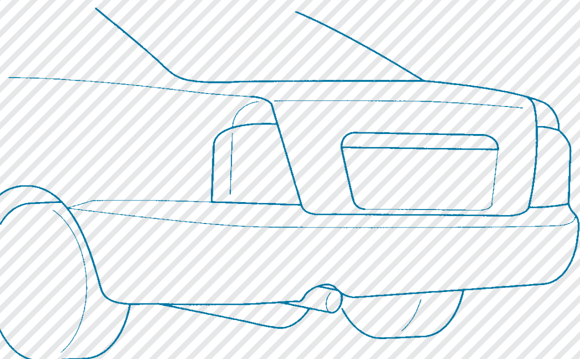
Sustained growth and aging of the fleet of registered vehicles, their greater utilization and the substantial increase, in recent years, in the sales of light trucks that require more maintenance, are the main trends that should continue to fuel the growth of the aftermarket industry in future years.

Another factor working in Uni-Select's favour is that the trend in the aftermarket parts industry is very similar in Canada and the United States: this significantly increases potential synergies among our various groups and the possibility of implementing common strategies that will leverage the size and strength of our organization.

This potential is all the more important given the excellent fit in terms of cultures and market approaches that existed from the outset between Uni-Select and MAWDI, making this acquisition exceptionally valuable for Uni-Select and its shareholders.

However, our industry must also face a number of new challenges, including the recent surge in the fuel price, stronger competition from automobile dealers and the growing popularity of foreign nameplates at the expense of the big three American brands. Such challenges are forcing us to constantly question and adapt our strategies and our business model, in order to support our merchants' competitiveness and create new business opportunities for them. For example, while the high price of gas reduces mileage travelled, it also reduces disposable income, which tends not only to delay the purchase of new vehicles but also makes the consumer even more sensitive to the cost of repairs. This should normally work in favour of the traditional repair shop rather than the dealer's more costly services, especially once the vehicle has reached a certain age.

That gives us one more reason to do our utmost to ensure that our merchants can serve their installer customers at the lowest possible cost with a vast selection of both domestic and foreign brand products, and of value-line parts as well as OE quality products.



Therefore, we are currently devoting a substantial part of our efforts to enhancing the level and value of our distribution and support services in the foreign nameplate parts category, which is why we expect to develop new sources of supply and to improve the training offered to installers.

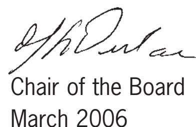
In the upcoming quarters, we will pursue the integration of the Automotive Group USA while maximizing synergies in purchasing, distribution, marketing and operational management. We also intend to emphasize our role as consolidator through targeted acquisitions and partnerships, mostly in the United States, and by strengthening our partnership and succession programs to support the expansion of our Canadian and U.S. merchants. To accelerate Uni-Select's organic growth and more efficiently support the development and competitiveness of our independent merchants and national customers, we will constantly update our business model, product selection, infrastructures and technologies.

Uni-Select's profitability and financial health remain our utmost priorities and the pillar of our long-term success. Therefore, we will continue to manage the Company in accordance with the most stringent criteria of efficiency and effectiveness, by maintaining a reduced asset base and optimizing its utilization, and by preserving a flexible capital structure and a reasonable debt load.

Our aim is to achieve sales of $1.5 billion within two to three years. We will do so by enhancing our positioning and reputation across North America as the partner of choice for independent merchants, on the strength of our open warehouse and menu-based service formula, our selection of national brand products and our fundamental commitment to offer jobbers a distinctive competitive advantage, in keeping with their evolving markets. By achieving this vision, Uni-Select will create further economic value for its shareholders, whose interests we will continue to defend with the greatest determination.

In conclusion, we want to congratulate and thank Uni-Select's officers and employees for their enthusiasm and capacity to skillfully meet the challenge of the Company's rapid growth. We also wish to thank our merchant members and customers for their loyalty and endorsement of the development strategies that support our common success. We thank our shareholders for their confidence, as well as our business partners, especially our suppliers. Lastly, we acknowledge the excellent contribution of the members of our Board of Directors, that entitles Uni-Select to stand out among the most responsible public corporations in defending shareholders' interests.

(Signed)
Jean-Louis Dulac



Chair of the Board
March 2006

(Signed)
Jacques Landreville

President and Chief Executive Officer

2005 Management Report

(Discussion and Analysis of Operating Results and Financial Position for the Year Ended December 31, 2005)

DESCRIPTION OF BUSINESS

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 EIGHT LARGEST IN THE UNITED STATES. UNI-SELECT'S BUSINESS IS SEGMENTED INTO THREE REPORTABLE SECTORS:

> The **Automotive Group Canada**, represented by various subsidiaries, divisions and two joint ventures, specializes in the distribution of automotive replacement parts, tools and accessories across Canada. Its customer base consists primarily of 597 independent jobbers serving mechanics and body shops, as well as five large national chains of installers. Through its 14 distribution centres located in all of Canada's major regions, the Automotive Group Canada stocks and distributes more than 300,000 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 menu services, including several differentiating marketing programs under distinctive banners, training activities, IT development tools, financing and various programs aimed at supporting its customers' operations and expansion. The Automotive Group Canada also operates 13 corporate stores in certain urban areas.

> The **Automotive Group USA**, represented by the Company's 85.7%-owned subsidiary Uni-Select USA, Inc., conducts similar operations in the United States. This group, which made a major acquisition toward the end of 2004, currently operates 34 distribution centres and 159 corporate stores in 21 states. This network provides it with coverage of approximately 70% of the U.S. registered vehicle fleet. The Automotive Group USA serves some 1,512 independent merchants to whom it offers a large selection of products and services.

> The **Heavy Duty Group**, represented by Uni-Select's wholly-owned subsidiary Palmar Inc., 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 in Quebec and Alberta, along with 22 corporate stores in Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Ontario.

During the year ended December 31, 2005, Uni-Select's three sectors respectively accounted for 43.7%, 49.9% and 6.4% of consolidated sales.

The Canadian automotive replacement parts distribution industry has experienced a significant consolidation over the past 20 years, at both the distributor and wholesaler levels. Uni-Select has played a key role in this movement by making 42 acquisitions and strategic alliances in Canada and the United States, while also implementing financing programs to support its merchant members in their expansion-by-acquisition projects. While currently more fragmented than the Canadian industry, the U.S. industry has recently experienced a certain degree of consolidation, to which Uni-Select has contributed by acquiring several small and medium-sized distributors since 1998, and a large-scale distributor in 2004 *(see "Major Events of the Past Three Years" section of this Management Report)*.

Although there are various differences between the structure and trends in the Canadian and U.S. automotive replacement parts industry, the major supply and demand trends are basically the same both sides of the border. This similarity enables Uni-Select to implement strategies and programs apt to maximize the synergies provided by its size and growing purchasing power throughout North America.

The Canadian and U.S. automotive replacement parts and accessories distribution industry is subject to certain risk factors of circumstantial, competitive and other nature, which are described in the *"Risk Management"* section of this Management Report.

PRELIMINARY COMMENTS TO MANAGEMENT REPORT

Basis of Presentation

This Management Report discusses the Company's operating results and cash flows for the years ended December 31, 2005 and 2004, as well as its financial position at those dates. It should be read in conjunction with the consolidated financial statements and accompanying notes included in the Annual Report. For further information, some supplementary documents, including those prepared for the Annual General Meeting of Shareholders to be held on May 17, 2006, the Annual Information Form, previous annual reports, interim reports and press releases, are available on SEDAR's website (www.sedar.com).

The financial statements contained in the Annual Report have been audited by the Company's auditors.

In this Management Report, "Uni-Select" or "the Company" designates, as the case may be, Uni-Select Inc. and its subsidiaries, divisions and joint ventures, or Uni-Select Inc. or one of its subsidiaries, divisions or joint ventures. The term "year" refers to the 12-month financial period ended December 31 of the year designated by the context. All comparisons are made with the previous year.

The information contained in this Management Report takes into account any major events that occurred prior to March 14, 2006, on which date the financial statements and Management Report were approved by the Company's Board of Directors. It presents the Company's status and business context as they were, to management's best knowledge, at the time these lines were written.

Compliance with Canadian Generally Accepted Accounting Principles

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in this report also includes some figures that are not performance measures consistent with GAAP.

For instance, the Company 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 of other companies.

Uni-Select also uses "EBITDA", which represents earnings before depreciation, amortization, interests, 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, an indicator of operating performance or cash flows, or as a measure of liquidity. 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"*.

Furthermore, to measure the return on its assets, the Company uses the "return on average net assets" measure. This measure consists of earnings before interest, less related taxes, divided by average net assets, which corresponds to total assets less cash and cash equivalents, temporary investment, bank indebtedness, long-term debt and merchant members' deposits in a guarantee fund.

Finally, the Company uses "total net indebtedness", which consists of short-term and 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 over the sum of total net debt and shareholders' equity. These measurements are not defined by 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.

Forward-Looking Statements

Management's Report is designed to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with Uni-Select's operations and financial position. Certain sections of this Management Report and other sections of the 2005 Annual Report contain forward-looking statements within the meaning of securities legislation concerning the Company's objectives, projections, estimates, expectations or forecasts. These forward-looking statements are subject to a number of risks and uncertainties, such that actual results could differ materially from those indicated or underlying these forward-looking statements. The major factors that may lead to a material difference between the Company's actual results and the projections or expectations expressed in these forward-looking statements are described in the *"Risk Management"* section of this Management Report. Besides these major factors, the Company's results are dependent on the competition, consumers' purchasing habits, car population trends, general economic conditions and the Company's financing capabilities. There can be no assurance as to the materialization of the results, performance or achievements as expressed or implied by the forward-looking statements. 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.

Effectiveness of Disclosure Procedures and Controls

Uni-Select has established and maintains disclosure procedures and controls in order to provide reasonable assurance that the important information related to the Company and its consolidated subsidiaries is passed on to management, that the financial information is reliable and that the financial statements for the disclosure of financial information are prepared in accordance with GAAP. Management assessed the disclosure procedures and controls at the end of 2005 and concluded that they are effective and, to its best knowledge, that the financial statements and other information appearing in the annual documents provide, in all material regards, an accurate picture of the Company's financial position, financial results and cash flows for the reporting period.

Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires the Company's management to make estimates and assumptions which affect the amounts reported in the financial statements and accompanying notes. Such estimates are based on management's best knowledge of current events and actions that the Company might take in the future. Actual results could differ from such estimates. The main estimates are described in the following text.

Revenue Recognition:

Revenues are recognized on shipment of goods when all benefits and risks relating to ownership have been transferred and collection is reasonably assured. The Company records its revenues net of customer discounts. Allowances are made for the estimated sales discounts granted to customers and the future credits related to revenues for the year. However, an additional allowance could be required if actual results were to differ from the assumptions and estimates used by the Company when recording allowances.

Goodwill:

Goodwill is not amortized but tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. The Company compares the reporting unit's carrying value to its market value determined through a discounted cash flow analysis. In preparing discounted cash flows, the Company uses its judgment in estimating future profitability, growth, capital spending and discount rate. As management uses its judgment to estimate the market value of the reporting units, changes to those estimates could modify the goodwill value presented. If the carrying value of the reporting unit exceeds the market value, the Company would then evaluate the impairment loss by comparing the fair value of the goodwill to its carrying amount. Based on the impairment tests performed as at December 31, 2005, the Company concluded that no additional goodwill impairment charge was required. In the event that actual results differ from the assumptions and estimates used, an impairment could be necessary.

