UNI-SELECT INC. 2010 ANNUAL REPORT

DELIVERING ON OUR PLAN

UNI-SELECT.

OUR MISSION

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

2008 - 2012 Objectives

1. FOSTER EXPANSION

- Capitalize on acquisition opportunities
- Seek out national purchasing agreements

2. FACILITATE ORGANIC GROWTH

- Continue accelerated growth in market niches (collision repair, cooling systems, parts for foreign vehicles)
- Open new distribution channels (retail sales, fleets, online sales)
- Integrate acquisitions and new customer accounts

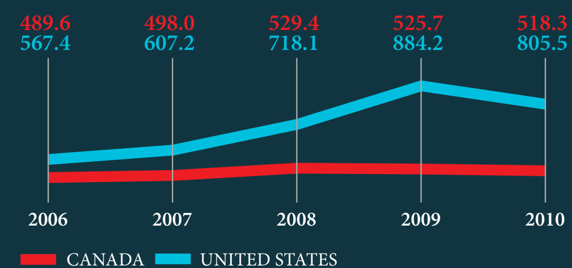
3. INCREASE EFFICIENCY WITH PERFORMANT INFORMATION SYSTEMS

- Paperless warehouse-management system
- Inventory management system
- Enterprise resource planning (ERP) system

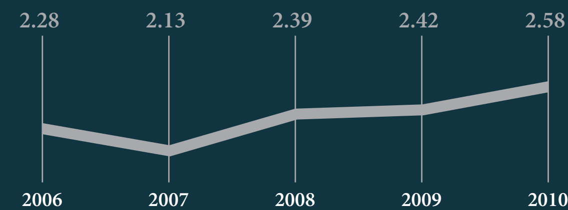
4. PROMOTE AT ALL LEVELS A CULTURE OF EFFICIENCY

- Value Creator program
- Leadership program
- Change management training program

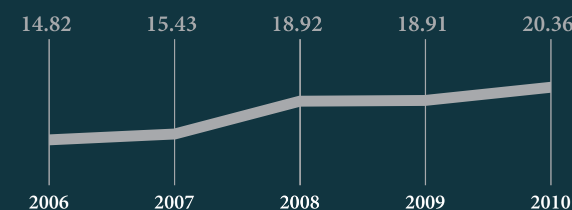
SALES (IN $M)



ADJUSTED EARNINGS PER SHARE RELATED TO CONTINUING OPERATIONS (IN $)



BOOK VALUE PER SHARE



Financial Highlights

Years Ended December 31, *(in $M, except for per-share amounts and percentages)*

	2010	2009	2008	2007	2006
OPERATING RESULTS					
Sales	1,323.8	1,409.9	1,247.5	1,105.2	1,057.0
Variation	(6.1)%	13.0%	12.9%	4.6%	(0.8)%
Adjusted operating income from continuing operations [(1)(2)]	86.1	95.8	93.2	80.2	83.8
Adjusted operating profit margin (EBITDA) from continuing operations [(1)(2)]	6.5%	6.8%	7.5%	7.3%	7.9%
Operating income from continuing operations	80.4	88.8	91.7	80.2	83.8
Adjusted earnings from continuing operations[(2)]	50.9	47.7	47.3	42.1	45.0
Adjusted net profit margin from continuing operations[(2)]	3.8%	3.4%	3.8%	3.8%	4.2%
Earnings from continuing operations	47.3	43.4	46.4	42.1	45.0
Net earnings	46.4	38.6	45.9	40.8	42.3
Return on average shareholders' equity from continuing operations	12.2%	11.6%	13.7%	14.1%	16.4%
Return on average shareholders' equity	12.0%	10.3%	13.6%	13.7%	15.4%
Return on average net assets	9.2%	9.1%	10.7%	11.4%	12.8%
FINANCIAL POSITION					
Working capital	392.9	395.4	477.6	326.9	301.9
Total assets	807.5	775.7	874.1	615.6	572.5
Total net indebtedness	190.1	170.1	208.3	134.9	91.5
Shareholders' equity	401.3	372.9	372.7	304.6	291.9
Long-term debt/equity	44.6%	50.0%	58.4%	32.7%	24.5%
Total net debt/invested capital	32.1%	31.4%	35.8%	30.7%	23.9%
Funded debt on EBITDA from continuing operations	2.36	1.92	2.27	1.69	1.05
COMMON SHARE DATA					
Book value	20.36	18.91	18.92	15.43	14.82
Adjusted earnings related to continuing operations	2.58	2.42	2.39	2.13	2.28
Earnings related to continuing operations	2.40	2.20	2.35	2.13	2.28
Net earnings	2.35	1.96	2.33	2.07	2.15
Dividends	0.47	0.46	0.43	0.42	0.38
Number of shares issued at year end	19,707,637	19,716,357	19,694,358	19,736,558	19,699,334
Weighted average number of outstanding shares	19,716,731	19,709,642	19,724,417	19,727,720	19,674,768

(1) EBITDA represents operating income before amortization, interest, income taxes, non-controlling interest and loss from discontinued operations. As EBITDA is not a measurement defined by Canadian generally accepted accounting principles (GAAP), it may not be comparable to similary titled measurement.

(2) EBITDA, earnings from continuing operations and net earnings were adjusted to reflect expenses that the Company considers as non-characteristic of normal operations. These expenses are added so the measurements can be comparable. For more details, see the section on "Compliance with Generally Accepted Accounting Principles"

FOUR PILLARS OF STRATEGIC DEVELOPMENT

GROWTH

Uni-Select favors growth through acquisitions and promotes organic growth of its business units through the development of new distribution channels.

- Acquisition of FinishMaster™, the largest independent distributor of automotive paints, coatings and related accessories in the United States.
- Acquisition of Automotive Information Management, a group of wholesalers in the United States.
- Increased sales of parts for imports such as Beck/Arnley™ products with improved coverage of best performing categories.

EXECUTION

Uni-Select oversees an orderly consolidation of its assets, and a reduction of inventory all the while maintaining a quality of service and fill rate expectations.

- New administrative structure put in place: Jobbers and Major accounts on the one hand, and Corporate stores on the other
- Conversion of independent merchants and corporate stores to Auto-Plus™ banner and installers to Auto Service Plus™
- Improvement in direct sales conditions
- Diversification of corporate store formats

SYSTEMS

Uni-Select is determined to implement an integrated information management system by 2012 to facilitate management of all facets of the organization.

- In depth development of ERP with thorough need analysis and module testing: investment of $38M in 2010
- Deployment of Finance module in July 2010
- Conversion of point of sales systems for corporate stores into a single platform
- Implementation of an analytical tool that identifies the local need for coverage of products for imported vehicles to improve product offering

CULTURE

Uni-Select fosters an entrepreneurial culture of autonomy and efficiency that values excellence, innovation, commitment and the sense of partnership.

- Continuation of Value Creator Program
- Creation of Leadership program
- Change management training program

On the fast track to achieving our goals

In 2010, Uni-Select improved its organic growth, focused its efforts on its network of independent merchants and installers, introduced its integrated management software, and, late in the year, made a landmark acquisition in the automotive paint and accessories market.

In 2010, Uni-Select increased its organic growth by instituting various programs, including an enhanced program of sales through direct-from-manufacturer shipping, and by facilitating access to an expanded product range. The company also resumed its growth through acquisitions following an agreement with FinishMaster™, the largest independent distributor of automotive paints, coatings and related accessories in the United States.

In terms of execution, a renewed focus on the automotive aftermarket led Uni-Select to establish a new management structure designed to meet the needs of its two types of customer service, namely, Jobbers and Major Accounts on the one hand and Corporate Stores on the other. We have already seen positive results from this more specific and dedicated approach.

On the systems side, Uni-Select successfully introduced the Finance module of its integrated management software. This will be followed in 2011 by the implementation of the operations modules at 14 warehouses, with network-wide deployment expected by late 2012.

Finally in 2010, Uni-Select employees tackled the challenges posed by the change in structure and by integrated system implementation. The professionalism and loyalty they showed confirm the scope of the corporate culture promoted by Uni-Select.

THE ECONOMIC SITUATION AND THE AUTOMOTIVE PARTS MARKET

There was not much change in 2010 in the economic and market conditions that have prevailed since 2008.

There has in fact been stabilization - though with a slight upward trend - in gasoline prices as well as in distance travelled and the age of vehicles on the road. Although consumers are keeping their vehicles longer, they have not yet significantly increased average spending on maintenance and repairs, given the uncertainty as to the forecasted economic recovery. Finally, dealership closings have continued, favouring a transfer of repair activities and workers to independent merchants.

+3%

MARKET GROWTH OF AT LEAST 3% A YEAR UP TO 2013

General forecasts for the automotive aftermarket are encouraging, however. Various sources (such as Polk and Lang) foresee revenue growth of at least 3% a year up to 2013. Lang also predicts substantial and sustained growth in the imported-vehicle repair sector for the next eight years.

FINANCIAL RESULTS THAT POINT TO FUTURE PROFITABILITY

Uni-Select experienced a strong overall financial performance in 2010, with results topping last year's. After adjustments to take into account the exchange rate variation, growth was seen in both sales and earnings.

For the fiscal year ended December 31, 2010, after conversion of our U.S. sales into Canadian dollars, sales reached $1.324 million compared with $1,410 million in 2009, with currency conversion reducing 2010 sales by $89 million. Adjusted earnings from continuing operations stood at $50.9 million, against $47.7 million in 2009. Here again, currency variations negatively impacted earnings by $2.8 million, or $0.14 a share. On the other hand, net earnings reached $46.4 million against $38.6 million recorded in 2009.

TOWARD A MORE PRODUCTIVE NETWORK

Despite the slower growth in total sales, we still experienced positive organic growth of 2%, most of which originated in the United States. This result is highly encouraging, showing the value of programs implemented to increase sales to our customers. This illustrates that we have been

"WE HAVE MADE GREAT STRIDES TOWARD OUR GOALS."

JEAN-LOUIS DULAC
Chairman of the Board

making the right strategic growth decisions and that, thanks to rigorous management, we have positioned ourselves to increase short-term and long-term profitability, as set out in our 2008–2012 five-year plan.

A PLAN WELL ON ITS WAY TO FULFILMENT

In keeping with its vision, Uni-Select remains a leader in Canada and has moved up to sixth place among U.S. distributors. This puts us well on the way to fulfilling our mission of being a top choice as a North American distributor of domestic and imported automotive parts and of related products and services. We have also met our goal of expanding the territory we cover. With the acquisition of FinishMaster™, we now have a presence in 35 U.S. states, with 71% of our sales coming from the United States.

CAPITALIZING ON GROWTH OPPORTUNITIES

In 2010, Uni-Select continued to grow by acquisition, with purchases that included Automotive Information Management, a group of wholesalers in the United States. This acquisition reflects Uni-Select's firm resolve to support independent merchants in the United States, offering them attractive perspectives and business conditions. The program of sales with direct-from-manufacturer shipping is in line with this approach and is already showing results.

The year 2010 will truly go down in history, however, following last December's announcement of the acquisition of FinishMaster™, the largest independent distributor of automotive paints, coatings and related accessories in the United States, with its 15% market share, 162 stores and annual sales of US$421 million. This acquisition is part of the five-year strategic plan both in terms of expansion and the market served.

The acquisition is all the more important because it opens the possibility of cross-selling products and offers substantial synergy for our network. Just as the Beck-Arnley™ acquisition in 2008 opened up the imported-vehicle parts market for us, the purchase of FinishMaster™ makes Uni-Select a dominant North American player in the distribution of automotive refinishes and accessories. This increases our presence in a market where we already have recognized expertise in Canada. In addition, we will be able to extend the offer of our basic products to new customers.

15%

FINISHMASTER: 15% MARKET SHARE, 162 STORES AND ANNUAL SALES OF US$421 MILLION

We believe the FinishMaster™ acquisition will be a growth generator. FinishMaster™ offers a very broad selection of Dupont, BASF, PPG, 3M and other brand-name products. Its customer base of collision repair shops and fleet operators will be added to our clientele of independent distributors and installers. Our territories are contiguous or intersecting, and both our management teams are motivated by similar corporate values and culture.

In other words, this acquisition goes beyond the additional revenues it brings us. It also promotes organic growth, always one of our primary goals.

Our five-year plan mentioned the importance of relying on growth sectors. Let's take a look at where we stand in terms of fulfilling this strategic imperative.

In 2010, we saw improved results related to Beck/Arnley™ products for imported vehicles, with sales up by 25%. These gains stemmed from strategic investments in inventories over the last two years. In addition to supporting the brand's reach with specific marketing programs, we substantially expanded the product range offered to imported-vehicle specialists. We also emphasized maximum coverage in the most promising categories, such as brakes, chassis and filters, helping us grow our market share. Sales of parts for imported vehicles now account for nearly 30% of Uni-Select's total sales volume.

Since 2008, we have thus undertaken two major acquisitions that give us a solid footing in two essential markets, namely, parts for imported vehicles and coatings, paint and accessories. . These two sectors will be a source of greatly increased loyalty from our two customer types in the coming years. In addition, we have also expanded the geographic scope of our network with the acquisition of some Parts Depot assets in the Eastern U.S.

25%

IN 2010, WE SAW IMPROVED RESULTS RELATED TO BECK/ARNLEY™ PRODUCTS FOR IMPORTED VEHICLES, WITH SALES UP BY 25%.

"IT HAS BEEN A DECISIVE YEAR FOR THE EXPANSION PLAN."

RICHARD G. ROY
President and Chief Executive Officer

CLEARLY TARGETED MANAGEMENT

In keeping with the spirit of our new management structure focused on operational excellence, we have set up two divisions dedicated to our two types of customer service, namely, Jobbers and Major Accounts on the one hand and Stores and Installers on the other. After withdrawing from the Automotive Distribution Network buying group, we have also converted our independent merchants and corporate stores to the Auto-Plus™ banner and our installers to the Auto Service Plus™ banner. This change has had positive spinoffs for our member merchants and installers, more than 1,240 of whom proudly display the Auto Service Plus™ sign, thereby adding to our organic growth. We can also rely now on more than 600 stores displaying the Auto-Plus™ banner in the United States, and we aim to increase this presence to nearly 900 Auto-Plus™ stores by the end of 2011.

PROMOTING INDEPENDENT MERCHANTS

Creating an independent merchants and major accounts division was very well received and produced positive results, especially in the United States. We were able to focus resources on the U.S. independent merchants market and apply these resources to developing a more complete service offering. We have taken care to develop more pertinent strategies, validating them with members individually or together in focus groups. The improved program of sales with direct-from-manufacturer shipping is a tangible example of our aim to listen more closely to our customers' needs and serve them better.

This better use of resources has enabled us to standardize and harmonize marketing programs under the various Uni-Select brand names, both in Canada and the United States. The goal here is to build even greater loyalty among our customers by providing complete, efficient and competitive business solutions. Moreover, in addition to our basic offering, we continue to leverage the potential of national and regional agreements that favour local merchants.

WE NOW HAVE A PRESENCE IN 35 U.S. STATES

WITH 71% OF OUR SALES COMING FROM THE UNITED STATES.

Uni-Select firmly believes that the independent merchants market is a sector with a very promising future. We see ourselves as an essential intermediary, able to provide substantial advantages to those who join our network; we favour their continued autonomy and encourage their entrepreneurial spirit.

Our aim is to be the North American champion of independent merchants. To ensure their success, we provide them with flexible, made-to-measure business solutions adapted to their needs, enabling them to remain competitive and to achieve high sales volumes.

DIVERSIFYING OUR STORE MODELS

Here again, the new structure has facilitated the application of strategies suited to the optimal development of our 250 stores.

Among other things, we have borrowed from the proven recipe of the 22 Consumer Auto Parts stores that we acquired in 2007 and that serve a mixed clientele of market professionals and consumers, and we have gradually extended this formula to our network. We started by renovating 15 commercial stores and equipping them with retail features to entice consumers. These tools include circulars and local marketing and promotional programs. We intend to convert about 45% of our stores to this dual approach at the rate of 25 a year between now and 2013.

The remaining stores will be devoted entirely to commercial sales, supported mainly by call centres.

45%

WE INTEND TO CONVERT ABOUT 45% OF OUR STORES TO THIS DUAL APPROACH AT THE RATE OF 25 A YEAR BETWEEN NOW AND 2013.

These stores are benefiting from conversion to the Auto Plus™ banners and the marketing programs that support them. They will also be well served by an enhanced range of parts for imported cars, Beck/Arnley™ products in particular. Finally, integrating the FinishMaster™

stores will present additional cross-growth opportunities, with automotive parts being offered to their customers.

Uni-Select is determined to provide its Stores network with top competitive advantages and to provide its customers with outstanding service.

AN INVESTMENT THAT WILL PAY OFF

We have chosen to make major investments in an integrated management software suite. We are pleased to note that introduction of the Finance module last July has been a success and has already improved network efficiency.

We are introducing the operations modules in successive phases at 14 warehouses, starting late in the first quarter of 2011. We chose to delay this implementation to allow for adjustments we felt were needed in the SAP platform to standardize data and to increase business process efficiencies.

1,400 NEW EMPLOYEES

The operations modules, required to support the company's growth, were subjected to in-depth needs analyses and to careful assesments. This resulted in the processing of more data, the creation of additional interfaces and functions, and more testing with users. These improvements largely explain the need to raise the project's total budget to $69 million.

A CULTURE THAT CONTINUES TO DELIVER PERFORMANCE

Our corporate culture is proving increasingly to be a leading focal point of growth.

This year, 1,400 new employees are joining the organization following the FinishMaster™ acquisition. We believe they will embrace Uni-Select values and culture, since our acquisition criteria favour companies that have a culture similar to our own.

We have emphasized, and shall continue to do so, training programs for executives as well as programs for recognizing the performance and excellence of our employees.

Actions by management are aimed at maximizing an entrepreneurial culture of autonomy and efficiency, with a greater emphasis on leader ship, training and promotion of internal talent.

2011

With 2011 being the fourth year of the 2008-2012 strategic plan, we believe Uni-Select's efforts and growth initiatives will be marked by success.

We are starting the year with a solid balance sheet, especially after undertaking a long-term refinancing of the company that enables us to continue our growth.

With the benefit of past experience, we will continue with acquisitions in 2011, seeking synergetic partnerships with healthy companies that have management and vision similar to our own.

We will aim for organic growth in the most promising sectors and increased sales to existing customers. We will strive to:

- increase our supply of Beck/Arnley™ parts for imported vehicles to promote sales either directly or through the Uni-Select network;
- develop effective strategies to maximize the synergies between FinishMaster™ and the Uni-Select business model;
- leverage the potential for national agreements so that they can be a true driver of growth for independent merchants and an instrument to built loyalty;
- prioritize support for independent merchants, improving on the partnership that benefits both merchants and Uni-Select;
- increase customer loyalty by promoting the Uni-Select advantages;
- improve the performance of management in our stores, with a focus on outstanding customer service;
- maintain rigorous control over costs and optimize assets; leverage benefits from the integrated management software suite.

We will stay the course on rigorous management of costs and inventories, setting the tone as we integrate the operations of FinishMaster™ analysing the potential for sharing space, with a view to a reduction of fixed costs. We will assess each point of sale to improve network efficiency and quality of service.

Finally, we will continue to pay very special attention to managing the company's human resources and to promoting the development of high-potential employees. In 2011, more than ever, we shall give priority to training programs for change and leadership. We will also be paying more attention to evaluating our employees' performance to manage our talent pool more effectively and build on it.

OUR SUCCESS DEPENDS ON OUR CUSTOMERS' SUCCESS

Regardless of the environment in which we are operating, whether in warehouses or stores, and whichever customer group we are serving, whether independent merchants, installers, imported-vehicle technicians or collision repair shops, Uni-Select remains faithful to the principle that has always been the cornerstone of its success: doing what it takes to ensure its customers' profitable growth.

This principle guides our actions when devising our sales and marketing programs, our enhanced product offering for domestic and imported vehicles with a "first-to-market" emphasis, our technology investments to improve business processes and keep our customers better informed of market realities and trends, and our perfecting of customer service standards and procedures.

We seek constantly to create better business conditions for our member merchants and partners, based on our conviction that our success depends of their success.

IT'S EVERYONE'S BUSINESS

We wish to thank our customers, suppliers and partners for their support throughout the year.

We also want to acknowledge the contribution of our shareholders, especially after successfully seeking their assistance this year in financing major projects for our growth.

We also wish to thank our employees and managers who, again this year, showed unwavering loyalty and devotion that deserve our appreciation and gratitude.

Finally, we salute the members of our Board of Directors and thank them for their contribution. Their presence and their recommendations are invaluable to us and inspire us throughout the year.

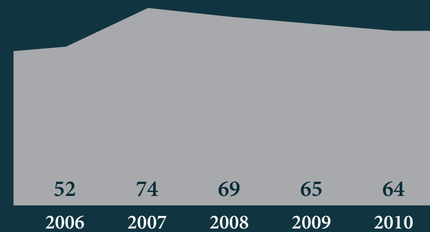
JEAN-LOUIS DULAC
Chairman of the Board

RICHARD G. ROY
President and
Chief Executive Officer

Beyond Borders*

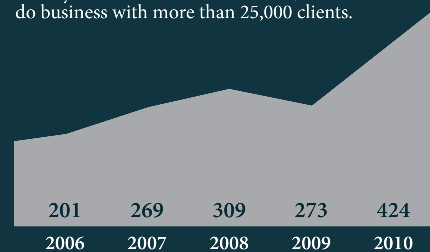
64

DISTRIBUTION CENTRES
Strategically located in Canada and in 35 American states, our distribution centres deliver products across North America.



