UNI-SELECT
ANNUAL REPORT

07

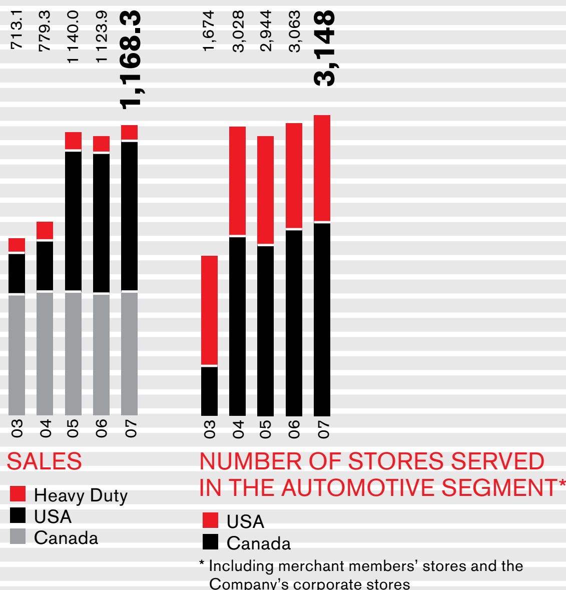
MISSION TO GROW UNI-SELECT INTO THE LEADING DISTRIBUTOR OF AUTOMOTIVE PARTS AND RELATED PRODUCTS WHILE CREATING SHAREHOLDER VALUE BY EXPERTLY MANAGING ITS SUPPLY CHAIN AND BY DRIVING ITS SALES AND MARKETING TEAMS TO MEET THE NEEDS OF THE MARKET AND OUR CUSTOMERS.

12-POINT INSPECTION

Expansion

In 2007, Uni-Select strengthened its reputation as a top-rated consolidator in North America by way of acquisitions and entered into major purchasing agreements.

1 Consolidated sales rose 1.7% in Canada and 7.0% in the U.S.



* Including merchant members' stores and the Company's corporate stores

2 Important acquisitions

a. In the U.S., acquisitions account for estimated annual sales of more than $100 million

i. Consumer Auto Parts in Massachusetts (one distribution centre and 23 points of sale) with expertise in retail sales and annual sales of $41 million

ii. Parts Distributors in New Jersey (one distribution centre and 16 points of sale) with annual sales of $52 million and expertise in fleet sales

iii. Thompson in New Jersey and Pennsylvania (one distribution centre and eight stores) with annual sales of $11 million

b. In Canada

i. Acquisition of various merchant members with estimated additional annual sales in excess of $15 million

3 Supply agreements

a. Signing with LAR, a network of 500 car dealers and collision repair centres in the eastern part of Canada

b. Agreement renewed with Tirecraft-Pneus Président, a network of more than 400 tire specialists

c. Signing of a distribution agreement with Canadian Tire that should generate an additional $20 million in sales

Service

Uni-Select continues to be the preferred partner of independent wholesalers

4 Automotive Group Canada

a. Increase in number of people participating in the VICTOR, DAVE and ASPEN cybercommunities

b. Success of the SAX loyalty program for installers with 250 new members

c. Enhancement of the distribution structure and inventory management

d. Expansion of the Auto Extra programs

e. Implementation of the ProColor Prestige program outside Quebec

5 Automotive Group USA

a. Streamlining of distribution and logistics in order to provide better customer services

b. Creation of new positions of Vice President, Distribution and Vice President, Corporate Stores

c. Integration of acquisitions into Uni-Select's electronic management system

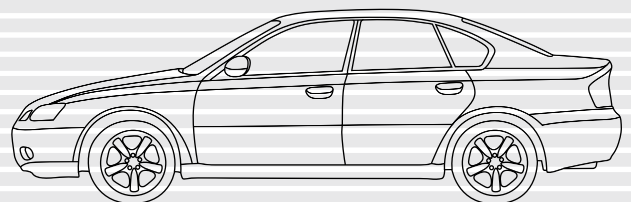
d. Marketing strategy with a focus on the Auto Plus and Part Plus banners

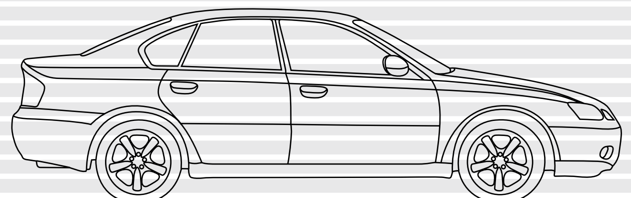
e. Synchronization of purchasing programs with Automotive Group Canada

6 Heavy Duty Group

a. Review of the sales programs

b. Increase in productivity and review of the inventory available to customers





Uni-Select posted a net profit margin of 3.5% for all its operations in spite of the exceptionally volatile and high energy prices and the strength of the Canadian dollar. The 2008-2012 strategic plan will implement the growth levers needed to maintain and accelerate growth.

Profitability

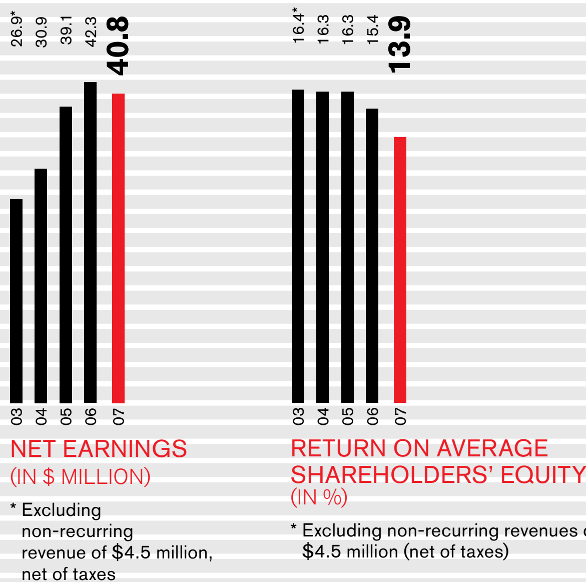
Sales grew in 2007 with a net profit margin of 3.5%

7 Despite a difficult environment, Uni-Select continues to create value for its shareholders

a. Net earnings of $40.8 million or $2.07 per share

b. Return of 13.9% on average shareholders' equity

c. Dividend of 0.42$ per share



NET EARNINGS (IN $ MILLION)

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

RETURN ON AVERAGE SHAREHOLDERS' EQUITY (IN %)

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

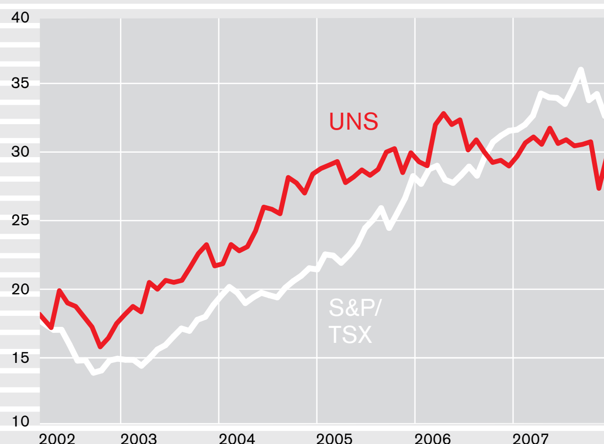
8 Consolidated EBITDA remained steady at more than $80 million

a. EBITDA for Automotive Group Canada stood at $42.3 million

b. EBITDA for Automotive Group USA at $37.9 million

c. EBITDA for Heavy Duty Group rose to $1.8 million

9 Average price of UNS shares



OBJECTIVES 2008 2012

10 Foster expansion

a. Capitalize on acquisition opportunities

b. Seek out national purchasing agreements

11 Facilitate organic growth

a. Continue accelerated growth in certain specific niches (body shop, cooling, parts for foreign nameplate vehicles)

b. Open new distribution channels (retail sales, vehicle fleets, Internet)

c. Integrate acquisitions and new customer accounts

12 Increase efficiency with high-performance computer systems

a. Paperless warehouse management system

b. Inventory management system

c. Integrated management system

FINANCIAL PERFORMANCE

Financial Highlights

(in $M, except for per-share amounts and percentages)

Years Ended December 31, (1)	2007	2006	2005	2004	2003
OPERATING RESULTS					
Sales	1,168.3	1,123.9	1,140.0	779.3	713.1
Variation	4.0 %	-1.4 %	46.3 %	9.3 %	7.6 %
Operating income (EBITDA) (2)	80.0	81.8	74.1	50.9	46.4
Variation	-2.2 %	10.4 %	45.6 %	9.7 %	12.5 %
Operating profit margin (EBITDA) (2)	6.8 %	7.3 %	6.5 %	6.5 %	6.5 %
Net earnings	40.8	42.3	39.1	30.9	26.9 (3)
Variation	-3.5 %	8.2 %	26.3 %	14.9 %	11.8 %
Net profit margin	3.5 %	3.8 %	3.4 %	4.0 %	3.8 % (3)
Return on average shareholders' equity	13.9 %	15.4 %	16.3 %	16.3 %	16.4 % (3)
Return on average net assets	11.4 %	12.8 %	13.6 %	15.4 %	15.0 % (3)
FINANCIAL POSITION					
Working capital	326.9	301.9	294.2	258.4	148.3
Shareholders' equity	304.6	291.9	255.6	223.9	173.8
Total assets	615.6	572.5	494.0	482.4	317.7
Long-term debt / equity	32.7 %	24.5 %	28.2 %	31.8 %	4.7 %
Total net debt / invested capital	30.7 %	23.9 %	16.3 %	22.3 %	s.o.
COMMON SHARE DATA					
Book value	15.43	14.82	13.04	11.53	9.47
Net earnings					
• basic	2.07	2.15	2.00	1.67	1.47 (3)
• diluted	2.07	2.14	1.99	1.65	1.46 (3)
Dividend	0.42	0.38	0.31	0.34 (4)	0.26
Number of shares issued at year-end	19,736,558	19,699,334	19,599,716	19,423,289 (5)	18,347,758
Weighted average number of outstanding shares	19,727,720	19,674,768	19,516,512	18,539,196 (5)	18,273,595

(1) Certain figures relating to years prior to 2006 have been reclassified to reflect the application of new accounting policies, including EIC-156 in 2006.

(2) EBITDA represents operating income before interest, income taxes, depreciation and amortization. As EBITDA is not a measurement defined by Canadian generally accepted accounting principles ("GAAP"), it may not be comparable to similary titled measurements used by other companies.

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

(4) Including a special dividend of $0.05.

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

STRONGER

Second-largest

distributor of automotive replacement parts in Canada and eighth-largest supplier in the U.S.

4,685 employees

75 distribution centres

292 corporate stores in the automotive industry including one distribution centre and 23 stores in the heavy-duty sector

More than 2,000
independent wholesalers in North America

3,000 stores

Integrated management and access to more than

350,000

different top-quality parts
for cars and heavy-duty vehicles,
delivering to its merchants and
installers service at the right time
and at competitive prices.

ENERGY TRANSFER

MAJOR APPOINTMENTS TO SENIOR MANAGEMENT HAVE ACCELERATED THE CHANGES INITIATED, ALL IN KEEPING WITH THE CULTURE AT UNI-SELECT.

Jean-Louis Dulac
Chair of the Board

Jacques Landreville

THANK YOU,
MR. LANDREVILLE

To thank Jacques Landreville is, in some ways, to pay tribute to a driving force behind Uni-Select's rapid growth. Between 1991 and 2007, Jacques turned Uni-Select, a young and promising company that was determined to grow, into a corporation with a strong presence across North America.

Armed with a clear strategy and boundless energy as well as the support of a solid management team, he built a company that is proud to currently be the second largest distributor in Canada and the 8th south of the border.

He has received several accolades for his work, but those who have worked with him during his 16 years as part of Uni-Select's Management have come to really know him as a person. Jacques Landreville – strategist and visionary, manager and humanist – has played a key role in the development of Uni-Select.

Jacques Landreville proved to be an outstanding strategist when, in 1991, he accelerated the consolidation of the automotive-parts market initiated by Uni-Select. His key initiative was expansion and his first targets were Ontario, Western Canada followed by the Atlantic provinces. Over a 15-year span, Jacques made more than 50 acquisitions and worked to properly integrate Uni-Select's business model into the new acquisitions to ensure that everyone shared the culture of efficiency and service that is the Company's trademark.

Jacques Landreville was certainly a visionary when he decided to break into the U.S. market. Since 1998, he grew Uni-Select's presence south of the border to such an extent that it now generates more than half of the Company's sales of auto parts. Three major acquisitions made this year have further established the Company's presence and guaranteed future growth.

A skilled manager, Jacques Landreville has made many people happy in his 16 years at the helm of Uni-Select. His solid strategic positioning and meticulous control of costs have enabled Uni-Select to continue to generate value for the Company's shareholders. Case in point: sales have soared to more than $1 billion in 16 years and the Company's share price has risen from $1.63 in 1991 to $31 as at December 31, 2007.

Lastly, as a humanist, Jacques Landreville has always advocated the great principles of integrity, community involvement and transparency. Under his leadership, Uni-Select has been named company of the year several times, and has received the Mercuriades award and numerous awards for its governance policies.

Looking back, Uni-Select's Board is very happy it gave this young ambitious president carte blanche in 1991. This gave Mr. Landreville the confidence to guide Uni-Select effectively and brilliantly. We thank him for these many years of growth.

Board of Directors

GROWTH LEVERS

1- Acquisitions

Make acquisitions that are in keeping with our business model and that increase our presence in North America.

2- Purchasing agreements

Enter into agreements with major customers in order to increase business for our merchants.

3- Distribution channels

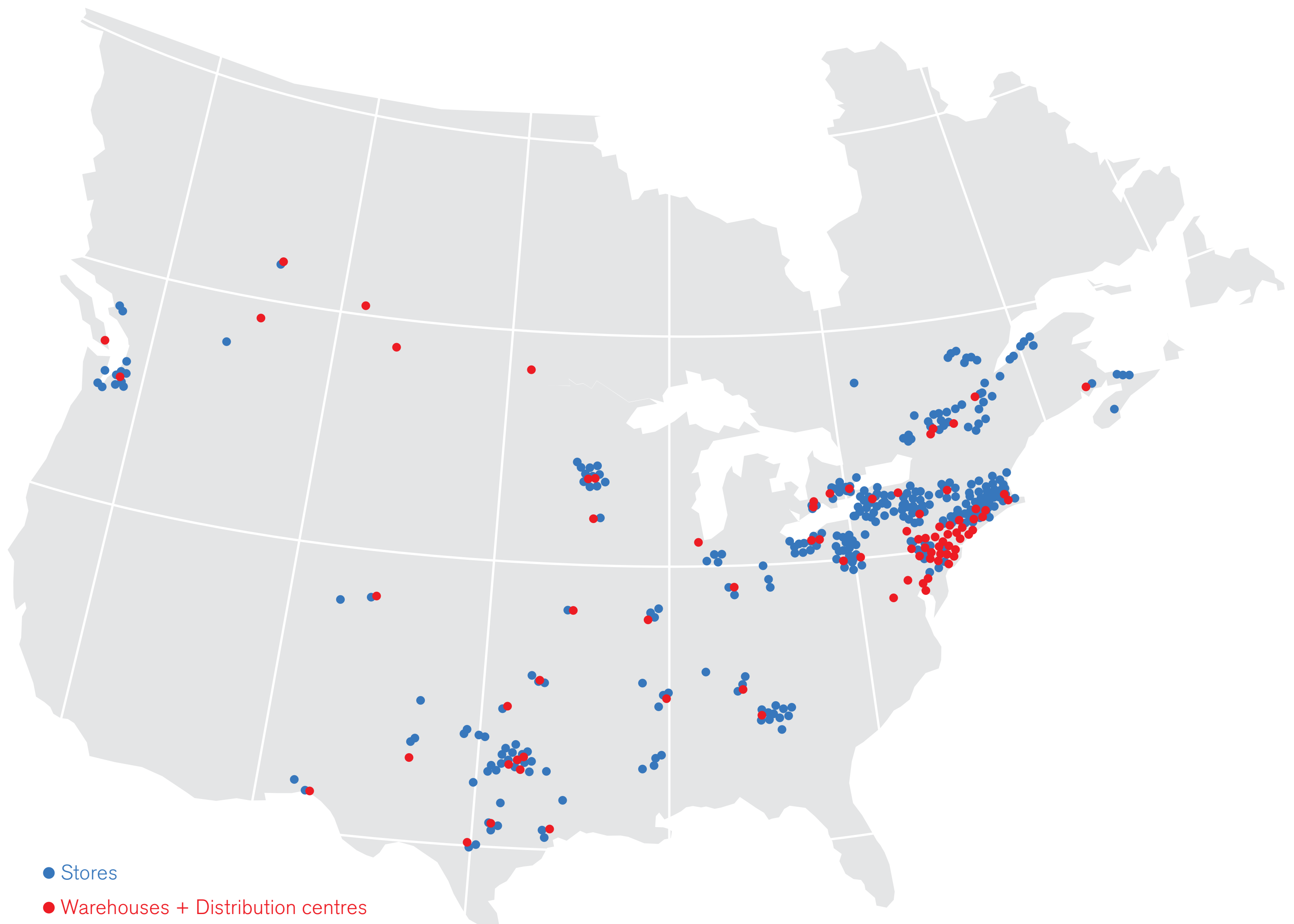
Promote new distribution channels in order to increase our market share in the locations in which we operate.