Pension Plans:

The Company maintains defined benefit plans for certain of its employees and ensures that contributions are sustained at a level sufficient to cover benefits. Actuarial valuations of the Company's various pension plans were performed on December 31, 2003 and 2004. Plan assets are measured at fair value and consist of equity securities and corporate and government fixed income securities. Net pension expenses and obligations are based on various economic and demographic assumptions determined with the help of actuaries and are reviewed each year. Key assumptions include the discount rate, the expected long-term rate of return on plan assets and the rate of compensation increase. The discount rate assumption used to calculate the present value of the plans' projected benefit payments was determined using a measurement date of December 31, 2005 and based on yields of long-term high-quality fixed income investments. The expected long-term rate of return on pension plan assets was obtained by calculating a weighted average rate based on targeted asset allocations of the plans. The expected returns of each asset class are based on a combination of historical performance analyses and forward-looking views of financial markets. The targeted asset allocation of the plans is generally 60% for equity securities, 20% for fixed-income securities and 20% for inflation-sensitive rate securities. The rate of compensation increase is used to project current plan earnings in order to estimate pension benefits at future dates. This assumption was determined based on historical pay increases, forecasts of salary budgets, collective bargaining influence and competitive factors. The Company believes that the assumptions are reasonable based on information currently available. However, in the event that actual results differ from the assumptions and estimates used, the provision for pension and expenses and obligations may be adjusted.

Allowance for Doubtful Accounts:

The Company maintains an allowance for doubtful accounts for expected losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant outstanding accounts, the aging of the receivables, customer creditworthiness, and historical collection experience. The Company believes that its allowance for doubtful accounts is sufficient to face the risks inherent to outstanding receivables. However, in the event that actual results differ from the assumptions and estimates used, an additional allowance for doubtful accounts expense could be recognized.

Allowance for Surplus or Obsolete Inventories:
Inventories are valued at the lower of net realizable value or cost calculated using the first in, first out method. The Company records an allowance for obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventories to their net realizable value, is then entered as a reduction of inventories in the consolidated balance sheet. Management must make estimates and judgments when establishing such allowances. In the event that actual market conditions are less favourable than the Company's assumptions, additional allowances could prove necessary.

Income Taxes:
The Company uses its best judgment in determining its effective tax rate. There are many factors in the normal course of business that affect the effective tax rate, since the ultimate tax outcome of some transactions and calculations is uncertain. The Company could at any time be under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the most probable outcome of known tax contingencies, although the final results are difficult to predict. If the outcome of a tax audit were to result in a different treatment than the one used by management, the provision may be adjusted.

Future Taxes:
The Company is required to assess the ultimate realization of the future income tax assets and liabilities generated from temporary differences between the book and the tax value of assets and liabilities and loss carry-forwards in the future. This assessment is judgmental in nature and dependent on assumptions and estimates regarding the availability and character of future taxable income. The ultimate amount of future income tax assets realized could be materially different from those recorded, as it is influenced by future operating results of the Company.

Changes in Accounting Policies

No changes in accounting policies were made in 2005. The changes to accounting policies adopted in 2004 are described in Note 2 to the consolidated financial statements for 2005.

Volume Discounts

Uni-Select negotiates purchasing agreements with suppliers that provide for the payment of volume discounts. Moreover, the purchasing agreements between Uni-Select and its Canadian merchants as well as some of its U.S. merchants provide for the payment of discounts based on those merchants' purchasing volume. Purchasing agreements with suppliers are periodically reviewed and discount levels are adjusted on the basis of prevailing market conditions. The Company also periodically adjusts the discounts granted to merchants on the basis of market conditions for the targeted type of product. Uni-Select records merchant discounts as a reduction of revenues. The discounts earned from suppliers are recorded as a reduction of cost of sales. The net discount applicable to a type of product is deducted from the year-end inventory valuation. The impact from one year to another of the net fluctuations in discounts, both those granted to merchants and those earned from suppliers, is considered immaterial.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of dollars, except for share-related figures)

Years Ended December 31 [1]

	2005	2004	2003
	$	$	$
Sales			
• Automotive Group Canada	**503,382**	503,870	492,075
• Automotive Group USA	**575,773**	209,071	169,120
• Heavy Duty Group	**74,055**	75,295	59,429
Total	**1,153,210**	788,236	720,624
EBITDA			
• Automotive Group Canada	**37,194**	38,187	34,714
• Automotive Group USA	**35,761**	9,028	9,055
• Heavy Duty Group	**1,187**	3,691	2,590
Total	**74,142**	50,906	46,389
Net earnings	**39,061**	30,935	31,386 [2]
• basic per common share	**2.00**	1.67	1.72
• diluted per common share	**1.99**	1.65	1.70
Cash dividends paid on common shares	**6,114**	6,181	4,692
• per common share	**0.31**	0.34 [3]	0.27
Weighted average number of common shares outstanding	**19,516,512**	18,539,196	18,273,595
Weighted average number of dilutive common shares outstanding	**19,658,327**	18,729,762	18,460,011

Balance Sheet Data (as at December 31)

	2005	2004	2003
	$	$	$
Total assets	495,676	482,450	317,732
Shareholders' equity	255,617	223,866	173,755
Long-term financial liabilities (4)	72,056	71,159	8,199

(1) Certain figures for 2003 have been restated to reflect the application of new accounting policies adopted in 2004. In addition, some figures for 2004 and 2003 have been reclassified in accordance with the presentation adopted in 2005, notably in regard to the breakdown of head office expenses between the Company's three sectors.

(2) During 2003, Uni-Select accounted for pre-tax non-recurring income of $6.6 million upon the favourable settlement of litigation. Net of related taxes, this non-recurring income had a positive impact of $4.5 million on net earnings and of $0.26 on earnings per share. For information purposes, excluding this non-recurring income, the Company would have recorded net earnings of $26.9 million or $1.47 per share ($1.46 diluted) for the year ended December 31, 2003.

(3) Includes a special dividend of $0.05 per share.

(4) Consists of long-term debt and merchant members' deposits in guarantee fund (including current portions).

MAJOR EVENTS OF THE PAST THREE YEARS

Most of the variations in the Company's earnings statement and balance sheet items between and 2003, 2004 and 2005 (excluding the 2003 non-recurring income) can be explained by its ongoing strategy of expansion through acquisitions and strategic alliances.

Fiscal 2003

During the second quarter of 2003, the Supreme Court of Canada rendered a decision in Uni-Select's favour, thereby putting an end to the legal proceedings opposing the Company and Morguard Corporation (formerly Acklands Ltd.) since 1989. Uni-Select therefore accounted for pre-tax non-recurring income of $6.6 million for 2003. Net of related taxes, this non-recurring income had an impact of $4.5 million on net earnings and of $0.26 on earnings per share.

In 2003, Uni-Select also acquired two distributors based in the Seattle region, of Washington State. These acquisitions enabled the Automotive Group USA to establish its presence in the Northwestern United States where it set up a third division: the Northwest Division.

Fiscal 2004

On November 1, 2004, Uni-Select completed the largest acquisition in its recent history by purchasing all common shares of Middle Atlantic Warehouse Distributor, Inc. ("MAWDI"), a large automotive replacement parts and accessories distributor operating in 18 U.S. states and achieving annual sales in the range of US$350 million (approximately Cdn$430 million according to the exchange rate effective at the date of the acquisition). The $113 million transaction was financed partly in cash, partly by a share issue and partly by debt. The acquisition and financing of MAWDI (which contributed to consolidated results for the last two months of 2004) account for most of the variations in earnings, balance sheet items and the number of outstanding shares between 2003, 2004 and 2005.

In 2004, Uni-Select also acquired two distributors in Canada: one in the Calgary, Alberta area which was integrated into the Automotive Group Canada; and the other in the Montreal, Quebec region whose operations were integrated mostly into the Heavy Duty Group, and partly into the Automotive Group Canada.

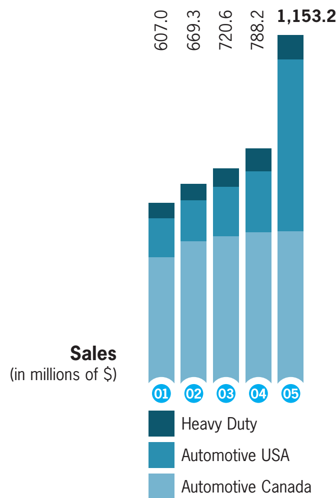
Fiscal 2005

In 2005, Uni-Select completed the first phase of the integration of MAWDI pursuant to a three-year integration plan. Most of the variations in the Company's results between 2004 and 2005 can be explained by MAWDI's contribution for the full 12-month period in 2005 as opposed to two months in 2004.

In 2005, Uni-Select also made nine smaller-sized acquisitions, including eight distributors in the United States. While strengthening the Automotive Group USA's positioning in the States of Washington, Texas, Oklahoma, Missouri, Minnesota as well as in New England, these latest acquisitions will also produce additional revenues of approximately $40 million on an annual basis. The acquired distribution operations were integrated with the Automotive Group USA's existing distribution centres in these regions, whereas a warehouse and five additional corporate stores were incorporated into its network which today includes 159 outlets. Finally, the Automotive Group Canada acquired an Ontario-based wholesaler whose business was converted into a corporate store. *(For further information about the acquisitions over the past two years, the reader is referred to Note 9 to the consolidated financial statements in this Annual Report.)*

Excluding the impact of the past three years' acquisitions and currency fluctuations, the Company achieved organic growth rates of 2.2% in 2003, 1.0% in 2004 and 1.4% in 2005. In regard to profitability, the trend in results also reflects MAWDI's contribution and the synergies gradually arising from the Company's growth-by-acquisition and business integration strategy, especially in regard to the improvement in its purchasing conditions. Conversely, net earnings growth was partially impeded by the weak inflation in the value of replacement parts on hand in 2003, 2004 and 2005, a phenomenon affecting the North American industry as a whole, as well as the difficulties encountered by the Heavy Duty Group in 2005.

A detailed analysis of the variations in operating results and balance sheet items between 2005 and 2004 is provided in the following sections. A detailed analysis of the changes in operating results and balance sheets between 2004 and 2003 is provided in the Management Report contained in the 2004 Annual Report, available on SEDAR's website at www.sedar.com.



CONSOLIDATED AND SEGMENTED OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2005

Sales

During the year ended December 31, 2005, Uni-Select's sales totalled $1.153 billion, compared with $788.2 million in 2004. This 46.3% growth is attributable to MAWDI's contribution for the full 12-month period in 2005, as opposed to two months the previous year. However, the increase in the Canadian dollar in relation to the U.S. dollar had a negative impact of $11.6 million on 2005 sales, without which they would have grown by 47.8%.

Excluding currency fluctuations as well as the contribution of MAWDI and the other acquisitions made over the past two years, Uni-Select achieved a 1.4% organic growth rate in 2005.

The segmented breakdown of sales was as follows:

> The **Automotive Group Canada**'s sales declined by 0.1%, from $503.9 million in 2004 to $503.4 million in 2005. This slight decrease is primarily attributable to the lower sales made to two large national networks of installers on account of structural changes in these businesses' management. In particular, Uni-Select's agreement with MIDAS required major adjustments following the customer's decision to cease the manufacturing of mufflers and exhaust system components, which entailed developing a new private brand product line with a manufacturer in order to continue serving MIDAS franchisees.