424

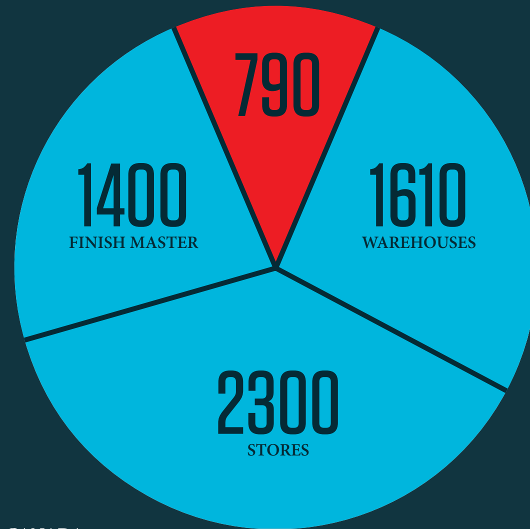
CORPORATE STORES
Mainly located in the United States, our stores do business with more than 25,000 clients.



*At March 15, 2011

6,100

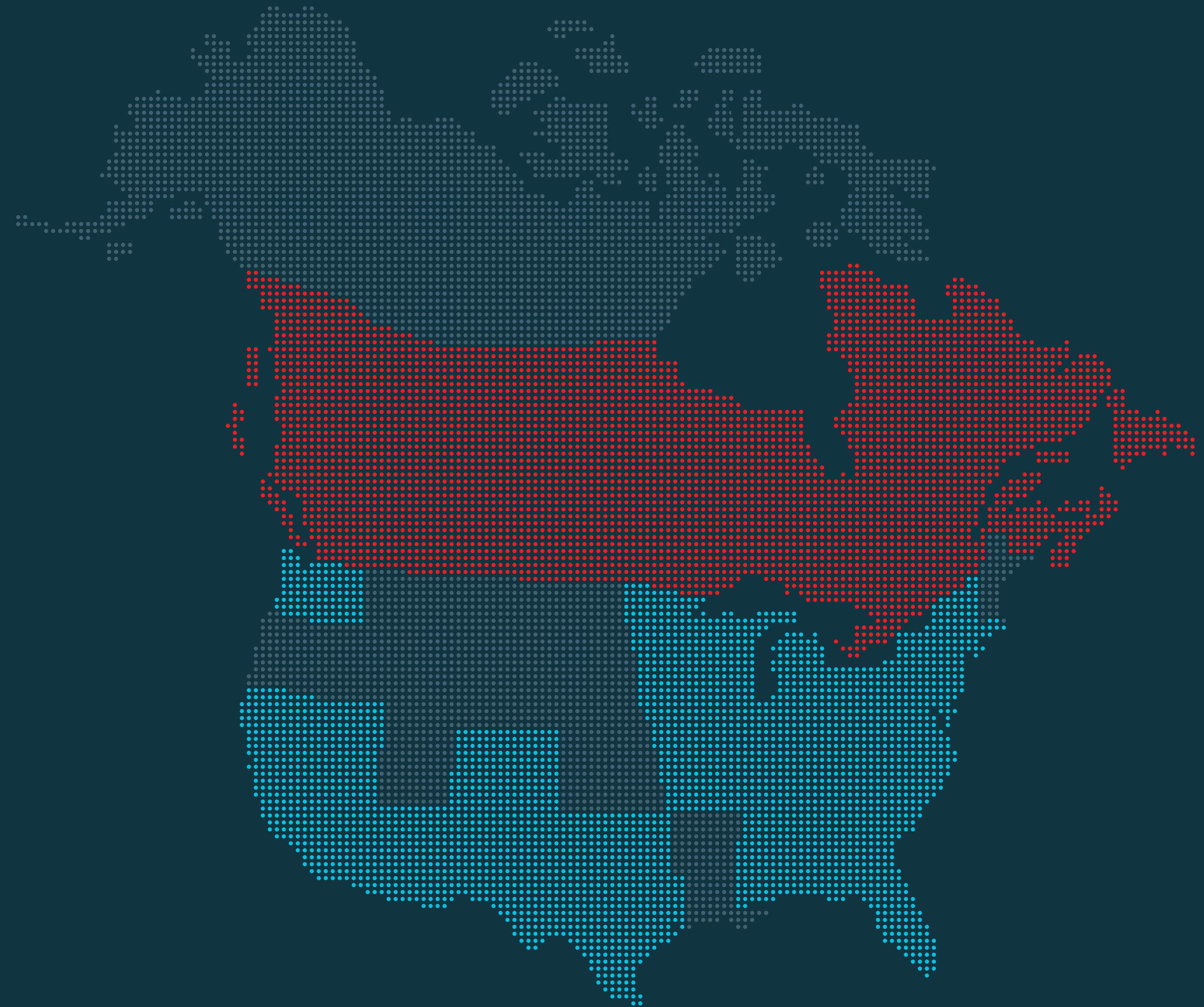
EMPLOYEES
Our employees' everyday contributions are a crucial element of our success.



CANADA
UNITED STATES

2,950,000 SQ²

SQUARE FEET OF WAREHOUSE SPACE
Uni-Select holds more than 1.8 million different parts available throughout the network with more than 350,000 available regionally.



SALES BREAKDOWN
29% CANADA 71% UNITED STATES

CANADA UNITED STATES

MANAGEMENT REPORT 2010

PRELIMINARY COMMENTS TO MANAGEMENT REPORT

BASIS OF PRESENTATION OF MANAGEMENT REPORT

This management report discusses the Corporation's operating results and cash flows for the year ended December 31, 2010, compared with those for the year ended December 31, 2009, as well as its financial position as at December 31, 2010, compared with its position as at December 31, 2009. This report should be read in conjunction with the consolidated financial statements and accompanying notes included in the 2010 Annual Report. The information contained in this management report takes into account all major events that occurred up to March 15, 2011, the date on which the financial statements and management report were approved by the Corporation's Board of Directors. It presents the Corporation's status and business as they existed, to management's best knowledge, as of that date.

Additional information on Uni-Select, including the audited financial statements and the Corporation's annual notice, is available on the SEDAR website at www.sedar.com.

In this management report, "Uni-Select" or the "Corporation" refers, as the case may be, to Uni-Select Inc., its subsidiaries, divisions and joint ventures, or any one of them. Unless indicated otherwise, all financial data presented in this management report, including the amounts in the tables, are expressed in thousands of Canadian dollars. Comparisons are presented in relation to the previous period.

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

FORWARD-LOOKING STATEMENTS

The management report is designed to assist investors in understanding the nature and 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 2010 Annual Report contain forward-looking statements within the meaning of securities legislation concerning the Corporation's objectives, projections, estimates, expectations or forecasts. These forward-looking statements are subject to a number of risks and uncertainties. Accordingly, 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 Corporation'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 Corporation's results may be affected by the competitive environment, consumer purchasing habits, vehicle fleet trends, general economic conditions and the Corporation's financing capabilities.

There can be no assurance as to the realization of the results, performance or achievements 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.

COMPLIANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Unless otherwise indicated, the financial information presented hereinafter is prepared in compliance with Canadian Generally Accepted Accounting Principles (GAAP). The information included in this report contains some expressions that do not measure returns in compliance with GAAP, including:

ORGANIC GROWTH

This measurement consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, selling and closing of stores, exchange-rate fluctuations, and, when it occurs, changes in the number of billing days. Uni-Select uses this measurement because it enables the Corporation 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 assumptions according to management, may differ from actual growth rates. In addition, this measurement may not correspond to similarly titled measurements used by other companies.

EBITDA

This measurement represents operating income before amortization, interest, income taxes, non-controlling interest and loss from discontinued operations. This measurement is a widely accepted financial indicator of a Corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measurement 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 Corporation's statement of earnings, EBITDA corresponds to "Earnings before the following items."

EBITDA MARGIN

The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.

NON-RECURRING ITEMS

These are unusual incurred costs that management regards as not characteristic or representative of the Corporation's regular operations. They include the following costs: those incurred when disposing of or closing stores, non-capitalizable costs related to the implementation of the enterprise resource planning system, costs of integrating recently acquired businesses, and changes in estimates of provisions for obsolescence of inventory. This document presents analyses of variations in EBITDA, earnings from continuing operations and earnings per share from continuing operations, excluding non-recurring costs. Although these measurements are not defined by GAAP, Corporation management regards them as good indicators for comparing operational performance.

ADJUSTED EBITDA

This measurement corresponds to EBITDA adjusted from the impact of non-recurring items. According to management, adjusted EBITDA is more representative of the Corporation's operational performance and provides additional useful information to investors because it gives an indication of the Corporation's ability to repay its debts. Since adjusted EBITDA is not a measurement defined by GAAP, it may not be comparable to other companies' adjusted EBITDA.

TOTAL NET INDEBTEDNESS

This measure consists of bank indebtedness, long-term debt and client deposits in a guarantee fund (including short-term portions), net of cash.

TOTAL NET DEBT TO TOTAL INVESTED CAPITAL

This ratio corresponds to the percentage of total net debt divided by the sum of total net debt and shareholders' equity. These two measurements are not defined by GAAP and may, therefore, not be comparable to similarly titled measurements used by other companies.

FUNDED DEBT TO EBITDA

This ratio corresponds to bank indebtedness, long-term debt and client deposits in a guarantee fund (including short-term portions) to EBITDA.

The Corporation believes a number of users of its management report analyze the results based on these measurements of returns. These measurements that are not defined by GAAP are primarily extracted from the Consolidated Financial Statements, but they have no standardized significance set out in GAAP; accordingly, other companies using similar terms may calculate them differently.

DISCONTINUED OPERATIONS - 2009

REFOCUSING OF OPERATIONS

The Heavy Duty Group had been negatively affected by unfavorable conditions in the last years. The slowdown in the Quebec manufacturing sector, together with the difficult economic situation that had prevailed for several quarters in Canada, had contributed to a decline in the number of vehicles on the road and in distances travelled, resulting in lower sales and heavy pressures on margins.

Management judged that, despite efforts made through the implementation of sales, cost-reduction and margin-improvement programs, these changes were more of a structural than a cyclical nature and required a major strategic repositioning. Accordingly, management concluded that the operations of the Heavy Duty Group no longer fitted into the Corporation's long-term development plans.

The Corporation disposed of the assets of its subsidiary Palmar Inc., grouping all Heavy Duty Group operations. Proceeds from the sale were used to reduce debt and the corresponding interest expense, providing for greater flexibility in business development.

In compliance with Section 3475 of the CICA Handbook, titled Disposal of Long-lived Assets and Discontinued Operations, the group's operating results were reclassified and presented in the consolidated statements of earnings under Loss from discontinued operations, with the assets and liabilities of Palmar Inc. as at December 31, 2009, reclassified and presented in the consolidated balance sheet as Assets or liabilities from discontinued operations, while cash flows from operations, investment and financing related to Palmar Inc. were reclassified under separate "from discontinued operations" headings in the consolidated cash flows. This accounting treatment enables the activities from discontinued operations to be presented separately, thereby presenting comparable activities.

As at December 31, 2010, Palmar Inc. was liquidated into its parent Corporation Uni-Select Inc. As a result, the assets and liabilities were reclassified in their respective categories in the balance sheet as at December 31, 2010.

01.Profile and description

UNI-SELECT, FOUNDED IN 1968, IS A MAJOR DISTRIBUTOR OF REPLACEMENT PARTS, EQUIPMENT, TOOLS AND ACCESSORIES FOR MOTOR VEHICLES IN NORTH AMERICA. UNI-SELECT IS THE CANADIAN LEADER AS WELL AS THE SIXTH-LARGEST DISTRIBUTOR IN THE UNITED STATES.

A KEY INDUSTRY PLAYER

Uni-Select, founded in 1968, is a major distributor of replacement parts, equipment, tools and accessories for motor vehicles in North America. Uni-Select is the Canadian leader as well as the sixth-largest distributor in the United States. With its 6,100 employees, the Corporation operates two divisions: the independent merchants and major accounts division supplies automotive parts and accessories through its 64 distribution centres, while the Stores division offers installers and consumers the same products through its 424 stores. Uni-Select is one of the largest network of independent automotive parts wholesalers, with nearly 2,500 clients and 3,500 points of sale.

Over time, Uni-Select has become a key industry player. It is a first-choice supplier not only of parts and equipment for domestic vehicles (i.e. vehicles designed and assembled by the traditional North American manufacturers) but also of parts for imported cars (i.e. vehicles designed and assembled by foreign manufacturers), with Beck/Arnley™ products leading the way. In addition, with the acquisition of FinishMaster™ in January 2011, Uni-Select has become North America's largest distributor of paint and bodyshop accessories.

Including its latest acquisition, Uni-Select's annual sales would have been $1.8 billion for 2010: 71% of its sales will be in the United States and 29% in Canada.

AN ESSENTIAL LINK IN THE SUPPLY CHAIN

The Corporation plays an essential role by linking manufacturers of automotive parts and accessories with the wholesalers and installers that form its client base. With access to close to two million automotive parts and accessories, Uni-Select provides efficient management of the supply chain, with more than 350,000 different part numbers kept in inventory to meet its clients' needs.

SOLUTIONS ADAPTED TO CUSTOMERS' NEEDS

Uni-Select stands out from the competition with a business model characterized by a flexible focus and the provision of solutions adapted for independent wholesalers and installers. The latter may source the national brand products they need from any of the following means of access: directly from suppliers, or from Uni-Select warehouses or Uni-Select stores strategically located across North America, or through a combination of these alternatives.

Because it recognizes the importance of each customer's business, Uni-Select treats them as partners to help ensure their success. The Corporation offers an à la carte menu that allows customers to choose only the programs and resources they want. This approach helps them meet their development and growth goals, through Uni-Select's offering of marketing, store identification or inventory and order-management programs. In addition, Uni-Select offers succession programs to assist its customers when they ponder retirement and are in need of assistance to facilitate their transition.

INDUSTRY STRUCTURE

PARTS MANUFACTURERS

UNI-SELECT DISTRIBUTION CENTRES
(1.8M PARTS IN INVENTORY)

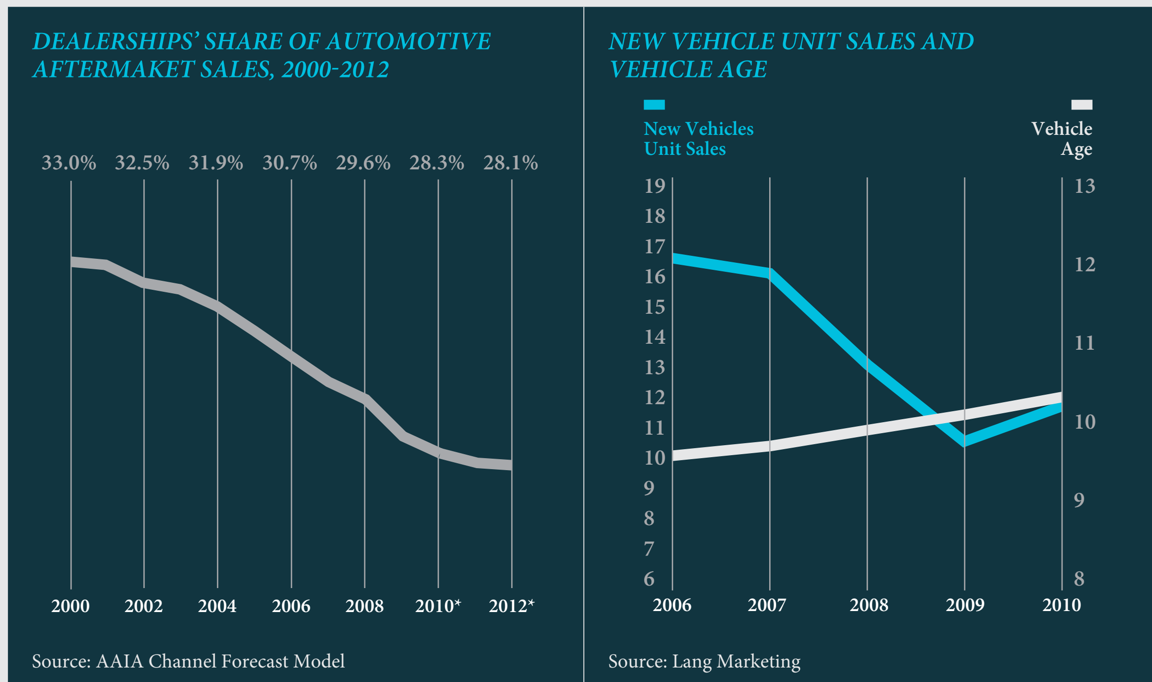
350K
PARTS AVAILABLE REGIONALLY

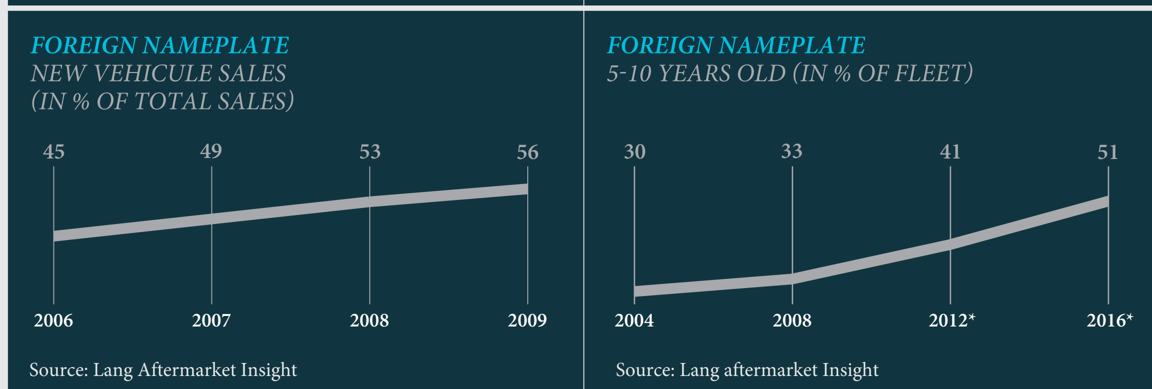
WHOLESALERS, DISTRIBUTORS AND STORES
(PARTS IN INVENTORY)
15K

INSTALLATION
- GARAGES
- SPECIALIZED DEALERS
- FLEETS
- INDUSTRIES
(PARTS IN INVENTORY)
200

02. The Automotive Aftermarket

IN THE FIRST MONTHS OF 2010, CONSUMERS WERE VERY CAUTIOUS, WHILE LATER IN THE YEAR, MORE SO IN THE LAST QUARTER, CONSUMPTION, RECOVERED. THE YEAR WAS ALSO CHARACTERIZED BY A CANADIAN DOLLAR THAT SAW ITS VALUE CONTINUOUSLY INCREASE WHEN COMPARED TO ITS U.S. COUNTERPART SUCH THAT IT ENDED THE YEAR AT PARITY WITH THE U.S. CURRENCY.





FACTORS AFFECTING THE AUTOMOTIVE AFTERMARKET

A number of variables affect the automotive aftermarket. Some of these are related to demand, including the number and age of vehicles or distance travelled. Others are linked to supply: these include the number of independent repair shops as compared to the number of dealers.

NUMBER OF VEHICLES ON THE ROAD

Despite lower sales of new vehicles in the last few years, the total number of vehicles on the road in North America fell slightly in 2010, to 241 million. As a direct consequence, the average age of the fleet increased and resulted in a positive impact on the automotive aftermarket. The marked trend toward increased vehicle longevity in the last few years has continued, with average vehicle age reaching 10.8 years in 2010. The current average age of domestic cars is 12.3 years, while that of imported vehicles is 9 years.

The ratio between domestic and imported vehicles has been a major challenge in the recent past, marked by the significant growth in imported cars over the last 10 years. In 1999, approximately 30% of new vehicles were imported, while in 2009 56% of new vehicles sold were imports.

It is also of interest to note that the number of imported vehicles that are between 5 to 10 years old – the optimal range for the purchase of products required for repairs, also referred to as the sweet spot – is on the rise, with 41% of vehicles expected to be in this category in 2012.

Some variables are more closely connected with consumer behaviour. For example, the greying of the population, together with the increased sophistication of vehicles and the growing number of imported vehicles, are more favourable to growth in the DIFM (do it for me) segment than in the DIY (do it yourself) segment. A 2.4% growth in the DIFM segment in the period leading up to 2012 is anticipated, representing more than double the expected growth in the DIY segment.

DISTANCE TRAVELLED AND RATE OF REPAIR

There is a direct link between distance travelled and the rate of vehicle repairs. With stabilization in gasoline prices in 2010, the market saw a 0.7% growth in distance travelled when compared with the previous year.

A FAVOURABLE BIAS TOWARD INDEPENDENT REPAIR SHOPS

An independent study by J.D. Power shows that North American consumers are more satisfied with repairs conducted by independent shops than with the services provided by automobile dealers. This conclusion illustrates the value of repair and maintenance services provided by the aftermarket and its key role in the automotive industry.

Rationalization in the number of new-vehicle dealerships in North America over the last 2 years seems to have favoured the migration of repairs and experienced workers to the aftermarket segment from the dealerships. The market share of new-vehicle dealerships repair services declined from 33% in 2000 to 28.3% in 2010.

