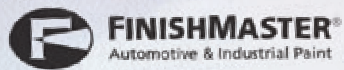
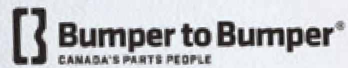
2016
ANNUAL REPORT

WINNING WITH THE BEST





Auto Parts Plus®

UNI-SELECT®

TEAM SERVICE AND BRANDS

FOUNDED IN 1968, **UNI-SELECT** IS THE LEADER IN THE DISTRIBUTION OF AUTOMOTIVE REFINISH AND INDUSTRIAL PAINT AND RELATED PRODUCTS IN NORTH AMERICA, AS WELL AS A LEADER IN THE AUTOMOTIVE AFTERMARKET PARTS BUSINESS IN CANADA.

ABOVE ALL, UNI-SELECT HAS OVER 3,000 TEAM MEMBERS SERVING CLIENTS ACROSS THE UNITED STATES AND CANADA. WE ARE PROUD TO HAVE THE BEST TEAM IN THE BUSINESS, A TEAM WE CONTINUE TO DEVELOP AND GROW, EVERY YEAR. AT UNI-SELECT, WE KNOW THAT TO WIN, WE NEED THE BEST TEAM, THE BEST SERVICE AND THE BEST BRANDS.

TABLE OF CONTENTS

Financial Highlights	1
Business Overview	2
Message from the Chair	4
Message from the CEO	6
Operational Review	8
People and Community	12
Management	14
Governance	15
Management's Discussion and Analysis	17
Consolidated Financial Statements	49
Shareholder Information	87

FINANCIAL HIGHLIGHTS

SELECTED FINANCIALS

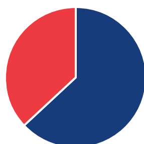
(in millions of US dollars except per share amounts, percentages and otherwise specified)

	2016	2015[2]
OPERATING RESULTS		
Sales	**1,197.3**	1,355.4
EBITDA [1]	**106.8**	(53.3)
Adjusted EBITDA [1]	**107.6**	96.6
Adjusted EBITDA margin [1]	**9.0%**	7.1%
Restructuring and other charges	**(0.7)**	5.3
Impairment and transaction charges related to the sale of net assets	-	145.0
Net earnings (loss)	**58.3**	(40.2)
Adjusted earnings [1]	**58.6**	56.8
Free cash flows [1]	**109.4**	78.5
COMMON SHARE DATA		
Net earnings (loss)	**1.37**	(0.94)
Adjusted earnings [1]	**1.38**	1.33
Dividend (C$)	**0.335**	0.315
Book value per share	**11.19**	10.13
Number of shares outstanding	**42,214,178**	43,135,758
Weighted average number of outstanding shares	**42,434,956**	42,777,589
FINANCIAL POSITION		
Working capital	**191.5**	228.8
Total assets	**976.9**	835.2
Total net debt [1]	**112.0**	-
Total equity	**472.4**	437.0
Adjusted return on average total equity [1]	**12.9%**	12.0%
Long-term debt to total equity ratio [1]	**28.4%**	20.7%
Total net debt to total net debt and equity ratio [1]	**19.2%**	N/A

$1.2B
2016 SALES

FinishMaster U.S.
$752.9M

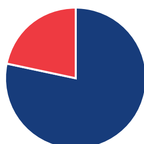
Automotive Canada
$444.5M



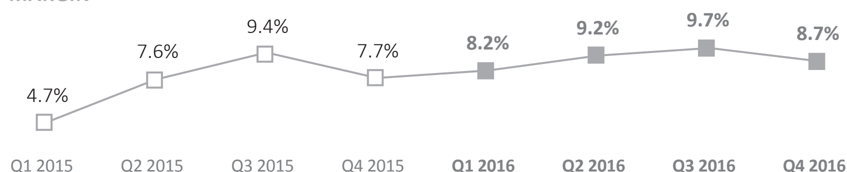
$107.6M
2016 ADJUSTED EBITDA[1]

FinishMaster U.S.
$93.4M

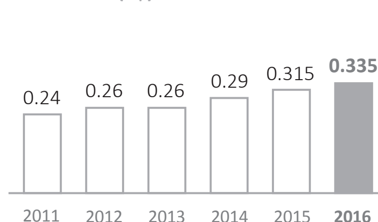
Automotive Canada
$26.6M



ADJUSTED EBITDA MARGIN [1]



DIVIDEND PER SHARE (C$)



FUNDED DEBT TO ADJUSTED EBITDA [1] RATIO (%)

1) This information represents a non-IFRS financial measure. Please refer to the "Non-IFRS financial measures" section of this document for further details.