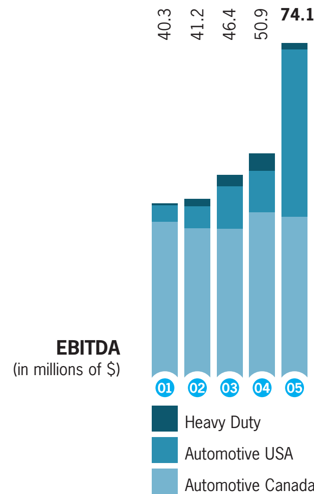
Excluding sales derived from national accounts from the Automotive Group Canada's revenues, those made to independent jobbers – which account for more than 90% of its revenues – grew by 0.8%. The growth in the Automotive Group Canada's sales to independent merchants was especially strong in the Prairie Provinces and Western Canada, whereas its performance in Eastern Canada was weakened by a more difficult economy. In addition, operations in Quebec were temporarily disrupted by an extensive upgrading of IT systems at the main distribution centre in Boucherville.

The Automotive Group Canada also sustained a slight decline in its average selling prices due to the larger proportion of value-line products in its sales mix. While it contributed to slow this group's revenue growth, this factor had no negative impact on its profitability. Finally, there was a slight 0.9% inflation in warehouse product prices in Canada in 2005. Although insignificant, this inflation was nevertheless an improvement over 2004, when distributors suffered a 0.5% deflation in their inventory value.

> The **Automotive Group USA**'s sales jumped 175.4% to $575.8 million in 2005, up from $209.1 million the previous year, driven mainly by MAWDI's contribution for the full period as opposed to two months only in 2004. For the first time, this group represented Uni-Select's largest revenue source, accounting for close to 50% of its consolidated sales. Fluctuations in the Canadian dollar in relation to the U.S. dollar had a negative impact of $11.6 million on the Automotive Group USA's sales translated into Canadian dollars. At a constant exchange rate in comparison with 2004, this group's sales would have grown by 180.9%. Finally, excluding currency fluctuations, the contribution of MAWDI for the first 10 months of the year and the various acquisitions made in 2005, the Automotive Group USA's operations posted organic growth of 3.5% in 2005.

> The **Heavy Duty Group** sustained a 1.6% decline in sales which amounted to $74.1 million in 2005, compared with $75.3 million in 2004. This decrease can partly be explained by the fact that some of the sales associated with the business acquired in 2004 from a Montreal-area distributor of both heavy duty vehicle and automotive parts were transferred to the Automotive Group Canada. Notwithstanding this transfer, the Heavy Duty Group's sales would have posted organic growth of 1.1%.

The slowdown in this group's organic growth compared with prior years can be explained by a number of factors, including a relatively restrictive business environment for the heavy duty vehicle replacement parts industry in Eastern Canada, due especially to soaring fuel prices and high steel costs, which tend to reduce the availability of certain parts, and to softer economic conditions resulting from a slowdown in the manufacturing sector, affected by the strong Canadian dollar and the persisting softwood lumber dispute. The Heavy Duty Group's performance was also affected by fiercer competition resulting from a weaker demand, which exerted a downward pressure on its selling prices and profit margins.



EBITDA

Uni-Select's EBITDA grew by 45.6%, or $23.2 million, from $50.9 million in 2004 (6.5% profit margin as a percentage of sales) to $74.1 million in 2005 (6.4% margin). It should be noted that 2005 results include non-recurring costs totalling $1.3 million, $1.1 million of which in the Automotive Group Canada and $0.2 million in the Heavy Duty Group. Excluding these non-recurring costs, consolidated EBITDA would have amounted to $75.5 million for a 6.5% profit margin as a percentage of sales, being equivalent to the previous year's margin. The segmented breakdown of EBITDA was as follows:

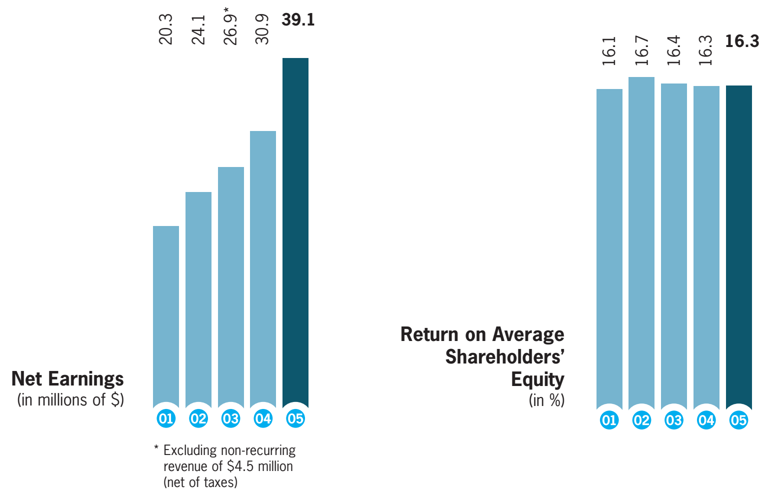
> The **Automotive Group Canada**'s EBITDA decreased from $38.2 million in 2004 (7.6% profit margin as a percentage of sales) to $37.2 million in 2005 (7.4% margin). This group thereby accounted for over half of Uni-Select's consolidated EBITDA in 2005. It recorded non-recurring costs of $1.1 million primarily over the past year, mostly in connection with the implementation, in Quebec, of its new distribution concept consisting of primary centres distributing all product lines, complemented by regional pickup warehouses specializing in the supply of critical or slow-turnover parts. Pursuant to this concept, the Quebec City distribution centre was converted into a pickup warehouse whereas service was increased at the main distribution centre in Boucherville. This conversion produced unusual costs related notably to staff reductions, the relocation of some inventories and the write-off of certain equipment. Excluding these non-recurring costs, the Automotive Group Canada's EBITDA would have grown by 0.4%, while its profit margin as a percentage of sales would have stood at 7.6%.
>
> Furthermore, the Automotive Group Canada's performance was temporarily affected by the technological transition carried out during the third and fourth quarters at the main centre in Boucherville. Finally, the year-end adjustment made by the Company to the amount of volume discounts was slightly lower in 2005 than in 2004. This factor had a negative impact on the Automotive Group Canada's fourth-quarter EBITDA, despite productivity gains and lower allowances for bad debt than in the fourth quarter of the previous year.

> The **Automotive Group USA**'s EBITDA almost quadrupled to reach $35.8 million in 2005, up from $9.0 million in 2004. Hence, its profit margin as a percentage of sales rose from 4.3% to 6.2%. This performance is attributable to the achievement of the initial synergies arising from the integration of MAWDI, notably in regard to common product lines and distribution operations, as well as the improved performance of the divisions existing prior to the acquisition of MAWDI.

> The **Heavy Duty Group**'s EBITDA declined by $2.5 million, from $3.7 million in 2004 (4.9% profit margin as a percentage of sales) to $1.2 million in 2005 (1.6% margin). Besides transferring some of its sales to the Automotive Group Canada, this group recorded non-recurring costs of $0.2 million, associated primarily with the relocation of its main Montreal-area warehouse into a more functional facility better suited to its productivity and future growth. The Heavy Duty Group's performance was also hindered by various external factors including intensified competition arising from a softer demand as well as quality problems in its wheel procurement, which were rectified in the last quarter of the year. Finally, the Heavy Duty Group implemented a more aggressive selling strategy that started to yield benefits in the fourth quarter.

Interest, Depreciation and Amortization Expenses

Uni-Select's interest expenses, net of interest income, amounted to $2.6 million during 2005, compared with $0.4 million in 2004. This variation can be explained by the fact that interest on the long-term debt contracted for the acquisition of MAWDI was paid year-long in 2005, as opposed to two months in 2004. Interest on long-term debt therefore amounted to $3.0 million in 2005, up from $0.4 million in 2004. Interest on bank indebtedness and merchant members' deposits in a guarantee fund totalled approximately $0.7 million in 2005, being equivalent to the previous year. However, interest income from cash, cash equivalents, temporary investment and advances to merchant members amounted to $1.1 million in 2005, up from $0.8 million in 2004, due to a higher average liquidity level than the previous year.



Depreciation and amortization expenses, related primarily to the depreciation of property, plant and equipment, increased from $5.1 million to $6.7 million. Besides the year's acquisitions, this increase can mainly be explained by MAWDI's presence for the whole year and the investments made in 2005 to upgrade the Company's technological platform in Canada, set up the new main business centre in the United States and to furnish the expanded U.S. corporate store base with automotive equipment.

Total interest, depreciation and amortization expenses therefore amounted to $9.3 million in 2005, up $3.8 million over $5.5 million in 2004.

Pre-Tax Income, Net Earnings and Earnings Per Share

Uni-Select recorded earnings before income taxes and non-controlling interest ("EBIT") of $64.9 million, up by $19.4 million or 42.7% over $45.4 million the previous year. The effective tax rate stood at 35.0% in 2005, compared with 30.0% in 2004. The higher effective tax rate can primarily be explained by the Company's larger portion of revenues achieved in the United States, where the corporate tax rate is higher than the effective rates in Canada. In addition, Uni-Select enjoyed certain tax benefits arising from special planning in the fourth quarter of 2004 that did not recur in 2005. Non-controlling interest in the earnings of Uni-Select USA, Inc. rose from $0.9 million in 2004 to $3.1 million in 2005 due to the strong growth in the subsidiary's results.

Uni-Select therefore closed 2005 with net earnings of $39.1 million, up 26.3% over $30.9 million in 2004. The Company thus achieved a 16.3% return on average shareholders' equity, being the same rate as in 2004, despite the issue of new capital stock in November 2004 in connection with the acquisition of MAWDI.

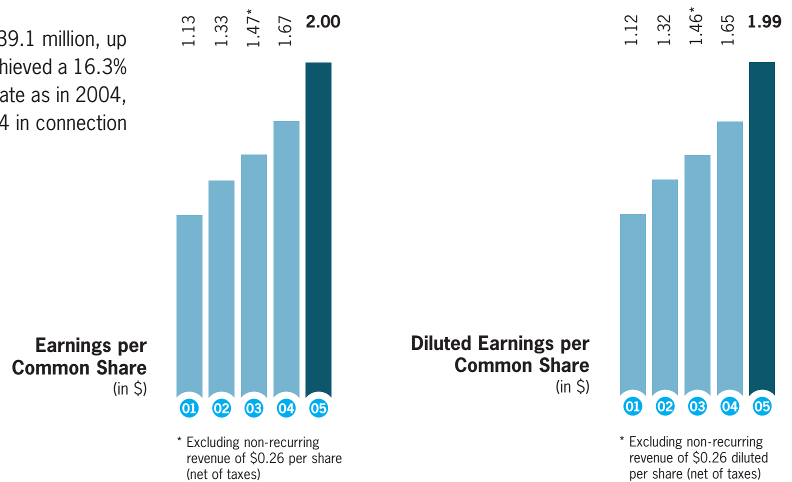
Earnings per share amounted to $2.00 on a weighted average of 19.5 million outstanding shares in 2005 ($1.99 diluted per share on a dilutive basis of 19.7 million shares). That reflects a 19.8% increase over the earnings per share of $1.67 computed on a weighted average of 18.5 million outstanding shares in 2004 ($1.65 diluted on a dilutive basis of 18.7 million shares).

The increase in the weighted average number of shares between 2004 and 2005 can mainly be explained by:

> the issue of 1,075,531 new shares in 2004, including 1.0 million shares as part of the acquisition of MAWDI in November 2004 and the balance following the exercise of stock options by officers and the purchase of shares by a new merchant member; and

> the issue of 176,427 new shares in 2005, primarily upon the exercise of stock options by officers.