AN ESTABLISHED AND GROWING MARKET

The North American automotive aftermarket is a stable market that should remain solid in the coming years. This market is characterized by strong consolidation in Canada, providing Uni-Select with limited opportunities for growth by acquisitions. Conversely, the U.S. market remains highly fragmented, and opportunities for growth through acquisitions of independent distributors remain substantial.

Uni-Select focuses its activities on serving the needs of wholesalers and installers and should remain a major player in the consolidation of the industry.

FROM LEFT TO RIGHT J.A. LACY — PRESIDENT - FINISHMASTER, INC. MATTHEW O'DELL — PROJECT MANAGER - FINISHMASTER, INC. JIM BUZZARD — SENIOR VICE PRESIDENT, CORPORATE DEVELOPMENT, USA DANIEL COURTNEY — SENIOR VICE PRESIDENT OPERATIONS - FINISHMASTER, INC. ROBERT MILLARD — VICE PRESIDENT FINANCE - FINISHMASTER, INC. GUY ARCHAMBAULT — VICE PRESIDENT, CORPORATE DEVELOPMENT

03. Growth strategy

UNI-SELECT CONTINUES TO FULFIL THE GOALS IN ITS 2008–2012 STRATEGIC PLAN AIMED PRIMARILY AT PROMOTING ITS EXPANSION, FACILITATING ORGANIC GROWTH, ENHANCING ITS OPERATIONAL EXCELLENCE AND PROMOTING ITS CULTURE OF AUTONOMY AND EFFICIENCY.

"WE ARE ALWAYS ON THE LOOKOUT FOR OPPORTUNITIES THAT WILL CREATE VALUE."

GUY ARCHAMBAULT
Vice President, Corporate Development

A CORPORATION PRESENT ACROSS NORTH AMERICA

In 2010, Uni-Select maintained its policy of growth by acquisition. Uni-Select has a solid record of profitable acquisitions and integration of acquired businesses. The acquisitions realized between 2008 and early 2011 have played a major role in positioning Uni-Select as a leader in the distribution of automotive parts.

The acquisition of Replacement Parts Depot in Canada in 2008 enhanced the Corporation's distribution network in Ontario. In the United States, the acquisition of the business assets of Parts Depot in the Mid-Atlantic region consolidated Uni-Select's U.S. presence, which was already substantial following the acquisition of Middle Atlantic Warehouse Distributors, Inc. "MAWDI" in 2004. A critical mass is now in place in the Northeastern United States.

The acquisition of Beck/Arnley Worldparts, Inc. also completed in 2008, represented a crucial breakthrough in the parts market for foreign nameplate vehicles. Since this acquisition, revenues from Beck/Arnley™ have grown significantly, along with the sale of parts for imported cars that now represent close to 30% of Uni-Select's volume.

The FinishMaster™ acquisition in January 2011 is the latest in a series of U.S. acquisitions and is a fit with the five-year strategic plan in terms of both territorial and market coverage. With a presence in 29 states, 162 stores and 3 distribution centres, FinishMaster™ holds a 15% share of the automotive paint market, establishing Uni-Select as a leader in the U.S. in a segment in which it has recognized expertise in Canada. This acquisition should add $421 million in revenues from its inception.

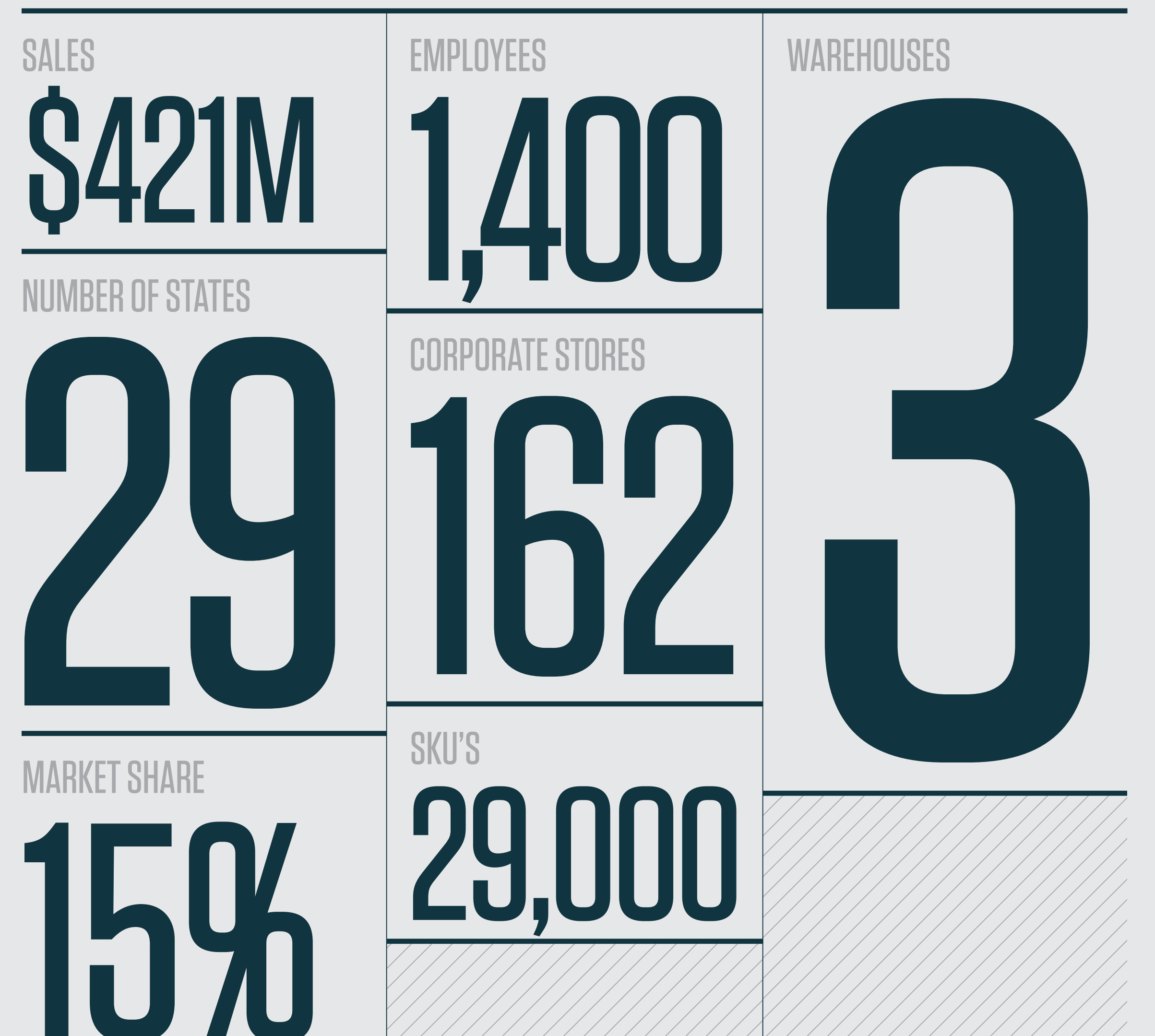
The FinishMaster™ and Beck/Arnley™ acquisitions have transformed Uni-Select into a major distributor of paint and bodyshop accessories, and of replacement parts for imported vehicles, completing its strong expertise in the distribution of replacement parts.

Uni-Select also promotes its growth by entering into agreements for the supply of replacement parts and accessories with national and local entities. Since 2008, agreements with Canadian Tire, LAR, MDAuto and Bridgestone, as well as deals for the supply of parts with a number of cities in the United States, such as Boston, New York and Dallas, are worth mentioning. These agreements provide opportunities for Uni-Select jobbers to maximize sales and build loyalty.

SUMMARY OF ACQUISITIONS

2007	2008	2009	2010	2011
17 ACQUISITIONS SUCH AS: Thompson & Company, Inc./ MGT, Inc. Consumer Auto Parts Parts Distributors, Inc.	**9 ACQUISITIONS SUCH AS:** Replacement Parts Depot Limited Beck/Arnley Worldparts Corp. Parts Depot, Inc. (Mid-Atlantic operations)	**2 ACQUISITIONS:** T.A.B Auto Parts Co. Inc. APPW, Inc.	**2 ACQUISITIONS SUCH AS:** Automotive Information Management, Inc.	**1 ACQUISITION:** FinishMaster, Inc.

FINISHMASTER™ PROFILE



“EXECUTION THAT FACILITATES ORGANIC GROWTH.”

GARY O’CONNOR
Executive Vice President

THE 2008–2012 STRATEGIC PLAN AIMED A FASTER-PACED GROWTH IN PROMISING MARKET NICHES SUCH AS PARTS FOR IMPORTED VEHICLES AND COLLISION REPAIR SUPPLIES. UNI-SELECT HAS NOT ONLY MET ITS GOALS IN THESE TWO SECTORS BUT HAS ALSO IMPROVED BUSINESS PROCESSES TO BETTER SERVE ITS CUSTOMERS’ BUSINESS INTERESTS, WHILE CREATING VALUE FOR ITS SHAREHOLDERS.

FROM LEFT TO RIGHT DENIS MATHIEU — VICE PRESIDENT AND CHIEF FINANCIAL OFFICER GARY O’CONNOR — EXECUTIVE VICE PRESIDENT WILLIAM ALEXANDER — EXECUTIVE VICE PRESIDENT, CORPORATE STORES - USA RICHARD G. ROY — PRESIDENT AND CHIEF EXECUTIVE OFFICER LUC L’ESPÉRANCE — VICE PRESIDENT, HUMAN RESOURCES J.A. LACY — PRESIDENT - FINISHMASTER, INC. MICHEL RAVACLEY — VICE PRESIDENT, SUPPLY CHAIN & INTEGRATION BRENT WINDOM — VICE PRESIDENT MARKETING & PRODUCT MANAGEMENT - NORTH AMERICA PIERRE CHESNAY — VICE PRESIDENT, LEGAL AFFAIRS AND SECRETARY

In the segment of parts for imported vehicles, Uni-Select has invested strategically in the inventories of its Beck/Arnley™ subsidiary to enhance product access and increase the supply of top-quality products. The end result is a solid and readily available supply of parts in the most promising categories and in new products. Uni-Select has also improved the distribution of Beck/Arnley™ parts by maximizing the use of its network and improving access to parts. Finally, to respond to the needs of technicians specializing in imported cars, Uni-Select has restructured the sales force of Beck/Arnley™ products. Together with specific marketing programs, these actions have enhanced customer service. Uni-Select already sees positive results from these measures, with sales of products for imported vehicles rising by 25% in 2010. Management is optimistic and is of the view that growth in this sector will be sustainable; BeckArnley Worldparts, a corporation that enjoys a very good reputation as a supplier of OEM (Original Equipment Manufacturer) replacement parts, is well positioned to become a leading supplier of high-quality products in key categories such as filters, chassis and brake parts.

In the collision repair business, FinishMaster™ will offer the opportunity to extend the Canadian developed expertise to the United States. Uni-Select has become the dominant player in paint, body and equipment in the province of Quebec. Here again, Uni-Select serves its clients' business interests by being a vital intermediary that provides profitable business solutions for insurers, body shops and independent merchants. We anticipate that FinishMaster™ will provide major opportunities for exchanges of expertise in this sector, in addition to the cross-selling of paint and automotive parts between the two networks.

In 2010, Uni-Select also instituted high-performance programs aimed at maximizing the distribution and sale of its products through its network of warehouses and stores.

After its withdrawal from the Automotive Distribution Network, Uni-Select converted its independent merchants to its Auto-Plus™ banner and has since seen positive impacts in terms of sales volume and merchant loyalty. Uni-Select continuously looks for flexible solutions for its clients and has intensified its program of sales by direct shipment from manufacturers, to help independent merchants to become more competitive. Finally, Uni-Select has increased its sales to major website operators and to the sites of clients active in the e-commerce area. Together, these initiatives have produced a substantial increase in Uni-Select's volume and have contributed to the Corporation's organic growth.

As regards the Corporate Stores division, Uni-Select has examined its locations to maximize sales potential and improve profit margins. In addition to rigorous cost control, along with inventory-management programs and asset consolidation, noteworthy improvements include the creation of two store models. The first is dedicated entirely to commercial sales. The second model has a dual vocation directed to a mixed customer base of installers and consumers. The business model for retail sales is based on Consumer Auto Parts stores, a business acquired in 2007. Uni-Select converted 15 stores to the dual model in 2010 and expects that 45% of its corporate stores will be of this type by 2013. Whatever the type of store, each offers the following advantages: a superior inventory with a quality assortment of domestic and imported products, optimized delivery due to the strength of the Uni-Select distribution network, a professional sales force that can advise customers adequately at the counter or through call centres, and high-level technical support and promotional programs, such as Auto Services Plus™ or Service Auto Expert (SAX). Finally, promoting Uni-Select's entrepreneurial culture to all new service staff sets our network apart from the competition's stores.

CORPORATE STORES

BUSINESS MODEL

SUPERIOR HARD PARTS AVAILABILITY

2 DIFFERENT STORE MODELS

NATIONAL BRANDS

FLEXIBILITY

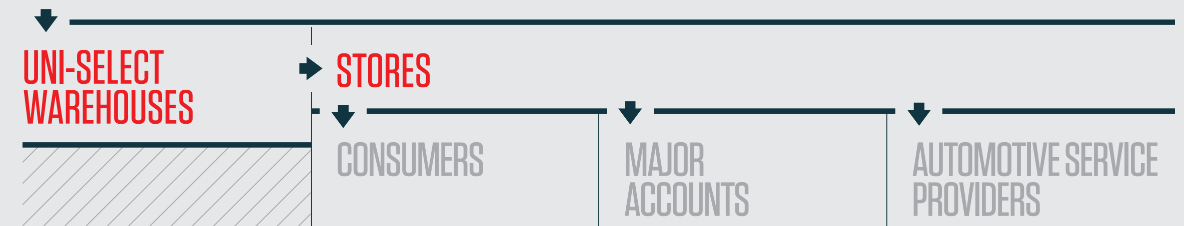
ASP PROGRAM (AUTO SERVICE PLUS)

GREAT CUSTOMER SERVICE

BEST PEOPLE IN THE MARKET (TECHNICAL EXPERTISE)

INDUSTRY STRUCTURE

MANUFACTURERS



"INCREASING EFFICIENCY THROUGH A HIGH-PERFORMANCE SYSTEM."

DENIS MATHIEU
Vice President and Chief Financial Officer

Since 2008, computer systems have been considered at Uni-Select as drivers of growth aimed at increasing the efficiency of customer service and reducing operating costs. These increasingly effective computer systems, which reach into every level of the organization, have contributed, and will continue to do so, to the success of our distribution activities.

In its warehouses, Uni-Select has, since 2008, implemented an integrated inventory-management system as well as a paperless warehouse-management system aimed at achieving better control of the asset base and improving client service. In addition, the conversion of stores' point-of-sale systems to a single platform was completed in 2010. To this have been added online inventory management systems for partners.

At Beck/Arnley™, Uni-Select invested in 2010 in an analytical tool that identifies local needs for coverage of products for imported vehicles, enabling it to enhance its supply of products in so-called "killer" categories by anticipating demand ensuring that Beck/Arnley™ products are first to market.

Uni-Select's largest internal project consists of deploying its integrated-management software (also referred to as the "ERP") by 2012. This ERP (enterprise resource planning) system engineered by SAP will help the organization in every aspect, from managing warehouses and their inventories to managing finance, orders and purchases. Implementing this system mobilized corporate resources in 2010. In addition to consultants, over 150 employees, in some form or other, in the project's various stages, from defining the business environment to testing, or as advisory groups. The finance module, implemented successfully in July 2010, already shows positive improvements. Deployment of operational modules should be done in 14 warehouses in 2011 and, by late 2012, completed in all 38 Uni-Select warehouses. Representing a total investment of $69 million over three years – some $50 million of which has been invested – this system will bring quantifiable benefits in terms of margin management, accounts receivable and improved operating costs. It will also provide extensive gains from a management standpoint, with its ability to provide real-time information, facilitate the integration of acquisitions and enhance access to data for warehouse and store customers.

In 2011, Uni-Select will operate two information management systems, its legacy system and the new ERP system as the latter is being implemented gradually. The first savings should materialize during the course of the year, and most of the recurring benefits related to the ERP system should flow from 2013 on.

IMPLEMENTATION OF AN ENTERPRISE RESOURCE PLANNING SYSTEM

2010	FINANCIAL MODULE
2011	40% OF DISTRIBUTION CENTRES
2012	100% OF DISTRIBUTION CENTRES

FROM LEFT TO RIGHT PATRICK LAFRAMBOISE — SENIOR MANAGER - ERP PROJECT SYLVETTE ARSENEAU — ERP TEAM LEADER CHRIS TESSIER — DIRECTOR, CORPORATE DATA MANAGEMENT
ANNIE TOUTANT — ERP TEAM LEADER PAUL RICHARD — ERP TEAM LEADER DOMINIQUE MÉNARD — VICE PRESIDENT, HUMAN RESOURCES - USA

"PROMOTING A CULTURE OF EFFICIENCY AT EVERY LEVEL."

LUC L'ESPÉRANCE
Vice President - Human Resources

The *Value Creator* program established in 2009 gives tangible form to Uni-Select's vision of the role of employees in the Corporation's overall success. Designed to acknowledge the contribution of top-performing employees, this program highlights the values of Uni-Select's entrepreneurial culture, namely, innovation, excellence, commitment and a sense of partnership. The Corporation's 6,100 employees share these values and apply them at every level of the organization.

To promote its culture more efficiently, Uni-Select has maintained its communication's program, mobilizing managers at every level. Great attention was devoted in 2010 on conveying the imperatives of implementing the integrated-management software. The Corporation has provided change-management training and leadership programs.

Uni-Select also keeps an eye on management succession at every level; it has instituted evaluation programs to identify high-potential employees and put their qualities to the best use.

UNI-SELECT ALSO KEEPS AN EYE ON MANAGEMENT SUCCESSION

FROM TOP TO BOTTOM ANNIE HOTTE — DIRECTOR, HUMAN RESOURCES - CANADA LUC L'ESPÉRANCE — VICE PRESIDENT, HUMAN RESOURCES CAROL HODES — VICE PRESIDENT, TALENT MANAGEMENT - FINISHMASTER, INC. RUTH MCMANUS — VICE PRESIDENT, HUMAN RESOURCES - USA

04. Highlights of the last three years

THE FINANCIAL RESULTS OF THE LAST THREE YEARS ARE A REFLECTION OF THE INITIATIVES UNDERTAKEN BY THE CORPORATION TO REALISE ITS FIVE-YEAR STRATEGIC PLAN, DESPITE THE UNCERTAIN ECONOMY AND THE UNFAVOURABLE FLUCTUATION BETWEEN THE CANADIAN AND U.S. CURRENCIES.

Indeed, most of the variations in the Corporation's statement of earnings and balance sheet items between fiscal 2008, 2009 and 2010 reflect the ongoing corporate strategic plan of expansion through acquisitions and strategic alliances and a continued improvement in profitability of operations.

Also to be taken into account in 2009 are the impact, in keeping with the corporate strategy to refocus activities, of the sale of the Heavy Duty Group, the closing of unprofitable stores in the United States and the sale of 14 corporate stores in Canada.

In 2010, the Corporation fully benefited from the purchase of its minority shareholders' interest in Uni-Select USA and from a tax rate reduction resulting from its new financing structure as it maintained its goal of selling corporate stores in Canada, and closing or selling those stores that have a lesser potential of profitability in the United States. The benefits related to these initiatives have been partly offset by the costs related to the implementation of the enterprise resource planning system, which will benefit the Corporation in subsequent years.

As the Corporation uses the Canadian dollar as its reporting currency, in its consolidated financial statements and in this document, unless otherwise indicated, results from its U.S. operations are converted into Canadian dollars using the average rate for the period. Variances and explanations related to fluctuations in the foreign exchange rate and the volatility of the Canadian dollar, which are discussed in this document are therefore related to the conversion in Canadian dollars of the Corporation's U.S. operations' results and do not have an economic impact on its performance since most of the Corporation's consolidated revenues and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, the sensitivity of the Corporation's results to variations in foreign exchange rates is economically limited.

EXCHANGE RATE DATA

The following table set forth information about exchange rates based upon rates expressed as Canadian dollars per US$1.00.

	DEC. 31 2010	DEC. 31 2009	DEC. 31 2008
AVERAGE FOR THE PERIOD For statement of earnings purposes	1.03	1.14	1.07
PERIOD END For balance sheet purposes	1.00	1.05	1.22

SELECTED CONSOLIDATED INFORMATION (RELATED TO CONTINUING OPERATIONS)

Years ended December 31 *(in thousands of dollars, except amounts per share)*

	2010	2009	2008
Sales			
United States	805,438	884,182	718,132
Canada	518,317	525,693	529,420
Total	**1,323,755**	**1,409,875**	**1,247,552**
EBITDA	**80,382**	**88,806**	**91,665**
Adjusted EBITDA(1)	**86,058**	**95,801**	**93,155**
Earnings	**47,308**	**43,350**	**46,382**
· per common share, basic	2.40	2.20	2.35
Adjusted earnings (1)	50,862	47,690	47,268
· per common share, basic	2.58	2.42	2.39
Cash dividends paid on common shares	9,191	9,006	8,492
· per common share, basic	0.47	0.46	0.43
Average weighted number of outstanding shares, basic	19,716,731	19,709,642	19,724,417
BALANCE SHEET DATA (AS OF DECEMBER 31)			
Total assets	**807,546**	**775,657**	**874,084**
Shareholders' equity	**401,342**	**372,918**	**372,701**
Long-term financial liabilities (2)	**178,978**	**186,556**	**217,958**

(1) EBITDA and earnings from continuing operations have been adjusted for costs that the Corporation views as uncharacteristic of normal operations. These costs are excluded so as to provide comparable measurements. *For further details, see the sections on "Analysis of results" and "Compliance with Canadian generally accepted accounting principles."*

(2) Includes long-term debt and merchant deposits in a guarantee fund (including short-term portions).