4- Information systems

Remodel management systems to reduce our operating costs and improve customer services.

5- Culture of efficiency

Promote the entrepreneurial culture of efficiency that encourages all employees to make an optimal contribution to the company.



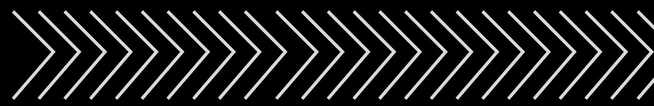
Scope

Uni-Select runs an efficient and profitable distribution network with centres strategically located across North America.

It covers five regions in Canada, namely the Atlantic provinces, Quebec, Ontario, the Prairies and the Pacific provinces. Uni-Select and its 14 distribution centres meet the requirements of the secondary market of Canada's automobile industry.

Uni-Select's U.S. territory is divided into three administrative regions: the North-East region, the West region and the Central region. Uni-Select, which operates in more than 25 U.S. States, has access to more than 70% of the car population in the U.S. from its 61 distribution centres.

A CLEAR VISION



Jean-Louis Dulac
Chair of the Board

Richard G. Roy, CA
President and Chief Executive Officer

MESSAGE TO SHAREHOLDERS

GEARING UP FOR THE FUTURE

IN 2007, UNI-SELECT CONFIRMED ITS VISION AND STRATEGIC DIRECTION WITH A VIEW OF CONSOLIDATING ITS FUTURE AVENUES OF SUCCESS. USING RIGOROUS MANAGEMENT PROCEDURES AND THE CONTINUED GROWTH STRATEGY IT HAS IMPLEMENTED OVER THE PAST FEW YEARS, UNI-SELECT IS POISED TO CAPITALIZE ON THE CRUCIAL ASPECTS OF ITS DEVELOPMENT AND TO FACE THE FUTURE. THE PRESENTATION OF ITS 2008-2012 STRATEGIC PLAN IS A FIRST STEP TOWARDS ENSURING THE IMPLEMENTATION OF THE GROWTH LEVERS REQUIRED TO MAINTAIN AND ACCELERATE GROWTH.

THE EVOLVING MARKET OF THE AUTOMOTIVE PARTS INDUSTRY

No in-depth analysis would be complete without a focus on the very nature of the markets and the external circumstances that may impact their development.

The automotive industry market is constantly changing. Overall, the factors working in favour of the replacement-parts industry include the growing number of vehicles on the road, improvements in the quality and useful life of vehicles and the upward trend in people choosing to use their vehicles more frequently as a mode of transportation. An increase in the number of vehicles on the road as well as the frequency of their use raise the amount of maintenance required on such vehicles. According to estimates, the size of the aftermarket automobile industry is set to rise from 3% to 4% annually over the next three years.

Uni-Select's market, however, undergoes intrinsic changes that, in some cases, have a negative impact on its efforts. The face of the competition is changing. In Canada and the United States, companies that have traditionally sold automotive products directly to consumers are now selling these same products to recognized installers while dealers are entering the aftermarket sales as a means to build customer loyalty. The proliferation of car makes and models coupled with their longer useful life translates into a rise in the number of products and replacement parts required to maintain the fleet. This makes inventory management more complex, and thus increases the investment required to implement efficient management systems.

In addition, non-recurring external factors had a negative impact on the improvement of our annual results. These factors include the phenomenal 17% rise in the value of the Canadian dollar versus its U.S. counterpart in 2007, and the resulting decrease in our sales, plus the ongoing increase in energy costs, in particular the cost of oil which rose 30%.

HOLDING STEADY IN 2007

Uni-Select posted a net profit margin of 3.5% for all its operations in spite of the challenging conditions caused by the cost of energy and the appreciation of the Canadian dollar.

The review of our financial results shows that, excluding the impact of the stronger Canadian dollar versus its U. S. counterpart and certain non-recurring items in 2006, Uni-Select's balance sheet is stable with results coming in higher than a year earlier, but falling short of Management expectations.

For the year ended December 31, 2007, Uni-Select's sales amounted to $1,168 million, up 3.9% from the $1,124 million posted in 2006. The increase in sales can be attributed primarily to acquisitions; and was partially decreased by the unfavourable U.S. dollar exchange rate. Excluding the impact of the exchange rate fluctuations, the Company's sales would have risen 6.9%. The Company recorded net earnings of $40.8 million, or $2.07 per share, down 3.4% from the previous year. It must be noted that net earnings for Automotive Group Canada for 2006 included $1.6 million relating to a transfer of certain volume rebates receivable from the previous year. Excluding the impact of this non-recurring item in 2006 as well as the impact of the exchange rate fluctuations, net earnings would have amounted to $2.20 per share for 2007, up 3.8% from the $2.12 in 2006.

The three groups held steady during 2007.

Automotive Group USA's sales amounted to $607.2 million for 2007, up 7% from the $567.4 million posted in 2006 and the EBITDA operating margin stood at 6.2% compared with 6.5% in 2006, with EBITDA at $37.9 million compared with $36.8 million last year. The acquisitions made in the last quarters accounted for $75 million of the increase in annual sales. Excluding the impact of exchange rate fluctuations, sales for Automotive Group USA would have risen 12.5% and the EBITDA for the Group would have been $40 million dollars.

Sales for Automotive Group Canada totalled $498.0 million an increase of 1.7% from the $489.6 million posted in 2006. This increase is attributable to the impact of acquisitions made during the previous quarters, partially offset by negative organic growth of 1.6%. The Group's operating margin stood at 8.5% in 2007 compared with 9.6% in 2006. As indicated above, the 2006 results were impacted by certain rebates receivable in 2005, which were equivalent to 0.3% of the margin, while the results for the current year have been impacted by downward pressure on prices as a result of a deflation on certain products caused by the stronger Canadian dollar. Excluding the above-mentioned items, the 2007 margin would have been 9.0% compared with 9.3% in 2006.

Heavy Duty Group implemented its turnaround program, which, as early as the second quarter of 2007, resulted in a noticeable improvement while programs aimed at cutting costs, improving the margin and reducing assets began to yield results. Heavy Duty Group's sales, however, slid 5.6% from $66.9 million in 2006 to $63.2 million in 2007. The decrease is attributable to a number of factors such as the transfer of certain retail operations to Automotive Group Canada, the slowdown in sales resulting from the difficult conditions in the transport industry brought on by higher fuel costs and a slowdown in exports. The steps taken to cut costs and improve margins have had a $1.8 million impact on the negative operating margin; it went from $2.0 million in 2006 to $0.2 million in 2007.

GROWTH LEVERS FOR THE FUTURE

In 2007, Uni-Select consolidated its position as the second-largest supplier in Canada and the eighth most important in the United States. Bolstered by these positions, Uni-Select identified growth levers that will enable it to increase its market share, stimulate the organic sales growth, accelerate the achievement of synergies among its business units and maximize the value offered to its shareholders, merchants and customers.

STRENGTH IN NUMBERS

Notable achievements in 2007 included the signing of major service agreements for national accounts in Canada. The most significant of these agreements was signed with LAR, which opens up the market for automotive dealers in Eastern Canada; the agreement with Tirecraft-Pneu Président, a group whose members are major players in the area of wheel and tire sales, and last but not least, a 3 ½-year Canada wide agreement with Canadian Tire. In addition to improving our purchasing power, these agreements improve sales for the merchant members of the Uni-Select Network in Canada. These nationwide agreements are at the core of Uni-Select's sales growth strategy; they will become all the more crucial in an extremely consolidated Canadian market.

In 2007, the Company continued its acquisitions strategy, in particular in the United States where the market remains fragmented and offers attractive opportunities. Automotive Group USA acquired three major businesses, namely Parts Distributors, Consumer Auto Parts and Thompson which, in addition to strengthening Uni-Select's presence in Northeastern U.S.A, should increase annual sales by more than US$100 million dollars. The acquisition of Parts Distributors and Thompson will enable the Company to consolidate its operations in the States of Pennsylvania, New Jersey, Maryland and New York. In addition, Automotive Group USA added an important area of expertise to its services – the sale of parts to automotive fleets. Moreover, Consumer Auto Parts managers will be sharing their expertise in consumer retail sales with the members of the Group's corporate stores in markets where it is warranted.

In Canada, Uni-Select completed the purchase of Replacement Parts Depot in Ontario at the beginning of 2008. The acquisition, which was initially announced in October 2007, adds 22 new merchants to the Uni-Select Network. The new customer base is expected to increase annual sales by $25 million. Lastly, Uni-Select acquired 11 independent merchants in the U.S. and 18 merchant member stores in Canada.

The year 2007, in particular the second quarter, proved challenging in terms of human resources management with more than 916 employees joining the organization following various acquisitions made during the year. It was a transition year during which human-resources management policies in Canada and the U.S. were standardized to further help the new employees, who have the Company's success at heart, integrate into the Uni-Select Network.

During the course of the year, two Canadian collective bargaining agreements were renewed for a three-year term. Agreed changes will improve the flexibility required by the Burnaby and Boucherville warehouse managers to better meet their customers' needs. In addition, the U.S. Air Force recognized Uni-Select as employer of the year in the United States.

The efficiency and quality of our customer services remain a key element of Uni-Select's culture. In 2007, the implementation of the paperless warehouse management system in Edmonton, a process that was initiated in 2006, was completed, and the same system was also rolled out in the Burnaby distribution centre. To date, three Canadian distribution centres are now using the bar code system which facilitates the location of warehoused products, reduces handling and delivery errors and improves operator productivity.

Uni-Select is tackling 2008 determined to intensify its expansion through acquisitions and partnerships, seek out top-quality national and regional agreements and implement innovative and effective operating methods. Uni-Select's updated strategic plan for 2008-2012 will serve as a roadmap of the priorities and strategies that will enable it to achieve these objectives. The roadmap will focus on the results that will make Uni-Select the best business partner of independent wholesalers in North America while creating value for its customers, suppliers, employees and shareholders.

ROADMAP FOR THE FUTURE

At the beginning of 2008, Mr. Richard G. Roy, Chief Operating Officer, was appointed President and Chief Executive Officer in replacement of Mr. Jacques Landreville, who will remain a member of the Board and serve as special consultant to the President for a transition period. This significant change, which is in keeping with the executives' succession plan, is consistent with Uni-Select's culture.

MORE THAN 916 EMPLOYEES JOINING THE ORGANIZATION FOLLOWING VARIOUS ACQUISITIONS MADE DURING THE YEAR.

Ruth McManus
Director, Human Resources,
Automotive Group USA

Jo-Anne Constantin
Human Resources Manager,
Automotive Group Canada

Luc L'Espérance
Vice President, Human Resources

Richard G. Roy and the Management team will be implementing the key objectives of the 2008-2012 strategic plan. The objectives will include, first and foremost, an even greater effort to capitalize on acquisition opportunities that have been and remain the backbone of our growth, in particular in the United States. The acquisitions will have to be compatible with the Uni-Select Network and must be able to integrate efficiently, improve market penetration and establish or increase the Company's presence in new geographical locations.

A second objective consists in improving our availability of parts for foreign nameplate vehicles, a market that is continuously growing. Uni-Select is striving to become one of the key organizations operating in this niche and to meet the needs of our network members in this market. In order to position Uni-Select as a preferred supplier, priorities will include increasing the quantity of parts available for foreign nameplate vehicles and offering a wider range of products for domestic makes.

The Management team has also expressed its determination to increase organic growth. Although this is an ambitious objective in a mature market, the Company plans to achieve it by introducing new distribution channels (national and regional partners), optimizing its product offering in promising niches (paint and bodyshop products, tools and specialized equipment and cooling systems), and introducing new sales methods, primarily online sales either through a dedicated Uni-Select site or through other recognized sites. The enhancement of virtual community tools which promote the exchange of information among merchants, specialists and installers will also be a constant focus.

Lastly, Uni-Select will continue to implement high-performing logistics and computer systems—essential tools for increasing our efficiency and our ability to control operating costs. With this in mind, Uni-Select's Board approved two significant projects in the course of the year.

The first of these projects is the implementation of an integrated inventory Management system. This will enable the Company to better serve its merchants and customers by improving the level of services provided while minimizing the asset base. The second project approved by the Board of Directors is an IT master plan that comprises the implementation of a new operation and financial management system. Over the next few months, the Management will assess the Company's requirements and the available systems in order to select a solution that will best adapt to the growing needs of Uni-Select.

Florent Jacques
Senior Vice President, Distribution and Integration

Daniel Buzzard
Vice President, Distribution and Integration, Automotive Group USA

Richard Poirier
Manager, Distribution and Integration

Michel Laverdure
Vice President, Corporate Purchasing

THE IMPLEMENTATION OF AN INTEGRATED INVENTORY MANAGEMENT SYSTEM WILL ENABLE THE COMPANY TO BETTER SERVE ITS MERCHANTS AND CUSTOMERS.

AN IT MASTER PLAN THAT COMPRISES THE IMPLEMENTATION OF A NEW OPERATION AND FINANCIAL MANAGEMENT SYSTEM.

Robert Buzzard
Vice President Administration, Automotive Group USA

Patrick Laframboise
Senior Manager IT, Automotive Group Canada

Jean-Pierre Beaulieu
Vice President and Chief Information Officer

Uni-Select strongly believes that its success is due to that of its merchants and all its customers. Uni-Select will grow their business through agreements that will increase volume, strengthen the network and make it more competitive.

In closing, we wish to express our gratitude to Uni-Select's 4,685 employees and managers for their commitment and devotion. We would also like to thank our shareholders for their confidence, as well as our business partners, in particular our suppliers. Lastly, we would like to acknowledge the contribution that the Board of Directors has made which has enabled Uni-Select to stand apart as one of the leaders in our industry.

Jean-Louis Dulac
Chair of the Board

Richard G. Roy, CA
President and Chief Executive Officer

REVIEW OF OPERATIONS

AUTOMOTIVE GROUP CANADA

WELL POSITIONED FOR THE NEXT CYCLE

2007 saw many significant strategic initiatives being implemented. In particular, we were successful in penetrating two new installer channels, notably the car dealer channel and the retail channel. Also, we have worked on improving member loyalty by providing incremental volume opportunities, by increasing our product offering in the import parts segment, and finally by improving both our customer service record, and the connectivity of the supply chain.