2) 2015 financial results are impacted by the sale of net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. completed June 1, 2015.

LEADER IN LARGE AND GROWING MARKETS

11.3 MILLION

OF THE APPROX. 14.5 MILLION COVERED CAR ACCIDENTS IN THE U.S. EACH YEAR ARE REPAIRABLE[1]

SALES OF NEW VEHICLES ARE AT AN ALL-TIME HIGH IN CANADA AND THE U.S. COMBINED – UP FROM 13 MILLION IN 2010 TO MORE THAN

19.5 MILLION

IN 2016

THE AVERAGE AGE OF VEHICLES HAS NEVER BEEN HIGHER:

NEARLY **10 YEARS** IN CANADA

OVER **11 YEARS** IN THE U.S.

CONSUMERS ARE HOLDING ON TO THEIR VEHICLES MUCH LONGER: **24 MONTHS LONGER** THAN THEY DID IN THE EARLY 2000'S

THERE ARE **OVER 20,000** UNIQUE COMBINATIONS OF ENGINES AND BODY STYLES ON THE ROAD TODAY

1) Source: Roman's Report dated November 24, 2016

AUTOMOTIVE CANADA

A leader in the distribution of automotive aftermarket parts, tools and equipment, industrial and paint & related products. We operate across Canada.

Auto Parts Plus

ABOUT
20%
MARKET SHARE OF THE C$2.6 BILLION WAREHOUSE DISTRIBUTION SEGMENT IN THE CANADIAN AUTOMOTIVE AFTERMARKET

NUMBER TWO
IN CANADA

10 DISTRIBUTION CENTRES ACROSS THE COUNTRY

NETWORK OF
1,100+
INDEPENDENT CUSTOMERS AND CORPORATE STORES

MORE THAN
2 MILLION
AUTOMOTIVE PRODUCTS AVAILABLE

150+ BUMPER TO BUMPER® STORES, OF WHICH ABOUT ONE THIRD ARE CORPORATE STORES

16,000+
AUTOMOTIVE AND COLLISION REPAIR SHOPS SERVED, OF WHICH 3,900 SHOPS AND STORES OPERATE UNDER ONE OF OUR BANNERS

1,150+
TEAM MEMBERS

FINISHMASTER U.S.

Largest North American distributor of automotive and industrial refinish products and equipment. We operate in 32 states, from coast to coast, across the United States.

ABOUT
27%
MARKET SHARE OF THE US$2.7B AUTOMOTIVE PAINT AND PAINT MATERIAL MARKET IN THE U.S.

NUMBER ONE
IN THE U.S.

205+
CORPORATE FINISHMASTER LOCATIONS

PRIMARY SUPPLIER OF
6,000+
COLLISION REPAIR CENTRES

4
STRATEGICALLY LOCATED DISTRIBUTION CENTRES

30,000+
AUTOMOTIVE PAINT, INDUSTRIAL PAINT AND RELATED PRODUCTS AVAILABLE

1,850+
TEAM MEMBERS

COMMITTED TO SOUND GOVERNANCE

Under the leadership of the management team, Uni-Select recorded strong results in 2016. The Board of Directors is pleased with the progress made in the execution of the corporate strategy and looks forward to the achievement of new milestones in the years ahead.

The responsibility of the Board is to ensure that the Corporation has the right elements in place to continue on its path of profitable growth and the creation of long-term shareholder value. Essential among these is adherence to high standards of corporate governance, and the Board I have the honour to lead is fully committed in this regard.

Numerous actions have been taken in recent years, including many in 2016, to further strengthen our governance structure and processes in response to changes in the Corporation's business mix, evolving best practices and regulations, as well as shareholder feedback.

BOARD RENEWAL

The composition of the Board and its committees is at the core of sound governance. Our Board is a diverse mix of accomplished individuals whose experience and professional qualifications are relevant to our business and the geographies in which it operates. Each brings a unique perspective that adds value to the Board's deliberations.