A more detailed analysis of changes in operating results and the balance sheet between 2010 and 2009 is provided in the sections that follow. A detailed analysis of changes in the operating results and the balance sheet between 2009 and 2008 is included in the management report of the 2009 Annual Report, available on the SEDAR website (www.sedar.com)

YEAR 2008 GROWTH, INTEGRATION AND DIVERSIFICATION

During this period, the Corporation focused its efforts on integrating entities acquired over the last quarters.

In Canada, the Corporation acquired the assets of Replacement Parts Depot Limited ("RPDL"), enabling it to strengthen its presence in Ontario where competition is especially fierce. Meanwhile, the Corporation sold assets of five corporate stores to members of the Uni-Select network and closed one under-performing store in a region with lesser growth potential.

In the United States, the Corporation launched its profit-improvement plan, generating significant gains in the Philadelphia area. Uni-Select also completed one of the most significant acquisitions in the Corporation's history purchasing some of the assets of Parts Depot, Inc., including 9 distribution centres and 67 stores located on the Atlantic coast, extending the coverage of the Corporation's operations in Georgia, West Virginia, Maryland and North and South Carolina. Also, the acquisition of Beck/Arnley™ allowed the Corporation to increase its presence in a strategic niche with growth potential – the distribution of parts for foreign nameplate vehicles . During the year, the Corporation closed 14 stores that were under-performing or had little growth potential and opened 4 others in regions with greater promise.

YEAR 2009 POSITIONING

For the Corporation, this was an important year of positioning to realize the objectives of the strategic plan. Indeed, Uni-Select implemented many strategic choices the basis of which was to assist in the pursuit of its expansion through acquisitions, merger and strategic alliances.

In this regard, Uni-Select took full control of its U.S. subsidiary with the purchase of its minority shareholders' interest in Uni-Select USA, Inc. Full control was to improve the administrative and financial flexibility required to expand the business.

In Canada, the Corporation disposed of 14 corporate stores, principally located in Ontario and Quebec. Some stores had been acquired under the Corporation's succession program, others purchased because customers were in financial difficulties, and in all cases, stores had been acquired to preserve market share. To retain the activities within the Uni-Select network, the Corporation entered into supply agreements with the purchasers of these stores. *(For further details, see note 10, Business and assets disposals to the financial statements).*

In addition, as indicated earlier in this management report, the Heavy Duty operations were disposed of due to the lack of fit with the Corporation's objectives.

During this period when no acquisition was materialized, the Corporation pursued the integration of recently acquired businesses and rolled-out the Beck/Arnley™ products in its Canadian and American operations.

From a corporate standpoint, Uni-Select selected SAP as its enterprise resource planning system, to enhance the support of operations and assist in the pursuit of the growth objectives considered in the strategic plan.

From a working capital and operational cash flows perspective, the Corporation entered into a vendor financing program (for further details, see section Cash flows and sources of financing), implemented a new financing structure that reduced the tax rate and reduced its excess inventory while maintaining its level of customer service.

YEAR 2010 PROJECTS AND REALIZATIONS

THE ACTIVITIES FOR THE FINANCIAL YEAR ARE IN LINE WITH THE STRATEGIC PLAN OF THE CORPORATION AS ILLUSTRATED BY THE VARIOUS PROJECTS AND REALIZATIONS:

IMPACT ON FOURTH QUARTER		IMPACT ON EXERCICE
The ***repurchase of the minority shareholders*** of Uni-Select USA in the fourth quarter of 2009 had a positive impact.	NO IMPACT	$3,307 OR $0.17 PER SHARE
The sale of stores in Canada.	4 STORES SOLD	6 STORES SOLD
The sale and closing of unprofitable or low potential stores in the United States.	1 STORE CLOSED AND 2 STORES SOLD	9 STORES CLOSED AND 2 STORES SOLD
The development of the enterprise resource planning system continued.	$6,538 IN CAPITAL EXPENDITURES AND $782 IN OPERATING EXPENSES WERE INCURRED	$31,508 IN CAPITAL EXPENDITURES AND $4,774 IN OPERATING EXPENSES WERE INCURRED

The financial module, as expected in the development plan, was functional July 1st, 2010.

The new financing structure has resulted in a decrease of the consolidated tax rate for the year:	21.0% CONSOLIDATED TAX RATE VS 29.9%

The conversion of more than 1,240 customers in the United States to the "Auto-Plus™" and "Auto Service Plus™" banners, following our withdrawal from a purchasing group in United States.

The implementation of the **"Leadership Program"** in continuity of the "Value Creator Program" launched in 2009.

The implementation of **"International Financial Reporting Standard"** began January 1st 2011.

On December 9, 2010, **the Corporation entered into agreements for the purchase of all the outstanding shares of FinishMaster, Inc.**, the largest independent distributor of automotive paints, coatings and accessories in the USA (PBE). The acquisition was completed January 11, 2011. *For further details, see "Subsequent Event" section.*

05. Analysis of results

CONSOLIDATED RESULTS ANALYSIS (FROM CONTINUING OPERATIONS)

Following the refocusing on its automotive operations, the Corporation thought it would be wise to reorganize the operating structure to implement its five-year strategic plan even more effectively. The new organizational structure eliminates the boundaries between Canada and the United States, creating two divisions based on customer type. Both the Jobbers and Major Accounts division and the Corporate Stores division will aim to develop their respective growth platforms, which should be a source of organic growth for the Corporation. The Corporation holds the view that these two divisions are closely linked, since one is responsible for supplying the other. Any attempt to separate the results would lead to arbitrary allocations that may cause the reader's eventual judgment to deviate from reality. As a result, the Corporation has only one reporting segment, since January 1st, 2010.

(in thousands of dollars, except for percentages)

	4th QUARTER			YEAR		
	2010	2009	%	2010	2009	%
Sales						
United States [1]	183,212	189,574	(3.4)	805,438	884,182	(8.9)
Canada	126,224	126,060	(0.1)	518,317	525,693	(1.4)
	309,436	315,634	(2.0)	1,323,755	1,409,875	(6.1)
EBITDA [2]	17,254	9,170	88.2	80,382	88,806	(9.5)
EBITDA margin	5.6%	2.9%		6.1%	6.3%	
Non-recurring items [3]	1,128	5,324		5,676	6,995	
Adjusted EBITDA	18,382	14,494	26.8	86,058	95,801	(10.2)
Adjusted EBITDA margin	5.9%	4.6%		6.5%	6.8%	

(1) The effect of the Canadian currency compared to U.S. currency negatively impacted United States sales by $7,997 for the quarter and by $88,837 for the year.

(2) The effect of the Canadian currency compared to U.S. currency barely impacted the EBITDA for the quarter but negatively impacts the year by $5,477.

(3) For more details, see the table below and the section on Compliance with Canadian Generally Accepted Accounting Principles.

NON-RECURRING ITEMS

The following table presents the various non-recurring items as well as the reconciliation of adjusted EBITDA and earnings from continuing operations.

(in thousands of dollars)

	4th QUARTER		YEAR	
	2010	2009	2010	2009
EBITDA as reported	**17,254**	**9,170**	**80,382**	**88,806**
Expenses related to disposal of stores [1]	333	592	544	947
Inventory obsolescence reserve [4]	–	2,019	–	2,019
Integration and closing expenses related to stores [1]	13	1,326	358	1,901
Expenses related to an enterprise resource planning system (ERP) [2]	782	753	4,774	1,494
Insurance claims [3]	–	634	–	634
Total of non-recurring items	1,128	5,324	5,676	6,995
Adjusted EBITDA	**18,382**	**14,494**	**86,058**	**95,801**
Earnings as reported	**11,766**	**5,309**	**47,308**	**43,350**
Non-recurring items, after tax	615	3,262	3,554	4,340
Adjusted earnings	**12,381**	**8,571**	**50,862**	**47,690**

(1) Primarily costs of remaining leases, workforce and expenses required to relocate inventory, losses and write-off of fixed assets.

(2) Notably includes costs of selecting the software, employee training and data conversion.

(3) Exceptionally high level of claims received during 2009.

(4) Adjustment relating to a change in the estimate of the inventory obsolescence reserve. Historically, this amount was relatively low, but following exceptionally high inventory returns at the end of 2009, items have been identified as being excluded from the vendors list and therefore 100% obsolete.

SALES

The Corporation shows organic growth in sales of close to 2%, mainly from the United States. This increase illustrates the impact of the different growth strategies such as:

- The roll-out of the Beck/Arnley™ parts for foreign nameplate vehicles through the network;
- The improvement in the drop ship sales conditions;
- The new structure of "Jobbers and Major Accounts division" and "Corporate Stores division" which allows a better customer targeting;
- The enhancement of the business solutions to customers and banner programs; and
- National accounts developments.

In addition, the economic difficulties that still prevail in the United States, may have incited customers to repair their vehicles rather than purchase a new one.

FOURTH QUARTER

Excluding the impact of the following items, organic growth was 2.6%, or 3.6% in the U.S. and 1.1% in Canada:

- The effects of the variation of the Canadian dollar vis-à-vis the US dollar had a negative impact of 2.5% (or $7,997) on sales;
- The closing of unprofitable stores and/or in areas with lesser growth potential in the United States during the 2009 period;
- The impact on sales from the disposal of stores in Canada during recent quarters; and
- One less billing day in the United States.

YEAR

Excluding the impact of the following items, organic growth was 1.8%, or 2.7% in the U.S. and 0.4% in Canada:

- The effects of the variation of the Canadian dollar vis-à-vis the U.S. dollar had a negative impact of 6.3% (or $88,837) on sales;
- The closing of unprofitable stores and/or in areas with lesser growth potential in the United States during the 2009 period;
- The impact on sales from the disposal of stores in Canada during recent quarters; and
- One less billing day in the United States.

ADJUSTED EBITDA FROM CONTINUING OPERATIONS

FOURTH QUARTER

The adjusted EBITDA margin was 5.9% compared to 4.6% for the fourth quarter of 2009. This increase is mainly attributable to the following factors:

A higher gross margin explained by:

- An improvement in buying conditions;
- A favourable product mix, partially in favour of imported car products; and
- Lower losses on inventory and on claims denied by manufacturers.

Partially offset by

- Loss of sales derived from stores sold or closed in 2009 and 2010 for which margins to installers were more significant;
- Significant purchases made before price increases in the second quarter of 2009 that had generated an increase in the margin during the following quarters of 2009; and
- A lack of inflation.

Higher operating expenses, but in a lesser proportion than the increase in the gross margin, caused by:

- An exceptionally low bonus expense in 2009; and
- An increase in IT spending on the current systems in Canada related to the outsourcing of additional support required for the implementation of the enterprise resource planning system.

Partially offset by the decrease in operating expenses of the stores which were closed and sold in 2009 and in 2010.

The negative variation of the foreign exchange rate barely impacted EBITDA for the quarter.

YEAR

In addition to the factors indicated for the fourth quarter:

- Pressure on prices and a change in product offering because of increased competition in the first quarter; combined with a lower weighting over the year of overall factors for the quarter, these events caused a small decrease in the gross margin.

Operating expenses decreased, driven by productivity improvement in the United States.

Excluding the negative impact of the foreign exchange rate of $5,477, adjusted EBITDA would have been $91,535.

ANALYSIS OF OTHER ITEMS AND AMOUNTS RELATED TO CONSOLIDATED RESULTS (FROM CONTINUING OPERATIONS)

(in thousands of dollars, except for percentages)

	4th QUARTER			YEAR		
	2010	2009	%	2010	2009	%
Interest	2,475	1,921	28.8	7,994	8,293	(3.6)
Amortization	3,006	3,277	(8.3)	12,846	13,988	(8.2)
Income taxes	133	(1,333)		12,519	19,872	
Tax rate	1.1%	(33.6)%		21.0%	29.9%	

INTEREST

FOURTH QUARTER

The increase is mainly due to:

- An increase in the average debt level in the course of the quarter; and
- An interest rate increase noted during the second half of the year.

Partially offset by an increase in the value of the Canadian dollar compared to the U.S. dollar.

YEAR

The decrease of the interest expense for the year is principally due to the increase in the value of the Canadian dollar compared to the U.S. dollar.

AMORTIZATION

The decrease in amortization expenses is due to the following:

- The increase of the value of the Canadian dollar compared to the U.S. dollar;
- The sale and closing of stores; and
- Lower fixed assets acquisitions over the last two years, emphasis having been directed toward the enterprise resource planning system, for which amortization is not yet material.

The decrease in amortization expenses for the year reflects the same factors as those indicated for the quarter.

The enterprise resource planning system expense has been amortized for a period of only six month in 2010 limited to the financial module implemented July 1st 2010. The balance will begin to be amortized in 2011 after implementation of the operations module.

INCOME TAXES

The lower income tax rate for the quarter results from the financing structure implemented at the end of 2009 and from earnings that will be taxable at a lower rate in the future.

The decrease in the income tax rate for the year reflects the same factors as those indicated for the quarter. *(For further details, see Note 6 to the Consolidated Financial Statement)*

EARNINGS AND ADJUSTED EARNINGS PER SHARE

The table that follows presents the reconciliation of earnings and adjusted earnings per share.

(in thousands of dollars, except for percentages)

	4th QUARTER			YEAR		
	2010	2009	%	2010	2009	%
Net earnings	10,844	7,248	49.6	46,386	38,570	20.3
Earnings (Loss) from discontinued operations	(922)	1,939		(922)	(4,780)	
Earnings from continuing operations	11,766	5,309	121.6	47,308	43,350	9.1
Non-recurring items (1)	615	3,262		3,554	4,340	
Adjusted earnings from continuing operations	12,381	8,571	44.5	50,862	47,690	6.7
Net earnings per share	0.55	0.37	48.6	2.35	1.96	19.9
Earnings (Loss) per share from discontinued operations	(0.05)	0.10		(0.05)	(0.24)	
Earnings per share from continuing operations	0.60	0.27	122.2	2.40	2.20	9.1
Non-recurring items per share	0.03	0.17		0.18	0.22	
Adjusted earnings per share from continuing operations	0.63	0.44	43.2	2.58	2.42	6.6

(1) For more details, see the section on Analysis of Results and Canadian Generally Accepted Accounting Principles.

Excluding the negative impact of the foreign currency for the year, earnings from continuing operation would have been $50,060 ($43,350 in 2009) and adjusted earnings from continuing operation would have been $53,614 ($47,690 in 2009).

06. Cash flows and sources of financing

CASH FLOWS

The Corporation manages its cash flows to merge its cash inflows and the planned disbursements. The following table shows the main cash flows resulting directly from the various projects and realizations done during the year.

(in thousands of dollars)

	4th QUARTER		*YEAR*	
	2010	2009	2010	2009
Cash at beginning of the quarter/year	**5,929**	**38,100**	**15,850**	**9,682**
Cash flows from operations before working capital items	17,379	15,104	58,736	69,066
Accounts receivable	6,879	27,017	(15,296)	7,241
Inventory	(21,572)	628	(27,513)	11,450
Prepaid expenses	(883)	(1,786)	(2,084)	(1,720)
Accounts payable	3,773	(9,125)	13,641	(19,060)
Income taxes receivable/payable	(9,545)	(8,383)	(3,385)	2,940
Working capital items	(21,348)	8,351	(34,637)	851
Cash flows from continuing operations	**(3,969)**	**23,455**	**24,099**	**69,917**
Bank indebtedness	10,971	(2,493)	11,571	(2,891)
Receipts on advances to merchant members	640	802	3,496	4,232
Business and assets disposals	764	3,101	3,022	4,162
Disposal of fixed assets	484	624	1,609	1,245
Balance of sale (purchase) price	358	(25)	1,572	(716)
TOTAL cash inflows	**9,248**	**25,464**	**45,369**	**75,949**
Development of intangible assets	(8,069)	(1,240)	(36,984)	(8,818)
Payment of dividends	(2,298)	(2,296)	(9,191)	(9,006)
Purchase of various fixed assets	(2,131)	(4,193)	(8,580)	(10,345)
Investments and advances to members	(818)	(1,130)	(2,694)	(8,229)
Acquisitions of businesses	–	(476)	(1,074)	(1,143)
Purchase of non-controlling shareholders' interest	(255)	(46,013)	(255)	(46,209)
TOTAL disbursements	**(13,571)**	**(55,348)**	**(58,778)**	**(83,750)**
Cash flows from discontinued operations	(985)	8,282	(2,078)	19,739
Effect of exchange rate changes on cash	(68)	(653)	4	(4,954)
Other	(174)	5	12	(816)
Cash at end of quarter / year	**379**	**15,850**	**379**	**15,850**

WORKING CAPITAL ITEMS

The variations of the working capital items between 2010 and 2009 are explained by the following events:

Accounts receivable: Higher sales during the last months of 2010 compared to the corresponding period of last year generated additional accounts receivable. The opposite situation was observed between 2009 and 2008.

Inventory: To receive special one-time discounts, the Corporation made some large purchases on specific lines of products at the end of 2010, while in 2009, the Corporation proceeded to the orderly reduction of excess inventories. Furthermore, during the year, the Corporation increased its coverage in parts for foreign nameplate vehicles and in private label products Auto Extra™ throughout its warehouses and corporate stores network.

Accounts payable: The 2010 increase is in line with the large purchases made at the end of the year as indicated earlier in the inventory section comments, and also reflects an increase in the use of the vendor financing program. For last year, a decrease in purchases of inventory in the fourth quarter of 2009 in the United States, combined with an overall reduction in inventory, generated a reduction in the accounts payable, partially offset by new payment terms from the largest suppliers obtained under the vendor financing program.

BANK INDEBTEDNESS

During the course of the fourth quarter, the Corporation withdrew $11,000 from the operational line of credit to support, among other events, the enterprise resource planning system development.

DISPOSAL OF ASSETS

In Canada, the Corporation sold 6 corporate stores during the year to refocus its activities on distribution, and 2 other stores in the United States. *(For more details on this, see Note 10 to the Consolidated Financial Statements).*

DEVELOPMENT OF INTANGIBLE ASSETS

Related primarily to the development of the enterprise resource planning system. *(For more details on intangibles, see Notes 3 and 16 to the Consolidated Financial Statements).*

PAYMENT OF DIVIDENDS

Payment of dividends to shareholders, amounting to $0.466 per share for the year, represents a 2.0% increase over the previous year's dividend of $0.457.

PURCHASE OF VARIOUS FIXED ASSETS

These purchases include, primarily the exercise of an option to purchase the building housing a distribution centre, as well as the renewal of computer hardware and of the fleet of vehicles.

BUSINESS ACQUISITIONS

Represents the purchase of the AIM purchasing group realized during the first quarter and the repurchase of 4% of the shares of its subsidiary, Uni-Select Pacific Inc. *(For more details on this, see Note 9 to the Consolidated Financial Statements).*

SOURCES OF FINANCING

THE CORPORATION HAS A STRONG FINANCIAL POSITION TO SUPPORT ITS INITIATIVES

AVAILABLE CREDIT FACILITIES

The Corporation has two credit facilities for a total amount of $337,000. The first credit facility, for an amount of $325,000, is held by the parent corporation and the second, for an amount of $12,000, is held by a subsidiary. The first credit facility comprises a revolving credit of $235,000 maturing in October 2011. This credit facility also includes a $90,000 operating credit maturing in October 2011. As at December 31, the Corporation had an unused credit facility of $155,000 for its development ($175,000 as at December 31, 2009).

This credit facility of $325,000 was repaid and refinanced by a new long-term credit facility following the year end as mentioned in the "Subsequent event" section. As a result, the credit facility is classified as a long-term liability in the balance sheet as at December 31, 2010.

VENDOR FINANCING PROGRAM

During 2009, the Corporation established a vendor payable financing program. Under this program, financial institutions make discounted accelerated payments to suppliers, and the Corporation makes full payment to the financial institution, based on the new extended terms agreed to with suppliers. As at December 31, 2010, under these agreements, Uni-Select benefits of liquidity of $41,552, ($35,140 in 2009) for which the terms of payment have been extended. These amounts are presented in the regular accounts payable and accrued liabilities in the consolidated balance sheet. This program is available upon request and may be modified by either party. As at December 31, 2010, the Corporation had an authorized limit of $75,000 for this program.

FUND REQUIREMENTS

With its ability to generate cash flow and the credit facility at its disposal, the Corporation has the funds it needs to cover its various cash requirements, primarily including:

	YEAR 2011
Implementation of an enterprise resource planning system	$14,000
Dividend payment, according to its policy	$10,000
Purchase of various fixed assets, primarily for the development of information systems equipment and the renewal of its fleet of delivery vehicles in the United States	$24,000

As well as the payment of its various operational and contractual obligations.