The capital stock dilution reflects the impact of the eventual exercise of stock options outstanding during the reporting periods.



FINANCIAL INFORMATION FOR THE PAST EIGHT QUARTERS (UNAUDITED)

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2005				
Sales:				
• Automotive Group Canada	115,134	139,354	128,545	120,349
• Automotive Group USA	135,241	155,758	150,461	134,313
• Heavy Duty Group	15,169	17,716	17,533	23,637
Total	265,544	312,828	296,539	278,299
EBITDA:				
• Automotive Group Canada	5,928	9,968	8,484	12,814
• Automotive Group USA	6,228	9,877	9,020	10,636
• Heavy Duty Group	(369)	372	107	1,077
Total	11,787	20,217	17,611	24,527
Net earnings	5,394	10,267	9,214	14,186
• basic per common share	0.28	0.53	0.47	0.72
• diluted per common share	0.28	0.52	0.47	0.72
Year Ended December 31, 2004				
Sales:				
• Automotive Group Canada	121,818	135,249	130,649	116,154
• Automotive Group USA	38,369	39,861	38,507	92,334
• Heavy Duty Group	15,626	18,804	19,635	21,230
Total	175,813	193,914	188,791	229,718
EBITDA [(1)]:				
• Automotive Group Canada	6,080	9,691	8,887	13,529
• Automotive Group USA	1,771	1,512	1,834	3,911
• Heavy Duty Group	(139)	732	1,235	1,863
Total	7,712	11,935	11,956	19,303
Net earnings	4,142	7,099	7,302	12,392
• basic per common share	0.23	0.39	0.40	0.65
• diluted per common share	0.22	0.38	0.39	0.64

(1) Some figures for 2004 have been reclassified in accordance with the presentation adopted in 2005, notably in regard to the breakdown of head office expenses between the Company's three sectors.

General Comments on Quarterly Results

The quarterly trends in Uni-Select's sales and net earnings for 2005 and 2004 primarily reflect the November 2004 acquisition of MAWDI. Furthermore, although it is not subject to any pronounced seasonal cycle, Uni-Select's operations in the "automotive" sector have traditionally experienced a certain slowdown in the first and fourth quarters due to weather conditions.

Comments on Fourth-Quarter 2005 Results

Uni-Select's sales amounted to $278.3 million during the three months ended December 31, 2005, up 21.1% over $229.7 million in the same period of 2004. Excluding the negative impact of approximately $2.9 million of exchange rate fluctuations, fourth-quarter sales posted an actual increase of 22.4%. This growth is mostly due to MAWDI's contribution for three months in 2005 compared to two months in 2004, combined with the various acquisitions made in 2005. The revenue increase is also attributable to the fact that the Company's three business sectors recorded organic growth of approximately 8.0% for the Automotive Group USA (excluding the impact of exchange rate fluctuations), 3.5% for the Automotive Group Canada and 15.4% for the Heavy Duty Group.

Uni-Select posted fourth-quarter EBITDA of $24.5 million in 2005, up 27.1% over $19.3 million in the same period of 2004. Hence, the EBITDA profit margin stood at 8.8%, compared with 8.4% the previous year. The growth in the consolidated EBITDA and profit margin is attributable to the Automotive Group USA, whose EBITDA jumped 172% from $3.9 million in the fourth quarter of 2004 (4.2% profit margin as a percentage of sales) to $10.6 million in the same period of 2005 (7.9% margin), driven primarily by the synergies arising from the MAWDI integration process.

Conversely, the Automotive Group Canada's EBITDA declined by $0.7 million, from $13.5 million in 2004 (11.6% profit margin as a percentage of sales) to $12.8 million (10.6% margin) in 2005. This decrease can be primarily explained by non-recurring costs of $1.0 million in the fourth quarter, due to the fact that the Company wrote off most of the expenses incurred in 2005 in connection with the conversion of the Quebec City warehouse. In addition, as previously mentioned, the year-end adjustment to volume discounts was lower than in 2004. However, that was offset by better productivity and lower allowances for bad debts than in 2004.

Finally, the Heavy Duty Group's EBITDA decreased from $1.9 million in 2004 (8.8% profit margin as a percentage of sales) to $1.1 million in 2005 (4.6% margin) as a result notably of the recognition of non-recurring costs of $0.2 million associated with the improvements made to its operational base.

Interest expenses, net of interest income, amounted to $0.6 million, compared with $0.4 million the previous year. The increase in interest on long-term debt resulting from the acquisition of MAWDI was partially offset by the growth in interest income resulting from the Company's higher amount of cash, cash equivalents and temporary investment. Depreciation and amortization expenses decreased from $1.5 million in 2004 to $0.7 million in 2005, as a result of favourable year-end adjustments in 2005. Consequently, Uni-Select benefited from savings of $0.6 million in its total interest, depreciation and amortization expenses between the fourth quarters of 2004 and 2005, which translated into a 33.4% increase in its EBIT.

The effective tax rate stood at 34.9%, versus 26.8% the previous year, due to the different geographical breakdown of the Company's revenues and certain special tax benefits recorded in 2004. Uni-Select therefore posted fourth-quarter net earnings of $14.2 million or $0.72 per share (basic and diluted) in 2005, up 14.5% over $12.4 million or $0.65 per share ($0.64 diluted) in the same period a year earlier.

PRINCIPAL CASH FLOWS

Cash Flows from Operating Activities

Consolidated cash flows from operating activities (before changes in working capital items) rose to $53.3 million in 2005 from $35.1 million in 2004, as a result mainly of the increase in net earnings and variations in future taxes. Changes in working capital items used cash flows of $9.6 million in 2005, compared with $26.9 million in 2004. The use of cash in 2005 is primarily attributable to the payment of income taxes owed by the MAWDI subsidiary, whereas the use of cash during the previous year is mostly attributable to the payment of approximately $29 million in income taxes due at the beginning of 2004. After changes in working capital items, operating activities provided net cash flows of $43.6 million in 2005, up from $8.2 million in 2004.

Cash Flows Used by Investing Activities

Investing activities used cash flows of $25.7 million in 2005, down from $91.4 million in 2004. The main investing activities over the past year were as follows:

> various business acquisitions, primarily in the United States, for a cash consideration of $13.0 million, net of the cash acquired. *(These transactions are summarized in Note 9 to the consolidated financial statements for 2005)*;

> the purchase of new property, plant and equipment for a total of $8.6 million, mainly for the upgrading of the Company's technological platform in Canada, the setting up of the new main business centre in the United States, and the purchase of automotive equipment for the U.S. corporate stores; and

> a $4.9 million amount in temporary investment.

Uni-Select also collected $1.1 million on advances to merchant members, net of the new advances granted during the year.

Cash Flows Used by Financing Activities

Financing activities used cash flows of $8.8 million.

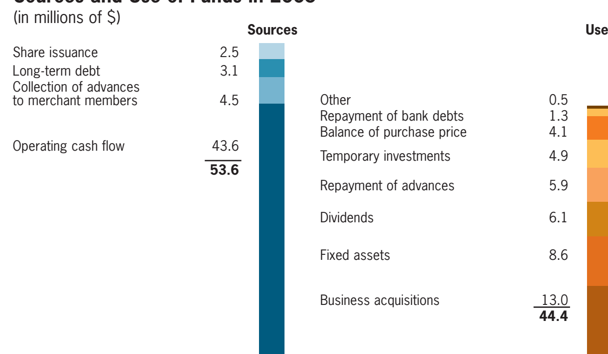
First, the Company's recourse to its revolving bank credit was increased by $4.3 million to finance some of its business acquisitions. It also recorded proceeds of $2.5 million from the issue of 176,427 common shares, mostly upon the exercise of stock options held by officers.

Secondly, the Company made the following disbursements:

> the payment of dividends totalling $6.1 million or $0.31 per share to common shareholders;
> the settlement of the $4.1 million balance of purchase price payable for MAWDI;
> the repayment of $2.5 million amount due to joint venturers;
> the repayment of $1.3 million in bank indebtedness; and
> the repayment of $1.2 million in long-term debt.

After accounting for the various cash inflows and outflows of 2005, the Company's cash and cash equivalents grew by $9.2 million to $19.1 million as at December 31, 2005, up from $9.9 million at the same date in 2004. Adding temporary investment, Uni-Select had available cash of $24.1 million at year-end 2005, compared with $9.9 million as at December 31, 2004.

Sources and Use of Funds in 2005
(in millions of $)

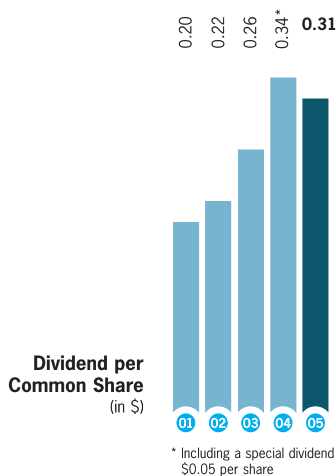


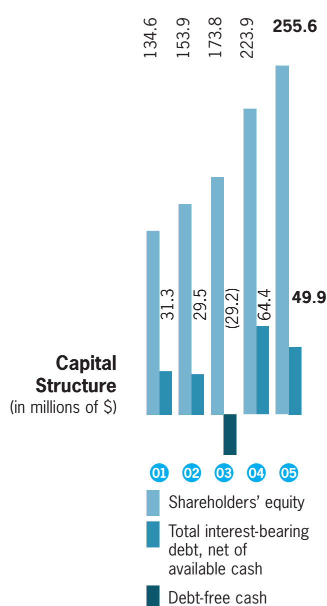
Increase in cash and cash equivalents: $9.2 million

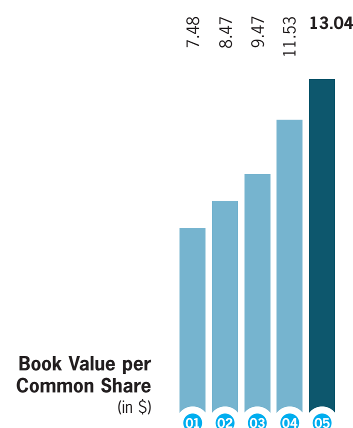
FINANCIAL POSITION

Most of the variations in the Company's balance sheet items between December 31, 2004 and 2005 reflect the organic growth of its business coupled with the period's acquisitions and, to a lesser extent, the impact of exchange rate fluctuations on certain items.

Uni-Select's total assets amounted to $495.7 million as at December 31, 2005, compared with $482.5 million a year earlier. This 2.7% growth is mostly attributable to a $12.6 million increase in current assets, more specifically cash and temporary investment.







Current liabilities declined slightly as a result of the first-quarter payment of income taxes payable of $18.8 million. Consequently, Uni-Select's working capital increased from $258.4 million for a current ratio of 2.62:1 as at December 31, 2004 to $294.2 million for a 3.16:1 ratio at the same date in 2005.

There were no major changes in long-term assets and liabilities in 2005. The slight increase in the value of property, plant and equipment mainly reflects the aforementioned investments, less the period's depreciation and amortization and the impact of exchange rate fluctuations on the value of property, plant and equipment in the United States. In accordance with the Company's strategy of operating with a minimal capital asset base, the latter accounted for only 7.1% of total assets at year-end 2005, consisting primarily of buildings, computer equipment, software and warehousing equipment.