These actions, coupled with an aggressive and successful program to increase our effectiveness have largely offset the negative impacts of a very challenging Canadian environment.

The strength of the Canadian dollar and the competitiveness of the industry have reduced our sales in spite of increased activities. High energy costs have affected us and our customers as well as our profitability even though we have been able to lower our costs and improve our effectiveness at managing the business, our assets and the loyalty of our members.

We are therefore well positioned for the next business cycle.

GROWTH IN 2007

2007 has seen the foundation of many important and significant alliances with national players, thus fulfilling an important component of our growth strategy. These national accounts, in the context of the highly consolidated Canadian market, are a smart investment for the future.

Automotive Group Canada signed two important strategic alliances that open up new markets and grow our members' business.

- The agreement with LAR, a cooperative of independent car dealers across Eastern Canada, intensifies our presence within the car dealer segment. This is a natural alliance since both our organizations are geared towards servicing a network of independent members.

  To date, more than 560 LAR members have signed an agreement to service their needs through the Uni-Select member network. We hope to extend a similar alliance to other groups that service dealer networks.

- The supply agreement signed in late December with Canadian Tire fulfills a strategic initiative to penetrate the retail segment. This will generate significant volume potential for our members throughout Canada and particularly in Ontario where more than half of the Canadian Tire stores are located. Canadian Tire's partnership with Uni-Select provides for a three and a half year supply agreement that became effective January 1, 2008. As the new preferred supplier of automotive parts, Uni-Select members will be able to provide Canadian Tire with same-day access to more than 100,000 parts on an as-needed basis. We think that our national member network of 1,100 points of sale is uniquely positioned to supply brand name automotive replacement parts, and to support effectively Canadian Tire and their customers. Additionally, this agreement will bring 468 new shops to our installer base, and generate significant volume opportunities for our members.

Automotive Group Canada has also been active on the acquisition front. Most significant is the acquisition of Replacement Parts Depot Limited (RPDL), an Ontario based distributor that was finalized in early 2008.

This acquisition will generate positive results for Uni-Select in the coming year not only generating $25 million dollars in additional sales but also helping to boost our presence in Ontario, a region where the opportunity for growth exceeds the Company's actual performance. RPDL is an automotive replacement parts distributor that operates a warehouse and serves 22 automotive parts wholesalers and retailers and a number of independent automotive related businesses that service the Ontario market. Uni-Select has entered into long-term supply agreements with most shareholders of RPDL.

We have acquired nine corporate stores in 2007 from retiring members, thus protecting our market share. We are working on improving the profitability of our corporate store network in order to make them attractive acquisitions for our existing members, or to attract new members to our network.

Mélanie Gilbert
Major Account Coordinator, Automotive Group Canada

Robert Beauchamp
Vice President, Sales & Marketing, Automotive Group Canada

Denis Fauvelle
Major Accounts Manager, Automotive Group Canada

Michèle Raymond
Vice President, Strategic Planning and Market Development

Brent Windom
Vice President, Marketing and Product Management, Automotive Group USA

TWO IMPORTANT STRATEGIC ALLIANCES THAT OPEN UP NEW MARKETS AND GROW OUR MEMBERS' BUSINESS.

Finally, we are placing emphasis on developing new product lines especially in the foreign vehicles market. This market segment continues to grow and represents today 37% of the Canadian registered fleet.

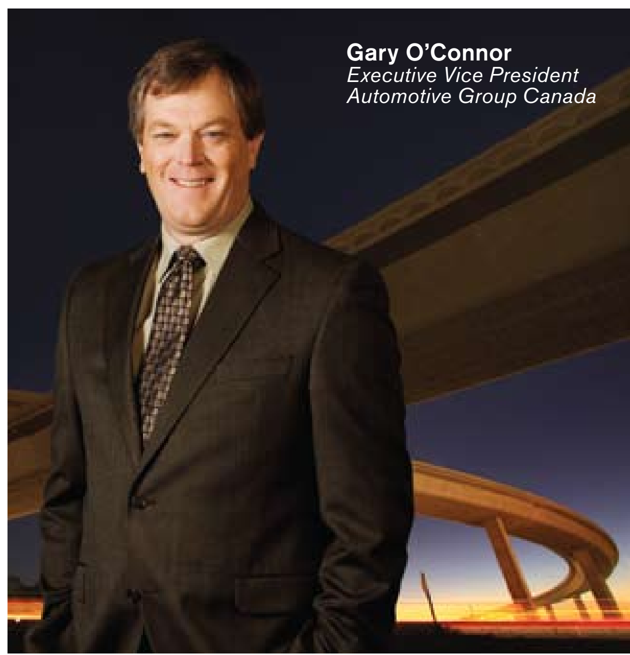
ASSET MANAGEMENT: IMPROVING CASH FLOW THROUGH MORE EFFICIENT ASSETS

The restructuring and modernization of our infrastructures are continuing and we have enhanced the efficiency of our Edmonton and Burnaby warehouses. At the moment, three of our warehouses are now equipped with the paperless Warehouse Management System, and for each region concerned, we note higher merchant satisfaction regarding deliveries and order completion as well as a reduction in our asset base and operating costs.

Reduction of errors, productivity improvement and better accuracy are some of the benefits of the systems.

INTERNAL NETWORKING: EFFECTIVE COMMUNICATION

Customer loyalty is first and foremost in our minds. Our Select Auto Expert (SAX) program is a success and the expansion of our virtual communities is contributing to building loyalty. We note increased numbers of participating members at all three portals that link Uni-Select to its members and installers and promote a wide range of transactions and the exchange of information. For example, VICTOR is now used by more than 475 participating members and 76% of orders are placed online while DAVE links 70 merchant members to 800 installers.



Gary O'Connor
Executive Vice President
Automotive Group Canada

We are continuously improving the content and functionalities of these cyber communities in order to deliver the best strategic information in real time to our customers.

We are also in the process of selecting a Jobber Management System that will be offered to all Canadian customers. This optional system will directly link jobbers to the Uni-Select network and should greatly improve the management of their daily activities. Here again growth and loyalty will be strengthened.

THE FUTURE

As we embark on a new year, we are confident the Uni-Select's Canadian operations are very well positioned to gain market share. We will keep our focus on growth and effectiveness. It is essential to succeed, indeed to beat expectations in the integration of the new business segment, particularly the new National accounts. As they implement Uni-Select's business processes, these new accounts will generate synergistic benefits throughout our Group. We know that these successful partnerships are key to our future. Successful additions to the sales base will make the next growth increment easier to achieve.

In 2008, it is unlikely that the external factors that made 2007 so challenging will disappear. We may, in fact, be entering a multiyear cycle that sees a continuing combination of strong Canadian currency, reduced economic growth and high energy costs that constrain demand.

Even this scenario however should be easier to tackle than the sharp upward currency swings of 2007. We are also operating now more effectively and from a larger base. We will therefore continue to improve our asset management, our networking capabilities and our financial and monitoring tools. With the help of members that are involved in consolidating their own markets, we will confirm our leadership position in Canada by successfully implementing our new partnerships and finding new opportunities to grow. In 2007, we have improved our overall ability to compete in a tough market place.

AUTOMOTIVE GROUP USA

MEETING THE CHALLENGES

2007 has been a year where many challenges had to be met and in most instances, the USA Group was successful. The strategic plan for the Group was initially developed three (3) years ago and it has proven well founded and has enabled us to perform satisfactorily in a challenging environment.

The overall market has shown sluggish growth, reflecting the conditions that have prevailed for our North-American consumers:

- Punishingly high energy prices that had operational and financial impacts
- Fierce competition, at all levels, including in products sourced from emerging countries have affected prices
- Low organic growth as the economy got softer over the year

In this environment, the Group has continued to execute the current strategy of growing mostly through acquisitions, managing gross margins and addressing the cost side of the equation by tackling operating expenses, implementing more performing methods and systems and improving on marketing tactics.

A SUCCESSFUL 2007 ACQUISITION PROGRAM

As the economic environment affected all U.S market participants, Uni-Select has taken advantage of excellent acquisition opportunities. Let us note, particularly:

Consumer Auto Parts (CAP) which is a very profitable, regional leader in auto parts with recognized strength in commercial and retail sales. Since the latter is likely to be a good source of growth in the future, we are benefiting from the acquisitions in two ways:

- Sales and profitability growth in the order of $41 million annually
- Owning a successful unit with a retail model applicable to our corporate stores and hence capable of bringing more organic growth

Parts Distributors which was acquired at the end of September and should bring $52 million of new sales in 2008. Here again, the strategic fit is excellent since the new unit will make us stronger in the fleet business which is one of our growth engines for 2008.

We also acquired Thompson, an auto parts distribution centre in the North-East that should bring $11 million in additional annual sales as well as 11 corporate stores for an additional $10 million of new sales.

Martin Labrecque, CMA
Corporate Controller

Guy Archambault
Vice President, Corporate Development

Pierre Chesnay
Vice President, Legal Affairs and Secretary

Rosetta De Luca
Legal Counsel

John Rutland
Vice President, Corporate Development, Automotive Group USA

UNI-SELECT HAS TAKEN ADVANTAGE OF EXCELLENT ACQUISITION OPPORTUNITIES.

2007 INTERNAL PROGRAMS

- In 2007, we re-aligned the functional organization by creating a new position of VP Logistics and Distribution therefore achieving the dual objective of:
  - Streamlining and reducing distribution expenses
  - Focusing on more efficient distribution, improving inventory turns and increasing our fill rate

  These changes set us closer to customers in growth areas and help us manage assets more efficiently.
- Keeping the customer first and foremost in our minds, we proceeded with a series of improvements in our marketing programs, focusing on our AutoPlus and Parts Plus primary banners.
- Human resources and IT were also an important focus in 2007. All our past acquisitions are now integrated in our IT system and the most recent ones (CAP and PDI) should be integrated by the third quarter of 2008. The integration makes all units of the Group benefit from the important upgrades and introduction of new technologies in distribution and administration. Store technologies such as scanning are now implemented in our stores and distributions centres. The Group partners and employees are now part of a network that allows timely exchanges of information and online access to inventory, orders or invoices and the utilization of our centralized e-tool advertising kit online at uniselectusa.com.

THE FUTURE

Acquisitions will continue because opportunities should increase and because we are able to integrate new assets in a highly synergistic manner. Opportunities will be found in all four key regions and made easier by Uni-Select's reputation, capabilities and financial soundness.

In addition to Fleet and Retail, we believe that the opportunity to grow through National accounts also exists in our market. Given our size and the U.S. market structure, some of this growth will be found in partnership with large regional players.

As the import market becomes more significant in the U.S. aftermarket, we need to make it also a significant part of our base and of our growth strategy. We plan to build it over time to 40% of our total business.

Finally, loyalty programs will continue to be of paramount importance to ensure a strengthening of members' relationship. Many of the initiatives outlined above will help in that regard.

The Group looks forward to updating its strategic plan to match the new Corporate Strategy for 2008-2012. We believe the new plan will confirm the existing direction but also give us the tools and resources needed to meet the challenges of a tough marketplace that will reward the best, most efficient and customer/member focused players.

James E. Buzzard
Executive Vice President
Automotive Group USA

HEAVY DUTY GROUP

IMPROVING RETURN ON INVESTMENT

The business environment in which we and our customers operate continued to be a challenge in 2007. The transport industry was affected by the strong Canadian currency, much higher energy prices and a softening of the U.S economy. The mild winter in 2006 and early 2007 resulted in less demand for our wheel division products while other extraneous considerations like the deterioration of the Canadian lumber industry also had an impact on the demand for our products.

Although it did not, initially, envision such a depressed business environment, our current turnaround plan was aiming at making Palmar a much nimbler and low cost business. We were therefore better prepared and were able to get through 2007 and achieve results in line or exceeding the Plan's expectations. We have streamlined our sales, improved our average margins and worked, very aggressively, to lower operating and capital costs and bring Palmar to a new level of business effectiveness.

REDUCING COSTS

In order to increase profitability, we have reviewed under-performing units and reduced operating costs throughout the network without compromising the quality of customer service.

Following those initiatives, overall general expenses have been reduced by $1.3 million on an annual basis and warehouse productivity improvement impacted our workforce by a permanent reduction amounting to $0.5 million on an annual basis.

Jean Rivard
Executive Vice President
Heavy Duty Group

IMPROVING OUR MARGINS

Margin improvement is now a permanent, continuous process at Palmar. Through a variety of targeted measures, we improved our margin on heavy duty parts and tools. Financial tools to measure progress are in place and Management will pursue those initiatives in 2008 in order to improve gross margin to a level more in line with the industry.

Over and above those initiatives, we have reduced our asset base by 12% by reducing total inventory by $3.9 million. New inventory monitoring processes have been identified and returns are now managed centrally in our warehouse.

FOCUSING ON SALES AND CUSTOMERS

Several new sales methods are being tested and implemented. Major sales promotions took place in partnership with manufacturers and, where it made sense, sales territories were expanded. Conversely, unprofitable lines such as mag wheels were abandoned.

THE FUTURE

While many of the factors that negatively affected our customers and ourselves are beyond our control, we see this period as an opportunity to continue to improve our competitive position and make our division attractive to our shareholders. We will continue, under the new plan, to invest in areas where quick paybacks can be achieved, such as sales promotion and logistics' management. It is now part of our culture to continuously improve our performance on sales, costs, margins and the bottom line.

2007 MANAGEMENT REPORT

(Discussion and Analysis of Operating Results and Financial Position for the Year Ended December 31, 2007)

DESCRIPTION OF BUSINESS

UNI-SELECT INC. ("UNI-SELECT" OR THE "COMPANY"), FOUNDED IN 1968, IS THE SECOND-LARGEST DISTRIBUTOR OF AUTOMOTIVE REPLACEMENT PARTS AND ACCESSORIES IN CANADA, AND THE EIGHTH-LARGEST IN THE UNITED STATES. UNI-SELECT'S BUSINESS IS SEGMENTED INTO THREE DISTINCT REPORTABLE SECTORS:

- **Automotive Group Canada**, comprising various subsidiaries, joint ventures and divisions, specializes in the distribution of automotive replacement parts, tools and accessories across Canada. Its customer base consists primarily of 535 independent jobbers serving mechanics and body shops, as well as large national chains of installers. Through its six distribution centres and seven satellite warehouses located in all of Canada's major regions, Automotive Group Canada manages some 350,000 different products, mainly national brands, which it sources from a pool of North American and international manufacturers. Besides distribution services, the group provides merchant members with a broad selection of services on a menu basis, including several differentiating marketing programs under distinctive banners, training activities, IT management tools, financing and various programs aimed at supporting its customers' operations and expansion. Automotive Group Canada also operates 35 corporate stores in urban areas.
- **Automotive Group USA**, represented by Uni-Select USA, Inc., a subsidiary owned 86.9% by the Company, conducts similar operations in the United States. This group, which made a major acquisition toward the end of 2004, currently operates 33 distribution centres, 28 satellite warehouses and 234 corporate stores in 25 States. This network provides coverage of approximately 70% of the vehicles registered in the U.S. Automotive Group USA serves some 1,544 independent merchants, to whom it provides a large selection of products and services.
- **Heavy Duty Group**, represented by 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 one distribution centre in Quebec, along with 23 corporate stores in Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Ontario and Alberta.

During the year ended December 31, 2007, Uni-Select's three sectors accounted, respectively, for 42.6%, 52.0% and 5.4% of the Company's 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 numerous acquisitions and strategic alliances — 12 of them in the last three years — while also implementing financing programs to support its merchant members in their expansion projects.

While relatively more fragmented, the U.S. industry has also undertaken a consolidation movement in recent years, in which Uni-Select has participated by acquiring 31 small and medium-sized distributors, and a large-scale distributor in 2004.