Eight of the current ten members have joined the Board in the past five years, including two in 2016. Three directors are citizens of the United States, the Corporation's largest market. Two are women, positioning Uni-Select in the top tier of Canadian public companies in terms of gender diversity.

The majority of the directors are independent. Board renewal over the last few years has also resulted in the appointment of new, independent chairs for the Audit Committee, the Human Resources and Compensation Committee, and the Corporate Governance and Nominating Committee.

To ensure the Board's continued alignment with the needs of the Corporation over time, a formal annual assessment of director performance is conducted and we continue to review the Board's existing strengths against our skills matrix and the evolving needs of the business. We also have a training program in place for new directors, and provide ongoing training for all existing Board members.

In 2016, I personally met a number of institutional shareholders to discuss governance and other matters. These meetings provided valuable insight into the main areas of interest for these shareholders and it is my intention to continue this form of shareholder engagement in the coming years.

BOARD RESPONSIBILITIES

Uni-Select's objective is to grow in two specific market sectors, each presenting different opportunities and posing different business risks. One of the primary responsibilities of the Board is to approve the strategic plan and determine the risk appetite, particularly since acquisitions should continue to have an important role in accelerating the Corporation's growth. We also ensure that appropriate mitigation measures are in place to counter potential risks, without unduly impinging on the Corporation's ability to seize market opportunities.

The Board and Management work closely on the Corporation's strategic priorities, reviewing and exploring both short- and long-term growth objectives and the expected contribution from organic growth and acquisitions. In 2016, the Board commenced formal strategy reviews on a quarterly basis. Given how quickly our industry is changing, reviewing our strategic priorities must be a continuous process.

At the Board's request, the Corporation also undertook a thorough enterprise risk management review and has since put in place more exhaustive risk assessment mechanisms and processes. This will ensure that strategic initiatives will continue to be supported by appropriate risk management and focus on generating long-term shareholder value.

To align the Corporation's growth objectives with shareholder interests, the Board also conducts annual reviews of executive compensation and reports its findings and decisions in the management information circular.

Finally, both the Board and the Human Resources and Compensation Committee are very attentive to the Corporation's recruitment and succession planning processes for senior leadership positions and throughout the Corporation.

The Board and Management both believe that the Corporation has one of the best teams in the industry and appropriate resources are allocated to sustain this position.

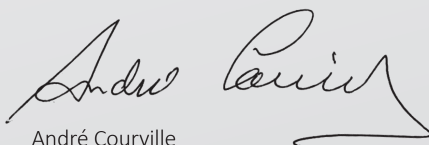
OUR BOARD IS A DIVERSE MIX OF ACCOMPLISHED INDIVIDUALS WHOSE EXPERIENCE AND PROFESSIONAL QUALIFICATIONS ARE RELEVANT TO OUR BUSINESS AND THE GEOGRAPHIES IN WHICH IT OPERATES.

ACKNOWLEDGEMENTS

Many people contributed to another successful year for our Corporation. It has been an honour for me to take on the role of Chair in 2016 and, on behalf of the Board, I wish to recognize the leadership of the management team led by Henry Buckley and the dedication of Uni-Select's team members in Canada and the United States. Thank you as well to our many North American customers, suppliers and partners.

My fellow directors bring their vast experience and skills to their roles and I wish to acknowledge their rigor and commitment to the Corporation's success.

In closing, I would like to reiterate to shareholders our commitment to high governance standards and value creation. Thank you for your confidence.



André Courville

WINNING WITH THE BEST TEAM

Uni-Select delivered strong financial results in 2016 and we made great progress in the execution of our growth strategy. More important for the long term, our teams achieved many key milestones in our ongoing efforts to strengthen the foundation for our future success.

Throughout 2016, we remained very focused on profitable growth. In both the United States and Canada, many actions were taken to elevate customer service, expand distribution reach and drive higher performance from existing assets. These initiatives were complemented by several accretive acquisitions on both sides of the border to extend our geographic coverage and add density in key markets where we are already present.

This balanced approach to growth—organic and acquisitive—is fundamental to our strategy. It is supported by an effective post-acquisition integration process led by dedicated resources that ensure we effectively welcome new members into our team, capture synergies, and sustain and grow sales. Delivering exceptional service to our customers is also an important part of our strategy, and is reflected in our commitment to attract, develop and retain the best team in the business. We are creating value for our shareholders and other stakeholders by executing on these strategic priorities.