FUND REQUIREMENTS (CONT.)

The following table shows the contractual maturities of financial liabilities as at December 31, 2010:

(in thousands of dollars)

FINANCIAL LIABILITIES AT CARRYING AMOUNT	MATURING UNDER 1 YEAR	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
Bank indebtedness	11,463			11,463
Accounts payable and accrued liabilities	186,818			186,818
Dividends payable	2,296			2,296
Long-term debt (1)	171,090			171,090
Interest (1)	42			42
Merchant-members' deposits in guarantee fund	159		7,729	7,888
Derivative financial instruments	3,668	2,236		5,904
	375,536	**2,236**	**7,729**	**385,501**

(1) Excludes the capital and interest repayments on the debts mentioned in Note 30 of the Financial Statements. The amount of interest considers the fact that the credit facility was repaid in January 2011

FINANCIAL INSTRUMENTS

The Corporation uses financial derivatives to reduce the interest rate risks to which its debt is exposed. The Corporation does not use financial instruments for trading or speculation purposes. In 2008, the Corporation entered into various interest rate swap agreements as part of its program to manage floating interest rates on its debt and its corresponding overall borrowing cost. These contracts, amounting to $120,000, mature in a series of three equal portions of $40,000 in 2011, 2012 and 2013, and bear an average interest rate of 3.68%. *(Additional information on financial instruments is provided in Notes 2, 3 and 27 to the Consolidated Financial Statements contained in the Annual Report).*

CAPITAL STRUCTURE

FLEXIBILITY AND RETURNS TO SHAREHOLDERS

The Corporation's capital management strategy optimizes the capital structure to make it as flexible as possible and to enable the Corporation to benefit from strategic opportunities that may arise while minimizing related costs and maximizing returns to shareholders. The Corporation adapts capital management to changing business conditions and the risks related to the underlying assets.

CAPITAL STRUCTURE (CONT.)

INDEBTEDNESS

The Corporation seeks to maintain the following objectives:

- A ratio of total net debt (net of cash) to total net debt plus equity of less than 45%;
- A ratio of long-term debt to equity of less than 125%;
- A ratio of funded debt to EBITDA not exceeding 3.5.

These ratios do not constitute the calculations required under its credit facilities but rather those that the Corporation considers pertinent to follow as a way of ensuring flexibility in the capital structure. However, for purposes of compliance, the Corporation periodically reassesses the requirements of its bank credit to ensure that they are being met. As at December 31, 2010, the Corporation meets all the requirements.

For purposes of capital management, the definition of capital includes shareholders' equity, bank indebtedness, long-term debt and merchant members' deposits, net of cash.

For further details regarding capital management, see Note 26 to the Consolidated Financial Statement.

(in thousands of dollars, except percentages)

	OBJECTIVES	DEC. 31 2010	DEC. 31 2009	%
Long-term debt		178,978	186,556	(4.1)
Total net debt		190,062	170,079	11.7
Shareholders' equity		401,342	372,918	7.6
Total net debt on total net debt plus equity	*Less than 45%*	*32.1%*	*31.4%*	
Long-term debt on equity ratio	*Less than 125%*	*44.6%*	*50.0%*	
Funded debt to EBITDA ratio	*Maximum 3.5*	*2.36%*	*1.92%*	

The changes in debt ratios are due to the following factors:

TOTAL NET DEBT ON TOTAL NET DEBT PLUS EQUITY AND FUNDED DEBT TO EBITDA RATIO:

- The increase in the ratio is primarily related to the financing of the enterprise resources planning system *(for further details, see the preceding section on cash flows)* and the increase in working capital due to the current activities; and
- The strengthening of the Canadian dollar.

Considering EBITDA from discontinued operations, the funded debt to EBITDA ratio would have been 2.40 in 2010 and 2.09 in 2009.

LONG-TERM DEBT ON EQUITY RATIO:

- The increase of the retained earnings mainly resulting from 2010 net earnings; and
- The strengthening of the Canadian dollar.

Uni-Select is in a strong financial position to pursue its operations and its expansion projects.

SHAREHOLDERS' EQUITY

The Corporation is continuously seeking to create value for its shareholders. The book value of common shares as at December 31, 2010, is $20.36 per common share. Book value grew in 2010 because of the operating results partly offset by the strength of the Canadian dollar compared to the U.S. dollar as at December 31, 2010, compared with 2009. The compounded annual growth rate ("CAGR") of the book value of shares in the last five years is 9.4%.

Under its capital management policy, the Corporation seeks to achieve the following returns:

- A 15% return on average equity; and
- A dividend corresponding to 20% of the previous year's net earnings.

RETURN ON AVERAGE EQUITY

The increase of the net earnings of the year improved the return on average equity from continuing operations from 11.6 % in 2009 to 12.2 % for 2010.

INFORMATION ON CAPITAL STOCK

	FOURTH QUARTER		YEAR	
(In thousands of shares)	2010	2009	2010	2009
Number of shares issued and outstanding	19,708	19,716	19,708	19,716
Weighted average number of outstanding shares	19,708	19,715	19,717	19,710

As at March 15, 2011, the Corporation has 21,691,387 shares outstanding, which includes the shares issuance related to the financing of FinishMaster™ *(for further information, see section on "Subsequent event")*, and *unexercised options on 77,949 shares. (Additional information of the stock option plan intended for officers and senior executives as at December 31, 2010, is presented in Note 21 to the Consolidated Financial Statements).*

SHARE REDEMPTION

The Corporation repurchased for cancellation 14,700 common shares for a cash consideration of $380. A share redemption premium of $342 is presented as a reduction of the retained earnings.

DIVIDENDS

The Corporation paid $9,191 in dividends in 2010, compared with $9,006 for the year ended December 31, 2009. This increase pertained to the outstanding number of shares. The fourth quarter dividend in 2010, in the amount of $0.1165, was declared on November 10, 2010, and paid on January 21, 2011, to shareholders of record as at December 31, 2010. On March 15, 2011, the Corporation also declared a dividend of $0.12, to be paid on April 21, 2011, to shareholders on record as at March 31, 2011.

FINANCIAL POSITION

The following table shows an analysis of the main elements of the consolidated balance sheets.

(in thousands of dollars)

	DEC. 31 2010	DEC. 31 2009	VARIANCE	IMPACT FROM BUSINESS ACQUISITIONS (DISPOSALS)	EX-CHANGE RATE IMPACT	NET VARIANCE	EXPLANATIONS FOR NET VARIANCES
Working capital excluding cash and bank indebtedness	404,008	379,556	24,452	118	(12,216)	36,550	The increase is mainly explained by large inventory purchases at the end of the year combined to the increase of the accounts receivable in relation to higher sales during the last months of the year.
Fixed assets	34,414	38,819	(4,405)	(135)	(915)	(3,355)	Due to amortization exceeding acquisitions.
Intangible assets	58,180	28,677	29,503	–	(1,378)	30,881	Mainly due to the development of the enterprise resource planning system, partly offset by the amortization.
Goodwill	92,389	93,961	(1,572)	824	(2,396)	–	
Long-term debt	170,980	178,866	(7,886)	–	(7,840)	(46)	Explained by the repayment of the debt.

07.Related parties transactions

The corporation incurred rental expenses of $856 for the three-month period ended December 31, 2010 ($864 in 2009) and $3,405 for the twelve-month period ended December 31, 2010 ($3,704 in 2009) from Clarit Realty Ltd, a Corporation controlled by a member of the Board of Directors. These agreements are concluded in the Corporation's normal course of business, are negotiated at fair market value, and consist of 3-to-5-year term periods.

08.Consolidated quarterly operating results
(from continuing operations)

Quarterly results are affected by seasonal factors. The Corporation records earnings in each quarter, but the second and third quarters have historically been more productive in terms of sales than the first and fourth quarters.

In addition, because more than 60% of the Corporation's activities are in the United States, the comparison of the results from one quarter to the next must take into account the significant variation of the exchange rate.The following table summarizes the main financial information drawn from the consolidated interim financial statements for each of the last eight quarters.

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

	4th QUARTER		3RD QUARTER		2nd QUARTER		1st QUARTER	
	2010	2009	2010	2009	2010	2009	2010	2009
Sales								
United States	183,212	189,574	212,900	220,131	216,137	241,541	193,189	232,936
Canada	126,224	126,060	135,705	139,105	142,613	142,620	113,775	117,908
	309,436	315,634	348,605	359,236	358,750	384,161	306,964	350,844
EBITDA from continuing operations	17,254	9,170	24,110	27,159	24,404	31,768	14,614	20,709
Adjusted EBITDA from continuing operations	18,382	14,494	26,263	28,680	25,598	31,768	15,815	20,709
Adjusted EBITDA margin from continuing operations	5.9%	4.6%	7.5%	8.0%	7.1%	8.3%	5.2%	5.9%
Adjusted earnings from continuing operations	12,381	8,571	14,587	14,096	15,506	16,029	8,385	8,994
Earnings from continuing operations	11,766	5,309	13,204	13,018	14,737	16,029	7,601	8,994
Net earnings	10,844	7,248	13,204	7,901	14,737	15,408	7,601	8,013
Adjusted basic and diluted earnings per share from continuing operations	0.63	0.44	0.74	0.71	0.79	0.81	0.43	0.46
Basic and diluted earnings per share from continuing operations	0.60	0.27	0.67	0.66	0.75	0.81	0.39	0.46
Basic and diluted earnings per share	0.55	0.37	0.67	0.40	0.75	0.78	0.39	0.41
Dividends paid per share	0.117	0.116	0.117	0.117	0.117	0.117	0.117	1.108
Average exchange rate for earnings	1.01	1.06	1.04	1.10	1.03	1.17	1.04	1.25

09. Risk management

INDUSTRY AND ECONOMY RELATED RISKS

The motor vehicle replacement parts and accessories distribution market is partly dependent on economic conditions, the scope and use of the vehicle fleet, and advances in technology. Other pivotal factors, such as inflation, fuel prices, and foreign exchange and interest rate fluctuations, may also affect the Corporation's results.

ECONOMIC CLIMATE

The economic climate has a moderate impact on sales of automotive replacement parts and on the Corporation's operations. Although the automotive aftermarket industry is to some extent dependent on the sale of new cars, it is not nearly as affected by the current economic situation, since deciding to make car repairs is less discretionary and less expensive than the decision to buy a new vehicle. Furthermore, approximately 70% of Uni-Select's sales come from the sale of key replacement parts required for the proper functioning of motor vehicles and, accordingly, these sales are less arbitrary than the sale of accessories.

GROWTH IN THE VEHICLE FLEET

Although growth in the number of registered vehicles in North America is relatively modest, the decline in sales for new vehicles has resulted in an aging vehicle fleet, leading to an increase in demand for replacement parts.

The automotive aftermarket industry shares certain suppliers with automobile manufacturers. The decline in demand for new vehicles and the closing of car assembly plants in North America could harm the financial strength of these suppliers. To reduce this risk, the Corporation regularly reviews the financial results of its main suppliers as well as the diversification of its sources of supply.

The growing number of car models over the last few years, coupled with their longer lifespan, is resulting in a proliferation of replacement parts, imposing financial constraints on distributors and merchants that must carry a greater selection of parts to ensure adequate availability. This factor is partly offset by manufacturers putting increasingly sophisticated technological components into their vehicles, resulting in each part serving more purposes and costing more to repair, which is favourable to the replacement parts industry.

The rise in the number of foreign vehicle brands in North America is also responsible for the growing number of car models and the proliferation of replacement parts. This situation, together with the use of this complex technology and the greater number of electronic components being used in cars, are factors that tend to favour dealers when consumers are deciding on a service supplier to perform their vehicle maintenance. On the other hand, any potential downsizing of automobile dealers could result in a move toward the aftermarket network for vehicle maintenance and repairs.

DISTRIBUTION BY THE MANUFACTURER DIRECTLY TO CONSUMERS

The distribution of paint depends on the supplying of products to the Corporation by certain large suppliers. Nothing can guarantee that these suppliers will be able to supply the Corporation with paint at favourable terms in the future. It is possible that these suppliers distribute their products directly to the customers of the Corporation, which would cause an adverse effect on the profitability of the Corporation's business. In order to reduce risks, Uni-Select retains harmonious business relationships with large paint manufacturers and offers loyalty programs to their body shop customers, thereby creating value for both of them.

TECHNOLOGY

Ongoing technological developments in recent years are requiring distributors and merchants to provide continuing training programs to their employees, along with access to new diagnostic tools. Uni-Select manages the potential impact of these trends through the scope and quality of the training and support programs it provides to independent merchants, their employees and their customers. It provides its customers with access to efficient and modern technologies in the areas of data management, warehouse management and telecommunications.

INFLATION

Management believes that inflation has little impact on the Corporation'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 the profitability of its distribution centres. To reduce the risk of deflation in the value of inventoried parts, the Corporation has compensation agreements with most of its suppliers.

FUEL PRICES

There is a direct link between fuel prices and miles driven and also between miles driven and the rate of vehicle wear and tear and repairs. Fuel prices are also affecting the Corporation's delivery costs in the United States.

EXCHANGE RATES

Exchange rate fluctuations between the U.S. and Canadian currencies can affect the value of the Corporation's consolidated sales in Canadian dollars and its profitability. The potential impact on its profitability is somewhat reduced by the fact that its sales and purchases are made in both currencies, naturally protecting it against such fluctuations. The most recent analysis of the Corporation shows that a $0.01 variation in the value of the Canadian dollar versus the U.S. dollar would have an impact of $0.015 per share on the Corporation's results. This impact is purely on the books and does not affect cash flows.

INTEREST RATES

Significant cash flows from operations and the annualized contribution to results from acquired operations year after year shelter the Corporation relatively well against risks from a sharp rise in interest rates. During 2008, the Corporation signed contracts to exchange variable rates on $120,000 of debt for fixed rates. All things being equal, a favourable or unfavourable variation of 0.25% in the base rate would have an impact on results of approximately $0.02 per share.

ENVIRONMENTAL RISKS

Paint distribution involves a certain level of environmental risk. The damages or destruction by fire to warehouses, specialised in the storage of such products, resulting in the dispersal or accidental discharge of paint, can cause environmental damages such as soil or air pollution, among others. These specialised warehouses are generally well equipped to reduce such risks and safety equipment includes modern high density sprinkler systems and retention basins.

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 servicing independent jobbers (rather than a network of corporate stores), requires the Corporation to take special measures to promote its merchants' loyalty and long-term survival. This is why Uni-Select's fundamental 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 industry consolidation, which is also occurring at the jobber level, the Corporation has developed programs designed to facilitate its merchants' expansion through acquisitions.

Furthermore, considering that owners of replacement parts stores are generally aging, Uni-Select 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. Where appropriate, Uni-Select may decide to purchase this merchant's business to protect its distribution network.

The Corporation'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 several dozen businesses in the last five years alone, including the two largest acquisitions in its history. To limit its risk, the Corporation has adopted a targeted and selective acquisition strategy, conducts strict due diligence procedures and develops detailed integration plans. Finally, Uni-Select relies on a multidisciplinary team that 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 regularly updates its operational, strategic and financial risks analysis and control system, which was introduced in recent years and is under the direct responsibility of the Board of Directors.

BUSINESS AND FINANCIAL SYSTEMS

The Corporation's growth-by-acquisition strategy has led to an increased number of systems in the United States. In the last few fiscal years, the Corporation has been able to integrate all its acquisitions into the main financial system but has had to maintain various business systems, establishing required interfaces.

To further growth, in 2009, management selected the SAP software and successfully proceeded with the implementation of its finance module last July. In the next

two years, the Corporation will complete the implementation of its operation module in a gradual and orderly manner.

To mitigate implementation risks, the Corporation will gradually deploy the operational module across its warehouse network from the end of first quarter 2011 until 2012. In addition to facilitating the management of every facet of the organization, this system will consolidate several business and financial applications as well as their interfaces and will add a number of automated controls that constitute compensatory controls.

Standardization of processes will also facilitate the day-to-day management of operations.

10. Subsequent events

FINISHMASTER™

On January 11, 2011, the Corporation completed the purchase of all the outstanding shares of FinishMaster, Inc., the largest independent distributor of automotive paints, coatings and accessories in the U.S. (PBE). The purchase price was approximately US$222,000, including the assumption of an estimated net debt of US$56,000. For the year ended December 31, 2010, the sales of FinishMaster™ were of US$421,000.

At the completion date of the consolidated financial statements, the Corporation has not yet completed the purchase price allocation. The preliminary amounts allocated to the intangible assets and goodwill are $48,800 and $117,600, respectively. The Corporation estimates that the intangible assets will be amortized on a straight-line basis over a period of 18 years. The final purchase price allocation will be completed during the fiscal year 2011.

FINANCING

The Corporation has financed the FinishMaster™ acquisition with a new unsecured financing agreement of US$400,000 having a 5-year term. This financing agreement has two components. The first component is a credit facility of US$200,000 repayable by increasing quarterly instalments, and the second is a US$200,000 revolving long-term credit facility. These new credit facilities replace the Corporation's former facilities. The Corporation also completed an offering of 1,983,750 common shares and convertible unsecured subordinated debentures for a nominal amount of $51,750 maturing January 31, 2016, for net proceeds of $49,400 and $49,700, respectively. The debentures bear interest at a rate of 5.9% and are convertible into 1,239,224 shares, equivalent to an exercise price of $41.76 per share.

11. Vision 2011

Uni-Select's mission and its vision for 2011 remain unchanged.

After the January acquisition of FinishMaster™, focus will now be directed to drawing the availabe and expected synergies from the combined entities. Furthermore, some organic growth is expected from cross-selling between customers of Uni-Select and those of FinishMaster™.

Uni-Select will also pay special attention, over the next 2 years, to the implementation of its integrated resource planning software.

The Corporation will also continue to promote growth through acquisitions, especially in the United States where opportunities remain because of the relative fragmentation of the market.

The Corporation is confident that this approach will support the development plan over the next few years and that Uni-Select will benefit from its focus on various growth activities, such as acquisitions, the continued development of corporate stores in the U.S., sales to independent distributors and new agreements with major accounts.

12. Future accounting changes

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board of the CICA announced that the use of IFRS established by the International Accounting Standards Board will be required for fiscal years beginning January 1, 2011, for publicly accountable profit-oriented businesses. IFRS will replace the Canadian standards.

COMPREHENSIVE TRANSITION PLAN

In 2008, to ensure a successful conversion, the Corporation established a comprehensive transition plan.

PHASE	DEADLINES	IMPLEMENTATION
PHASE 1: AWARENESS · Preparation of the comprehensive transition plan · Mobilization of the organization · Confirmation of executive involvement · Assignment of team members to complete the project · Establishment of methods for analyzing of standards	Late 2008	Completed

COMPREHENSIVE TRANSITION PLAN (CONT.)

PHASE	DEADLINES	IMPLEMENTATION
PHASE 2: ASSESSMENT · Finalization of the comprehensive transition plan · Identification of differences between Canadian standards and IFRS · General review of choices (IFRS 1 exemptions) · Start of training for the team, senior executives and Board of Directors members	Second quarter 2009	Completed
PHASE 3: CONCEPTION · Identification of impacts on systems · Finalization of choices (IFRS 1 and explicit choices) · Resolution of differences between IFRS and Canadian standards · Establishment of accounting policies	Third quarter 2010	Completed
PHASE 4: IMPLEMENTATION · Reconciliation of opening balances · Preparation of the IFRS financial statements model · Preparation of IFRS 2010 interim financial statements alongside financial statements based on Canadian standards (comparables for 2011) · Continuation of training for the entire organization · Determination of impacts on infrastructure, business activities and control activities, and completion of necessary adjustments · Publication of IFRS financial statements (first quarter 2011)	Late 2010	**PHASE 4: IMPLEMENTATION IS ALMOST COMPLETED.** · The opening balance sheet has been presented to the Audit Committee · Adjustments to 2010 data have been recorded in the system (parallel environment) to present comparatives figures in the 2011 IFRS financial statements. · A training session was organized for the finance team. · The IFRS model financial statements are under review. The Corporation will be ready to publish its first set of IFRS financial statements for the period ending March 31, 2011.

IFRS 1, First-time Adoption of International Financial Reporting Standards, provides guidelines for the initial adoption of IFRS. IFRS 1 requires full retroactive application of applicable IFRS at the end of the first disclosure period. However, IFRS 1 sets out optional exemptions for some specific standards where costs of complying with these requirements may exceed the benefits for users of financial statements. IFRS 1 also sets out compulsory exceptions in specific cases where retroactive application would require management's judgments on past events for which the conclusions are already known. The Corporation's preliminary conclusions on the optional exemptions permitted by IFRS 1 are as follows:

- Business combinations: The Corporation will apply IFRS on a prospective basis to business acquisitions occurring after January 1, 2011;
- Future employee benefits: The Corporation will recognize actuarial gains or losses in shareholders' equity on the transition date;
- Cumulative translation adjustments: These will be reclassified to shareholders' equity on the transition date and will be assumed to be nil;
- Share-based payment: The Corporation will apply IFRS requirements prospectively to share options granted after November 7, 2002, with subscription rights acquired after January 1, 2010.

To comply with the compulsory exceptions, the Corporation must ensure, when using estimates on the transition date, that they adequately reflect existing conditions on the transition dates and that they are consistent with the estimates used to satisfy the requirements of Canadian standards. Accordingly, the designation of hedging relationships will continue to apply.