Long-term debt (including merchant members' deposits in a guarantee fund and the current portion) increased from $71.2 million as at December 31, 2004 to $72.1 million at year-end 2005. Shareholders' equity rose to $255.6 million ($13.04 per common share) as at December 31, 2005, up by $31.8 million or 14.2% over $223.9 million ($11.53 per share) a year earlier. This growth can be explained by the net earnings for 2005 coupled with the issue of new common shares, net of the payment of dividends and cumulative translation adjustments.

Consequently, the long-term debt to shareholders' equity ratio improved from 31.8% at the close of 2004 to 28.2% as at December 31, 2005. Adding bank indebtedness, total interest-bearing debt decreased from $74.4 million (representing 24.9% of invested capital) to $74.0 million (22.4% of invested capital) during the same period. Deducting cash and cash equivalents as well as temporary investment, the Company showed total net indebtedness of $49.9 million as at December 31, 2005 (total net debt to invested capital ratio of 16.3%), compared with total net indebtedness of $64.4 million (22.3% ratio) a year earlier. Hence, the Company succeeded in substantially reducing its total net debt to invested capital ratio over the past year.

Uni-Select is in a solid financial position to pursue its ongoing operations and expansion projects. Furthermore, the Company took advantage of a favourable market in July 2005 to increase its credit facility by $75 million, raising it from $150 million to $225 million.

This credit facility consists of a $165 million revolving credit expiring in October 2007, after which it will be converted into a two-year term loan. The credit facility also includes a $60 million operating credit. As at December 31, 2005, the Company benefited from available credit facilities of approximately $160 million, notably to pursue its strategy of expansion through acquisitions, strategic alliances and partnerships.

OUTLOOK, REQUIREMENTS AND SOURCES OF FUNDS IN 2006

Uni-Select's management is confident about the Company's short-term and long-term financial outlook, due to a number of factors. First, despite certain constraints resulting from high fuel prices and intense competition in the automotive replacement parts market, industry fundamentals are generally favourable in North America thanks, notably, to the steady growth and aging of the registered vehicle fleet as well as the greater use thereof. Another factor in Uni-Select's favour is the fact that trends in the replacement parts industry are very similar in Canada and the United States, which increases the potential for synergies between its various groups and the possibility of implementing common strategies that will leverage the size and strength of its organization.

The Automotive Group USA will likely remain the primary growth driver of Uni-Select's revenues and earnings in 2006 and the coming years. First, it will finish integrating MAWDI over the next two years with a view to maximizing synergies, while also benefiting from the additional contribution of the eight acquisitions made in 2005. Secondly, the group will soon finalize its new strategic plan for the years 2006 to 2010, in order to intensify its expansion-by-acquisition strategy and accelerate its organic growth, including through the broadening of its product lines in response to merchants' ever-changing needs, the development of cost-effective value-added services, and the strengthening of its succession and merchant expansion support programs.

For its part, the Automotive Group Canada will continue to modernize its business model and fine-tune the execution thereof in 2006, focusing especially on proactive product management and strengthening customer relationships.

The Automotive Group Canada and the Automotive Group USA are jointly studying various alternatives to accelerate growth and increase Uni-Select's market share in certain product categories experiencing significant development in North America. As acquisitions also remain a keystone of the Automotive Group Canada's growth strategy, Uni-Select will notably take advantage of its option to acquire its partner's 50% interest in the USI-AGI Prairies Inc. joint venture in 2006, which will make a positive contribution to the group's operating income. Finally, the Automotive Group Canada foresees a better performance in regard to the management of its national accounts and will seek to forge new agreements.

Finally, the Heavy Duty Group looks forward to an improvement in its performance in 2006 due particularly to the recent upgrading of several of its business centres, the strengthening of its procurement sources, the addition of value-added product lines and the improvement in its purchasing power. It will also remain on the lookout for potential acquisitions to reinforce its business model.

In terms of funding requirements, besides the ongoing search for acquisitions, partnerships or strategic alliances in Uni-Select's target markets, capital expenditures of approximately $13 million are planned for 2006, related primarily to the upgrading of its technological platform as well as the acquisition of delivery and warehousing equipment. The Company will also continue to remunerate its shareholders according to its dividend policy and, as it does every year, will assess the relevance of redeeming Uni-Select shares on the secondary market. No shares were redeemed in 2005.

Operating cash flows, combined with the Company's available credit facilities, should suffice to cover these various funding requirements. In the event of an expansion opportunity requiring more substantial resources, Uni-Select would assess the various alternatives at its disposal.

CAPITAL STOCK

As at December 31, 2005, Uni-Select's capital stock consisted of 19,599,716 issued and outstanding common shares, versus 19,423,289 as at December 31, 2004. In 2005, Uni-Select issued 176,427 common shares, 174,710 of which were issued upon the exercise of stock options by officers and 1,717 shares were issued to new merchant members. *(Further information on the stock option plan for management employees and officers as at December 31, 2005 is provided in Note 19 to the consolidated financial statements contained in the Annual Report.)*

At the date hereof, being March 14, 2006, Uni-Select's capital stock consisted of 19,648,540 issued and outstanding common shares. In addition, 139,578 common stock options were issued under the Company's stock option plan.

CONTRACTUAL OBLIGATIONS

The following table summarizes, as at December 31, 2005, the payments due by period under the Company's contractual and other obligations:

(in thousands of dollars)

	2006	2007	2008	2009	2010 and following	**TOTAL**
Long-term debt	128	76	45	64,141	65	**64,455**
Capital lease obligations	43	16	7	–	–	**66**
Contractual obligations	16,002	14,352	12,115	10,156	16,228	**68,853**
	16,173	**14,444**	**12,167**	**74,297**	**16,293**	**133,374**

FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized to reduce the interest rate risk on the Company's debt. The Company does not enter into financial instruments for trading or speculative purposes. For instance, interest rate swap agreements are used as part of the Company's program to manage the floating interest rate of the Company's total debt portfolio and related overall cost of borrowing. Various swaps for an amount of $17,488 expire on October 31, 2006 ($5,829) and 2007 ($11,659). *(Further information on financial instruments is provided in Notes 3 and 24 to the consolidated financial statements contained in the Annual Report.)*

RISK MANAGEMENT

Industry and Economy Related Risks

The automotive and heavy-duty replacement parts and accessories distribution sector partly depends on economic conditions, the size, structure and utilization of the car and heavy-duty truck population, and advances in technology. In its core business – automotive replacement parts – the economic climate has little impact on the Company's operations. In fact, although the automotive aftermarket industry is to some extent dependent on the sale of new cars, it is not nearly as cyclical, since car repairs are far less discretionary than buying a new vehicle. However, the Heavy Duty Group is somewhat more sensitive to external factors.

Although the growth of the North American car population is relatively modest, the useful life of cars and the intensity of utilization are trending upwards, leading to an increase in the demand for replacement parts.

The growing number of car models, coupled with their longer useful life, translates into a proliferation of replacement parts, imposing financial constraints on distributors and merchants who must carry a greater selection of parts to ensure an adequate availability of parts. This factor is partially offset by the fact that manufacturers integrate increasingly sophisticated technological components into their vehicles, so each part serves several purposes and costs more to repair, which is favourable to the replacement parts industry.

Within the last few years, the industry has seen a rising proportion of foreign branded vehicles in the North American car population and increasingly complex technology due to cars' larger number of electronic components – two aspects that tend to favour dealers for vehicle maintenance.

This growing importance of technology requires that distributors and merchants invest in ongoing programs to upgrade their employees' skills and give them access to new diagnostic tools. Uni-Select manages the potential impact of such trends through the scope and quality of the training and support programs offered to independent merchants, their employees and their customers. It also integrates cutting-edge high-performance technologies in the areas of warehouse management and telecommunications.

In general, management estimates that inflation has little impact on the Company's financial results as any increase in price imposed by manufacturers is passed on to consumers. Nevertheless, low inflation or deflation in the value of replacement parts on the market can have a negative impact on its distribution centres' profitability.

Exchange rate fluctuations between the U.S. and Canadian dollars can affect the value of the Company's consolidated sales in Canadian dollars but have relatively little impact on its profitability since the breakdown of its sales and purchases between the two currencies naturally protects it against such fluctuations. However, management believes the decline in the relative value of the U.S. dollar over the past two years could have contributed to the weak inflation, or even deflation, in the value of replacement parts sold in Canada, which had a negative impact on the Company's profit margins.

Finally, despite its increase in indebtedness since 2004 to finance its expansion in the United States, Uni-Select remains in solid financial health, characterized by a fairly reasonable debt to equity ratio. Combined with its significant cash flows from operations, the Company is hence relatively sheltered from the risks associated with a sharp rise in interest rates.

Risks Related to Uni-Select's Business Model and Strategy

In the automotive replacement parts market, Uni-Select's business model, which is focused primarily on serving independent jobbers (rather than a network of corporate outlets), requires that the Company take special measures to ensure its merchant members' loyalty and long-term survival. Uni-Select's basic approach is to drive its members' and customers' growth by means of a total business solution incorporating good purchasing conditions, proactive management of the product selection, highly efficient distribution services, innovative marketing programs and various support services such as training and financing. In the context of the industry consolidation, which is also occurring at the jobber level, the Company has developed programs designed to facilitate its merchants' expansion-by-acquisition.

Furthermore, considering that the owners of replacement parts stores are generally aging (the *Automobile Industry Association* and *Desrosiers Consultants* estimate that 85% of them plan to divest their business within the next decade), the Company has also implemented succession programs enabling merchants, who wish to retire, to sell their business to a family member, an employee or another member of Uni-Select's network. The Company may decide to purchase this merchant's business in order to protect its distribution network.

The Company's growth-by-acquisition strategy, especially in the United States, carries its share of contingencies. Uni-Select has developed solid know-how in this regard, having successfully acquired and integrated some 20 organizations within the past five years alone, including a major acquisition in 2004 whose integration is currently proceeding on schedule. To limit its risk, the Company applies, among other things, a targeted and selective acquisition strategy, conducts stringent due diligence and designs detailed integration plans. Finally, Uni-Select's multidisciplinary team is able to accurately assess and manage the risks specific to the markets where it does business, particularly in the United States.

As recommended by regulatory authorities, Uni-Select has set up an operational, strategic and financial risk analysis and control system for which the Board of Directors is directly responsible.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR's website at www.sedar.com.

(Signed)
Jacques Landreville

President and
Chief Executive Officer

(Signed)
Richard G. Roy, CA

Vice President, Administration
and Chief Financial Officer

MANAGEMENT'S REPORT

Relating to the consolidated financial statements

The consolidated financial statements and other financial information included in this annual report are the responsability of the Company's management. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and approved by the Board of Directors.

Uni-Select Inc. maintains internal control systems which, according to the management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Company's activities.

The Board of Directors fulfills its responsability regarding the consolidated financial statements included in the annual report, primarily through its audit committee. This committee which meets periodically with the Company's directors and external auditors, has reviewed the consolidated financial statements of Uni-Select Inc. and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Company's external auditors, Raymond Chabot Grant Thornton LLP chartered accountants.

(Signed) Jacques Landreville
President and Chief Executive Officer

(Signed) Richard G. Roy, CA
Vice President, Administration
and Chief Financial Officer

Boucherville
February 24, 2006

AUDITORS' REPORT

To the Shareholders of Uni-Select Inc.