Although there are some differences between the structure and trends in the Canadian and U.S. automotive replacement parts industries, the major supply and demand trends are basically the same on both sides of the border. This similarity enables Uni-Select to implement joint strategies and programs for both sectors, in order to maximize the synergies provided by its size and growing purchasing power in North America. The automotive replacement parts and accessories distribution industry is subject to certain risk factors of circumstantial, competitive and other natures, which are described in the "Risk Management" section of this Management Report.

Denis Mathieu, CA
Vice President
and Chief Financial Officer

PRELIMINARY COMMENTS TO MANAGEMENT REPORT

BASIS OF PRESENTATION OF MANAGEMENT REPORT

This Management Report discusses the Company's operating results and cash flows for the years ended December 31, 2007 and 2006, 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 May 8, 2008, Annual Meeting of Shareholders, 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.

The information contained in this Management Report takes into account any major events that occurred prior to March 13, 2008, 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.

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 terms "year" and "fiscal year" refer to the 12-month financial period ended December 31 of the year designated by the context. Unless otherwise indicated, all comparisons are made with the previous year. In the Management Report and tables, the symbol "$M" means "million(s) of Canadian dollars".

COMPLIANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

Uni-Select also uses "EBITDA," which represents operating income before depreciation, amortization, interest, income taxes and non-controlling interest, because this measure is a widely accepted financial indicator of a company's ability to service and incur debt. It should not be considered by an investor as an alternative to operating income or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information. Because EBITDA is not a measurement defined by GAAP, it may not be comparable to the EBITDA of other companies. In the Company's statement of earnings, EBITDA corresponds to "Earnings before the following items." The EBITDA margin corresponds to the percentage of EBITDA divided by sales.

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 correspond to total assets less non-interest-bearing debt, such as accounts payable, dividends payable, future income taxes, and deferred gain on a sale-leaseback arrangement.

Finally, the Company uses "total net indebtedness," which consists of bank indebtedness, long-term debt and merchant members' deposits in a guarantee fund (including current portions), net of cash and cash equivalents and temporary investments. It also uses the total net debt to total invested capital ratio, which corresponds to the percentage of total net debt divided by the sum of total net debt and shareholders' equity. These measurements are not defined by 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

The Management 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 2007 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, vehicle 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. Unless required to do so pursuant to applicable securities legislation, Management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

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

Uni-Select has established and maintains disclosure procedures and controls in order to provide reasonable assurance that material 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 2007 and concluded that they are effective and, to the best of its knowledge, the financial statements and the 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.

Management is also responsible for designing internal controls with regard to financial reporting within the Company in order to provide reasonable assurance as to the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Management assessed the design of internal controls and procedures with regard to financial reporting at the end of 2007 and concluded that they provide such degree of reasonable assurance.

USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires the Company's Management to make estimates and assumptions that 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 below.

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 with its market value determined through a discounted cash flow analysis. In preparing discounted cash flows, Management uses its judgment in estimating future profitability, growth, capital spending and discount rate. Because Management uses its judgment to estimate the market value of the reporting units, changes to these estimates could modify the value of goodwill 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, 2007, 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.

Allowance for surplus or obsolete inventory

Inventory is 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 inventory to its net realizable value, is then entered as a reduction of inventory 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 to determine 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 subject to an 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 reserve may have to be adjusted.

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 these 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 products. Uni-Select records merchant discounts as a reduction of sales. The discounts earned from suppliers are recorded as a reduction of cost of sales. The discount applicable to a targeted product is deducted from the year-end inventory valuation.

CHANGES IN ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS, HEDGES, COMPREHENSIVE INCOME AND EQUITY

On January 1, 2007, in accordance with the applicable transitional provisions, the Company retrospectively adopted, without restatement of prior-year financial statements, the new recommendations issued in the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook: 3855, Financial Instruments–Recognition and Measurement; 3865, Hedges; 1530, Comprehensive Income; 3861, Financial Information–Disclosure and Presentation, and 3251, Equity. Sections 3855 and 3861 establish standards for the classification, recognition, measurement, presentation and disclosure of financial instruments (including derivatives) and non-financial derivatives in the financial statements. Section 3865 sets out standards specifying when and how hedge accounting can be applied, while Section 1530 establishes standards for the presentation of comprehensive income and its components, including net income and accumulated other comprehensive income. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period.

As stipulated in Section 3855, Financial Instruments–Recognition and Measurement, the Company opted to apply hedge accounting to an interest rate swap as cash flow hedge accounting. This financial derivative is evaluated at the fair value at the end of each period and the gains or losses achieved from the revaluation are recognized in other comprehensive income where the hedging is deemed effective. Any ineffective portions must be recognized under net income.

ACCOUNTING CHANGES

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations set forth in Section 1506, Accounting Changes, of the CICA Handbook. Section 1506 provides guidance for the disclosure and the accounting treatment to be adopted for changes in accounting policies, changes in accounting estimates and correction of errors.

NEW ACCOUNTING STANDARDS IN EFFECT IN 2008

FINANCIAL INSTRUMENTS–DISCLOSURE

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments–Disclosure. This Section, combined with Section 3863, replaces Section 3861. The new recommendations apply to financial periods beginning on or after October 1, 2007. The section describes disclosures that entities must provide to enable users to evaluate the significance of financial instruments to the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments and how the entity manages those risks. The section completes the principles of recognition, measurement and presentation of financial instruments described in the following sections: 3855, Financial Instruments–Recognition and Measurement, 3863, Financial Instruments–Presentation, and 3865, Hedges.

FINANCIAL INSTRUMENTS–PRESENTATION

In December 2006, the CICA issued Handbook Section 3863, Financial Instruments– Presentation. The new recommendations apply to financial periods beginning on or after October 1, 2007. The section establishes standards for the presentation of financial instruments and non-financial derivatives. It replaces the presentation standards described in Section 3861, Financial Instruments–Disclosure and Presentation.

CAPITAL DISCLOSURES

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures. The new recommendations apply to financial periods beginning on or after October 1, 2007. The section establishes disclosure requirements about an entity's capital and how it is managed in order to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

INVENTORY

In June 2007, the CICA issued Handbook Section 3031, Inventories. The new recommendations apply to financial periods beginning on or after January 1, 2008. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventory. Additional disclosure will also be required under this standard.

The Company is currently assessing the impact that the adoption of the new sections will have on its Consolidated Financial Statements for the year ending December 31, 2008.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Years ended December 31

	2007	2006	2005
	$	$	$
Sales			
▪ Automotive Group Canada	**497,955**	489,573	497,620
▪ Automotive Group USA	**607,168**	567,402	568,356
▪ Heavy Duty Group	**63,166**	66,928	73,980
Total	**1,168,289**	1,123,903	1 139,956
EBITDA			
▪ Automotive Group Canada	**42,322**	46,954	37,194
▪ Automotive Group USA	**37,867**	36,833	35,761
▪ Heavy Duty Group	**(179)**	(1,963)	1,187
Total	**80,010**	81,824	74,142
Net earnings	**40,841**	42,264	39,061
▪ Basic, per common share	**2.07**	2.15	2.00
▪ Diluted, per common share	**2.07**	2.14	1.99
Cash dividends paid on common shares	**8,333**	7,473	6,114
▪ per common share	**0.42**	0.38	0.31
Weighted average number of common shares outstanding	**19,727,720**	19,674,768	19,516,512
Weighted average number of diluted common shares outstanding	**19,759,310**	19,735,667	19,658,327

Balance sheet data (as at December 31)

	2007	2006	2005
	$	$	$
Total assets	**615,573**	572,535	494,024
Shareholders' equity	**304,573**	291,933	255,617
Long-term financial liabilities [1]	**99,657**	71,618	72,056

[1] 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 2005, 2006 and 2007 reflect its ongoing strategy of expansion through acquisitions and strategic alliances, as well as the impact of fluctuations between the Canadian dollar and U.S. currency.

FISCAL 2005

During 2005, Uni-Select completed the first phase of the integration of MAWDI, acquired at the end of fiscal year 2004.

In addition, Uni-Select made nine smaller-sized acquisitions during 2005, including eight distributors in the United States, which strengthened Automotive Group USA's positioning in the States of Washington, Texas, Oklahoma, Missouri, Minnesota and New England. The acquired distribution operations were integrated with Automotive Group USA's existing distribution centres in these regions, whereas a warehouse and five additional corporate stores were incorporated into its network, which included 163 branches as at December 31, 2005. Automotive Group Canada acquired an Ontario-based distributor in 2005 whose business was converted into a corporate store.

FISCAL 2006

On May 31, 2006, Uni-Select exercised its option to acquire its partner's 50% interest in the USI-AGI Prairies Inc. joint venture set up in 2002 to pursue and grow Automotive Group Canada's operations in the provinces of Alberta, Saskatchewan and Manitoba. This had a relatively minor effect on sales (approximately $10 million on an annualized basis) as Automotive Group Canada was already responsible for supplying the joint venture. However, the transaction had a significantly favourable impact on the group's profitability in the last seven months of the year. This unit, now a wholly-owned subsidiary of the Company, has changed its name to Uni-Select Prairies Inc.

Uni-Select completed 15 other acquisitions or partnerships in 2006–three in Canada and 12 in the United States. Automotive Group Canada notably acquired a wholesaler operating three stores in the Toronto area that were converted into corporate stores, as well as an interest in the business of another Pacific Canadian jobber. In addition, the Company acquired a Quebec-based distributor specializing in paint and bodyshop products, which enables it to broaden its product mix, customer base and distribution channels.

In the United States, Automotive Group USA completed two medium-sized acquisitions, specifically two distributors based in the States of Pennsylvania and New York, which added two distribution centres, five satellite warehouses and 23 corporate stores to its network in the Northeastern United States. Automotive Group USA also acquired 12 additional corporate stores in Texas, Georgia, New York and Indiana.

Fiscal 2006 marked the second year of the three-year MAWDI integration program, the results of which have been mostly consistent with Management's expectations to date. In order to maximize the synergies provided by the size of its network and by its North American positioning, the Company has also undertaken to further harmonize its corporate image as well as the product management and marketing strategies deployed in the automotive markets in Canada and the United States.

FISCAL 2007

During the last fiscal year, Uni-Select completed 18 acquisitions or partnerships–seven in Canada and 11 in the United States–that should generate more than $131 million in consolidated sales for the Company on an annualized basis. Automotive Group Canada notably acquired several wholesalers, the largest one of which operates six stores in the Quebec City region.

In the United States, Automotive Group USA also completed several transactions, including three medium-sized acquisitions: two distributors based in Pennsylvania and New Jersey which added two distribution centres and 22 satellite warehouses to its Northeastern U.S. network, and a network of 22 stores located in Northeastern U.S. States and serviced by a main warehouse in Boston. Automotive Group USA also acquired nine additional corporate stores in the States of New Jersey, New York, Texas and Washington. *(For further information regarding the acquisitions of the past two years, please refer to Note 9 to the Consolidated Financial Statements in the Annual Report.)*

As indicated in the Review of Operations, Automotive Group USA continued to integrate companies acquired in 2006 and 2007 in accordance with the integration plans established during the acquisition. Many synergies have been achieved with respect to the improvement in purchasing conditions regarding economies of scale and the reduction of certain fixed operating costs.

The plan developed to turn around the operations of Heavy Duty Group has already begun to yield results; the increase in sales in the fourth quarter as well as the increase in gross operating margins, coupled with the decrease in expenses, have significantly reduced the loss incurred in 2006.

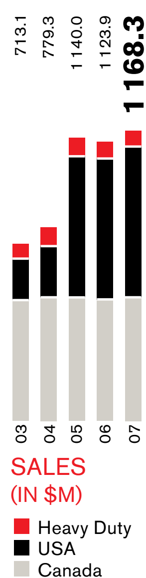
The Company's results over the past three years, and especially in 2007, were adversely affected by the relative strength of the Canadian dollar in relation to its U.S. counterpart.

Excluding the impact of the acquisitions completed in the past three years and currency fluctuations, the Company achieved an organic growth rate of 1.4% in 2005, whereas it sustained organic sales decreases of approximately 2.4% in 2006 and 1.1% in 2007, due notably to slower demand in some of its markets, the slowdown in the U.S. economy and the loss of some customers.

Conversely, excluding the impact of the currency fluctuations, Uni-Select's profitability grew steadily in the past three years, primarily due to the contributions of the acquisitions and investments allocated to the upgrading and improvement of Automotive Group Canada's infrastructures and business model. However, notwithstanding the unfavourable impact of currency fluctuations, net-earnings growth was partially impeded by the weak inflation in the value of replacement parts since 2004, a phenomenon affecting the entire North American industry, and by the difficulties encountered by the Heavy Duty Group.

(A detailed analysis of the variations in operating results and balance sheet items between 2007 and 2006 is provided in the following sections. A detailed analysis of the variations in operating results and balance sheet items between 2006 and 2005 is provided in the Management Report section of the 2006 Annual Report, available on the SEDAR website at www.sedar.com).

CONSOLIDATED AND SEGMENTED OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2007



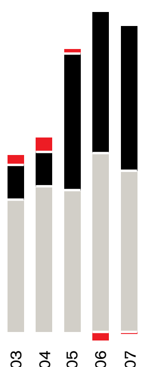
For the year ended December 31, 2007, Uni-Select's consolidated sales totalled $1.168 billion, an increase of $44.4 million, or 3.9%, from the $1.124 billion posted in 2006. The increase can be attributed primarily to various acquisitions completed during the course of the past quarters, partially offset by the unfavourable U.S. exchange rate against the Canadian dollar. Excluding the unfavourable exchange-rate variations, the Company's sales would have increased 6.9%. Moreover, excluding the exchange-rate variations and the contribution from the acquisitions during the two years, the Company recorded a 1.1% organic sales decrease in 2007 for its three segments. The slowdown in demand was primarily due to a reduction in the number of miles driven by American consumers because of rising fuel prices, coupled with a decline in the sales of certain national accounts due to a decrease in the number of franchisees and financial difficulties experienced during the year. Lastly, the shift in demand in favour of dealers over the past few years was partially offset by an increase in the average age of vehicles and the number of vehicles on the road.

The segmented breakdown of sales is as follows:

- **Automotive Group Canada** posted sales of $498.0 million, up $8.4 million, or 1.7%, from the $489.6 million of the year earlier. Excluding sales from acquisitions related to the succession and partnership program, the group registered an organic sales decrease of 1.6%. This decline is attributable to, among other factors, a 1.2% deflation in the prices of certain products due mainly to the strength of the Canadian dollar. Lastly, the highly competitive market in Ontario, and more specifically in the Greater Toronto Area, slowed the group's growth. It also bears noting that part of the growth relating to acquisitions made in 2007 stems from the 100% recognition of the sales of the subsidiary Uni-Select Prairies Inc. (a joint venture recognized at 50% until June 1, 2006).
- **Automotive Group USA**'s sales amounted to $607.2 million for the year ended December 31, 2007, up $39.8 million, or 7.0%, from the $567.4 million posted a year earlier. The increase can be attributed largely to the acquisitions made in past quarters, partially offset by the unfavourable exchange rate of the Canadian dollar versus U.S. currency. Excluding the impact of the unfavourable exchange-rate variations, the group's sales would have risen 12.4%. Moreover, excluding the exchange-rate variations and the contribution of acquisitions made in the last two fiscal years, the group posted a 0.8% organic sales decrease in 2007. The decrease, which is largely attributable to a slowdown in demand and the tightening of customer credit policies due to the difficult economic environment in the United States, was partially offset by the opening of corporate stores in new regions. For the second consecutive year, growth was particularly strong in the Northeastern United States, where the main acquisitions of the year were made.
- **Heavy Duty Group**'s sales dropped $3.8 million, or 5.6%, to $63.2 million in 2007 compared with $66.9 million for the prior year. This decrease is partially attributable to the transfer to Automotive Group Canada in September 2006 of certain Montreal-area distribution operations related more to light vehicles than to heavy-duty vehicles. Excluding this item, the decrease in sales would have amounted to 1.0%. This decrease can be explained primarily by the weakness in the transportation and forestry industries and, by extension, the group's business in 2007.