BUILDING ON LEADERSHIP

Uni-Select today benefits from strong positions as a distributor in two large automotive markets—paint and related refinish products, and automotive aftermarket parts. In the U.S., our paint and related products segment operates under the FINISHMASTER® brand and holds the number one market share position. Automotive Canada distributes parts through our coast-to-coast network of independent and corporate stores under the BUMPER TO BUMPER® and AUTO PARTS PLUS® brands, holding the number two position nationally. This segment is also a leader in the distribution of paint and related refinish products in Canada.

Demand trends are favourable in both our primary segments, and market fragmentation offers many opportunities for consolidation. With a strong balance sheet and a track record of success integrating acquisitions and with highly recognized brands in both segments, we are very well positioned to continue on our path of profitable growth.

In 2016, we advanced our strategy on multiple fronts.

UNITED STATES

Our FinishMaster subsidiary posted solid top and bottom line results. We completed several transactions in 2016, adding stores in both new and existing regional markets, and we were also active in early 2017. Our focus on robust acquisition and integration processes coupled with highly effective execution resulted in integration success with accretive results and highly engaged team members and customers.

Customer service was enhanced through the opening of a fourth distribution centre in Moorestown, New Jersey, in late 2016. We continue to optimize our processes focusing on delivering exceptional customer service and high fill rates.

CANADA

Our Canadian operations faced several headwinds in 2016, including economic weakness in the Prairies, soft pockets in other markets, and a lower currency. We continued to make significant progress in major initiatives to drive future sales growth, efficiency and customer satisfaction.

We revamped and launched our national unified aftermarket store program and brand—BUMPER TO BUMPER - CANADA'S PARTS PEOPLE™—for both our independent customers as well as our corporate stores. All our independent wholesale customers now have a choice between our full marketing brand in BUMPER TO BUMPER and our menu-driven brand in AUTO PARTS PLUS.

We have accelerated our corporate store initiative, which complements our network of independent customers. While combined we currently have over 150 BUMPER TO BUMPER stores nationally, our immediate focus is to build a solid foundation and platform for growth.

We have established a league-leading dedicated leadership team, standardized our processes, and are now installing a new point-of-sale system in the stores. This system, which bolts onto our ERP platform, should not only help drive sales growth, but also enable faster synergy capture in our existing corporate stores and enable future acquisitions. In addition, it will be a new-era system adding value for our independent jobbers who choose to adopt it.

The year was also highlighted by the launch of the FINISHMASTER brand in Canada by our Automotive Canada segment. The extension of this successful model to our existing Canadian paint, body and equipment program will strengthen our market position by enhancing service to the domestic collision repair industry.

WITH OUR STRONG FINANCIAL PERFORMANCE, SOLID BALANCE SHEET AND ACCESS TO LIQUIDITY, WE ARE AGGRESSIVELY PURSUING THE BEST OPPORTUNITIES IN BOTH OUR CORE BUSINESSES AND ASSESSING GROWTH OPTIONS BEYOND.

LOOKING FORWARD

We remain highly focused on executing our objective to accelerate profitable growth in 2017. We are maintaining our course and continuing to target a balance of organic and acquisitive growth. Our acquisition pipeline is healthy, organic growth initiatives robust and we remain acutely focused on building a strong foundation for future growth.

With our strong financial performance, solid balance sheet and access to liquidity, we are aggressively pursuing the best opportunities in both our core businesses and assessing growth options beyond. We will also continue to strive for excellence in serving our customers—independent jobber customers, installers and collision repair shops, both large and small—by offering quality products, maintaining high fill rates and providing various services to assist them in growing their business. In everything we do, cost discipline and expense management are high on our decision matrix as we seek to maximize benefits for customers and for Uni-Select.

I wish to thank our shareholders for their support and assure them of our commitment to value creation. In April 2016, the Board of Directors approved a 6.25% increase in the quarterly dividend, we returned an additional $22 million through share buy-backs, and extended our purchase program for another year. A 2-for-1 share split took effect in the second quarter.

Our over 3,000 team members across our network deserve special thanks for their dedication. Winning in our business requires the best brands, the best service and the best team. At Uni-Select, we have the right ingredients for success, anchored by the best team in the business.

Henry Buckley

FINISHMASTER U.S.