We have audited the consolidated balance sheets of Uni-Select Inc. as at December 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signé) Chartered Accountants

Montreal
February 24, 2006
(March 14, 2006 for Note 27)

CONSOLIDATED EARNINGS Years ended December 31, 2005 and 2004

(In thousands of dollars, except basic and diluted earnings per share)

	2005	2004
	$	$
SALES	**1,153,210**	788,236
Earnings before the following items	**74,142**	50,906
Interest on bank indebtedness	**421**	492
Interest on long-term debt	**2,957**	391
Interest on merchant members' deposits in guarantee fund	**263**	221
Interest income from cash and cash equivalents	**(547)**	(430)
Interest income from merchant members	**(518)**	(322)
Amortization (Note 5)	**6,705**	5,109
	9,281	5,461
Earnings before income taxes and non-controlling interest	**64,861**	45,445
Income taxes (Note 6)		
Current	**18,316**	15,487
Future	**4,397**	(1,861)
	22,713	13,626
Earnings before non-controlling interest	**42,148**	31,819
Non-controlling interest	**3,087**	884
NET EARNINGS	**39,061**	30,935
Earnings per share (Note 7)		
Basic earnings per share	**2.00**	1.67
Diluted earnings per share	**1.99**	1.65

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

CONSOLIDATED RETAINED EARNINGS Years ended December 31, 2005 and 2004

(In thousands of dollars)

	2005	2004
	$	$
Balance, beginning of year		
As previously reported	**188,159**	164,591
Change in accounting policy (Note 2)	**–**	(955)
As restated	**188,159**	163,636
Net earnings	**39,061**	30,935
	227,220	194,571
Common share issue expenses, net of income taxes	**–**	32
Dividends	**6,254**	6,380
	6,254	6,412
Balance, end of year	**220,966**	188,159

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

CONSOLIDATED CASH FLOWS Years ended December 31, 2005 and 2004

(In thousands of dollars)

	2005	2004
	$	$
OPERATING ACTIVITIES		
Net earnings	**39,061**	30,935
Non-cash items		
Amortization	**6,705**	5,109
Future income taxes	**4,397**	(1,861)
Non-controlling interest	**3,087**	884
	53,250	35,067
Changes in working capital items (Note 8)	**(9,626)**	(26,876)
Cash flows from operating activities	**43,624**	8,191
INVESTING ACTIVITIES		
Temporary investment	**(4,942)**	32,359
Business acquisitions (Note 9)	**(13,034)**	(120,344)
Non-controlling interest (Note 9)	**(152)**	–
Disposals of assets (Note 10)	**–**	1,212
Balance of sale price receivable	**–**	290
Advances to joint ventures	**–**	3,596
Advances to merchant members	**(3,406)**	(5,899)
Receipts on advances to merchant members	**4,469**	2,757
Company shares	**20**	–
Property, plant and equipment	**(8,616)**	(5,473)
Disposal of property, plant and equipment	**–**	115
Cash flows from investing activities	**(25,661)**	(91,387)
FINANCING ACTIVITIES		
Bank indebtedness	**(1,260)**	(4,954)
Due to a joint venturer	**(2,500)**	–
Balance of purchase price	**(4,104)**	(36)
Financing costs	**(288)**	(1,437)
Long-term debt	**4,289**	63,717
Repayment of long-term debt	**(1,226)**	(147)
Merchant members' deposits in guarantee fund	**(28)**	(93)
Issuance of shares	**2,455**	28,643
Common share issue expenses	**–**	(32)
Dividends paid	**(6,114)**	(6,181)
Cash flows from financing activities	**(8,776)**	79,480
Net increase (decrease) in cash and cash equivalents	**9,187**	(3,716)
Cash and cash equivalents, beginning of year	**9,921**	13,637
Cash and cash equivalents, end of year	**19,108**	9,921

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

CONSOLIDATED BALANCE SHEETS December 31, 2005 and 2004

(In thousands of dollars)

	2005	2004
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**19,108**	9,921
Temporary investment (Note 11)	**4,942**	–
Accounts receivable (Note 12)	**133,903**	134,584
Income taxes receivable	**5,352**	2,941
Inventory	**260,156**	261,413
Prepaid expenses	**3,885**	3,496
Future income taxes (Note 6)	**3,093**	5,488
	430,439	417,843
Investments and volume discounts receivable, at cost (Note 13)	**7,798**	8,309
Property, plant and equipment (Note 14)	**36,246**	33,585
Financing costs	**1,321**	1,384
Goodwill	**17,996**	18,273
Future income taxes (Note 6)	**1,876**	3,056
	495,676	482,450
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 15)	**1,932**	3,193
Accounts payable (Note 16)	**132,339**	135,541
Income taxes payable	**–**	18,782
Dividends payable	**1,568**	1,428
Instalments on long-term debt and on merchant members' deposits in guarantee fund (Notes 17 and 18)	**373**	477
	136,212	159,421
Deferred government grants	**395**	421
Long-term debt (Note 17)	**64,349**	63,230
Merchant members' deposits in guarantee fund (Note 18)	**7,334**	7,452
Future income taxes (Note 6)	**4,837**	3,935
Non-controlling interest	**26,932**	24,125
	240,059	258,584
SHAREHOLDERS' EQUITY		
Capital stock (Note 19)	**48,056**	45,601
Retained earnings	**220,966**	188,159
Cumulative translation adjustments (Note 20)	**(13,405)**	(9,894)
	255,617	223,866
	495,676	482,450

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

On behalf of the Board,

(Signed) Jean-Louis Dulac
Director

(Signed) Jean Guénette
Director

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under Part 1A of the Companies Act (Québec), is a wholesale distributor and trader of automotive replacement parts.

2 - CHANGES IN ACCOUNTING POLICIES

Revenue recognition

During 2004, the Company retroactively adopted Abstract 141 (EIC-141), *Revenue recognition*, issued by the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA). In general, the objective of this abstract is to provide guidelines for the application of Section 3400, *Revenue*, of the CICA Handbook. Specifically, EIC-141 presents the criteria to be met for revenue to be recognized.

In 2004, the application of the new guidelines led to an increase of net earnings of $31 and a decrease of retained earnings of $924.

Impairment of long-lived assets

Effective at the beginning of fiscal year 2004, the Company adopted prospectively the CICA Handbook Section 3063, *Impairment of long-lived assets*. This Section provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets, including property, plant and equipment and intangible assets with finite useful lives to be held and used. The Company reviews long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of assets is less than their carrying amount, an impairment loss must be recognized. An impairment loss is measured as the amount by which the carrying amount of the assets exceeds their fair value. At December 31, 2004, no such impairment had occurred.

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, as well as the pro rata share of the assets, liabilities, revenues and expenses of the joint ventures in which the Company holds an interest. This share is accounted for according to the proportionate consolidation method.

Revenue recognition

The Company recognizes revenues upon shipment of goods when all benefits and risks relating to ownership have been transferred, when the sale has been accepted by the customer and when collection is reasonably assured.

The Company offers its customers a right of return. At the time of revenue recognition, the Company records a provision for the right of return which is based on the Company's historical experience and management's assumptions.

Cash and cash equivalents

Cash and cash equivalents include cash and temporary investments maturing less than three months from the acquisition date.

Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

Property, plant and equipment

Property, plant and equipment are amortized over their estimated useful lives according to the following methods, annual rates and period:

	Methods	Rates and period
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	2.5% and 5%
Furniture and equipment	Straight-line and diminishing balance	10% and 20%
Software and automotive equipment	Diminishing balance	30%
Computer equipment	Straight-line	14.3% and 20%
Leasehold improvements	Straight-line	Lease term

Financing costs

Costs relating to the financing structure and the credit facility are amortized using the straight-line method over periods of three and five years.

Goodwill

Goodwill is the excess of the cost of acquired enterprises over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it is impaired. The impairment test consists of a comparison of the fair value of the Company's reporting units with their carrying amount. When the carrying amount of a reporting unit exceeds the fair value, the Company compares the fair value of any goodwill related to the reporting unit to its carrying amount. An impairment loss is recognized in an amount equal to the excess. The fair value of a reporting unit is calculated based on evaluations of discounted cash flows.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

Foreign currency translation

Monetary assets on the balance sheet, excluding those related to the self-sustaining U.S. subsidiaries, are translated at the exchange rate in effect at year-end whereas non-monetary items are translated at the historical rate. Revenues and expenses are translated at the rate in effect on the transaction date or at the average rate in effect during the year. Translation gains or losses are included in earnings for the year.

Assets and liabilities of the U.S. subsidiaries classified as self-sustaining from a financial and operational standpoint are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate in effect during the year. Gains and losses are shown under Cumulative translation adjustments in shareholders' equity.

3 - ACCOUNTING POLICIES (CONTINUED)

Employee future benefits

The Company accrues its obligations under employee pension plans and the related costs, net of plan assets. The Company has adopted the following policies for defined benefit plans:

> The cost of pension benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and is applied to earnings as the services are rendered. The calculations reflect management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees;

> For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;

> Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment;

> Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 5 to 16 years (6 to 16 years in 2004).

The pension expense recorded in earnings for the defined contribution plan represents contributions to be made by the Company in exchange for services rendered by employees.

Derivative financial instruments

Derivative financial instruments are utilized to reduce interest rate risk on the Company's debt. The Company does not enter into financial instruments for trading or speculative purposes.

The Company's policy is to formally designate each derivative financial instrument as a hedge of a specifically identified debt instrument. The Company believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term to maturity, the notional principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

Interest rate swap agreements are used as part of the Company's program to manage the floating interest rate of the Company's total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of interest expense on the hedged debt instrument. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

In the event of early extinguishment of the debt obligation, any realized or unrealized gain or loss from the swap would be recognized in the consolidated statement of earnings at the time of extinguishment.

In 2004, the swap, for an initial amount of $30,450, was effected at a rate of 4.27%. It expires on October 31, 2007 and has been reduced to $17,488 for the period from November 1, 2005 to October 31, 2006 and will be reduced to $11,659 for the period from November 1, 2006 to October 31, 2007.

Stock-based compensation plan

The Company accounts for options issued according to the fair value-based method. It recognizes an expense on the statement of earnings in respect of its stock-based compensation plan when the options become exercisable. Any consideration received from employees when options are exercised is credited to share capital.

Earnings per share and information regarding the number of shares

Earnings per common share are calculated by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the year. The diluted earnings per share are calculated taking into account the dilution that could result if the securities aimed at issuing common shares were exercised at the beginning of the period or at the date of issuance, if later. The treasury stock method is used to determine the dilutive effect of the stock options. This method is based on the assumption that the proceeds derived from the exercise of stock options are used to redeem common shares at their average market price during the period.

4 - INTERESTS IN JOINT VENTURES

The Company's share in the assets, liabilities, earnings and cash flows relating to its interests in joint ventures is as follows:

	2005	2004
	$	$
Current assets	**39,182**	38,585
Long-term assets	**2,954**	3,303
Current liabilities	**13,218**	16,818
Long-term liabilities	**1,418**	1,348
Sales	**108,850**	105,151
Earnings before interest, amortization, income taxes and non-controlling interest	**8,103**	7,915
Net earnings	**3,780**	3,183
Cash flows from operating activities	**2,983**	4,070
Cash flows from investing activities	**129**	(938)
Cash flows from financing activities	**(3,121)**	(3,116)

5 - INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS AND RELATED PARTY TRANSACTIONS

	2005	2004
	$	$
Amortization of property, plant and equipment	**6,373**	5,056
Amortization of financing costs	**332**	53
	6,705	5,109

Sales with joint ventures, in the normal course of business, represent $78,344 ($74,954 in 2004).