EBITDA

Uni-Select's consolidated operating income (EBITDA) declined by $1.8 million, or 2.2%, to $80.0 million in 2007 from $81.8 million in 2006. The rise in value of the Canadian dollar had a negative impact of $4.4 million on operating income. In addition, results for the second quarter of 2006 included gains of $1.6 million related to an estimate revaluation of certain volume rebates receivable from the prior year, whereas those for the fourth quarter of 2006 included an unfavourable non-recurring adjustment of $0.8 million related to certain allowances. The EBITDA margin amounted to 6.8% of sales, compared with 7.3% in 2006. Excluding the impact of the exchange-rate variations as well as non-recurring items from 2006, EBITDA would have been $84.4 million for 2007 compared with $81.0 million a year earlier and the margin would have remained unchanged at 7.2%. This situation is explained by a larger proportion of sales to installers following an increase in the number of corporate stores as a result of recent acquisitions, the improvement of buying conditions as well as programs implemented to review the price structure and to control costs within the Heavy Duty Group. These items were offset primarily by an increase in operating expenses incurred to serve the new customer base of installers, delivery costs incurred as a result of higher fuel prices, pressure on the gross margin caused by stronger competition and deflation as a result of the appreciation of the Canadian dollar.



EBITDA
(IN $M)

Heavy Duty
USA
Canada

The segmented breakdown of EBITDA is as follows:

- **Automotive Group Canada**'s EBITDA amounted to $42.3 million, or a margin of 8.5% in 2007 compared with $47.0 million and 9.6% in 2006. This decrease can be attributed to the following factors:
  - A higher gross margin due partly to a larger proportion of sales to installers resulting from the acquisition of wholesalers, the 100% recognition of the subsidiary Uni-Select Prairies Inc. (previously a joint venture recognized at 50% until June 1, 2006), improved buying conditions partially offset by downward pressure on prices as a result of a deflation on certain products caused by the stronger Canadian dollar, estimated at $2.3 million.
  - Operating expenses rose as a result of an increase in operating costs incurred to serve the customer base of installers, the 100% recognition of the revenue expenditure of the Uni-Select Prairies Inc. subsidiary and non-recurring costs amounting to $0.8 million for the conversion of a distribution centre in London, Ontario, as well as the continued implementation of a warehouse management system in Edmonton.

  Excluding the impact of the appreciation of the Canadian dollar together with the above-mentioned estimate revaluation of rebates for 2005, the 2007 margin would have been 9.0% against 9.3% for 2006.

- **Automotive Group USA**'s contribution amounted to $37.9 million, or a margin of 6.2% in 2007, compared with $36.8 million, or 6.5% in 2006. Although the stronger Canadian dollar reduced the group's contribution by $2.1 million, EBITDA increased by 2.8% over 2006, primarily for the following reasons:
  - A higher gross margin generated by a larger proportion of operations with installers as a result of the acquisition of stores, for which the gross margins were more substantial. The gross margin also benefited from the improved buying conditions.
  - The increase in operating expenses is attributable to higher operating costs incurred to serve the installers, more specifically, the increase in delivery costs stemming from the rise in fuel prices as well as expenses incurred to support the integration of recent acquisitions. These items were partially offset by the favourable impact of the closure of non-profitable corporate stores in certain regions that offered little potential.

- **Heavy Duty Group** recorded an operating loss of $0.2 million, or a negative margin of 0.3% in 2007 compared with a loss of $2.0 million, or minus 2.9% in 2006. This increase in EBITDA is due essentially to the program implemented last spring to review the price structure and control costs. The operational efforts were partially offset by the above-mentioned decline in sales.

INTEREST AND AMORTIZATION EXPENSES

Interest, net of interest income, amounted to $6.3 million for 2007 compared with $3.9 million a year earlier. This rise is due primarily to increased recourse to bank indebtedness to finance the acquisition of businesses as well as fixed assets during the year, coupled with an increase in interest rates.

Amortization expenses, primarily the depreciation of fixed assets, increased to more than $9.2 million in 2007 from $8.0 million for the prior year. This increase in amortization expenses is attributable to business acquisitions completed in 2006 and during the current fiscal year, as well as the acquisition of fixed assets to upgrade the automotive equipment and management systems.

Total interest and amortization expenses, therefore, posted an aggregate increase of $3.5 million, to $15.4 million for the year ended December 31, 2007.

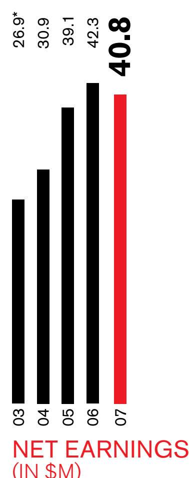
INCOME TAXES

During the fiscal year, the effective tax rate dropped 2.9% from the prior year. This decrease is largely explained by the different geographical weighting of profit before taxes and previous years' gains amounting to 1.4%. The effective tax rate stood at 32.3% for 2007, compared with 35.2% for the year earlier.

NET EARNINGS AND EARNINGS PER SHARE

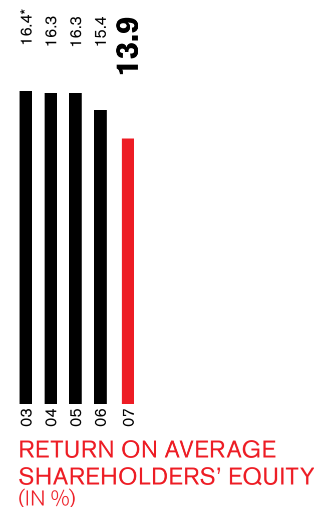
Uni-Select recorded net earnings of $40.8 million in 2007, compared with $42.3 million in 2006. Excluding the impact of the exchange-rate variations, net earnings for the year would have amounted to $43.4 million in 2007.

Basic earnings per share as well as diluted earnings per share were $2.07 per share in 2007 on a weighted average of 19.7 million shares outstanding, a decrease of $0.08 per basic share and $0.07 per diluted share compared with the prior year. Excluding the impact of non-recurring items in 2006, as well as the impact of currency fluctuations, net earnings would have amounted to $2.20 per share for 2007 compared with $2.12 for 2006, an increase of 3.8%.



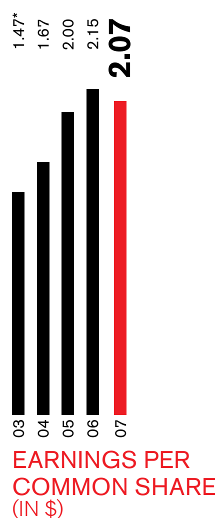
NET EARNINGS
(IN $M)

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



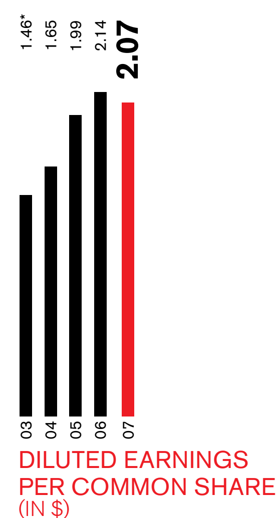
RETURN ON AVERAGE SHAREHOLDERS' EQUITY
(IN %)

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



EARNINGS PER COMMON SHARE
(IN $)

* Excluding non-recurring revenue of $0.26 per share (net of taxes)



DILUTED EARNINGS PER COMMON SHARE
(IN $)

* Excluding non-recurring revenue of $0.26 per share (net of taxes)

FINANCIAL INFORMATION FOR THE PAST EIGHT QUARTERS (UNAUDITED)

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

Year ended December 31, 2007

	First quarter	Second quarter	Third quarter	Fourth quarter
Sales				
▪ Automotive Group Canada	110,832	139,385	133,571	114,167
▪ Automotive Group USA	148,538	158,813	150,077	149,740
▪ Heavy Duty Group	13,795	15,059	15,108	19,204
Total	**273,165**	**313 257**	**298,756**	**283,111**
EBITDA				
▪ Automotive Group Canada	6,618	13,269	10,531	11,904
▪ Automotive Group USA	7,932	10,526	9,336	10,073
▪ Heavy Duty Group	(1,148)	(657)	98	1,528
Total	**13,402**	**23,138**	**19,965**	**23,505**
Net earnings	5,828	11,675	10,258	13,080
▪ Basic, per common share	0.30	0.59	0.52	0.66
▪ Diluted, per common share	0.30	0.59	0.52	0.66

Year ended December 31, 2006

	First quarter	Second quarter	Third quarter	Fourth quarter
Sales				
▪ Automotive Group Canada	109,825	131,531	127,738	120,479
▪ Automotive Group USA	134,354	144,123	147,913	141,012
▪ Heavy Duty Group	15,463	15,359	17,770	18,336
Total	**259,642**	**291,013**	**293,421**	**279,827**
EBITDA				
▪ Automotive Group Canada	6,055	11,321	9,978	19,600
▪ Automotive Group USA	7,046	9,593	9,155	11,039
▪ Heavy Duty Group	(668)	(802)	(333)	(160)
Total	**12,433**	**20,112**	**18,800**	**30,479**
Net earnings	5,646	10,539	9,402	16,677
▪ Basic, per common share	0.29	0.54	0.48	0.85
▪ Diluted, per common share	0.29	0.53	0.48	0.84

GENERAL COMMENTS ON QUARTERLY RESULTS

Uni-Select's sales for every quarter of 2007 were above those for 2006; however, the increases were more modest in the second half of the year. Contributions from recent acquisitions were partially offset by the significant appreciation of the Canadian dollar against its U.S. counterpart, coupled with an organic sales decrease due to more difficult economic conditions in the United States in the fourth quarter. The quarterly trends in EBITDA primarily reflect the contribution of recent acquisitions, as well as the favourable variation of volume discount adjustments made by Automotive Group Canada in the fourth quarter of each year. Heavy Duty Group's reduced loss in the second half of 2007 compared with the first half of the same year is mainly attributable to the seasonal cycle of its business. As for Uni-Select's operations in the automotive sector, although they are not subject to an important seasonal cycle, they have traditionally experienced a certain slowdown in the first and fourth quarters due to weather conditions.

COMMENTS ON FOURTH-QUARTER 2007 RESULTS

For the three-month period ended December 31, 2007, Uni-Select's sales amounted to $283.1 million, up 1.2% from the $279.9 million posted for the corresponding period of 2006. Excluding the negative impact of approximately $21.6 million due to exchange-rate fluctuations, fourth-quarter sales would have risen 8.9%, exclusively attributable to the acquisitions completed over the past 12 months. Excluding acquisitions and exchange-rate fluctuations, the Company recorded a 2.4% organic sales decrease.

Automotive Group Canada recorded a 6.0% organic sales decrease in the fourth quarter while Automotive Group USA's sales declined by 0.3%, excluding the impact of acquisitions and exchange-rate fluctuations. The Heavy Duty Group posted a 5.9% organic sales increase.

Uni-Select achieved EBITDA of $23.5 million in the fourth quarter of 2007, a decrease of $7.0 million from the $30.5 million reported for the fourth quarter a year earlier. The EBITDA margin, therefore, dropped to 8.3% from 10.9% a year earlier. The appreciation of the Canadian dollar versus the U.S. currency had a negative impact of $3.2 million on earnings.

- **Automotive Group Canada** generated EBITDA of $11.9 million, compared with $19.6 million for the same quarter in 2006. The downward pressure on prices as a result of a deflation on certain products caused by the stronger Canadian dollar, reduced earnings for the quarter by $1.8 million. The EBITDA margin reached 10.4%, against 16.3% for the previous year. Excluding the impact of the above-mentioned currency fluctuations, the EBITDA margin would have reached 12.0% for the three-month period ended December 31, 2007.
- **Automotive Group USA**'s EBITDA decreased by $0.9 million, $10.1 million from $11.0 million. Currency fluctuations had an adverse impact of $1.5 million on EBITDA. Excluding the impact of currency fluctuations, the increase in EBITDA can be attributed to the contribution of recent acquisitions, partially offset by an increase in operating expenses, mainly due to a larger proportion of business done with installers and to increased delivery costs generated by higher fuel prices. It bears noting that because these operating expenses are largely semi-variable, they could not be reduced proportionally to the decline in sales.
- Lastly, **Heavy Duty Group** posted an EBITDA of $1.5 million, compared with a loss of $0.2 million in 2006. This turnaround is the result of the above-mentioned increase in sales, combined with benefits of the program implemented in past quarters to review the price structure and control costs.

Interest expenses, net of interest income, amounted to $1.9 million, compared with $1.4 million a year earlier, due to higher interest rates and further recourse to bank indebtedness to finance part of the Company's acquisitions and current operations. The increase in amortization expenses to $2.2 million in 2007 from $2.1 million in 2006 is essentially the result of acquisitions completed during the past year. Consequently, Uni-Select recorded a combined increase of $0.7 million in its interest and amortization expenses, which totalled $4.1 million for the last quarter of 2007, against $3.4 million for the same period a year earlier.

The effective tax rate stood at 28.6%, versus 35.3% the previous year, due primarily to previous years' gains recognized during the quarter and the geographical weighting of profit before taxes. Consequently, Uni-Select posted net earnings of $13.1 million, or $0.66 per share (basic and diluted), in the fourth quarter of 2007, compared with net earnings of $16.7 million, or $0.85 per share ($0.84 diluted) for the same quarter of 2006. Excluding the impact of currency fluctuations, net earnings would have amounted to $0.78 per share for the fourth quarter of 2007.

PRINCIPAL CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities (before changes in working capital items) totalled $47.4 million in 2007, down $2.9 million from 2006, due primarily to the variations in future taxes and the drop in net earnings compared with 2006. Changes in working capital items used cash flows of $21.1 million in 2007 compared with a virtually non-existent impact in 2006. This change is due primarily to a $14 million increase in inventory, as well as the payment of income taxes for 2006.

CASH FLOWS USED BY INVESTING ACTIVITIES

Investing activities used cash flows of $76.4 million in 2007, against $84.7 million in 2006. The main investing activities were as follows:

- The acquiring of various businesses by Automotive Group USA and Automotive Group Canada for a cash consideration of $80.7 million, net of the cash acquired ($76.2 million in 2006). (These transactions are summarized in Note 9 to the Consolidated Financial Statements for 2007);
- The purchase of fixed assets for $10.2 million ($9.5 million in 2006) primarily for upgrading the technology infrastructure and the recurring renewal of automotive equipment;
- Disposal of assets in the amount of $7.7 million from the leaseback of two U.S. warehouses;
- Proceeds from the disposal of temporary investments amounting to $6.9 million.