DRIVING GROWTH

Acquisitions and organic sales continued to be the primary drivers of growth for FinishMaster in 2016, further enhancing our North American leadership in the distribution of automotive and industrial refinish products and equipment. We expanded our reach and geographic coverage with our first location in Louisiana and additional branches in Washington, Texas, Michigan, Minnesota, Missouri, California and Ohio. Our 2016 growth was complemented by several new and ongoing initiatives aimed at enhancing our product offering, improving distribution and further enhancing customer experience—both in-store and online.

In early 2017, we announced two acquisitions that will expand our presence in the northeast. We opened our first branch in Portland, Oregon, a greenfield location. We also completed an acquisition that significantly expanded our footprint in California, Las Vegas, Nevada, and Phoenix, Arizona.

While acquisitions will remain a key driver in 2017 as we expect market consolidation to continue, our focus will also be on growth in the industrial paint market and continuous enhancement of customer experience.

INAUGURATION OF FOURTH DISTRIBUTION CENTRE

In late 2016, we opened our new Moorestown, New Jersey, distribution centre, allowing us to maintain industry-leading fill rates. This new facility will reduce transit time to our northeast branches to one day, ensuring we get customers product they need when they need it.

SMART® BRAND EXPANSION

Our exclusive SMART product line continued to grow in 2016 with the addition of over 70 new products across nine product categories. SMART is the fourth largest brand we carry and offers a product footprint that covers over 80% of the common repair processes in a body shop, excluding paint.

In 2017, we will continue to launch new products under this brand and have a focused effort on displaying products prominently in our branches. With upcoming launches of ten new products across three product categories expected early this year, our objective is to cover 95% of the common repair processes in a body shop.

STRENGTHENING VENDOR RELATIONSHIPS

Vendors remain key to our success. We have developed strong long-term relationships with world-class, leading product manufacturers. We are very focused on growing and strengthening relationships with partners whose objectives align with our long-term growth strategies.

In 2016, we experienced a product line changeover which impacted sales in the short term. In 2017, we intend to drive market share growth with our key paint suppliers—Axalta and PPG—while expanding our relationship with Akzo Nobel, a more recent paint partner. Growing with these vendors equips us to take advantage of fast-growing automotive and industrial market opportunities in North America.

TAPPING INTO INDUSTRIAL MARKET

Last year, we fine-tuned our plans to expand in the industrial sector in 2017. We have selected key target markets as well as specific segments and plan to leverage our existing branch footprint and expertise, such as mixing, to drive the most growth. The industrial initiative will be led by a seasoned executive who joined us in January.

UNWAVERING CUSTOMER FOCUS

Our focus remains on taking action based on our core values and maintaining a customer-centric culture. The needs and service requirements of our customers—multi-shop operators (MSO), traditional

collision centres and individual customers—vary, but we are prepared to provide the support each needs to succeed.

In 2016, we restructured and strengthened our MSO team to ensure customers have the right support and consistent service. To better support our traditional business, we implemented a new sales process designed to help retain our existing customers.

For walk-in business, an "everybody sells" philosophy has been implemented across the organization. In late 2016, we also launched a new e-commerce website, taking the "walk-in" mentality to a virtual platform. Accessible on any device, the new solutions offered will significantly improve online customer experience.

Throughout 2017, we will continue to develop our talent and implement the leadership and sales training processes launched in the past. This further strengthens our sales and customer-oriented culture.

MORE GROWTH

Market trends remain favourable for 2017 and beyond, supported by significant growth in new vehicle sales over the past seven years and the propensity of consumers to keep their vehicles longer. As the market leader, FinishMaster is well positioned to accelerate profitable growth in a consolidating industry and through the successful execution of internal initiatives by engaged team members.

U.S. GROWTH OVERVIEW

January 2016

Acquisition of ColorMaster Automotive Paint, Inc. with 15 locations in Illinois, Missouri, Texas and Louisiana

February 2016

Acquisition of Johnson Michigan Automotive & Industrial Coatings in eastern and central Michigan

March 2016

Acquisition of CPCO, Inc. – City Paints in San Francisco, California

April 2016

Acquisition of Annex Group Inc. with nine locations, including Seattle, Everett, and Tacoma, Washington and California, and of Zitco, Inc. – Lowell's PCE in Minneapolis/St. Paul

May 2016

Acquisition of Gladwin Paint Company with eight locations in Austin, Dallas, Houston, and San Antonio, Texas