6 - INCOME TAXES

The Company's effective income tax rate differs from the combined statutory rate in Canada. This difference arises from the following items:

	2005	2004
	%	%
Federal statutory rate	**22.12**	22.12
Impact of changes in provinces' tax rates	**9.11**	10.21
Combined federal and provincial statutory rate of the Company	**31.23**	32.33
Various tax rates applied in tax jurisdictions of foreign operations	**2.76**	(1.37)
Non-deductible expenses for tax purposes	**0.24**	0.32
Losses of a subsidiary applied for previous years at higher tax rates	**(0.11)**	(0.52)
Recognition of previously unrecorded tax benefits	**–**	(1.08)
Other	**0.90**	0.30
	35.02	29.98

The future income tax expense results primarily from changes in temporary differences.

Future income tax assets and liabilities result from differences between the carrying amount and the tax basis of the following:

	2005	2004
	$	$
Future income tax assets		
Current		
Non-capital losses carried forward	**–**	1,015
Allowance deductible during the coming year	**3,048**	4,426
Other	**45**	47
	3,093	5,488
Long-term		
Property, plant and equipment	**70**	56
Non-capital losses carried forward	**–**	1,116
Pension plan allowance	**1,014**	898
Allowance for performance incentives	**593**	645
Deferred income	**162**	160
Other	**37**	181
	1,876	3,056

	2005	2004
	$	$
Future income tax liability		
Long-term		
Property, plant and equipment	**3,131**	2,433
Prepaid pension plan contributions	**352**	313
Deferred gain on like-kind exchange	**1,028**	983
Other	**326**	206
	4,837	3,935

7 - EARNINGS PER SHARE

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

2005	**Net earnings**	**Weighted average number of shares**	**Earnings per share**
	$		**$**
Basic earnings per share	**39,061**	**19,516,512**	**2.00**
Impact of stock options exercised	**–**	**141,815**	**–**
Diluted earnings per share	**39,061**	**19,658,327**	**1.99**

2004	Net earnings	Weighted average number of shares	Earnings per share
	$		$
Basic earnings per share	30,935	18,539,196	1.67
Impact of stock options exercised	–	190,566	–
Diluted earnings per share	30,935	18,729,762	1.65

8 - INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	2005	2004
	$	$
Accounts receivable	**2,640**	14,209
Income taxes receivable	**(1,576)**	478
Inventory	**3,232**	(2,358)
Prepaid expenses	**(422)**	(769)
Volume discounts receivable	**(87)**	(104)
Accounts payable and accrued liabilities	**4,691**	(17,606)
Income taxes payable	**(18,104)**	(20,726)
	(9,626)	(26,876)

Cash flows relating to interest and income taxes on operating activities are detailed as follows:

	2005	2004
	$	$
Interest paid	**3,641**	1,054
Income taxes paid	**39,509**	26,269

9 - BUSINESS ACQUISITIONS

In 2005, the Company acquired the following businesses:

> Motor Parts Warehouse, Inc. (MPW):
On March 31, the Company acquired the assets of MPW. The Company did not assume any liabilities under this transaction. This company operates two distribution centres in the Automotive USA segment;

> The Kunz Oil Company (Kunz Oil):
On November 30, the Company acquired the assets and assumed a portion of the liabilities of Kunz Oil. This company operates four stores in the Automotive USA segment;

In addition, the Company acquired the shares of one company operating in the Automotive Canada segment, as well as the assets and some liabilities of six companies operating in the Automotive USA segment.

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

The purchase prices are allocated as follows:

	MPW	Kunz Oil	Other	Total
	$	$	$	$
Current assets	4,285	4,221	4,417	12,923
Property, plant and equipment	73	197	463	733
Other long-term assets	–	–	22	22
Goodwill [(a)]	–	–	(77)	(77)
Total assets acquired	4,358	4,418	4,825	13,601
Current liabilities	–	(62)	(358)	(420)
Long-term debt	–	–	(8)	(8)
Total liabilities assumed	–	(62)	(366)	(428)
Net assets acquired	4,358	4,356	4,459	13,173
Cash of company acquired	–	–	(139)	(139)
Net acquisition	4,358	4,356	4,320	13,034

(a) This amount includes a reimbursement of goodwill in the amount of $250 resulting from the purchase price adjustment for Les Batteries Électriques Gagnon Inc., acquired in 2004.

> Uni-Select USA, Inc.:
The Company acquired a non-controlling interest for a cash consideration of $152. Following this acquisition, the Company's interest in its U.S. subsidiary increased by 0.05%, from 85.60% to 85.65%. This acquisition was completed at the carrying amount.

In 2004, the Company acquired the following businesses:

> Les Batteries Électriques Gagnon Inc. (Gagnon):
On January 30, the Company acquired some assets and assumed a portion of the liabilities of Gagnon. This company operates stores in the heavy weight and Automotive Canada segment;

> Middle Atlantic Warehouse Distributor, Inc. (MAWDI):
On November 1, the Company acquired, through its subsidiary Uni-Select USA, Inc., which is 84.12% owned, all of the shares of MAWDI. This transaction was paid in part through the issuance of shares of the subsidiary Uni-Select USA, Inc. Through this issue, the Company increased its interest in its U.S. subsidiary, which is now 85.6%. The acquired company operates 31 distribution centres and 145 stores in the Automotive USA segment;

> Uni-Select Pacific Inc. (USP):
On April 30, the Company increased its interest in its USP joint venture by 3.84%. As a result of this transaction, the Company's interest in the joint venture increased from 59.62% to 63.46%. This transaction was carried out at the carrying amount;

In addition, the Company acquired the assets and some liabilities of two other companies operating in the Automotive Canada segment.

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

Taking into account acquisition costs of $2,078 relating to the shares of MAWDI acquired, the purchase prices are allocated as follows:

	Gagnon	MAWDI	USP	Other	Total
	$	$	$	$	$
Current assets	6,864	188,007	840	1,022	196,733
Future income taxes	–	3,432	–	–	3,432
Property, plant and equipment	286	6,131	36	52	6,505
Other long-term assets	–	2,239	–	–	2,239
Goodwill, net of tax impact of $1,695	3,940	5,022	37	500	9,499
Total assets acquired	11,090	204,831	913	1,574	218,408
Current liabilities	(712)	(72,436)	(479)	(4)	(73,631)
Long-term debt	–	(326)	–	–	(326)
Future income taxes	–	(586)	–	–	(586)
Non-controlling interest	–	(17,481)	–	–	(17,481)
Total liabilities assumed	(712)	(90,829)	(479)	(4)	(92,024)
Net assets acquired	10,378	114,002	434	1,570	126,384
Cash of company acquired	–	(1,230)	–	–	(1,230)
Net acquisition	10,378	112,772	434	1,570	125,154
Total consideration paid cash less cash acquired	10,378	107,962	434	1,570	120,344
Balance of purchase price payable	–	4,810	–	–	4,810

10 - DISPOSALS OF ASSETS

In 2004, the Company disposed of certain assets owned by subsidiaries operating stores to merchant members. It also disposed of certain assets acquired upon the acquisition of Gagnon.

The assets disposed of in connection with these transactions total $1,902 collected as follows: $1,212 in cash, $440 in advances to members and $250 as preferred shares.

11 - TEMPORARY INVESTMENT

The temporary investment is a commercial paper which expires in April 2006 and which bears interest at a rate of 3.39%.

12 - ACCOUNTS RECEIVABLE

	2005	2004
	$	$
Trade accounts		
Merchant members	**123,728**	124,397
Joint ventures	**4,247**	4,873
	127,975	129,270
Current portion of investments	**5,928**	5,314
	133,903	134,584

13 - INVESTMENTS AND VOLUME DISCOUNTS RECEIVABLE

	2005	2004
	$	$
Shares of companies and advances, without interest or repayment terms	**691**	722
Advances to merchant members, interest rates varying between prime rate less 1% and 9.06% (rates varying between prime rate less 1% and 11% in 2004), receivable in monthly instalments, maturing on various dates until 2010	**10,944**	10,897
Volume discounts, receivable until 2009	**2,091**	2,004
	13,726	13,623
Current portion	**5,928**	5,314
	7,798	8,309

14 - PROPERTY, PLANT AND EQUIPMENT

			2005
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Land and paving	**1,223**	**265**	**958**
Buildings	**16,106**	**7,026**	**9,080**
Furniture and equipment	**26,166**	**17,464**	**8,702**
Computer equipment and software	**24,785**	**14,107**	**10,678**
Automotive equipment	**6,946**	**3,071**	**3,875**
Leasehold improvements	**5,024**	**2,071**	**2,953**
	80,250	**44,004**	**36,246**

			2004
	Cost	Accumulated amortization	Net
Land and paving	1,237	253	984
Buildings	15,943	6,691	9,252
Furniture and equipment	25,763	16,373	9,390
Computer equipment and software	21,338	11,638	9,700
Automotive equipment	4,224	2,126	2,098
Leasehold improvements	3,824	1,663	2,161
	72,329	38,744	33,585

15 - CREDIT FACILITIES

Parent company and certain subsidiaries

The Company has a credit facility in the amount of $225,000 ($150,000 in 2004). This credit facility is composed of a $165,000 ($90,000 in 2004) revolving credit expiring in October 2007. Upon expiration, the revolving credit will be converted into a two-year term loan. The balance of the loan is payable in full upon expiry of that term. The credit facility also includes a $60,000 operating credit which is used for the issuance of letters of guarantee and is renewable annually. As at December 31, 2005, the issued letters of guarantee totalled $4,186 ($3,719 in 2004).

The interest rates vary according to the type of loan and the financial ratios achieved by the Company and are set each quarter. As at December 31, 2005, interest rates vary between 4.11% and 7.75% (3.39% and 5.25% in 2004).

The Company is required to comply with certain financial ratios which it has done as at December 31, 2005.

Joint ventures

The authorized lines of credit amount to $15,292 ($15,117 in 2004), and are partially secured by the assets of one of the joint ventures. The bank indebtedness bears interest at variable rates and is renewable on various dates annually. As at December 31, 2005, the interest rates vary between 4.11% and 5% (3.09% and 5.25% in 2004).

16 - ACCOUNTS PAYABLE

	2005	2004
	$	$
Accounts payable and accrued liabilities	**132,339**	128,288
Due to a joint venturer, banker's acceptance rate plus 0.75%	**–**	2,500
Balance of purchase price, prime rate	**–**	4,753
	132,339	135,541

17 - LONG-TERM DEBT

	Current portion	**2005**	2004
	$	**$**	$
Revolving credit, average rate of 4.48% (3.43% in 2004) (Note 15)	**–**	**64,125**	62,948
Notes payable, unsecured, rates varying between 0% and 8%, payable in monthly and quarterly instalments, maturing on various dates until 2008	**103**	**193**	239
Mortgage loans, secured by a building, prime plus 1% (interest rates varying between prime plus 1% and prime plus 1.75% in 2004), payable in monthly instalments, maturing until 2014	**16**	**103**	121
Bank loan, secured by accounts receivable, inventory and equipment, prime rate plus 1%, payable in monthly instalments, maturing in April 2007	**9**	**9**	75
Due to a joint venturer, without interest or repayment terms	**–**	**25**	25
Obligations under capital leases, 0% to 5.9%, payable in monthly instalments, maturing on various dates until 2008	**43**	**65**	122
		64,520	63,530
Instalments due within one year	**171**	**171**	300
		64,349	63,230

The instalments on long-term debt for the next years are as follows:

	Obligations under capital leases	Other loans
	$	$
2006	43	128
2007	16	76
2008	7	45
2009	–	64,141
2010	–	14
2011 and following	–	51
Total minimum lease payments	66	
Financing expenses included in minimum lease payments	1	
	65	

18 - MERCHANT MEMBERS' DEPOSITS IN GUARANTEE FUND

	2005	2004
	$	$
Merchant members' deposits in guarantee fund	**7,536**	7,629
Instalments due within one year	**202**	177
	7,334	7,452

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Company. Each merchant member is required to maintain a deposit based on its prior year's purchases. Deposits bear minimum interest which cannot be less than the prime rate less 2%.