IFRS uses a conceptual framework similar to that of Canadian standards, but include major differences with respect to recognition, measurement, presentation and disclosure. The Corporation completed the identification of major differences in the accounting treatments required under IFRS and the Canadian standards currently used. Major changes to accounting policies that will affect the Corporation's financial statements are presented below. Those figures are subject to the completion of an external audit. Any changes in IFRS standards or in the Corporation's choices of accounting principles prior to the issuance of the first annual IFRS financial statements could change the conclusions below.

IFRS STANDARDS	IMPACT FOR THE CORPORATION
IAS 2, Inventories	Under IFRS, there are no specific criteria for accounting for consideration received from suppliers, therefore such consideration in the form of discounts, rebates and other similar incentives, subject to the general requirements of IAS 2, Inventories, are considered in the establishment of cost of goods sold and, as such are deducted in determining the costs of purchase of goods for resale. Under Canadian standards, over the years, a portion of such consideration was considered either a reimbursement of costs incurred by the Corporation to sell the products of the suppliers or a supplier incentive offered to the customers and was accounted for as a reduction of such costs or as revenue respectively. The effect of this difference is a reduction of inventory costs of $7,967 at January 1, 2010 with a decrease of $5,824 in opening retained earnings net of an increase of $2,143 in deferred tax assets.

IFRS STANDARDS	IMPACT FOR THE CORPORATION
IAS 19, Employee Benefits	As stated above, the Corporation elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all of its employee benefit plans. The effect of this difference is an additional provision of $6,393 at January 1, 2010 with a decrease of $4,673 in opening retained earnings net of an increase of $1,720 in deferred tax assets. For employees of the U.S. subsidiaries, a provision relative to the personal time off (PTO) policy is taken. Under IFRS, the obligation exists, and is recognised, even if the compensated absences are non-vesting, although the possibility that employees may leave before they use an accumulated non-vesting entitlement could affect the measurement of that obligation. Under Canadian standards, a liability should be recognized for compensated absences that do not vest or accumulate when the event that obligates the entity occurs. The effect of this difference is an additional provision of $1,090 at January 1, 2010 with a decrease of $689 in opening retained earnings net of an increase of $401 in deferred tax assets. Also, under IFRS, liabilities and expenses for vested past service costs under a defined benefit plan are recognised immediately. Under Canadian standards, liabilities and expenses for vested past service costs under a defined benefit plan generally are recognised over the expected average remaining service period. The effect of this difference is an additional provision of $478 at January 1, 2010 with a decrease of $350 in opening retained earnings net of an increase of $128 in deferred tax assets.
IAS 17, Leases	Under IFRS, when the leaseback is classified as an operating lease, any gain is recognized immediately if the sale and leaseback terms clearly are at fair value. Under Canadian standards, immediate gain recognition from the sale and leaseback of an asset does not occur unless the leaseback is classified as an operating lease and the seller-lessee retains the rights to use only a minor portion of the asset sold. The effect of this difference is the recognition of the balance of the deferred gain of $2,036 at January 1, 2010 with an increase of $1,201 in opening retained earnings net of an decrease of $835 in deferred tax assets.
IAS 12, Income Taxes	Canadian standards allowed an exception to the basic concept of temporary differences for intangibles assets other than goodwill acquired in assets deal. IFRS do not have that kind of exception. The effect of this difference is recognition of a $93 deferred tax liability at January 1, 2010 against retained earnings.

IFRS STANDARDS	IMPACT FOR THE CORPORATION
Differences in presentation	· Under IFRS, all deferred tax assets and liabilities are classified as non-current · Under IFRS, non-controlling interest is classified as a component of equity separate from the equity of the parent and is not included in net earnings, but rather presented as an allocation of net earnings. · In accordance with IFRS 1, the Corporation has elected to deem, all foreign currency conversion differences that arose prior to the transition date in respect of all foreign operations to be nil at the transition date. · Under IFRS, financing costs will be presented against the credit facility.
Future impacts	· Business Combinations: Under IFRS, consideration transferred does not include acquisition-related costs. Such costs are expensed as incurred unless they are debt or equity issue costs. · Business Combinations: Under IFRS, contingent consideration is recognised initially at fair value as part of the consideration transferred. Subsequent changes in the fair value of contingent consideration classified as an asset or liability generally are recognised in profit or loss. Under Canadian standards, contingent consideration generally is not recognised initially as part of the consideration transferred.

Following the different analyses carried out by the Corporation, the latter judged that there will be no important impact on the 2010 results in application of the various modifications.

The Corporation took into account those impacts when renewing the credit facility to adjust its covenants accordingly. Also, the short term incentive plan and deferred performance unit programs will be reviewed.

The Corporation will continue to monitor amendments to IFRS and will assess the effect of these new standards on financial results and on the plan for transition to IFRS.

13. Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires the Corporation'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 Corporation may take in the future. Actual results may differ if such estimates are modified. The main estimates are described below.

GOODWILL AND UNAMORTIZABLE TRADEMARKS

Goodwill is the excess of the cost of an acquired entity over the net amount assigned to assets acquired and liabilities assumed. Goodwill is not amortized. Each year, or more often if events or changes in circumstances indicate a decrease in fair value, it is tested for impairment. The impairment test involves comparing the fair value of the Corporation's business units with

their book value. If the book value of a business unit exceeds its fair value, the Corporation compares the fair value of any goodwill relating to the business unit to its book value. An impairment loss equal to the amount of the excess is charged to earnings. The fair value of the business unit is calculated using discounted cash flows. Based on the impairment tests performed during the fourth quarter of 2010, and taking into account the various assumptions and estimates, the Corporation concluded that no goodwill impairment charge was required.

Unamortizable trademarks are also tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the future discounted cash flows expected from the asset. The loss is determined by comparing the book value of the asset to its fair value. The fair value is based on discounted cash flows. Based on the last impairment tests performed, and taking into account the various assumptions and estimates, the Corporation concluded that no unamortizable trademark impairment charge was required.

OTHER LONG TERM ASSETS

Other long term assets are tested for recoverability when events or changes in circumstances indicate that the book value may not be recoverable. The book value of a long term 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 book value of the long term asset over its fair value.

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 Corporation records an allowance for estimated 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 Corporation's assumptions, additional allowances could prove necessary.

INCOME TAXES

The Corporation uses its best judgment to determine its current and future tax liabilities. 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 Corporation 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 the Corporation 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 treatment different from the one used by management, the reserve may have to be adjusted.

FUTURE EMPLOYEE BENEFITS

The cost of retirement plans and accrued pension benefit obligations are determined by independent actuaries using the projected benefit method prorated on services. This method is based on management's best economic and demographic estimates for expected plan investment performance, salary escalation and retirement ages of employees. The use of different assumptions could generate different accounting values for accrued benefits, affecting the cost of the defined benefit plans.

VENDOR REBATES

Uni-Select negotiates purchasing agreements with its suppliers that provide for the payment of volume rebates. Consequently, the purchasing agreements between Uni-Select and its Canadian merchants, as well as some of its U.S. clients, also provide for the payment of rebates based on these merchants' purchasing volume. Purchasing agreements with suppliers are periodically reviewed and discount levels may be adjusted on the basis of prevailing market conditions. Uni-Select may also periodically adjust the rebates granted to its clients on the basis of market conditions for the products concerned. Uni-Select records merchant rebates as a reduction of sales. The rebates earned from suppliers are recorded as a reduction of cost of sales. Some exceptions apply when the consideration in cash received or to be received is either repayment of additional sales costs paid by the Corporation or a payment for goods or services provided to the supplier, in which case the rebate is recorded as a reduction in operating expenses. The net discount applicable to a targeted product is deducted from the year-end inventory valuation.

14. Change in the reporting currency of the financial statements

JUSTIFICATION

The Corporation has chosen the U.S. dollar as its reporting currency in its consolidated financial statements, which will be produced as of January 1, 2011. This decision was a result of the acquisition of FinishMaster™ on January 11, 2011 (for more information see section "Subsequent Events"), which caused a significant impact on the geographical composition of its sales. In fact, more than 70% of the sales will now originate from the United States. As a result, management decided it is more pertinent and economically representative to use the U.S. currency as the reporting currency. This decision will reduce changes due to the fluctuation of currencies on the financial statements. The individual financial statements of the various subsidiaries of Uni-Select Inc. will continue to be produced in their respective local currencies.

As a result of the change in the reporting currency, all data previously reported in Canadian dollars has been converted to the historical exchange rate for equity, at the average rate for the results, and end of period rate for the assets and the liabilities, in accordance with GAAP. The following two tables show the principal financial indicators of the Corporation if they have been reported in U.S. dollars.

FINANCIAL HIGHLIGHTS

Years Ended December 31, *(in M of US$, except for per-share amounts and percentages)*

	2010	2009	2008	2007	2006
OPERATING RESULTS					
Sales	1,285.4	1,236.6	1,169.5	1,034.4	932.6
Variation	3.9%	5.7%	13.1%	10.9%	4.7%
Adjusted operating income from continuing operations (1)(2)	83.6	83.9	86.7	75.5	73.9
Adjusted operating profit margin (EBITDA) from continuing operations (1)(2)	6.5%	6.8%	7.4%	7.3%	7.9%
Operating income from continuing operations	78.1	77.3	85.4	75.5	73.9
Adjusted earnings from continuing operations (2)	49.5	41.9	43.9	40.9	39.2
Adjusted net profit margin from continuing operations (2)	3.9%	3.4%	3.8%	4.0%	4.2%
Earnings from continuing operations	46.0	37.9	43.1	40.9	39.2
Net earnings	45.1	33.7	42.6	39.8	37.3
Return on average shareholders' equity from continuing operations	12.1%	11.5%	14.1%	14.7%	16.7%
Return on average shareholders' equity	11.9%	10.2%	14.0%	14.3%	15.9%
Return on average net assets	9.2%	8.8%	10.2%	10.9%	13.3%
FINANCIAL POSITION					
Working Capital	392.6	377.8	390.0	330.8	259.1
Total assets	807.0	740.4	713.8	623.0	491.3
Total net indebtedness	190.0	163.1	170.1	136.5	78.5
Shareholders' equity	401.1	356.3	304.3	305.4	250.5
Long-term debt / equity	44.6%	50.0%	58.5%	33.0%	24.5%
Total net debt / invested capital	32.1%	31.4%	35.9%	30.9%	23.9%
Funded debt on EBITDA from continuing operations	2.43	2.11	1.99	1.81	1.06
COMMON SHARE DATA					
Book value	20.35	18.07	15.45	15.47	12.72
Adjusted earnings related to continuing operations	2.51	2.13	2.23	2.07	1.99
Earnings related to continuing operations	2.33	1.92	2.19	2.07	1.99
Net earnings	2.29	1.71	2.16	2.02	1.90
Dividend	0.45	0.40	0.41	0.40	0.34
Number of shares issued at year end	19,707,637	19,716,357	19,694,358	19,736,558	19,699,334
Weighted average number of outstanding shares	19,716,731	19,709,642	19,724,417	19,727,720	19,674,768

(1) EBITDA represents operating income before amortization, interest, income taxes, non-controlling interest and loss from discontinued operations. As EBITDA is not a measurement defined by Canadian generally accepted accounting principles (GAAP), it may not be comparable to similary titled measurement.
(2) EBITDA, earnings from continuing operations and net earnings were adjusted to reflect expenses that the Company considers as non-characteristic of normal operations. These expenses are added so the measurements can be comparable. For more details, see the section on "Compliance with Generally Accepted Accounting Principles".

CONSOLIDATED QUARTERLY OPERATING RESULTS (FROM CONTINUING OPERATIONS)

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

	4TH QUARTER		3RD QUARTER		2ND QUARTER		1ST QUARTER	
	2010	2009	2010	2009	2010	2009	2010	2009
Sales								
United States	180,847	179,390	204,753	200,292	210,347	207,045	185,890	186,925
Canada	124,570	119,276	130,563	126,729	138,837	122,335	109,568	94,590
	305,417	298,666	335,316	327,021	349,184	329,380	295,458	281,515
EBITDA from continuing operations	17,044	8,677	23,142	24,766	23,754	27,367	14,135	16,523
Adjusted EBITDA from continuing operations	18,161	13,705	25,212	26,285	24,913	27,367	15,290	16,523
Adjusted EBITDA margin from continuing operations	5.9%	4.6%	7.5%	8.0%	7.1%	8.3%	5.2%	5.9%
Adjusted earnings from continuing operation	12,239	8,107	14,035	12,848	15,088	13,328	8,118	7,155
Earnings from continuing operations	11,631	5,027	12,705	11,868	14,341	13,828	7,364	7,155
Net earnings	10,717	6,865	12,705	7,161	14,341	13,286	7,364	6,366
Adjusted basic and diluted earnings per share from continuing operations	0.62	0.41	0.71	0.65	0.77	0.70	0.41	0.36
Basic and diluted earnings per share from continuing operations	0.59	0.25	0.64	0.60	0.73	0.70	0.37	0.36
Basic and diluted earnings per share	0.54	0.35	0.64	0.36	0.73	0.67	0.37	0.32
Dividends paid per share	0.116	0.109	0.113	0.106	0.113	0.100	0.112	0.086
Average exchange rate for earnings	0.99	0.94	0.96	0.91	0.97	0.85	0.96	0.80

15. Effectiveness of disclosure controls and procedures and internal controls over financial reporting

In 2008, management finalized its work on implementing Canadian Securities Authorities National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings (NI 52-109). This work was performed in accordance with the recognized control framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

This year's efforts focused on updating the documentation and evaluating the effectiveness of the Corporation's disclosure controls and procedures and internal controls over financial reporting for the operations acquired more than 365 days before the end of the period ended December 31, 2010.

DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has evaluated its disclosure controls and procedures in accordance with the NI 52-109 guidelines. On December 31, 2010, the President and Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select evaluated the effectiveness of internal controls over financial reporting as at December 31, 2010, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Vice-President and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Over the years, a number of compensatory controls have been added to the various automated controls over the systems in place to offset the risks that could be caused by interfaces between systems that are being changed.

In addition, this work enabled management to determine that, during the year ended December 31, 2010, no change to internal controls over financial reporting has occurred that has materially affected, or is reasonably likely to have materially affected, such controls.

RICHARD G. ROY, CA
President and
Chief Executive Officer

DENIS MATHIEU, CA
Vice President and
Chief Financial Officer

Approved by the Board of Directors on March 15, 2011.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

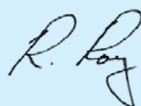
Relating to the consolidated financial statements

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

Uni-Select Inc. maintains internal control systems which, according to management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation'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 Corporation'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 Corporation'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 15, 2011

Independent Auditor's Report

To the Shareholders of Uni-Select Inc.

We have audited the accompanying consolidated financial statements of Uni-Select Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements or earnings, comprehensive income , retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

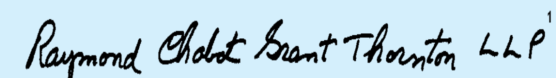
Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opininon, the consolidated financial statements present fairly, in all material respects, the financial position of Uni-Select Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



[1]

Montreal
March 15, 2011

[1] Chartered accountant auditor permit no. 10019

Uni-Select Inc.
Consolidated Earnings
Years ended December 31, 2010 and 2009

(In thousands of dollars, except earnings per share)

	2010	2009
	$	$
Sales	**1,323,755**	1,409,875
Earnings before the following items:	**80,382**	88,806
Interest (Note 5)	**7,994**	8,293
Amortization (Note 5)	**12,846**	13,988
	20,840	22,281
Earnings before income taxes and non-controlling interest	**59,542**	66,525
Income taxes (Note 6)		
Current	**14,280**	12,141
Future	**(1,761)**	7,731
	12,519	19,872
Earnings before non-controlling interest	**47,023**	46,653
Non-controlling interest	**(285)**	3,303
Earnings from continuing operations	**47,308**	43,350
Loss from discontinued operations (Note 11)	**(922)**	(4,780)
Net earnings	**46,386**	38,570
Basic and diluted earnings per share (Note 7)		
From continuing operations	**2.40**	2.20
From discontinued operations	**(0.05)**	(0.24)
Net income	**2.35**	1.96

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, 2010 and 2009

(In thousands of dollars)

	2010	2009
	$	$
CONSOLIDATED COMPREHENSIVE INCOME		
Net earnings	**46,386**	38,570
Other comprehensive income		
Unrealized losses on derivative financial instruments designated as cash flow hedges (net of income taxes of $875 ($61 in 2009))	**(2,823)**	(109)
Reclassification to net earnings of realized losses on derivative financial instruments designated as cash flow hedges (net of income taxes of $1,076 ($1,300 in 2009))	**2,984**	2,308
Unrealized exchange gain on translation of long-term debt designated as a hedge of net investments in self-sustaining foreign subsidiairies	**7,840**	7,626
Unrealized exchange losses on translation of financial statements of self-sustaining foreign subsdiaries	**(16,563)**	(39,434)
Other comprehensive income	**(8,562)**	(29,609)
Comprehensive income	**37,824**	8,961
CONSOLIDATED RETAINED EARNINGS		
Balance, beginning of year	**353,625**	324,241
Net earnings	**46,386**	38,570
	400,011	362,811
Share redemption premium (Note 21)	**342**	-
Dividends	**9,189**	9,186
Balance, end of year	**390,480**	353,625

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

Uni-Select Inc.
Consolidated Cash Flows
Years ended December 31, 2010 and 2009

(In thousands of dollars)

	2010	2009
	$	$
OPERATING ACTIVITIES		
Earnings from continuing operations	**47,308**	43,350
Non-cash items		
Amortization	**12,846**	13,988
Amortization of deferred gain on a sale-leaseback arrangement	**(211)**	(221)
Future income taxes	**(1,761)**	7,731
Compensation cost relating to stock option plans	**79**	128
Pension expense in excess of contributions	**760**	787
Non-controlling interest	**(285)**	3,303
	58,736	69,066
Changes in working capital items (Note 8)	**(34,637)**	851
Cash flows from continuing operating activities	**24,099**	69,917
Cash flows from discontinued operating activities	**(2,078)**	(7,578)
Cash flows from operating activities	**22,021**	62,339
INVESTING ACTIVITIES		
Business acquisitions (Note 9)	**(1,074)**	(1,143)
Business and asset disposals (Note 10)	**3,022**	4,162
Balance of sale (purchase) price	**1,572**	(716)
Buy-back of non-controlling interest (Note 9)	**(255)**	(46,209)
Investments and advances to merchant members	**(2,694)**	(8,229)
Receipts on advances to merchant members	**3,496**	4,232
Fixed assets	**(8,580)**	(10,345)
Disposal of fixed assets	**1,609**	1,245
Intangible assets	**(36,984)**	(8,818)
Cash flows from continuing investing activities	**(39,888)**	(65,821)
Cash flows from discontinued investing activities	**-**	27,317
Cash flows from investing activities	**(39,888)**	(38,504)
FINANCING ACTIVITIES		
Bank indebtedness	**11,571**	(2,891)
Financing costs	**-**	(110)
Long-term debt	**25**	1,117
Repayment of long-term debt	**(93)**	(1,672)
Merchant members' deposits in guarantee fund	**330**	(465)
Issuance of shares	**90**	314
Share redemption	**(340)**	-
Dividends paid	**(9,191)**	(9,006)
Cash flows from continuing financing activities	**2,392**	(12,713)
Effect of exchange rate changes on cash	**4**	(4,954)
Increase (Decrease) in cash	**(15,471)**	6,168
Cash, beginning of year	**15,850**	9,682
Cash, end of year	**379**	15,850

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

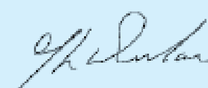
Uni-Select Inc.
Consolidated Balance Sheets
December 31, 2010 and 2009

(In thousands of dollars)

	2010	2009
	$	$
ASSETS		
Current assets		
Cash	**379**	15,850
Accounts receivable (Note 12)	**159,729**	150,440
Income taxes receivable	**7,000**	3,859
Inventory (Note 13)	**414,426**	402,550
Prepaid expenses	**8,027**	6,914
Future income taxes (Note 6)	**12,867**	10,065
Assets from discontinued operations (Note 11)	**-**	3,777
	602,428	593,455
Investments and advances to merchant members (Note 14)	**16,866**	16,831
Fixed assets (Note 15)	**34,414**	38,819
Financing costs	**250**	555
Intangible assets (Note 16)	**58,180**	28,677
Goodwill (Note 17)	**92,389**	93,961
Future income taxes (Note 6)	**3,019**	3,359
	807,546	775,657
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 18)	**11,463**	44
Accounts payable and accrued liabilities	**186,818**	181,773
Dividends payable	**2,296**	2,298
Instalments on long-term debt and on merchant members' deposits in guarantee fund (Notes 19 and 20)	**269**	402
Future income taxes (Note 6)	**8,658**	11,192
Liabilities from discontinued operations (Note 11)	**-**	2,384
	209,504	198,093
Deferred gain on a sale-leaseback arrangement	**1,736**	2,036
Long-term debt (Note 19)	**170,980**	178,866
Merchant members' deposits in guarantee fund (Note 20)	**7,729**	7,288
Derivative financial instruments (Note 27)	**4,820**	5,182
Future income taxes (Note 6)	**8,777**	7,821
Non-controlling interest	**2,658**	3,453
	406,204	402,739
SHAREHOLDERS' EQUITY		
Capital stock (Note 21)	**50,204**	50,152
Contributed surplus	**434**	355
Retained earnings	**390,480**	353,625
Accumulated other comprehensive income (Note 22)	**(39,776)**	(31,214)
	401,342	372,918
	807,546	775,657

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

On behalf of the Board,



Jean-Louis Dulac
Director

Jean Guénette
Director

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

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

2 - FUTURE ACCOUNTING CHANGES

International financial reporting standards

In March 2006, the AcSB of the CICA released its new strategic plan, which proposed to abandon Canadian generally accepted accounting principles (GAAP) and effect a complete convergence to International Financial Reporting Standards (IFRS) for Canadian publicly accountable profit-oriented enterprises. This plan was confirmed in subsequent exposure drafts issued in April 2008, March 2009 and October 2009. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation's first interim consolidated financial statements presented in accordance with IFRS will be for the three-month period ending March 31, 2011, and its first annual consolidated financing statements presented in accordance with IFRS will be for the year ending December 31, 2011.