November 2016

Acquisition of Autobody Supply Co. with nine locations in central and southwestern Ohio, including Columbus

January 2017

Acquisition of Blaise of Color Inc. in South Plainfield, New Jersey, and Crown Auto Body Supply LLC in Salem, Massachusetts

Opening of first branch in Portland, Oregon

Acquisition of A. D'Angelo & Sons, Inc. with 14 locations in California, Las Vegas, Nevada, and Phoenix, Arizona

AUTOMOTIVE CANADA

GROWING THE BUSINESS

Throughout 2016, Automotive Canada remained as focused as ever on growing our business with independent jobber customers and through our corporate stores, now operating under a strong, national brand. We also made important progress building out the Canadian platform to accelerate the integration of acquisitions and promote profitable growth, efforts that will continue throughout 2017.

While facing a number of economic headwinds, we continued to focus on organic growth and acquisitions in 2016 including in the Montréal and Vancouver regions. We also launched the FINISHMASTER brand in Canada with store conversions in Toronto and Ottawa, and through acquisitions in Ontario and British Columbia to be converted to this banner.

TRULY CANADA'S PARTS PEOPLE

2016 marked a significant milestone for our BUMPER TO BUMPER banner with its implementation as our unified national parts distribution banner across the country. Already present in Manitoba, Saskatchewan and Alberta, we proceeded with the conversion of our existing Canadian corporate stores and grew the banner through acquisitions that will also be converted. All phases of the conversion of our corporate stores will be completed in 2017.

Our new national brand clearly illustrates our commitment to covering all parts for a wide range of vehicles and as CANADA'S PARTS PEOPLE. This new image helps us communicate the message that we cherish our Canadian roots and values.

We have also converted select independent jobber customers who see value in the full-service offering behind the BUMPER TO BUMPER banner, including tailored solutions and a turnkey marketing program.

Customers who wish to maintain independence and prefer a menu-driven approach will continue under our AUTO PARTS PLUS banner, whose offering was redefined in 2016 to provide maximum flexibility. At Automotive Canada, striking a balance between our long-standing relationships with independent jobber customers and our corporate footprint is key and will remain a priority in 2017.

BUMPER TO BUMPER teamed up with Kevin Lacroix for the 2016 NASCAR Pinty's Series, one of several initiatives providing visibility to Uni-Select's national brand last year.

SUPPORTING OUR INSTALLER CUSTOMERS

We continue to deploy the Uni-Select travelling training centre, a program designed to help our installer customers grow their businesses and reach their full potential. In 2016, our professionals participated in 277 days of training for 1,918 installer customer team members from 63 cities in Canada.

By fostering the success of entrepreneurs, we strengthen our relationship with key customers, while contributing by extension to the communities where these businesses provide employment, and buy goods and services.

NEW POINT-OF-SALE/JOBBER MANAGEMENT SYSTEM

In late 2016, we began the implementation of a point-of-sale management system in our corporate stores and the roll-out will continue throughout 2017. Called PartsWatch, this new system will drive sales growth and enable faster integration and synergy capture following acquisitions. When available, it will also be offered to independent jobber customers who can choose to adopt it.

Auto Parts Plus

WELCOME TO CANADA, FINISHMASTER!

In 2016, we launched the successful FinishMaster business model in Canada, strengthening our existing paint, body and equipment program and enhancing service to the domestic collision repair industry. Managed by Automotive Canada and supported by our strong national distribution network, FINISHMASTER CANADA® offers Uni-Select's full line of premium national brand paint and related products. The FINISHMASTER brand will continue to expand and grow in Canada through greenfield stores and acquisitions.

OPPORTUNITIES AND CHALLENGES

Overall demand trends in the Canadian automotive aftermarket are favourable, with continued growth in total vehicle units in operation and in distances driven. These key drivers of service demand offer many opportunities for profitable growth, tempered by softer economic performance in some regions of the country.

In 2017, we will continue brand and process standardization across our network to elevate customer experience and efficiency. We are determined to unlock the full value of our BUMPER TO BUMPER brand and other brands in our family, and to continue to fully support our independent jobber customers. While maintaining a focus on organic growth, we have a full acquisition pipeline to accelerate penetration in new and existing markets.