CASH FLOWS FROM FINANCING ACTIVITIES

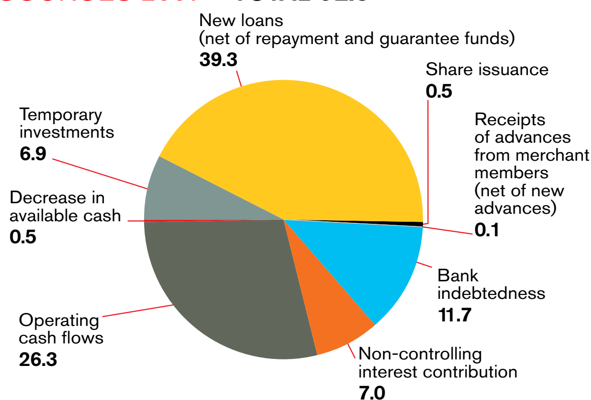
Financing activities provided cash flows of $49.6 million, compared with $16.5 million a year earlier. The main financing activities were as follows:

- The Company used an additional $39.8 million of its long-term credit facility ($2.0 million in 2006) net of repayments primarily to finance acquisitions in the United States;
- The Company increased its bank indebtedness by $11.7 million ($24.9 million in 2006) in order to finance another portion of business acquisitions, in addition to the long-term credit facility, as well as the resulting working capital requirements;
- The Company paid dividends totalling $8.3 million, or $0.42 per share, ($7.5 million, or $0.38 per share, in 2006) to common shareholders;
- Certain minority shareholders invested $7.0 million ($0 in 2006) following business acquisitions in the United States;
- In addition, the Company received proceeds in the amount of $0.5 million following the issuance of 37,224 common shares as part of the exercise of stock options held by its officers.

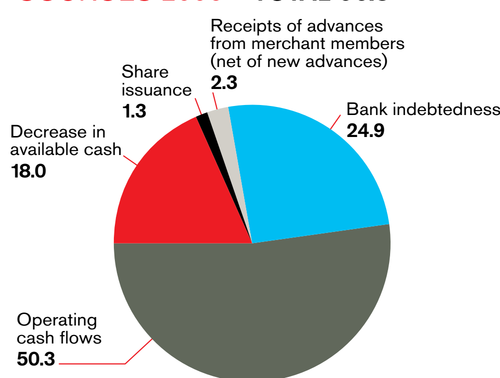
After accounting for the various cash flows for 2007, especially the significant investments made during the year, the Company's cash and cash equivalents decreased by $0.5 million to $0.6 million in 2007 from $1.1 million in 2006.

SOURCES AND USE OF FUNDS (IN M$)

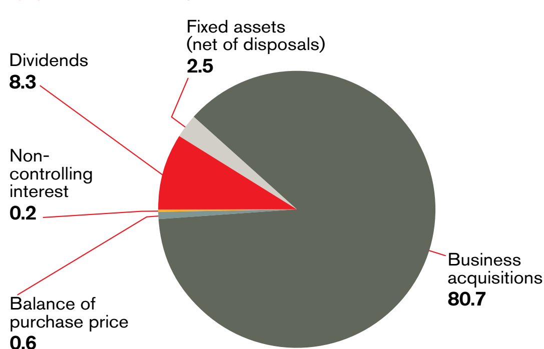
SOURCES 2007 TOTAL 92.3



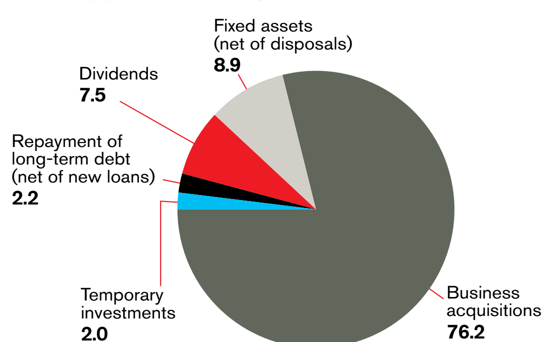
SOURCES 2006 TOTAL 96.8



USE 2007 TOTAL 92.3



USE 2006 TOTAL 96.8



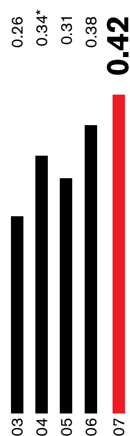
FINANCIAL SITUATION

Changes in the Company's balance-sheet items mainly reflect the acquisitions made during the year and the impact the exchange-rate fluctuations had on certain items during the year.

As at December 31, 2007, working capital items amounted to $326.9 million, up $25 million from the $301.9 million posted in 2006. However, excluding the increase in working capital from business acquisitions completed during the year as well as the impact of currency fluctuations, the increase in working capital items stood at $7.9 million and can be attributed primarily to a rise in inventory and the payment of taxes.

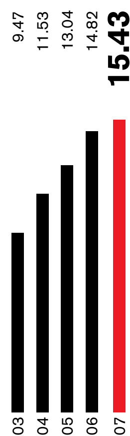
Fixed assets amounted to $41.5 million as at December 31, 2007, down $0.2 million from the $41.7 million posted a year earlier. This decrease is attributable to two main factors: the acquisition of operational fixed assets totalling $10.2 million ($9.5 million in 2006) and the acquisition of fixed assets through business acquisitions totalling $5.4 million ($4.1 million in 2006), offset by the depreciation of $8.7 million ($7.5 million in 2006), the disposal of warehouses in Mason City, Iowa, and Memphis, Tennessee, for $4.3 million and exchange-rate fluctuations which accounted for $2.4 million. In accordance with the Company's strategy of operating with a minimal capital asset base, the latter accounted for only 6.7% of total assets as at December 31, 2007 compared with 7.3% a year earlier.

Goodwill rose by $20.6 million, to $64.9 million as at December 31, 2007, from $44.3 million in 2006, following business acquisitions, which accounted for $24.8 million of this increase ($25.8 million in 2006) while exchange-rate fluctuations decreased this asset by $4.2 million.



DIVIDEND PER COMMON SHARE (IN $)

* Including a special dividend of $0.05



BOOK VALUE PER COMMON SHARE (IN $)

As at December 31, 2007, Uni-Select's total assets amounted to $615.6 million, against $572.5 million at the same date in 2006.

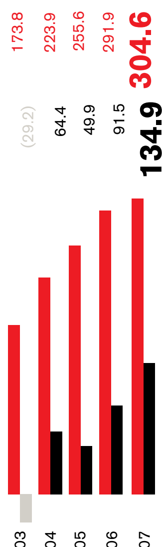
Long-term debt increased by $28.5 million, to $91.8 million as at December 31, 2007, from $63.3 million in 2006. This can be attributed primarily to the financing of U.S. acquisitions totalling $40.7 million, less $11.6 million due to exchange-rate fluctuations. As at December 31, 2007, total net indebtedness stood at $134.9 million, compared with $91.5 million in 2006.

Shareholders' equity amounted to $304.6 million ($15.43 per common share) as at December 31, 2007, an increase of $12.7 million, or 4.3%, over the $291.9 million ($14.82 per share) reported for 2006. This increase can be attributed to net earnings for the period, net of dividends paid, which were partly offset by $20.2 million due to exchange-rate fluctuations. Excluding exchange-rate fluctuations, shareholders' equity would have risen by 11.2%.

Total net debt to total invested capital ratio rose from 23.9% at the close of fiscal 2006 to 30.7% as at December 31, 2007, and the long-term debt to shareholders' equity ratio increased to 32.7% in 2007 from 24.5% in 2006. Notably, fourth-quarter acquisitions did not contribute to the results of the period proportionally to the increase in long-term debt on the balance sheet.

Uni-Select remains in a solid financial position to pursue its current operations and expansion projects. In addition, in March 2008, the Company increased its credit facility by $100 million, to $325 million from $225 million. This credit facility has improved both with respect to costs and financial covenants and comprises a revolving credit of $235 million, compared with the previous $165 million, and expires in 2011. It also includes a $90 million operating credit, up from $60 million. As at December 31, 2007, the Company benefited from an unused credit facility of approximately $91 million, plus the above-mentioned $100 million increase, notably to pursue its strategy of expansion through acquisitions, strategic alliances and partnerships.

OUTLOOK, REQUIREMENT AND SOURCES OF FUNDS IN 2008



CAPITAL STRUCTURE
(IN M$)

- Shareholders' equity
- Total interest-bearing debt, net of available cash
- Debt-free cash

Uni-Select's Management intends to pursue its sales and cost-control efforts in 2008. Acquisitions completed in August and September 2007 and January 2008 will help boost growth in the Company's sales and profitability in fiscal 2008. Despite fierce competition in the automotive replacement parts market, industry dynamics are generally favourable in North America because of, among other factors, the steady growth and aging of the total number of registered vehicles, as well as their increased use.

Internally, in addition to the full contribution of acquisitions completed in 2007, the Company should benefit over the coming quarters from additional sales generated by new national contracts, such as those signed with Canadian Tire and LAR in 2007.

Programs aimed at improving the management of Automotive Group Canada's and Automotive Group USA's corporate stores described in the Review of Operations, efforts invested in the various integration plans for businesses acquired and the general turnaround of Heavy Duty Group's operations should have a positive impact on the Company's profitability. In addition, Uni-Select will continue to maximize synergies within its North American network through further synchronization of strategies, product lines and marketing programs carried out by its different groups.

Furthermore, Management will continue seeking out expansion projects in the United States in order to capitalize on, among others, the strength of the Canadian dollar in relation to its U.S. counterpart.

In terms of financing requirements, in addition to the funds required for business development, Uni-Select has planned capital expenditures of approximately $20 million for 2008, related primarily to the upgrading of its information systems and the modernization of its fleet of trucks in the United States. Last March, following the development of the three-year plan and in order to be able to maintain the Company's orderly and accelerated growth, Uni-Select reviewed its agreements with the banking syndicate. These agreements improve our credit conditions and help reduce restrictive clauses and increase facilities by $100 million, to $325 million from $225 million. Uni-Select will also continue to remunerate its shareholders in accordance with 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 2007.

Operating cash flows, combined with the Company's available credit facility, 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, 2007, Uni-Select's capital stock consisted of 19,736,558 common shares issued and outstanding, compared with 19,699,334 at December 31, 2006. In 2007, Uni-Select issued 37,224 common shares, all related to the exercising of stock options by officers. *(Further information on the stock option plan for management employees and officers as at December 31, 2007 is provided in Note 20 to the Consolidated Financial Statements in the Annual Report.)*

As at the date hereof, being March 13, 2008, Uni-Select's common stock consists of 19,736,558 common shares issued and outstanding. In addition, pursuant to the Company's stock option plan, options to purchase 101,928 common shares are issued.

CONTRACTUAL OBLIGATIONS

The following table summarizes, as at December 31, 2007, the payments due by period under the Company's contractual and other obligations:

(in thousands of dollars)

	2008	2009	2010	2011	2012 and following	Total
Long-term debt	270	237	137	91,360	27	92,031
Capital lease obligations	27	13	8	4	0	52
Contractual obligations	23,951	19,521	15,707	11,038	24,968	95,185
	24,248	19,771	15,852	102,402	24,995	187,268

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. As at December 31, 2007, the Company was not using financial instruments. Furthermore, in January 2008, it entered into various interest-rate swap agreements as part of its program to manage the floating interest rate of its total debt portfolio and related overall cost of borrowing. These contracts, amounting to $60 million, expire in three equal portions of $20 million in 2011, 2012 and 2013 and bear an average interest rate of 3.94%.

(Further information on financial instruments is provided in Notes 2, 3, 25 and 28 to the Consolidated Financial Statements 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 making car repairs is far less discretionary and less expensive than buying a new vehicle. However, the Heavy Duty Group is somewhat more sensitive to external factors.

Although the growth of the number of registered vehicles in North America is relatively modest, the useful life of vehicles and the intensity of their utilization are trending upward, leading to an increase in the demand for replacement parts.

On the other hand, the growing number of car models, coupled with their longer lifespan, is translating into a proliferation of replacement parts, imposing financial constraints on distributors and merchants who must carry a greater selection of parts to ensure adequate availability. This factor is partially offset by the fact that manufacturers are integrating increasingly sophisticated technological components into their vehicles, so each part serves more 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 vehicle brands in the North American vehicle population as well as the arrival of increasingly complex technology due to the greater number of electronic components being used in cars–two aspects that tend to favour dealers when it comes to 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 it provides to independent merchants, their employees and customers. It also uses 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 U.S. and Canadian currency can affect the value of the Company's consolidated sales in Canadian dollars and its profitability. The potential impact on its profitability is reduced by the fact that 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 in recent 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 increased indebtedness to finance its expansion in the United States, Uni-Select remains in solid financial health, characterized by one of the best debt-to-equity ratios in the industry. 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 primarily focused on serving independent jobbers (rather than a network of corporate stores), requires that the Company take special measures to promote its merchant members' loyalty and long-term survival. Uni-Select's basic approach is to drive the growth, competitiveness and profitability of its members and customers by means of a total business solution that incorporates good purchasing conditions, proactive management of 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 through acquisitions.

Furthermore, considering that the owners of replacement parts stores are generally aging, the Company has also implemented succession programs to enable merchants who wish to retire to sell their business to a family member, an employee or another member of Uni-Select's network. If applicable, 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 risks. Uni-Select has developed solid know-how in this regard, having successfully acquired and integrated some 47 organizations within the past five years alone, including a major acquisition in 2004. To limit its risk, the Company has adopted a targeted and selective acquisition strategy, conducts extensive 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 under the direct responsibility of the Board of Directors.

ADDITIONAL INFORMATION

Additional information about the Company is available on the SEDAR website (www.sedar.com).

Richard G. Roy, CA
President and Chief Executive Officer

Denis Mathieu, CA
Vice-President and Chief Financial Officer

March 13, 2008

MANAGEMENT'S REPORT

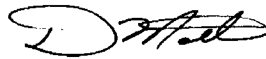
Relating to the consolidated financial statement

The consolidated financial statements and other financial information included in this annual report are the responsibility of the Company's management. The 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 responsibility 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.



Richard G. Roy, CA
President and Chief Executive Officer

Denis Mathieu, CA
Vice-President and Chief Financial Officer

Boucherville
March 7, 2008

AUDITORS' REPORT

To the Shareholders of
Uni-Select Inc.