19 - CAPITAL STOCK

Authorized
Unlimited number of shares
Preferred shares, issuable in series
Common shares

	2005	2004
	$	$
Issued and fully paid		
Balance, beginning of year: 19,423,289 common shares (18,347,758 in 2004)	**45,601**	16,958
Issue of 1,717 common shares for cash (1,000,365 in 2004)	**50**	27,663
Issue of 174,710 common shares on the exercise of stock options (75,166 in 2004)	**2,405**	980
Balance, end of year: 19,599,716 common shares (19,423,289 in 2004)	**48,056**	45,601

Common stock option plan for management employees and officers
The shares under option may be subscribed for over a period of 10 years from the date of granting, on the basis of not more than 20% per consecutive twelve-month period and at the common stock closing price on the Toronto Stock Exchange on the day preceding the day the option is granted. A beneficiary who subscribed for less than the maximum permitted in a given year may subscribe for the difference, in addition to 20%, in the years following the date of granting of the option. The option plan provides for the purchase of a maximum of 1,859,400 common shares of the capital stock of the Company. Under this plan, 1,027,216 common shares (852,506 in 2004) have already been issued.

The Company has already repurchased 555,591 options. As at December 31, 2005, 276,593 common shares (452,474 in 2004) are reserved for this plan.

19 - CAPITAL STOCK (CONTINUED)

A summary of the status of the Company's stock option plan as at December 31, 2005 and 2004 and changes during the years ended on those dates is presented below:

	2005		2004	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**366,453**	**13.69**	443,541	13.58
Exercised	**(174,710)**	**13.93**	(75,166)	13.04
Repurchased	**(1,171)**	**11.95**	(1,172)	11.95
Forfeited	**(2,561)**	**15.05**	(750)	18.66
Outstanding, end of year	**188,011**	**13.46**	366,453	13.69
Options exercisable, end of year	**187,400**	**13.44**	295,804	13.49

The following table summarizes information about stock options outstanding at December 31, 2005:

	Outstanding options			Exercisable options	
Range of exercise prices	Number outstanding at December 31, 2005	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at December 31, 2005	Weighted average exercise price
			$		$
$6.75 - $9.25	32,542	2.38	7.93	32,542	7.93
$14.00 - $14.75	76,771	3.91	14.07	76,771	14.07
$15.05 - $18.66	78,698	5.97	15.14	78,087	15.12
	188,011	4.51	13.46	187,400	13.44

20 - CUMULATIVE TRANSLATION ADJUSTMENTS

	2005	2004
	$	$
Balance, beginning of year	**(9,894)**	(6,839)
Effect of exchange rate fluctuations during the year on net investment in self-sustaining subsidiaries	**(3,511)**	(3,055)
Balance, end of year	**(13,405)**	(9,894)

21 - EMPLOYEE FUTURE BENEFITS

As at December 31, 2005, the Company has three defined benefit pension plans and three defined contribution plans. Its defined benefit pension plans are based on years of service and final average salary.

The Company's total expense for the defined contribution plans is $1,093 ($864 in 2004).

Total cash payments for employee future benefits for 2005, consisting of cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plan and cash contributed to its defined contribution plans, were $2,286 ($2,032 in 2004).

Defined benefit pension plans

The Company evaluates its accrued benefit obligations and the fair value of plan assets for accounting purposes on December 31 each year. There is an actuarial valuation of the defined benefit pension plans every three years. The pension plans were evaluated on December 31, 2003 and December 31, 2004 respectively and will be reevaluated on December 31, 2006 and December 31, 2007. The accrued benefit obligations of the other pension plan are reevaluated on an annual basis.

21 - EMPLOYEE FUTURE BENEFITS (CONTINUED)

Information regarding the combined defined benefit plans is as follows:

		2005		2004
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Accrued benefit obligations				
Balance, beginning of year	**13,275**	**3,296**	10,433	2,739
Current service cost	**1,504**	**263**	1,338	255
Interest cost	**860**	**202**	735	193
Benefits paid	**(699)**	**(53)**	(270)	(57)
Plan amendments	**–**	**–**	113	–
Actuarial losses	**2,696**	**241**	926	166
Balance, end of year	**17,636**	**3,949**	13,275	3,296
Plan assets				
Fair value, beginning of year	**10,397**	**–**	8,479	–
Actual return on plan assets	**1,034**	**–**	392	–
Employer's contributions	**1,140**	**–**	1,111	–
Employees' contributions	**559**	**–**	685	–
Benefits paid	**(699)**	**–**	(270)	–
Fair value, end of year	**12,431**	**–**	10,397	–

	2005	2004
	Pension plans	Pension plans
	%	%
Components of plan assets		
Equity securities	**64.0**	67.3
Debt securities	**36.0**	32.7
	100.0	100.0

Matching of plan funding status and amounts shown in the financial statements:

		2005		2004
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Funded status – deficit	**(5,205)**	**(3,949)**	(2,878)	(3,296)
Unamortized past service costs	**753**	**(15)**	827	(18)
Unamortized actuarial losses	**5,635**	**706**	3,345	465
Accrued benefit asset (liability)	**1,183**	**(3,258)**	1,294	(2,849)

The accrued benefit asset is presented in prepaid expenses and the liability is presented in accounts payable.

The net pension expense for defined benefit plans is as follows:

		2005		2004
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Current service cost	**885**	**263**	647	255
Interest cost	**860**	**202**	735	193
Actual return on plan assets	**(1,034)**	**–**	(392)	–
Plan amendments	**–**	**–**	113	–
Actuarial losses	**2,696**	**241**	926	166
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**3,407**	**706**	2,029	614

21 - EMPLOYEE FUTURE BENEFITS (CONTINUED)

	2005		2004	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Adjustments to recognize the long-term nature of employee future benefit costs				
Difference between expected return and actual return on plan assets for the year	**277**	**–**	(280)	–
Difference between actuarial loss recognized for the year and actual actuarial loss on accrued benefit obligation for the year	**(2,567)**	**(241)**	(861)	(161)
Difference between amortization of past service costs for the year and actual plan amendments for the year	**74**	**(3)**	(38)	(3)
Defined benefit costs recognized	**1,191**	**462**	850	450

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	Pension plans		Other pension plan	
	2005	2004	**2005**	2004
	%	%	**%**	%
Accrued benefit obligations as of December 31				
Discount rate	**5.25**	6.00	**5.25**	6.00
Rate of compensation increase	**4.00**	3.75	**4.00**	3.75
Benefit costs for years ended December 31				
Discount rate	**6.00**	6.50	**6.00**	6.50
Expected long-term rate of return on plan assets	**7.00**	7.00	**–**	–
Rate of compensation increase	**3.75**	3.50	**3.75**	3.50

22 - COMMITMENTS

The Company has entered into long-term lease agreements expiring at various dates until 2015 which call for lease payments of approximately $68,853 for the rental of buildings and vehicles. Minimum lease payments for the next five years are $16,002 in 2006, $14,352 in 2007, $12,115 in 2008, $10,156 in 2009 and $8,061 in 2010. Some of these lease agreements contain renewal options for additional periods of two to five years which the Company may exercise by giving prior notice.

23 - GUARANTEES

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 $61,007 ($65,756 in 2004). 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.

24 - FINANCIAL INSTRUMENTS

Fair value of financial instruments
The fair value of cash and cash equivalents, temporary investment, accounts receivable, volume discounts receivable, bank indebtedness, accounts payable and dividends payable approximates their carrying amount given that they will mature shortly.

Substantially all advances and guarantee deposits result from transactions with merchant members. The fair value has not been determined because these transactions are conducted to maintain and develop markets and do not necessarily reflect the terms and conditions that would be negotiated with third parties.

The fair value of long-term debt is equivalent to its carrying amount since substantially all of the debt bears interest at a rate that fluctuates with the market rate.

Foreign exchange risk
The Company is exposed to foreign exchange risk due to cash and cash equivalents, accounts receivable, accounts payable, deposits in guarantee fund and long-term debt denominated in U.S. dollars. As at December 31, 2005, assets denominated in U.S. dollars consisting of cash and cash equivalents and accounts receivable totalled US$52,203 (US$52,916 in 2004); liabilities denominated in U.S. dollars consisting of accounts payable, deposits in guarantee fund and long-term debt totalled US$51,986 (US$51,143 in 2004).

25 - SEGMENTED INFORMATION

The accounting policies that apply to the following industry segments are the same as those described in the accounting policies note. The Company assesses performance using earnings before interest, amortization, income taxes and non-controlling interest.

				2005
	Automotive Canada	**Automotive USA**	**Heavy Duty**	**Consolidated**
	$	**$**	**$**	**$**
Sales	**503,382**	**575,773**	**74,055**	**1,153,210**
Earnings before interest, amortization, income taxes and non-controlling interest	**37,194**	**35,761**	**1,187**	**74,142**
Assets	**195,108**	**252,466**	**48,102**	**495,676**
Acquisition of property, plant and equipment	**4,251**	**4,379**	**718**	**9,348**
Acquisition of goodwill	**173**	**–**	**–**	**173**

				2004
	Automotive Canada	**Automotive USA**	**Heavy Duty**	**Consolidated**
	$	**$**	**$**	**$**
Sales	503,870	209,071	75,295	788,236
Earnings before interest, amortization, income taxes and non-controlling interest [(a)]	38,187	9,028	3,691	50,906
Assets	189,352	252,154	40,944	482,450
Acquisition of property, plant and equipment	4,704	6,525	677	11,906
Acquisition of goodwill	1,337	5,022	3,140	9,499

(a) Head offices expenses previously attributed entirely to the Automotive Canada segment are now divided amongst the three segments of the Company.

The Automotive USA segment includes property, plant and equipment for an amount of $14,668 ($13,104 in 2004).

26 - COMPARATIVE FIGURES

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

27 - SUBSEQUENT EVENT

On March 14, 2006, the Company announced that it will exercise its right to purchase the shares owned by the joint venturer of the joint venture USI-AGI Prairies Inc., a company operating in the Automotive Canada segment. With this transaction, the Company will own 100% of the outstanding shares of USI-AGI Prairies Inc.

DIRECTORS AND OFFICERS

Board of Directors, Uni-Select Inc.

Jean-Louis Dulac
Chair of the Board

Clay E. Buzzard

Pierre Desjardins

Jean Guénette, CA

Jacques Landreville

Léo Leblanc

Jacques Maltais

Hubert Marleau

André Poirier, F.C.A.

Me Jeanne Wojas

Officers, Uni-Select Inc.

Jacques Landreville
President and
Chief Executive Officer

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and Chief Financial Officer

Michel Maheux
Senior Vice President,
North American Market
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Automotive Group USA

Robert de Montigny
Executive Vice President
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Richard Buzzard
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Group Controller

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Robert de Montigny
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Me Pierre Chesnay, LL.B
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Terry Pollock
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The Caisse centrale Desjardins du Québec
JP Morgan Chase Bank
Caisse de dépôt et placement du Québec

Registrar and Transfer Agent
National Bank Trust

Annual Information Form
The Annual Information Form for the year ended December 31, 2005, is available on SEDAR (www.sedar.com) or may be obtained upon written request from the Secretary of the Company.

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