CANADIAN GROWTH OVERVIEW

February 2016

Acquisition of Pièces d'autos M.A.G. Inc. in Sherbrooke, Québec

March 2016

Acquisition of Jean Talon Auto Parts (1993) Ltd. with six locations in Montréal, Québec

Acquisition of Centre de Pièces Gagnon in Montréal, Québec

September 2016

Launch of FINISHMASTER CANADA with three locations in Ontario, namely in Toronto and Ottawa

October 2016

Acquisition of Guelph Paint and Bumper Supplies Inc. in Ontario by FINISHMASTER CANADA

November 2016

Acquisition of Pacific Parts Ltd. with two locations in the greater Vancouver area, British Columbia

December 2016

Acquisition of Vancouver Autocolor in British Columbia by FINISHMASTER CANADA

UNLEASHING THE POTENTIAL OF OUR PEOPLE

We have long recognized that our greatest strength—and key differentiator—is our people.

Uni-Select team members across Canada and the United States shape and strengthen our long-term relationships with customers and suppliers every day. They are the front line ensuring that our banners and services are delivering value and strengthening our position as a preferred distributor in the automotive aftermarket industry and the undisputed leader in the automotive refinish market. Simply put, our team members are the key to our continued success.

With our rapid growth and the ever changing landscape of our industry, it is paramount that each member of our expanding team is provided with the right support, tools and framework to succeed and reach their full potential.

INTEGRATING PEOPLE, NOT ASSETS

In 2016, over 500 new team members joined Uni-Select as the result of acquisitions in Canada and the United States. The success of an acquisition—regardless of size—is inevitably tied to the effectiveness of the integration process. In a service-oriented business such as ours, the onboarding of new team members is all the more important. Uni-Select has a strong integration track record, one we continue to invest in and fine-tune as our growth accelerates.

While the seamless execution of the more practical aspects of the onboarding process is a top priority in the short term, fostering a positive experience over the long term and sharing best practices are equally important. By working together, we ensure everyone is moving in the same direction while integrating the strengths of new team members so that in the end, we are stronger and better than the sum of our parts.

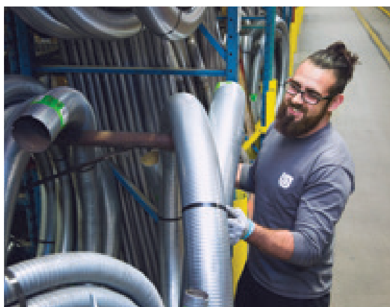
DRIVING TALENT DEVELOPMENT

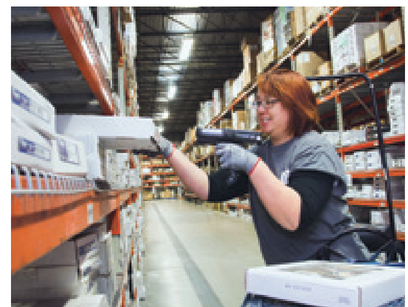
Talent development and fuelling our talent pipeline to ensure stability within key functions at all times is paramount. This is an essential ingredient in our recipe for winning with the best.

We continually improve our talent recruitment and retention practices to ensure that we have the right skills at the right place, at the right time and to prioritize promoting our people from within wherever possible. In 2016,we continued to enhance our talent development culture by providing training and coaching to our team members.

Across the Corporation, there has been a sea change over the last few years, towards becoming a more sales-oriented organization, in recognition of the service-centric nature of our business and the key role that our people play as our ambassadors every day.

We are equally proud and committed to maintaining diversity within our employee base, both in terms of skills and backgrounds, as well as gender. With a 24% representation of women overall—and at all levels of the organization—we are well ahead of our industry average, which is around 9%. Diversity remains a top priority in the years ahead.





ENGAGING = COMMUNICATING

Engagement is fostered through training and coaching but also through recognition and communication. With a growing team in the United States and Canada, investing in our internal communications platforms, tools and processes is necessary to ensure continuous employee engagement and alignment with our business objectives.

Our leadership team members regularly hold town hall meetings and conference calls in Canada and the United States, to speak with team members about our business, and to share Uni-Select's vision and business objectives.

In 2016, we launched an employee magazine so that team members could better understand the part they play in our organization, our competitive environment and our priorities. In Canada, we implemented an internal television network in our distribution centres and launched a new intranet to enhance communications with team members. We are always looking at new ways to reach and engage our team to support our objective of winning with the best.