IFRS use a conceptual framework similar to Canadian GAAP, but differences exist with respect to recognition, measurement and disclosure requirements.

The Corporation's project for the transition from Canadian GAAP to IFRS is progressing according to the established plan and the Corporation expects to meet its target date for migration.

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. The most significant estimates are the evaluation of accounts receivable, inventory, impairment of long-lived assets, goodwill and intangible assets, accrued liabilities, employees future benefits accounting, derivative financial instruments, income taxes and vendor rebates. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results may differ from these estimates.

Principles of consolidation

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

Sales recognition

The Corporation recognizes sales upon shipment of goods, net of right of return provisions and guarantees and other trade discounts, when all of the 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 Corporation offers its customers a right of return on sale of goods and certain guarantees. At the time of sales recognition, the Corporation records provisions for the right of return and guarantees which are based on the Corporation's historical experience and management's assumptions.

Evaluation of inventory

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

3 - ACCOUNTING POLICIES (Continued)

Self-insurance

In the United States, the Corporation is self-insured for certain losses related to general liability, workers' compensation and health care. The estimated cost for claims incurred as of the balance sheet date is recognized as a liability and a corresponding expense is recognized in net earnings. This cost is estimated based upon analysis of the Corporation's historical data and independent actuarial estimates based on management's most probable estimates, particularly the one concerning increases in insured care costs and the one regarding claims exceeding the maximal amount permitted by the plan.

Vendor rebates

The Corporation records cash considerations received or receivable 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 such items are recognized in the consolidated statements of earnings and consolidated balance sheets. Certain exceptions apply when the cash consideration received or receivable is considered either a reimbursement of additional selling costs incurred by the Corporation, or a payment for goods or services provided to the vendor, in which case, the rebate is reflected as a reduction of operating expenses.

Internally-generated intangible asset

The Corporation records as internally-generated intangible asset the costs directly allocated to the acquisition and development of an enterprise resources planning software, which meets the capitalization criteria under Canadian GAAP.

Amortization

Fixed assets are amortized over their estimated useful lives according to the following methods, annual rates and periods:

	Methods	Rates and periods
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%
System software and automotive equipment	Diminishing balance	30%
Computer equipment	Straight-line	20%
Leasehold improvements	Straight-line	Lease term

Intangible assets are amortized over their estimated useful lives according to the following methods, annual rates and periods:

	Methods	Rates and periods
Customer relationships	Straight-line	16 and 20 years
Covenants not to compete	Straight-line	4 years
Software	Straight-line and diminishing balance	14.3%, 20% and 30%
Enterprise resources planning software	Straight-line	10 years

Financing costs

Costs relating to the use of a credit facility are amortized using the straight-line method over a five-year period.

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 amortizable intangible assets 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 and trademarks

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 Corporation's reporting units with their carrying amount. When the carrying amount of such reporting unit exceeds the fair value, the Corporation compares the fair value of any goodwill related to the reporting unit to its carrying amount. An impairment loss is recognized in earnings for an amount equal to the excess. The fair value of the reporting unit is mainly calculated based on evaluations of discounted cash flows or on a performance indicator multiple.

Trademarks are not amortized and are also tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the future discounted cash flows expected from the asset. The loss is determined by comparing the fair value of the asset to its carrying amount. The fair value is calculated based on evaluations of discounted cash flows.

Income taxes

The Corporation 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 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 for the year. Translation gains or losses are included in earnings for the year, except for the unrealized exchange gains or losses on translation of the long-term debt designated as a hedge of net investments in self-sustaining foreign subsidiaries, which are included in other comprehensive income and are transferred to earnings only when a reduction in the net investment in these foreign subsidiaries is realized.

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 rates in effect on the transaction date. Unrealized gains and losses are included in cumulative other comprehensive income and are transferred in earnings only when a reduction in the net investment in these foreign subsidiaries is realized.

The weighted average exchange rate for the earnings for the year is 1.03 for 2010 (1.14 in 2009). Assets and liabilities of the self-sustaining U.S. subsidiaries are translated at a rate of 1.00 (1.05 in 2009).

Employee future benefits

The Corporation accrues its obligations under employee pension plans and the related costs, net of plan assets. The Corporation 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 increases and the 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 active employees at the date of amendment;

3 - ACCOUNTING POLICIES (Continued)

– Actuarial gains (losses) arise from the difference between the 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 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 Corporation in exchange for services rendered by employees.

Financial instruments

Financial assets and liabilities are initially measured at fair value and their subsequent measurement depends of their classification, as described below. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation.

The Corporation has made the following classifications:

– Cash is classified as financial assets held for trading. They are measured at fair value and changes in fair value are recorded in net earnings;

– Accounts receivable and investments and advances to merchant members are classified as loans and receivables. Accounts receivable, except for the current portion of investments, 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 advances to merchant members are recorded at cost, which is, when initially recorded, equal to their fair value. Subsequent valuations are recorded at amortized cost using the effective interest rate method net of any depreciation;

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

– Derivative financial instruments used as cash flow hedges are measured at fair value at the end of each period, and gains and losses resulting from remeasurement are recorded in other comprehensive income net of income taxes, to the extent effective. Any ineffectiveness is recognized in earnings.

Derivative financial instruments

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

The Corporation's policy is to formally designate each derivative financial instrument as a cash flow hedge of a specifically identified debt instrument. The Corporation believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as for the entire 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 Corporation's program to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. The interest rate swap agreements involve the periodic exchange of interest 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.

3 - ACCOUNTING POLICIES (Continued)

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

The Corporation measures stock options granted to employees based on the fair value at the grant date by using the Black & Scholes option pricing model and a compensation expense is recognized on a straight-line basis over the vesting period, which is five years, with a corresponding increase in the contributed surplus. When the stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion previously recorded in the contributed surplus.

Earnings per share and information pertaining to number of shares

Earnings per common share cost is calculated by dividing net earnings available for common shareholders by the weighted average number of common shares outstanding during the years. Diluted earnings per share are calculated taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date. The treasury stock method is used to determine the dilutive effect of the stock options. This method assumes that the proceeds of the stock options exercised during the year are used to redeem common shares at their average price during the periods.

Comparative figures

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

4 - INTERESTS IN JOINT VENTURES

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

	2010	2009
	$	$
Current assets	**5,908**	5,848
Long-term assets	**1,416**	1,540
Current liabilities	**1,773**	2,200
Long-term liabilities	**427**	508
Sales	**16,726**	37,740
Earnings before interest, amortization, income taxes and non-controlling interest	**1,028**	1,397
Net earnings	**693**	812
Cash flows from operating activities	**729**	(1,165)
Cash flows from investing activities	**(18)**	(438)
Cash flows from financing activities	**(557)**	1,580

The Corporation's sales include sales to joint ventures in the amount of $6,878 in 2010 and $17,086 in 2009.

The Corporation's share of its joint ventures' commitments represents $688 in 2010 and $991 in 2009.

5 - SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED EARNINGS

	2010	2009
	$	$
Other financial liabilities		
Interest on bank indebtedness	**1,317**	844
Interest on long-term debt	**6,795**	7,658
Interest on merchant members' deposits in guarantee fund	**123**	118
	8,235	8,620
Loans and receivables		
Interest income from merchant members	**(241)**	(327)
	(241)	(327)
	7,994	8,293
Amortization		
Amortization of fixed assets	**9,708**	11,125
Amortization of intangible assets and other assets	**3,138**	2,863
	12,846	13,988

6 - INCOME TAXES

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

	2010	2009
	%	%
Federal statutory rate	**18.00**	19.00
Provinces' statutory tax rates	**11.46**	11.86
Combined statutory rate of the Corporation	**29.46**	30.86
Various tax rates applied in tax jurisdictions of foreign operations	**6.03**	4.33
Tax benefit from a financing structure	**(12.72)**	(3.72)
Non-deductible tax expenses	**0.35**	0.35
Earnings taxable at lower rates in future years	**(0.76)**	(0.56)
Losses at higher rates	**(0.59)**	-
Recognition of previously unrecorded tax benefits	**(0.06)**	(0.84)
Other	**(0.69)**	(0.55)
	21.02	29.87

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

	2010	2009
	$	$
Future income tax assets		
Current		
Non-capital loss carry-forwards	**5,169**	2,597
Allowances deductible during the coming year	**7,533**	7,404
Other	**165**	64
	12,867	10,065
Long-term		
Non-capital loss carry-forwards	**166**	-
Pension plan allowance	**1,358**	1,249
Allowance for performance incentives	**359**	412
Deferred gain on a sale-leaseback arrangement	**510**	858
Other	**626**	840
	3,019	3,359

6 - INCOME TAXES (Continued)

	2010	2009
	$	$
Future income tax liabilities		
Current		
Income taxable during the coming year	**8,658**	11,192
Long-term		
Fixed assets and intangible assets	**4,470**	4,121
Prepaid pension plan contributions	**77**	144
Goodwill	**3,566**	3,126
Other	**664**	430
	8,777	7,821

As of December 31, 2010, the Corporation has unused federal tax losses of $13,703 ($9,906 in 2009) and provincial tax losses of $24,007 ($16,621 in 2009) with expiration dates varying between 2026 and 2030.

7 - EARNINGS PER SHARE

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

	2010	2009
	$	$
Basic and diluted		
Earnings from		
Continuing operations	**47,308**	43,350
Discontinued operations	**(922)**	(4,780)
Net earnings	**46,386**	38,570
Weighted average number of outstanding shares considered for basic earnings per share	**19,716,731**	19,709,642
Impact of stock option exercise	**8,694**	13,215
Adjusted weighted average number of outstanding shares considered for diluted earnings per share	**19,725,425**	19,722,857
Basic and diluted earnings per share from		
Continuing operations	**2.40**	2.20
Discontinued operations	**(0.05)**	(0.24)
Basic and diluted earnings per share	**2.35**	1.96

8 - SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	2010	2009
	$	$
Trade and other accounts receivable	**(15,296)**	7,241
Income taxes receivable	**(3,385)**	2,940
Inventory	**(27,513)**	11,450
Prepaid expenses	**(2,084)**	(1,720)
Accounts payable and accrued liabilities	**13,641**	(19,060)
	(34,637)	851

8 - SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED CASH FLOWS (Continued)

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

	2010	2009
	$	$
Interest paid	**8,282**	8,813
Income taxes paid	**17,421**	7,219

As at December 31, 2010, acquisitions of fixed assets and intangible assets of $7 and $2,833, respectively, ($627 and $6,100 in 2009) remain unpaid and did not have any impact on cash.

9 - BUSINESS ACQUISITIONS

2010

During the year, the Corporation acquired the shares of a Corporation for a cash consideration of $1,074 and a contingent consideration payable to the sellers based on the achievement of specific performance objectives. The excess of the purchase price over the net assets has been allocated to goodwill. The initial purchase price allocation will be reviewed to consider the contingent consideration when it can be determined by the Corporation that the objectives will be achieved.

During the year, in connection with two separate transactions, the Corporation increased its interest by 3.85% in its subsidiary, Uni-Sélect Pacific Inc., for a total cash consideration of $510, for which $255 is payable on December 31, 2010. The consideration paid for these transactions was based on the carrying amount as stated in the shareholders' agreement. Following these transactions, the Corporation's interest in its subsidiary increased from 75.0% to 78.85%

2009

The Corporation acquired a portion of the assets and liabilities of two companies operating in the USA for a cash consideration of $352.

In addition, the Corporation increased its interest by 5.77% in its joint venture, Uni-Select Pacific Inc., for a cash consideration of $791. Following this transaction, the Corporation's interest in the entity increased from 69.23% to 75%, changing the joint venture interest into an investment in a subsidiary. The consideration paid for this transaction was based on the carrying amount as stated in the shareholders' agreement.

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

In addition, the Corporation acquired the entire non-controlling interest in its main U.S. subsidiary for a cash consideration of $46,209, including goodwill of $1,975.

10 - BUSINESS AND ASSET DISPOSALS

During 2010, in connection with separate transactions, the Corporation sold some of the assets and liabilities of four stores and the shares of four stores. The net assets have been sold for a cash consideration of $3,369, of which $404 is receivable. The shares have been sold for a cash consideration of $57.

During 2009, in connection with separate transactions, the Corporation sold some of the assets and liabilities of thirteen stores and the shares of one store in Canada. The net assets have been sold for an amount of $9,901, i.e. a cash consideration of $6,294, of which $2,132 is receivable and a non-cash consideration of $3,607.

11 - DISCONTINUED OPERATIONS

In 2009, the Corporation proceeded to dispose of certain assets and liabilities of its subsidiary, Palmar Inc., which constituted all of the Heavy Duty Canada operating segment for a cash consideration of $27,143.

11 - DISCONTINUED OPERATIONS (Continued)

Pursuant to Section 3475 of the CICA Handbook, entitled "Disposal of Long-Lived Assets and Discontinued Operations", the group's operating results and loss from discontinued operations have been reclassified and presented in the consolidated statement of earnings under "Loss from discontinued operations" for 2010 and 2009 while the assets and liabilities of Palmar Inc. as at December 31, 2009 have been reclassified and presented in the consolidated balance sheet under "Assets or liabilities from discontinued operations".

As at December 31, 2010, Palmar Inc. was wound-up in its parent company Uni-Select Inc. As a result, the assets and liabilities were reclassified in their respective categories in the balance sheet as at December 31, 2010.

The following table provides the discontinued operations results for the years ended December 31, 2010 and 2009:

	2010	2009
	$	$
Sales	-	30,985
Loss before the following items:	-	(2,684)
Interests	-	128
Amortization	-	171
	-	299
Loss before non-recurring items and income taxes	-	(2,983)
Non-recurring items [(1)]	(1,031)	(4,231)
Loss before income taxes	(1,031)	(7,214)
Income taxes	(109)	(2,434)
Loss from discontinued operations	(922)	(4,780)

The following table provides the assets and liabilities from discontinued operations as at December 31, 2010 and 2009:

	$	$
Assets		
Cash	-	671
Accounts receivable	-	646
Income taxes receivable	-	68
Future income taxes	-	2,392
Assets from discontinued operations	-	3,777
Liabilities		
Accounts payable [(1)]	-	2,384
Liabilities from discontinued operations	-	2,384

[(1)] In 2009, non-recurring items and accounts payable are essentially related to severances and future rent of closed locations. In 2010, they are primarily related to a loss resulting from a change in the subleasing revenues estimation.

12 - ACCOUNTS RECEIVABLE

	2010	2009
	$	$
Trade and other accounts receivable	156,188	145,188
Balance of selling price, interest rates varying between 0% and prime rate plus 4%	907	2,074
Current portion of investments	2,634	3,178
	159,729	150,440

13- INVENTORY

The cost of inventory recognized as an expense is $945,397 for the year ended December 31, 2010 ($1,007,726 in 2009).

14 - INVESTMENTS AND ADVANCES TO MERCHANT MEMBERS

	2010	2009
	$	$
Preferred shares, interest rates varying between prime rate plus 1% and 12.25%, receivable in monthly instalments, maturing on various dates until 2018	1,448	1,763
Shares of companies and advances to merchant members, interest rates varying between 0% and 11.22% (0% and 12.62% in 2009), receivable in monthly instalments, maturing on various dates until 2018	18,052	18,246
	19,500	20,009
Current portion receivable	2,634	3,178
	16,866	16,831

15 - FIXED ASSETS

2010	Cost	Accumulated amortization	Net
	$	$	$
Land and paving	1,386	284	1,102
Buildings	15,490	7,023	8,467
Furniture and equipment	33,224	23,911	9,313
Computer equipment and system software	28,403	19,566	8,837
Automotive equipment	13,139	9,380	3,759
Leasehold improvements	8,724	5,788	2,936
	100,366	65,952	34,414

2009	Cost	Accumulated amortization	Net
	$	$	$
Land and paving	1,278	274	1,004
Buildings	12,853	6,661	6,192
Furniture and equipment	32,892	22,341	10,551
Computer equipment and system software	28,209	16,588	11,621
Automotive equipment	13,799	8,141	5,658
Leasehold improvements	8,526	4,733	3,793
	97,557	58,738	38,819

16 - INTANGIBLE ASSETS

	2010		
	Cost	Accumulated amortization	Net
	$	$	$
Trademark	751	-	751
Customer relationships	5,903	753	5,150
Covenants not to compete	625	625	-
Software [(1)]	67,134	14,855	52,279
	74,413	16,233	58,180

	2009		
	Cost	Accumulated amortization	Net
	$	$	$
Trademark	785	-	785
Customer relationships	6,100	457	5,643
Covenants not to compete	654	602	52
Software [(1)]	34,586	12,389	22,197
	42,125	13,448	28,677

[(1)] Software includes the capitalized portion of $43,370 ($12,293 in 2009) of costs related to the acquisition and internal development of an enterprise resources planning software, which will be completed over the next few years. The amortization for this software over 10 years started when the financial component was put into service, on July 1, 2010. The amortization related to the operational component will start in 2011 as the software is implemented on the first sites.

17 - GOODWILL

	2010		
	USA	Canada	Consolidated
	$	$	$
Balance, beginning of year	53,127	40,834	93,961
Business acquisitions (Note 9)	1,074	-	1,074
Asset disposals (Note 10)	-	(250)	(250)
Currency translation adjustment	(2,396)	-	(2,396)
Balance, end of year	51,805	40,584	92,389

	2009		
	USA	Canada	Consolidated
	$	$	$
Balance, beginning of year	59,891	39,610	99,501
Change from a joint venture interest to subsidiary investment (Note 9)	-	654	654
Business acquisitions (Note 9)	23	1,670	1,693
Asset disposals (Note 10)	-	(1,100)	(1,100)
Buy-back of non-controlling interest (Note 9)	1,975	-	1,975
Currency translation adjustment	(8,762)	-	(8,762)
Balance, end of year	53,127	40,834	93,961

18 - CREDIT FACILITIES

Parent company and some of its subsidiaries

The Corporation has two credit facilities for a total amount of $337,000. The first credit facility, for an amount of $325,000 ($325,000 in 2009), is held by the parent company and the second, for an amount of $12,000, is held by a subsidiary. The first credit facility is comprised of a revolving credit of $235,000 ($235,000 in 2009) maturing in October 2011. This credit facility also includes a $90,000 ($90,000 in 2009) operating credit maturing in October 2011, which is also used for the issuance of letters of guarantee. As at December 31, 2010, the issued letters of guarantee totalled $7,976 ($7,399 in 2009). The $325,000 credit facility can be drawn either in Canadian or U.S. dollars. This credit facility was repaid and refinanced by a new long-term credit facility following the fiscal year end as mentioned in Note 30. As a result, the credit facility is classified as a long-term liability in the balance sheet as at December 31, 2010. The second facility of $12,000 is an operating credit redeemable on demand. It is secured by the assets of the subsidiary with a book value of $30,732 ($31,478 in 2009). This second facility can only be drawn in Canadian dollars.

The interest rates vary according to the type of loan and the financial ratios achieved by the Corporation and are set each quarter. As at December 31, 2010, interest rates vary between 1.51% and 5.0% (1.2% and 5.25% in 2009).

Joint ventures

The authorized lines of credit amount to $1,200 ($1,200 in 2009). The bank indebtedness bears interest at variable rates and is renewable on various dates annually. As at December 31, 2010, the interest rates vary between 3.5% and 3.75% (2.5% and 2.75% in 2009).

19 - LONG-TERM DEBT

	Current portion	2010	2009
	$	$	$
Revolving credit drawn in U.S. dollars (US$170,800 in 2010 and 2009), designated as a hedge of net investments in self-sustaining foreign subsidiaries, average interest rate of 3.86% (3.93% in 2009) (Notes 18 and 30) [(2)]	-	170,920	178,759
Other notes payable, secured or unsecured, 0% to 13.9%, payable in monthly instalments, maturing on various dates until 2013	110	170	238
	110	171,090	178,997
Instalments due within one year	110	110	131
	-	170,980	178,866

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

	Other loans
	$
2011	171,030 [(1)]
2012	30
2013	25
2014	5
Total minimum payments	171,090

[(1)] Includes the credit facility repayment in 2011 as mentioned in Note 30.

[(2)] The interest rates take into consideration the derivative financial instruments used as mentioned in Note 27.

20 - MERCHANT MEMBERS' DEPOSITS IN GUARANTEE FUND

	2010	2009
	$	$
Merchant members' deposits in guarantee fund	**7,888**	7,559
Instalments due within one year	**159**	271
	7,729	7,288

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. Each merchant member is required to maintain a deposit based on their prior year's purchases. Deposits bear interest at prime rate less 1% (2.0%) (1.25% in 2009).