We have audited the consolidated balance sheets of Uni-Select Inc. as at December 31, 2007 and 2006 and the consolidated statements of earnings, comprehensive income, 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montréal
March 7, 2008

Uni-Select Inc.
Consolidated Earnings

Years ended December 31, 2007 and 2006

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

	2007	2006
	$	$
Sales	**1,168,289**	1,123,903
Earnings before the following items	**80,010**	81,824
Interest (Note 5)	**6,255**	3,905
Amortization (Note 5)	**9,181**	8,045
	15,436	11,950
Earnings before income taxes and non-controlling interest	**64,574**	69,874
Income taxes (Note 6)		
Current	**26,226**	27,658
Future	**(5,344)**	(3,028)
	20,882	24,630
Earnings before non-controlling interest	**43,692**	45,244
Non-controlling interest	**2,851**	2,980
Net earnings	**40,841**	42,264
Earnings per share (Note 7)		
Basic earnings per share	**2.07**	2.15
Diluted earnings per share	**2.07**	2.14

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

Uni-Select Inc.
Consolidated Comprehensive Income
Consolidated Retained Earnings

Years ended December 31, 2007 and 2006

(In thousands of dollars)

	2007	2006
	$	$
CONSOLIDATED COMPREHENSIVE INCOME		
Net earnings	**40,841**	42,264
Other comprehensive income		
Gain on a derivative financial instrument designated as cash flow hedges prior to January 1, 2007, transferred to net earnings in the current period (net of income taxes of $81)	**(173)**	
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	**(20,245)**	639
Other comprehensive income	**(20,418)**	639
Comprehensive income	**20,423**	42,903
CONSOLIDATED RETAINED EARNINGS		
Balance, beginning of year	**255,355**	220,966
Net earnings	**40,841**	42,264
	296,196	263,230
Dividends	**8,484**	7,875
Balance, end of year	**287,712**	255,355

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

Uni-Select Inc.
Consolidated Cash Flows
Years ended December 31, 2007 and 2006

(In thousands of dollars)

	2007	2006
	$	$
OPERATING ACTIVITIES		
Net earnings	**40,841**	42,264
Non-cash items		
Amortization	**9,181**	8,045
Amortization of deferred gain on a sale-leaseback arrangement	**(176)**	
Future income taxes	**(5,344)**	(3,028)
Non-controlling interest	**2,851**	2,980
	47,353	50,261
Changes in working capital items (Note 8)	**(21,104)**	(6)
Cash flows from operating activities	**26,249**	50,255
INVESTING ACTIVITIES		
Temporary investment	**6,897**	(1,955)
Business acquisitions (Note 9)	**(80,685)**	(76,218)
Non-controlling interest (Note 9)	**(228)**	
Advances to merchant members	**(3,753)**	(4,737)
Receipts on advances to merchant members	**3,830**	7,061
Fixed assets	**(10,171)**	(9,510)
Disposal of fixed assets	**7,685**	633
Cash flows from investing activities	**(76,425)**	(84,726)
FINANCING ACTIVITIES		
Bank indebtedness	**11,741**	24,914
Balance of purchase price	**(577)**	
Non-controlling interest contribution	**7,008**	
Long-term debt	**42,699**	2,002
Repayment of long-term debt	**(2,885)**	(4,033)
Merchant members' deposits in guarantee fund	**(536)**	(205)
Issuance of shares	**528**	1,288
Dividends paid	**(8,333)**	(7,473)
Cash flows from financing activities	**49,645**	16,493
Net decrease in cash and cash equivalents	**(531)**	(17,978)
Cash and cash equivalents, beginning of year	**1,130**	19,108
Cash and cash equivalents, end of year	**599**	1,130

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

Uni-Select Inc.
Consolidated Balance Sheets

December 31, 2007 and 2006

(In thousands of dollars)

	2007	2006
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**599**	1,130
Temporary investment (Note 10)		6,897
Accounts receivable (Note 11)	**141,043**	136,834
Income taxes receivable	**1,370**	7,398
Inventory	**341,545**	313,384
Prepaid expenses	**4,959**	4,737
Future income taxes (Note 6)	**8,671**	6,332
	498,187	476,712
Investments and volume discounts receivable, at cost (Note 12)	**7,406**	6,575
Fixed assets (Note 13)	**41,526**	41,714
Financing costs	**488**	893
Covenants not to compete (Note 14)	**330**	578
Goodwill (Note 15)	**64,858**	44,257
Future income taxes (Note 6)	**2,778**	1,806
	615,573	572,535
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 16)	**35,887**	27,860
Accounts payable (Note 17)	**132,660**	136,197
Income taxes payable		8,268
Dividends payable	**2,122**	1,970
Instalments on long-term debt and on merchant members' deposits in guarantee fund (Notes 18 and 19)	**577**	529
Future income taxes (Note 6)		19
	171,246	174,843
Deferred gain on a sale-leaseback arrangement (Note 3)	**2,338**	
Long-term debt (Note 18)	**91,786**	63,275
Merchant members' deposits in guarantee fund (Note 19)	**7,294**	7,814
Future income taxes (Note 6)	**3,838**	5,082
Non-controlling interest	**34,498**	29,588
	311,000	280,602
SHAREHOLDERS' EQUITY		
Capital stock (Note 20)	**49,872**	49,344
Retained earnings	**287,712**	255,355
Accumulated other comprehensive income (Note 21)	**(33,011)**	(12,766)
	254,701	242,589
	304,573	291,933
	615,573	572,535

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

On behalf of the Board,

Jean-Louis Dulac
Director

Jean Guénette, CA
Director

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

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

2 - ACCOUNTING CHANGES

Financial instruments, hedges, comprehensive income and equity

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

Adoption of these new standards resulted in the following changes on the classification and measurement of the Company's financial instruments, which were previously recorded at cost:

– Cash and cash equivalents are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in earnings;

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

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

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

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

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

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

2 - ACCOUNTING CHANGES (Continued)

The adjustments related to the adoption of the new standards described above resulted in an increase of the following elements for the year ended December 31, 2007:

	$
Earnings before the following items	254
Future income taxes	81
Net earnings	173
Earnings per share	0.01
Diluted earnings per share	0.01

Cumulative translation adjustments which were presented in retained earnings are now presented in the accumulated other comprehensive income (Note 21).

Accounting changes (Note 27)

On January 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of *CICA Handbook* included in Section 1506, "Accounting changes", which establishes standards for disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors and the accounting methods to be applied. Furthermore, the new standard requires the communication of the modifications of generally accepted accounting principles that are issued but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results.

Accounting by a vendor for consideration given to a customer

At the beginning of fiscal year 2006, the Company adopted the Emerging Issues Committee Abstract EIC-156, "Accounting by a Vendor for Consideration given to a Customer (including a Reseller of the Vendor's Products)", which provides guidance as to the circumstances under which a consideration is an adjustment of the selling price of the vendor's products or services and under which it is a cost incurred by the vendor to sell his products. EIC-156 was applied retroactively, with restatement of prior years. Cash discounts given to customers, previously presented as a reduction of earnings before interest, amortization, income taxes and non-controlling interest, are now presented as a reduction of sales. Following application of EIC-156, sales were reduced by $13,471 for the year ended December 31, 2006.

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 these 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.

3 - ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

Self-insurance

In the United States, the Company is self-insured for certain losses related to general liability and workers' compensation. The expected ultimate cost for claims incurred as of the balance sheet date is not discounted and is recognized as a liability. This cost is estimated based upon analysis of the Company's historical data and actuarial estimates.

Inventory valuation

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

Vendor rebates

The Company records cash consideration received from vendors as a reduction in the price of vendors' products and reflects it as a reduction to cost of goods sold and related inventory when recognized in the consolidated statements of earnings and consolidated balance sheets.

Amortization

Fixed assets 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

Covenants not to compete are amortized using the straight-line method over a period of four years.

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.

Deferred gain on a sale-leaseback arrangement

The gain is amortized on a straight-line basis over the lease term.

Impairment of long-lived assets

Fixed assets and covenants not to compete are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

3 - ACCOUNTING POLICIES (Continued)

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. Unrealized gains and losses are shown under Accumulated other comprehensive income.

Average translation rate for the year results is 1.07 (1.13 in 2006). The assets and liabilities of the U.S. self-sustaining subsidiaries are translated at a rate of 0.99 (1.17 in 2006).

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 years of 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 plans 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 7 to 10 years.

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

3 - ACCOUNTING POLICIES (Continued)

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.

Stock-based compensation plan

The Company accounts for options issued according to the fair value method. Compensation cost should be measured at the grant date and should be recognized over the applicable stock option vesting period. 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 years. 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 periods 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 periods.

Comparative figures

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

Uni-Select Inc.
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

(In thousands of dollars, except for per share amounts)

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:

	2007	2006
	$	$
Current assets	**20,684**	18,773
Long-term assets	**3,713**	2,448
Current liabilities	**11,974**	9,333
Long-term liabilities	**748**	774
Sales	**49,721**	70,549
Earnings before interest, amortization, income taxes and non-controlling interest	**1,535**	3,218
Net earnings	**803**	1,865
Cash flows from operating activities	**438**	2,746
Cash flows from investing activities	**(1,816)**	(618)
Cash flows from financing activities	**1,405**	(195)

The Company's sales include sales to joint ventures at fair value in the amount of $22,713 in 2007 and $45,746 in 2006.

The Company's share of its joint ventures' commitments represents $2,508 in 2007 and $3,122 in 2006.

5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	2007	2006
	$	$
Interest		
Interest on bank indebtedness	**2,626**	1,250
Interest on long-term debt	**4,401**	3,809
Interest on merchant members' deposits in guarantee fund	**393**	360
	7,420	5,419
Interest income on cash and cash equivalents	**(631)**	(991)
Interest income from merchant members	**(534)**	(523)
	6,255	3,905
Amortization		
Amortization of fixed assets	**8,674**	7,459
Amortization of other assets	**507**	586
	9,181	8,045

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:

	2007	2006
	%	%
Federal statutory rate	**22.12**	22.12
Impact of changes in provinces' tax rates	**10.48**	9.96
Combined statutory rate of the Company	**32.60**	32.08
Various tax rates applied in tax jurisdictions of foreign operations	**1.04**	1.94
Recognition of previously unrecorded tax benefits	**(1.36)**	
Non-deductible expenses for tax purposes	**0.20**	0.26
Other	**(0.14)**	0.97
	32.34	35.25

6 - INCOME TAXES (Continued)

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:

	2007	2006
	$	$
Future income tax assets		
Current		
Non-capital losses carried forward	**1,621**	557
Allowance deductible during the coming year	**7,036**	5,762
Other	**14**	13
	8,671	6,332
Long-term		
Fixed assets	**16**	37
Non-capital losses carried forward		70
Pension plan allowance	**1,081**	1,147
Allowance for performance incentives	**476**	514
Deferred income	**1,168**	
Other	**37**	38
	2,778	1,806
Future income tax liabilities		
Current		
Other	**–**	19
Long-term		
Fixed assets	**2,831**	3,019
Prepaid pension plan contributions	**106**	180
Deferred gain on like-kind exchange		1,244
Other	**901**	639
	3,838	5,082

7 - EARNINGS PER SHARE

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

			2007
	Net earnings	**Weighted average number of shares**	**Earnings per share**
	$		**$**
Basic earnings per share	**40,841**	**19,727,720**	**2.07**
Impact of stock options exercised		**31,590**	
Diluted earnings per share	**40,841**	**19,759,310**	**2.07**

Uni-Select Inc.
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

(In thousands of dollars, except for per share amounts)

7 - EARNINGS PER SHARE (Continued)

	2006		
	Net earnings	Weighted average number of shares	Earnings per share
	$		$
Basic earnings per share	42,264	19,674,768	2.15
Impact of stock options exercised		60,899	
Diluted earnings per share	42,264	19,735,667	2.14

8 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	2007	2006
	$	$
Accounts receivable	**(1,759)**	12,286
Income taxes receivable	**5,595**	(1,988)
Inventory	**(14,330)**	(11,119)
Prepaid expenses	**1**	(682)
Volume discounts receivable	**67**	366
Accounts payable	**(2,410)**	(7,137)
Income taxes payable	**(8,268)**	8,268
	(21,104)	(6)

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

	2007	2006
	$	$
Interest paid	**7,331**	5,179
Income taxes paid	**28,466**	21,436

9 - BUSINESS ACQUISITIONS

In 2007, the Company acquired the shares of three companies in the Automotive Canada segment as well as the assets and a portion of the liabilities of four companies operating in the Automotive Canada segment and eleven companies in the Automotive USA segment.

In addition, the Company increased its interest by 1.92% in its joint venture, Uni-Select Pacific, Inc. Following this transaction, the Company's interest in the joint venture increased from 63.46% to 65.38%. This transaction was carried out at the carrying amount.

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

9 - BUSINESS ACQUISITIONS (Continued)

Taking into account acquisition costs of $460, the preliminary purchase prices are allocated as follows:

	$
Current assets	61,597
Fixed assets	5,432
Other long-term assets	111
Goodwill	24,842
	91,982
Current liabilities	(9,060)
Long-term debt	(575)
	(9,635)
Net assets acquired	82,347
Cash of companies acquired	(56)
Settlement of accounts receivable of companies acquired	(1,738)
Net acquisition	80,553
Total consideration paid less cash acquired	80,685
Balance of purchase price receivable	(132)

– Uni-Select USA, Inc.:

  The Company acquired a non-controlling interest for a cash consideration of $228. Following this transaction, the Company's interest in its U.S. subsidiary increased by 0.09%, from 85.86% to 85.95%. Also, shares of the subsidiary have been issued for the financing of some business acquisitions, which have diluted the non-controlling interest. Following these transactions, the Company's interest in its U.S. subsidiary increased by 0.99% from 85.95% to 86.94%.

In 2006, the Company acquired the shares of three companies in the Automotive Canada segment as well as the assets and a portion of the liabilities of twelve companies operating in the Automotive USA segment.

In addition, the Company acquired the shares held by its partners in the USI-AGI joint venture and now owns 100% of the shares. This company operates distribution centres and stores in the Automotive Canada segment.

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

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9 - BUSINESS ACQUISITIONS (Continued)

Taking into account acquisition costs of $67, the preliminary purchase prices are allocated as follows:

	$
Current assets	65,011
Fixed assets	4,108
Covenants not to compete	707
Other long-term assets	450
Goodwill	25,826
	96,102
Current liabilities	(12,315)
Long-term debt	(1,807)
	(14,122)
Net assets acquired	81,980
Cash of company acquired	(2,071)
Settlement of accounts receivable of companies acquired	(2,739)
Net acquisition	77,170
Total consideration paid less cash acquired	76,218
Balance of purchase price payable	952

– Uni-Select USA, Inc.:

  The Company acquired a non-controlling interest for a balance of purchase price payable of $391 as of December 31, 2006. Following this acquisition, the Company's interest in its U.S. subsidiary increased by 0.21%, from 85.65% to 85.86%.

10 - TEMPORARY INVESTMENT

The 2006 temporary investment at a rate of 4.15% has been cashed in 2007.

11 - ACCOUNTS RECEIVABLE

	2007	2006
	$	$
Trade accounts	**137,316**	131,734
Current portion of investments	**3,727**	5,100
	141,043	136,834

12 - INVESTMENTS AND VOLUME DISCOUNTS RECEIVABLE

	2007	2006
	$	$
Shares of companies and advances, without interest or repayment terms	**560**	631
Advances to merchant members, interest rates varying between 6% and prime rate plus 1% (rates varying between prime rate and prime rate plus 1% in 2006), receivable in monthly instalments, maturing on various dates until 2016	**8,915**	9,319
Volume discounts, receivable until 2011	**1,658**	1,725
	11,133	11,675
Current portion	**3,727**	5,100
	7,406	6,575

13 - FIXED ASSETS

			2007
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Land and paving	**1,202**	**277**	**925**
Buildings	**11,648**	**6,032**	**5,616**
Furniture and equipment	**29,685**	**19,341**	**10,344**
Computer equipment and software	**34,864**	**20,286**	**14,578**
Automotive equipment	**10,662**	**5,338**	**5,324**
Leasehold improvements	**7,785**	**3,046**	**4,739**
	95,846	**54,320**	**41,526**

			2006
	Cost	Accumulated amortization	Net
	$	$	$
Land and paving	1,479	277	1,202
Buildings	17,235	7,449	9,786
Furniture and equipment	25,704	17,065	8,639
Computer equipment and software	29,439	17,154	12,285
Automotive equipment	11,038	5,282	5,756
Leasehold improvements	6,376	2,330	4,046
	91,271	49,557	41,714

14 - COVENANTS NOT TO COMPETE

			2007
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Covenants not to compete	**635**	**305**	**330**

			2006
	Cost	Accumulated amortization	Net
	$	$	$
Covenants not to compete	749	171	578

15 - GOODWILL

				2007
	Automotive Canada	**Automotive USA**	**Heavy duty**	**Consolidated**
	$	**$**	**$**	**$**
Balance, beginning of year	**26,372**	**17,885**		**44,257**
Business acquisitions (Note 9)	**3,777**	**21,065**		**24,842**
Translation adjustment		**(4,241)**		**(4,241)**
Balance, end of year	**30,149**	**34,709**	**–**	**64,858**

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15 - GOODWILL (Continued)

				2006
	Automotive Canada	Automotive USA	Heavy duty	Consolidated
	$	$	$	$
Balance, beginning of year	8,895	6,211	2,890	17,996
Business acquisitions (Note 9)	14,587	11,239		25,826
Intersegment transfer	2,890		(2,890)	
Translation adjustment		435		435
Balance, end of year	26,372	17,885	–	44,257

16 - CREDIT FACILITIES

Parent company and certain of its subsidiaries

The Company has a credit facility in the amount of $225,000. This credit facility is composed of a $165,000 revolving credit expiring in October 2011. The credit facility also includes a $60,000 operating credit which is used for the issuance of letters of guarantee and is renewable annually in October. As at December 31, 2007, the issued letters of guarantee totalled $5,010 ($5,118 in 2006).

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, 2007, interest rates vary between 5.35% and 7.75% (5.34% and 8.75% in 2006).

The Company is required to comply with certain financial ratios which it has done as at December 31, 2007 and 2006.

Joint ventures

The authorized lines of credit amount to $10,180 ($7,580 in 2006), 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, 2007, the interest rates vary between 5.35% and 6.5% (5.34% and 6% in 2006).

17 - ACCOUNTS PAYABLE

	2007	2006
	$	$
Accounts payable and accrued liabilities	**132,070**	134,829
Balance of purchase price, prime rate	**590**	1,368
	132,660	136,197

18 - LONG-TERM DEBT

	Current portion	2007	2006
	$	$	$
Revolving credit, average variable rate of 6.44% (6.12% in 2006) (Note 16)		**91,300**	62,926
Notes payable, unsecured, 0% to 13.9%, payable in monthly instalments, maturing on various dates until 2010	**223**	**475**	4
Mortgage loans, secured by a building, prime rate plus 1%, payable in monthly instalments, maturing until 2013	**40**	**143**	175
Bank loan, secured by accounts receivable, inventory and equipment, prime rate plus 1%, payable in monthly instalments, maturing in July 2011	**7**	**113**	148
Due to a joint venturer, without interest or repayment terms			49
Obligations under capital leases, 0% to 1.9%, payable in monthly instalments, maturing on various dates until 2011	**27**	**52**	76
		92,083	63,378
Instalments due within one year	**297**	**297**	103
		91,786	63,275

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

	Obligations under capital leases	Other loans
	$	$
2008	27	270
2009	13	237
2010	8	137
2011	5	91,360
2012		19
2013 and following		8
Total minimum lease payments	53	
Financing expenses included in minimum lease payments	1	
	52	

19 - MERCHANT MEMBERS' DEPOSITS IN GUARANTEE FUND

	2007	2006
	$	$
Merchant members' deposits in guarantee fund	**7,574**	8,240
Instalments due within one year	**280**	426
	7,294	7,814

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 interest at prime rate less 1% (5%).

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20 - CAPITAL STOCK

Authorized

Unlimited number of shares

Preferred shares, issuable in series

Common shares

	2007	2006
	$	$
Issued and fully paid		
Balance, beginning of year: 19,699,334 common shares (19,599,716 in 2006)	**49,344**	48,056
No share issuance for cash (1,303 in 2006)		40
Issue of 37,224 common shares on the exercise of stock options (98,315 in 2006)	**528**	1,248
Balance, end of year: 19,736,558 common shares (19,699,334 in 2006)	**49,872**	49,344

Common stock option plan for management employees and officers

The shares under option may be subscribed for over a period of ten 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, 1,162,755 common shares (1,125,531 in 2006) have already been issued.

The Company has already repurchased 555,591 options. As at December 31, 2007, 141,054 common shares (178,278 in 2006) are reserved for this plan.

A summary of the status of the Company's stock option plan as at December 31, 2007 and 2006 and changes during the years ended on those dates is presented below:

	2007		2006	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**89,152**	**14.50**	188,011	13.46
Exercised	**(37,224)**	**14.18**	(98,315)	12.50
Forfeited			(544)	15.05
Outstanding and exercisable, end of year	**51,928**	**14.72**	89,152	14.50

As at December 31, 2007, the outstanding stock options exercisable into a range of exercise prices from $14 to $16.25 have a weighted average remaining contractual life of 3 years.

21 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	2007	2006
	$	$
Balance, beginning of year		
Balance, as previously reported	**(12,766)**	(13,405)
Cumulative impact of accounting changes relating to financial instruments (net of income taxes of $81) (Note 2)	**173**	
Balance, as restated	**(12,593)**	(13,405)
Other comprehensive income for the years	**(20,418)**	639
Balance, end of year	**(33,011)**	(12,766)

22 - EMPLOYEE FUTURE BENEFITS

As at December 31, 2007, 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 $1,107 ($898 in 2006).

Total cash payments for employee future benefits for 2007, 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 $2,832 ($2,245 in 2006).

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. Two of the pension plans were evaluated on December 31, 2006 and December 31, 2004 respectively and will be revaluated as at December 31, 2009 and December 31, 2007. The accrued benefit obligations of the other pension plan are revaluated on an annual basis.

Information regarding the combined defined benefit plans is as follows:

	2007		2006	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Accrued benefit obligations				
Balance, beginning of year	**20,854**	**4,101**	17,636	3,949
Business acquisitions (Note 9)	**35**		902	
Current service cost	**2,302**	**211**	2,262	209
Interest cost	**1,198**	**224**	1,066	216
Benefits paid	**(662)**	**(110)**	(1,012)	(83)
Actuarial losses (actuarial gains)	**(2,234)**	**384**		(190)
Balance, end of year	**21,493**	**4,810**	20,854	4,101
Plan assets				
Fair value, beginning of year	**15,935**		12,431	
Business acquisitions (Note 9)	**28**		667	
Actual return on plan assets	**(883)**		1,803	
Employer's contributions	**1,615**		1,264	
Employees' contributions	**714**		782	
Benefits paid	**(662)**		(1,012)	
Fair value, end of year	**16,747**	**–**	15,935	–

	2007	2006
	Pension plans	Pension plans
	%	%
Components of plan assets		
Equity securities	**73.7**	73.0
Debt securities	**26.3**	27.0
	100.0	100.0

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22 - EMPLOYEE FUTURE BENEFITS (Continued)

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

		2007		2006
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Funded status - deficit	**(4,746)**	**(4,810)**	(4,919)	(4,101)
Unamortized past service costs	**606**	**(9)**	679	(12)
Unamortized actuarial losses	**4,481**	**829**	4,797	454
Accrued benefit asset (liability)	**341**	**(3,990)**	557	(3,659)

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:

		2007		2006
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Current service cost	**1,588**	**211**	1,480	209
Interest cost	**1,198**	**224**	1,066	216
Actual return on plan assets	**883**		(1,803)	
Actuarial losses (actuarial gains)	**(2,234)**	**384**		(190)
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**1,435**	**819**	743	235
Adjustments to recognize the long-term nature of employee future benefit costs				
Difference between expected return and actual return on plan assets for the years	**(2,101)**		816	
Difference between actuarial loss recognized for the years and actual actuarial loss on accrued benefit obligation for the years	**2,424**	**(375)**	280	252
Amortization of past service costs	**73**	**(3)**	74	(3)
Defined benefit costs recognized	**1,831**	**441**	1,913	484

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

		2007		2006
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	%	**%**	%	%
Accrued benefit obligations as of December 31				
Discount rate	**5.50**	**5.50**	5.25	5.25
Rate of compensation increase	**4.00**	**4.00**	4.00	4.00
Benefit costs for years ended December 31				
Discount rate	**5.25**	**5.25**	5.25	5.25
Expected long-term rate of return on plan assets	**7.25**	**–**	7.25	–
Rate of compensation increase	**4.00**	**4.00**	4.00	4.00

23 - COMMITMENTS

The Company has entered into long-term lease agreements expiring at various dates until 2017 which call for lease payments of $98,185 for the rental of buildings, vehicles and outsourcing of information technology services. Minimum lease payments for the next five years are $23,951 in 2008, $19,521 in 2009, $15,507 in 2010, $11,038 in 2011 and $8,032 in 2012. 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.

24 - GUARANTEES

As per inventory repurchase agreements, the Company has made a commitment to financial institutions to repurchase inventories from some of its customers at a rate of 60% to 75% of the value of cost of the inventories for a maximum amount of $61,870 ($68,286 in 2006). In the event of proceedings, the inventories would be liquidated in the normal course of the Company's operations. These agreements are for an undetermined period of time. In management's opinion, the likelihood of major payments being made and losses being absorbed is low, since the value of the assets held in guarantee is significantly higher than the Company's commitments.

25 - FINANCIAL INSTRUMENTS

Fair value

The fair value of the temporary investment, accounts 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 since 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.

There is no more interest rate swap in 2007. The fair value of the interest rate swap, as determined by the Company's bank, based on quoted market prices for similar instruments at the balance sheets date, represents an amount receivable by the Company of $220 in 2006.

Credit risk

Credit risk arises from customers' potential inability to meet their obligations as agreed upon. The Company holds the assets of certain customers as security and reviews their financial strength on a regular basis to manage this risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations on time and at a reasonable cost. The Company manages its liquidity risk on a consolidated basis by using numerous financing sources to maintain its manoeuvrability, taking into account its operating needs, tax situation and capital requirements. The Company prepares budget cash forecasts to ensure that it has sufficient funds to meet its obligations.

Foreign exchange risk

The Company is exposed to foreign exchange risk due to cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable, deposits in guarantee fund and long-term debt denominated in U.S. dollars. As at December 31, 2007, assets denominated in U.S. dollars consisting of cash and cash equivalents and accounts receivable totalled US$70,835 (US$58,802 in 2006); liabilities denominated in U.S. dollars consisting of accounts payable, deposits in guarantee fund and long-term debt totalled US$173,285 (US$134,414 in 2006).

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25 - FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Company manages its exposure to interest rate fluctuations by allocating its financial debt between fixed rate and variable rate debt instruments.

26 - 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.

				2007
	Automotive Canada	**Automotive USA**	**Heavy duty**	**Consolidated**
	$	**$**	**$**	**$**
Sales	**497,955**	**607,168**	**63,166**	**1,168,289**
Earnings before interest, amortization, income taxes and non-controlling interest	**42,322**	**37,867**	**(179)**	**80,010**
Assets	**228,930**	**353,122**	**33,521**	**615,573**
Acquisition of fixed assets	**5,602**	**9,882**	**119**	**15,603**
Acquisition of goodwill	**3,777**	**21,065**	**–**	**24,842**

				2006
	Automotive Canada	Automotive USA	Heavy duty	Consolidated
	$	$	$	$
Sales	489,573	567,402	66,928	1,123,903
Earnings before interest, amortization, income taxes and non-controlling interest	46,954	36,833	(1,963)	81,824
Assets	226,837	307,390	38,308	572,535
Acquisition of fixed assets	6,883	6,542	193	13,618
Acquisition of covenants not to compete	–	707	–	707
Acquisition of goodwill	17,477	11,239	(2,890)	25,826

The Automotive USA segment includes fixed assets for an amount of $16,591 ($17,599 in 2006) and goodwill for an amount of $34,709 ($17,885 in 2006).

27 - FUTURE ACCOUNTING STANDARDS

Financial instruments – disclosures

In December 2006, CICA issued Section 3862, "Financial Instruments – Disclosures". This section, combined with Section 3863, replaces Section 3861. It applies to fiscal years beginning on or after October 1, 2007. It describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This section complements the principles of recognition, measurement and presentation of financial instruments of Sections 3855, "Financial Instruments – Recognition and Measurement", 3863, "Financial instruments – Presentation", and 3865, "Hedges". The Company is currently evaluating the impact of the adoption of this new section on the consolidated financial statements.

27 - FUTURE ACCOUNTING STANDARDS (Continued)

Financial instruments – presentation

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

Capital disclosures

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

Inventories

In June 2007, CICA issued Section 3031, "Inventories", which will replace Section 3030 with the same title. This section applies to fiscal years beginning on or after January 1, 2008. It provides new guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to the net realizable value as well as on the cost formulas that are used to assign costs to inventories. Additional disclosure will also be required under this standard. The Company is currently evaluating the impact of the adoption of this new section on the consolidated financial statements.

28 - SUBSEQUENT EVENTS

On January 3, 2008, the Company acquired the assets and a portion of the liabilities of Replacement Parts Depot Limited for a purchase price of $13,917. This company operates one distribution center in the Automotive Canada segment, totalling sales of $25,000.

On January 8, 2008, the Company entered into an interest rate swap agreement for a nominal amount of $60,000 in order to reduce the interest rate risk. It bears interest at a rate of 3.94% and it expires in three instalments of $20,000 in 2011, 2012 and 2013.

On February 29, 2008, the credit facility of the Company (Note 16) was amended. The amount of the new credit facility is $325,000, which represents an increase of the revolving credit of $70,000 and an increase of the operating credit of $30,000. The financial ratios of the new credit facility are less restrictive. The renegotiated rate for the revolving credit represents an average improvement of 0.15% and an average improvement of 0.10% for the operating credit compared with the previous agreement.

DIRECTORS AND OFFICERS

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Chair of the Board

Clay E. Buzzard, CPA

Pierre Desjardins

Jean Dulac

Jean Guénette, CA

Jacques Landreville

Léo Leblanc

Jacques Maltais

Hubert Marleau

John A. Hanna, FCGA

Me Jeanne Wojas

OFFICERS, UNI-SELECT INC.

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President and
Chief Executive Officer

Denis Mathieu, CA
Vice President and
Chief Financial Officer

Florent Jacques
Senior Vice President,
Distribution and Integration

James E. Buzzard
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Automotive Group USA

Gary O'Connor
Executive Vice President,
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Vice President and
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Me Pierre Chesnay, LL.L
Vice President,
Legal Affairs and Secretary

Michel Laverdure
Vice President,
Corporate Purchasing

Luc L'Espérance
Vice President,
Human Resources

Michèle Raymond
Vice President,
Strategic Planning
and Market Development

Martin Labrecque, CMA
Corporate Controller

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James E. Buzzard
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Denis Mathieu, CA
Vice President and
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Daniel Buzzard
Vice President,
Distribution and Integration

Richard Buzzard
Vice President,
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Robert Buzzard
Vice President,
Administration

Carman Capriotto
Vice President,
Corporate Stores

John Evanoka
Vice-President,
Northeast Region

William M. McConnell
Vice President,
Central Region

John Rutland
Vice President,
Corporate Development

Brent Windom
Vice President,
Marketing and Product
Management

Scott Terhaar, CPA
Group Controller

Me Pierre Chesnay, LL.L
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Ruth McManus
Director,
Human Resources

OFFICERS, PALMAR INC.

Richard G. Roy, CA
President

Jean Rivard
Executive Vice President

Me Pierre Chesnay, LL.L
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KEY MANAGERS

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Terry Pollock
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Jeffrey J. Nagle
General Manager,
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Michael C. Buzzard
General Manager,
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William H. McClain, IV
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James H. Burnett
General Manager,
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General Manager,
North Central

Ronald A. Lazara
General Manager,
Northwest

David G. Cooper
General Sales Manager,
Southwest

Scott W. Roberts
Director of Information
Technology

Heavy Duty Group

Steve Dugas
General Manager,
Altantic, Ontario
and Edmonton Divisions

Yves Sanscartier
General Manager,
Quebec Division

Pierre Labelle, CMA
Manager,
Finance & Administration

Christian Legault
Manager, Marketing

Jean-Claude Léveillée
Manager, Operations,
Quebec Division

Aimé Cloutier
Manager, Sales,
Quebec Division

Martin-Philippe Racine
Product Manager,
Wheel Division

SHAREHOLDER INFORMATION

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J4B 2X3
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Internet : www.uni-select.com

Listing
Ticker Symbol :
UNS, Toronto Stock Exchange

Auditors
Raymond Chabot Grant
Thornton LLP

Legal Counsel
McCarthy Tétrault

Bankers
National Bank of Canada
Royal Bank of Canada
Bank of Montreal
Bank of America
Caisse Centrale Desjardins
JPMorgan Chase Bank

Registrar and Transfer Agent
Computershare

Annual Information Form
The Annual Information Form for the year ended December 31, 2007 is available on SEDAR (www.sedar.com) or may be obtained upon written request from the Secretary of the Company.

Annual Meeting of Shareholders
May 8, 2008, at 1:30 PM
Hotel Omni Mont-Royal
1050 Sherbrooke Street West,
Montreal, Quebec
H3A 2R6

WWW.UNI-SELECT.COM

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