21 - CAPITAL STOCK

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

	2010	2009
	$	$
Issued and fully paid		
Balance, beginning of year: 19,716,357 common shares (19,694,358 in 2009)	**50,152**	49,838
Issuance of 5,980 common shares upon the exercise of stock options (21,999 in 2009)	**90**	314
Common shares redemption [(1)]	**(38)**	-
Balance, end of year: 19,707,637 common shares (19,716,357 in 2009)	**50,204**	50,152

(1) The Corporation repurchased for cancellation 14,700 common shares for a cash consideration of $380. A share redemption premium of $342 is presented as a reduction of the retained earnings.

Common stock option plan for management employees and officers

Options that allow share acquisition may be exercised 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 option grant date. 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 Corporation. Under this plan, as at December 31, 2010, 1,196,734 common shares (1,190,754 in 2009) have already been issued.

As at December 31, 2010, the Corporation has already repurchased 555,591 options and 107,075 common shares (113,055 in 2009) are reserved for additional option exercise for this plan.

A summary of the status of the Corporation's stock option plan as at December 31, 2010 and 2009 and changes during the years ended on those dates is presented below:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**73,929**	**26.15**	95,928	23.42
Granted	**10,000**	**26.70**	-	-
Exercised	**(5,980)**	**15.05**	(21,999)	14.25
Outstanding, end of year	**77,949**	**27.07**	73,929	26.15
Exercisable, end of year	**47,949**	**23.30**	43,929	22.55

21 - CAPITAL STOCK (Continued)

As at December 31, 2010, the outstanding stock options with a range of exercise prices from $15.05 to $31.42 have a weighted average remaining contractual life of 6.00 years. The stock options exercisable in a range of exercise prices from $15.05 to $31.42 have a weighted average remaining contractual life of 4.62 years.

A compensation expense of $79 was recorded in the consolidated earnings for the year ended December 31, 2010 ($128 for the year ended December 31, 2009) with the corresponding amount in the contributed surplus.

The fair value of each option granted was estimated on the grant date for the purposes of determining the stock-based compensation expense using the Black & Scholes option pricing model based on the following assumptions:

	2010	2009
Expected dividend yield	**1.41**	-
Expected volatility	**25.51**	-
Risk-free interest rate	**2.37**	-
Expected life in years	**7.00**	-

The fair value of stock options granted during the year ended December 31, 2010 was $7.01 per option.

22 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	2010	2009
	$	$
Balance, beginning of year	**(31,214)**	(1,605)
Other comprehensive income for the years	**(8,562)**	(29,609)
Balance, end of year	**(39,776)**	(31,214)

The components of other accumulated comprehensive income as at December 31, are as follows:

	2010	2009
Accumulated currency translation adjustments	**(36,258)**	(27,535)
Cumulative changes in fair value of derivatives used as a hedge (net of future income taxes of $1,301 ($1,503 in 2009))	**(3,518)**	(3,679)
	(39,776)	(31,214)

23 - EMPLOYEE FUTURE BENEFITS

The Corporation has three defined benefit pension plans and two defined contribution plans. Its defined benefit pension plans are based on years of service and final average salary.

The Corporation's total expense for the defined contribution plans is $1,206 ($1,438 in 2009).

Total cash payments for employee future benefits for 2010, consisting of cash contributed by the Corporation 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 $3,439 ($3,286 in 2009).

Defined benefit pension plans

The Corporation 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 for capitalization purposes. The pension plans were evaluated on December 31, 2009 and December 31, 2010, respectively. For IFRS conversion purposes, the pension plans will be revaluated retroactively on January 1, 2010, which is the conversion date, and on January 1, 2011. The accrued benefit obligation of the other pension plan is revaluated annually.

Information regarding the combined defined benefit plans is as follows:

	2010		2009	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Accrued benefit obligations				
Balance, beginning of year	**24,072**	**5,455**	18,622	4,702
Business acquisitions (Note 9)	-	-	466	-
Current service cost	**1,385**	**316**	1,068	229
Employee contributions	**949**	-	905	-
Interest cost	**1,664**	**361**	1,489	347
Benefits paid	**(729)**	**(278)**	(979)	(281)
Actuarial losses	**3,583**	**990**	2,501	458
Balance, end of year	**30,924**	**6,844**	24,072	5,455

	2010		2009	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Plan assets				
Fair value, beginning of year	**18,575**	-	14,339	-
Business acquisitions (Note 9)	-	-	429	-
Actual return on plan assets	**1,594**	-	2,314	-
Employer contributions	**1,955**	-	1,567	-
Employee contributions	**949**	-	905	-
Benefits paid	**(729)**	-	(979)	-
Fair value, end of year	**22,344**	-	18,575	-

	2010	2009
	Pension plans	Pension plans
	%	%
Components of plan assets		
Equity securities	**76.4**	76.0
Debt securities	**23.6**	24.0
	100.0	100.0

23 - EMPLOYEE FUTURE BENEFITS (Continued)

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

	2010		2009	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Funded status - deficit	**(8,580)**	**(6,844)**	(5,497)	(5,455)
Unamortized past service costs	**435**	-	481	(3)
Unamortized actuarial losses	**8,612**	**1,813**	5,523	869
Accrued benefit asset (liability)	**467**	**(5,031)**	507	(4,589)

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

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

	2010		2009	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Current service cost	**1,385**	**316**	1,068	229
Interest cost	**1,664**	**361**	1,489	347
Actual return on plan assets	**(1,594)**	-	(2,314)	-
Actuarial losses	**3,583**	**990**	2,501	458
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**5,038**	**1,667**	2,744	1,034
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	**169**	-	1,189	-
Difference between actuarial loss recognized for the years and actual actuarial loss on accrued benefit obligations for the years	**(3,258)**	**(944)**	(2,229)	(458)
Amortization of past service costs	**46**	**(3)**	77	(3)
Defined benefit plans costs recognized	**1,995**	**720**	1,781	573

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

	2010		2009	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	%	**%**	%	%
Accrued benefit obligations as at December 31				
Discount rate	**5.40**	**5.40**	6.40	6.40
Rate of compensation increase	**3.75**	**3.75**	4.00	4.00
Benefit costs for years ended December 31				
Discount rate	**6.40**	**6.40**	7.25	7.25
Expected long-term rate of return on plan assets	**7.25**	**7.25**	7.25	7.25
Rate of compensation increase	**4.00**	**4.00**	4.00	4.00

24 - COMMITMENTS

The Corporation has entered into long-term lease agreements expiring at various dates until 2021, which call for lease payments of $79,662 for the rental of buildings, vehicles and outsourcing of information technology services. Minimum lease payments for the next five years are $23,269 in 2011, $19,740 in 2012, $13,727 in 2013, $9,404 in 2014, and $7,888 in 2015. Some of these lease agreements contain renewal options for additional periods of one to five years, which the Corporation may exercise by giving prior notice.

25 - GUARANTEES

Under inventory repurchase agreements, the Corporation has made a commitment to financial institutions to repurchase inventories from some of its customers at a rate of 60% to 75% of the cost of the inventories for a maximum amount of $64,920 ($64,269 in 2009). In the event of legal proceedings, the inventories would be liquidated in the normal course of the Corporation'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 greater than the Corporation's commitments.

26 - CAPITAL MANAGEMENT

Guided by its low-asset-base-high-utilization philosophy, the Corporation's objectives when managing capital are:

- Maintain a total net (of cash) debt on total net debt plus equity ratio lower than 45%;
- Maintain a long-term debt on equity ratio lower than 125%;
- Provide shareholders with growth in the value of their shares by maintaining a return on shareholders' equity of 15% on a long-term basis and paying an annual dividend representing about 20% of the net earnings of the previous year;
- Maintain a maximum funded debt on earnings before interest, taxes, depreciation and amortization (EBITDA) ratio of 3.5.

For the purposes of managing its capital, the Corporation includes shareholders' equity, bank indebtedness, net of cash, long-term debt, and merchant members' deposits in guarantee fund.

The Corporation manages its capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation has several tools, notably a share repurchase-for-cancellation program pursuant to normal course issuer bids and a flexible credit facility allowing it to react quickly to business opportunities. Also, the Corporation constantly analyzes working capital levels, notably inventory, to ensure that the optimal level is maintained and regularly adjusts quantities to satisfy demand as well as the level of diversification required by customers. In addition, the Corporation has put in place a vendor financing program under which payments to certain suppliers are deferred.

The Corporation assesses its capital management on a number of bases, including: total net debt on total net debt plus equity, long-term debt on equity ratio, return on shareholders' equity ratio and funded debt on EBITDA ratio.

The following table shows the result of the calculation of the different indicators used by the Corporation:

	2010	2009
Total net debt on total net debt plus equity ratio [1]	**32.1%**	31.4%
Long-term debt on equity ratio [2]	**44.6%**	50.0%
Return on shareholders' equity ratio [3]	**12.0%**	10.3%
Funded debt on EBITDA ratio [4]	**2.36**	1.92

[1] The increase in the ratio is primarily related to the financing of the enterprise resources planning software and the increase in working capital due to the current activities.

[2] The decrease in the ratio is primarily from the fluctuation of foreign exchange rates and the increase of the shareholders' equity.

[3] Excluding loss from discontinued operations, the ratio would have been 12.2% in 2010 and 11.6% in 2009 for return on shareholders' equity.

[4] Considering EBITDA from discontinued operations, the ratio would have been of 2.40 in 2010 and 2.09 in 2009.

Regarding its $325,000 credit facility, the Corporation is required to comply with certain financial ratios such as funded debt on EBITDA and total net debt on total net debt plus equity. As at December 31, 2010 and 2009, the Corporation is in compliance with these ratios.

27 - FINANCIAL INSTRUMENTS

Classification of financial instruments as well as their carrying amount and fair value as at December 31, 2010 are summarized in the following table:

	2010		2009	
	Carrying amount $	**Fair value $**	Carrying amount $	Fair value $
Financial assets				
Held-for-trading financial assets				
Cash	**379**	**379**	15,850	15,850
Loans and receivables				
Accounts receivable	**157,095**	**157,095**	147,262	147,262
Investments and advances to merchant members	**19,500**	[1]	20,009	[1]
	176,974		183,121	
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	**186,818**	**186,818**	181,773	181,773
Dividends payable	**2,296**	**2,296**	2,298	2,298
Long-term debt	**171,090**	**169,558**	178,997	172,329
Merchant members' deposits in guarantee fund	**7,888**	[1]	7,559	[1]
Derivative financial instruments	**4,820**	**4,820**	5,182	5,182
	372,912		375,809	

[1] The fair value of investments in shares could not be determined given that the shares are not publicly traded. Substantially all advances and guarantee deposits result from transactions with merchant members. The fair value could not be 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 accounts receivable, accounts payable and accrued liabilities and dividends payable approximate their carrying amount given that they will mature shortly.

The fair value of the long-term debt has been determined by calculating the present value of the difference between the actual financing rate negotiated by the Corporation and the rate that would be renegociated given the actual economic conditions.

Derivative financial instruments

The Corporation entered into agreements to swap the cash flows of the variable interest rates related to the revolving credit (Note 18) for a nominal amount of US$120,000 for cash flows equivalent to fixed rates.

		Maturity		
Nominal amount	Rate	2011	2012	2013
US$		US$	US$	US$
60 000	3.94%	20,000	20,000	20,000
30 000	3.50%	10,000	10,000	10,000
30 000	3.35%	10,000	10,000	10,000

The fair value of the interest rate swaps, as determined by the Corporation based on the market and credit risk consideration using quotes for similar instruments at the balance sheet date represents an amount payable by the Corporation of $4,820 ($5,182 in 2009).

The fair value of derivative financial instruments, such as those set out above, was determined using Level 2 from the fair value hierarchy.

27 - FINANCIAL INSTRUMENTS (Continued)

Management of risks arising from financial instruments

In the normal course of business, the Corporation is exposed to risks that arise from financial instruments primarily consisting of credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Corporation manages these risk exposures on an ongoing basis.

Credit risk

Credit risk stems primarily from the potential inability of clients to discharge their obligations. The maximum credit risk to which the Corporation is exposed as at December 31, 2010 represents the carrying amount of cash and accounts receivable and investments and advances to merchant members. No account represents more than 5% of total accounts receivable. Also, the Corporation holds in guarantee some personal property as well as some assets of certain customers and those customers are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation, being the merchant members deposits in guarantee funds. Lastly, the financial condition of customers is examined regularly and quarterly analysis are presented to management to ensure that past due amounts are collectible and, if necessary, that measures are taken to limit credit risk. Over the past few years, no significant amount has had any negative impact on the Corporation's earnings, as proven by the average bad debt on sales rate of 0.1% for the last three years.

As at December 31, 2010, past-due accounts receivable represent $10,310 ($8,686 in 2009) and an allowance for doubtful accounts of $3,899 ($3,912 in 2009) is provided.

Allowance for doubtful accounts and past due accounts receivable are reviewed at least quarterly and a bad-debt expense is recognized only for accounts receivable for which collection is uncertain. The following table shows the changes in the allowance for doubtful accounts:

	2010	2009
	$	$
Balance as at December 31, 2009	**3,912**	5,538
Currency translation adjustment	**(139)**	(683)
Bad-debt expense	**1,608**	1,435
Write-offs	**(618)**	(1,770)
Amounts recovered	**(903)**	(608)
Balance as at December 31, 2010	**3,860**	3,912

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations on time and at a reasonable cost. The Corporation 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 Corporation prepares budget and cash forecasts to ensure that it has sufficient funds to meet its obligations.

The Corporation has a renewable credit facility in the amount of $337,000 (Notes 18 and 30). As at December 31, 2010, the Corporation benefits from an unused credit facility of approximately $155,000.

Because of cash flows generated by the Corporation's operations and the financial resources available, management believes that the liquidity risk is minimal.

27 - FINANCIAL INSTRUMENTS (Continued)

The following table summarizes the contractual maturities of the financial liabilities as at December 31, 2010:

Financial liabilities	Maturing under 1 year	1 to 3 years	Over 3 years	Total
Bank indebtedness	11,463			11,463
Accounts payable and accrued liabilities	186,818			186,818
Dividends payable	2,296			2,296
Long-term debt (Notes 19 and 30) [1]	171,090			171,090
Interests [1]	42			42
Merchant members' deposits in guarantee fund	159		7,729	7,888
Derivative financial instruments	3,668	2,236		5,904
	375,536	2,236	7,729	385,501

[1] Excludes the capital and interest repayments on the debts mentioned in Note 30. The amount of interest considers the fact that the credit facility was repaid in January 2011.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments due to cash held in currency other than that of the reporting entity and due to merchandise and equipment purchased in U.S. dollars by Canadian entities. Management considers that fluctuations in the U.S. dollar versus the Canadian dollar will have a minimal impact on net earnings.

Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of its debt between instruments having fixed and variable rates by concluding swap agreements to exchange cash flows with variable rates for cash flows with fixed rates. As at December 31, 2010, the fixed rate portion of financial debt represents approximately 70% of the total.

A 25-basis-point rise or fall in interest rates, assuming that all other variables remain the same, would have resulted in a $134 decrease or increase in the Corporation's net earnings for the year ended December 31, 2010, whereas other comprehensive income would have increased or decreased by $394.

28 - GEOGRAPHICAL INFORMATION

Since January 1, 2010, the Corporation considers its distribution and commercial activity of automotive replacement parts as only one operating segment. This decision is a result of the new organizational structure that eliminates the boundaries between Canada and the United States and that is based on growth platforms aimed to integrate the activities of the Jobbers and Major Accounts divisions. The Corporation operates in Canada and the USA. The primary financial information per geographical location is as follows:

			2010
	USA	**Canada**	**Consolidated**
	$	**$**	**$**
Sales	**805,438**	**518,317**	**1,323,755**
Assets	**594,952**	**212,594**	**807,546**
Fixed assets	**18,417**	**15,997**	**34,414**
Intangible assets	**39,769**	**18,411**	**58,180**
Goodwill	**51,805**	**40,584**	**92,389**

			2009
	USA	Canada	Consolidated
	$	$	$
Sales	884,182	525,693	1,409,875
Assets [1]	474,261	297,619	771,880
Fixed assets	24,261	14,558	38,819
Intangible assets	12,780	15,897	28,677
Goodwill	53,127	40,834	93,961

[1] Excludes an amount of $3,777 from discontinued activities in the consolidated balance sheet of 2009.

29 - RELATED PARTY TRANSACTIONS

During the period, the Corporation incurred rental expenses of $3,405 ($3,704 in 2009) from Clarit Realty Ltd, a corporation controlled by a member of the Board of Directors. These agreements are concluded in the the corporation's normal course of business, are recorded at the exchange amount, and consist of 3-to-5-year term periods.

30 - SUBSEQUENT EVENTS

On January 11, 2011, the Corporation completed the purchase of all the outstanding shares of FinishMaster, Inc., the largest independent distributor of automotive paints, coatings and accessories in the USA (PBE). The purchase price amounted to approximately US$222,000, including the assumption of an estimated net debt of approximately US$56,000. For the year ended December 31, 2010, the sales and assets of this corporation amounted to US$421,385 and US$274,261, respectively.

The Corporation has financed this acquisition with a new unsecured financing agreement of US$400,000 with a 5-year term. This financing agreement consists of two components. The first component is a credit of US$200,000 repayable by increasing quarterly instalments, and the second one is a US$200,000 revolving long-term credit facility. These new credit facilities replace the Corporation's existing facilities. The Corporation also completed an offering of 1,983,750 common shares and convertible unsecured subordinated debentures for a nominal amount of $51,750 maturing January 31, 2016, for net proceeds of $49,446 and $49,680, respectively. The debentures will bear interest at a rate of 5.9% and are convertible into 1,239,224 shares, equivalent to an exercise price of $41.76 per share.

At the completion date of the consolidated financial statements, the Corporation has not yet completed the purchase price allocation. The preliminary amounts allocated to the intangible assets and goodwill are $48,800 and $117,600, respectively. The Corporation estimates that the intangible assets will be amortized on a straight-line basis over a period of 18 years. The final purchase price allocation will be completed during the fiscal year 2011.

Directors and Officers[1]

BOARD OF DIRECTORS

JEAN-LOUIS DULAC
Chair of the Board
CLAY E. BUZZARD
PIERRE DESJARDINS
JEAN DULAC
JOSEPH P. FELICELLI
JEAN GUÉNETTE, CA
JOHN A. HANNA, FCGA
JACQUES LANDREVILLE
JACQUES MALTAIS
HUBERT MARLEAU
RICHARD G. ROY, CA
Me JEANNE WOJAS

MEMBER OF THE EXECUTIVE COMMITTEE

JEAN-LOUIS DULAC
CLAY E. BUZZARD
PIERRE DESJARDINS
RICHARD G. ROY

MEMBERS OF THE CORPORATE GOVERNANCE COMMITTEE

CLAY E. BUZZARD
JEAN-LOUIS DULAC
JEAN DULAC
JACQUES MALTAIS
JACQUES LANDREVILLE
*JEANNE WOJAS **

MEMBERS OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

JEAN-LOUIS DULAC
JEAN DULAC
JOSEPH P. FELICELLI
JACQUES LANDREVILLE
*JACQUES MALTAIS**
JEANNE WOJAS

MEMBERS OF THE AUDIT COMMITTEE

PIERRE DESJARDINS
*JEAN GUÉNETTE**
JOHN A. HANNA
HUBERT MARLEAU

* Chair of Committee

MANAGEMENT COMMITTEE

*RICHARD G. ROY, CA***
President and
Chief Executive Officer

*DENIS MATHIEU, CA***
Vice President and
Chief Financial Officer

*WILLIAM E. ALEXANDER***
Executive Vice President,
Corporate Stores

GUY ARCHAMBAULT
Vice President,
Corporate Development

JEAN-PIERRE BEAULIEU
Vice President and
Chief Information Officer

JAMES E. BUZZARD
Senior Vice President,
Corporate Development, USA

ROBERT BUZZARD
Vice President,
IT and Administration

*ME PIERRE CHESNAY***
Vice President,
Legal Affairs and Secretary

MAX DULL
Vice President and
General Manager,
Beck/Arnley Worldparts, Inc.

FLORENT JACQUES
Senior Vice President, Distribution
and Integration

MARTIN LABRECQUE, CMA
Vice President, Finance and
Control

*J.A. LACY***
President - FinishMaster, Inc.

MICHEL LAVERDURE
Vice President, Corporate
Purchasing

*LUC L'ESPÉRANCE***
Vice President, Human Resources

*GARY O'CONNOR***
Executive Vice President

*MICHEL RAVACLEY***
Vice President, Supply Chain &
Integration

JEAN RIVARD
Vice President, Special Projects

*BRENT WINDOM***
Vice President Marketing &
Product Management - North
America

**Executive Management
Committee Member

[1]As at March 15, 2011

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Toronto Stock Exchange

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S.E.N.C.R.L.

LEGAL COUNSEL

McCarthy Tétrault

Auto Plus

Auto Parts Plus

BECK/ARNLEY

FINISHMASTER.
Automotive & Industrial Paint

AUTO
SERVICE PLUS

AUTO EXTRA

COLOR EXTRA

SELECT
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UNI PRO
brakes
mufflers
suspension
injection

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