IN THE COMMUNITY

At Uni-Select, we believe in a strong community and we are empowered by a team committed to strengthening and supporting the communities in which we live and work.

Every year, team members in Canada and the United States support causes that matter to them. This includes volunteering time, raising funds as well as making corporate donations to non-profit charitable organizations that help make a difference.

CORPORATE GIVING

In Canada, we support a broad range of causes from health services and youth development to the arts.

In 2016, we provided support to the Canadian Red Cross, Justin Slade Youth Foundation in partnership with High Fives for Kids Foundation, University of the Aftermarket, Canadian Cancer Society, CHU Sainte-Justine Hospital Foundation, the Père Sablon Foundation, Mira Foundation and Tel-Jeunes Foundation, to name a few.

In addition, we provide funds and sponsorships to local schools and sports teams in communities where we are present.

GIVE BACK DAY

While many team members in both Canada and the U.S. are longstanding volunteers, our FinishMaster business in the U.S. implemented an annual Give Back Day in 2015, providing employees with a paid day off to volunteer for a charity of their choice.

FinishMaster team members participating in Home Office Give Back Day last August

This initiative continues to grow in popularity and encourages teamwork and family participation. In 2016, over 450 volunteer hours were clocked in support of local non-profits from food and toy drives to volunteering for clean-up at community parks. FinishMaster is also a longstanding partner of the United Christmas Service.

EXECUTIVE TEAM

Uni-Select's Executive Team is dedicated to promoting a culture of teamwork, performance and integrity throughout the Corporation to foster long-term success and maximize shareholder value.

Henry Buckley, MBA
President and Chief Executive Officer

Steve Arndt
President and Chief Operating Officer
FinishMaster, Inc.

Gary O'Connor, MBA
President and Chief Operating Officer
Automotive Canada

Eric Bussières
Chief Financial Officer

Annie Hotte
Chief People Officer

Me Louis Juneau
Chief Legal Officer and Corporate Secretary

OUR COMMITMENT TO GOOD GOVERNANCE

Uni-Select's Corporate Governance Guidelines provide a framework of authority and accountability to enable both the Board of Directors and Management to make timely and effective decisions that promote shareholder value.

Our guidelines are complemented by relevant policies, charters and key position descriptions that together provide a comprehensive governance framework. These components are reviewed on a regular basis to ensure compliance with new regulations and emerging best practices.

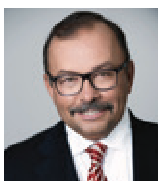
The Corporation's Code of Ethics governs the conduct of Uni-Select directors, officers and team members. In 2017, it will be the subject of a thorough Board review and update. The new Code will then be communicated widely to team members.

The Board and Management continue to promote the Audit Committee whistleblower procedures, allowing both team members and non-employees with the means to anonymously and confidentially raise issues pertaining to accounting, internal accounting controls or auditing matters.

For more information on Uni-Select's commitment to ethical conduct, integrity and good governance practices, please consult the corporate governance section of our website at **uniselect.com**.

BOARD OF DIRECTORS

The Board of Directors is dedicated to ensuring that it is composed of directors with diverse backgrounds as well as a mix of skills and expertise that add value to the Corporation, and that each director serves the Board to best discharge its responsibilities.



André Courville
B.COMM, FCPA,
FCA, ICD.D [1,2,3]
Chair of the Board
Uni-Select Inc.
Montréal, Québec

Jean Dulac, B. COMM,
MBA, CHRP, ADM.A. [2,3]
President
M&M Nord Ouest Inc.
Amos, Québec

Henry Buckley, MBA
President and Chief
Executive Officer
Uni-Select Inc.
Delta, British Columbia

Jeffrey I. Hall
BASc., P.ENG., ICD.D [1,3]
Corporate Director
Oakville, Ontario

James E. Buzzard, AAP [3]
President
Clarit Realty, Ltd.
Lakewood Ranch, Florida

Richard L. Keister [1,2]
Corporate Director
Hollywood, Florida

Michelle Ann Cormier
CPA, CA, ASC [1,2]
Operating Partner
Wynnchurch Capital
Canada, Ltd.
Montréal, Québec

Richard G. Roy, FCPA, FCA
Corporate Director
Verchères, Québec

Patricia Curadeau-Grou
B.COMM, ICD.D [1,3]
Corporate Director
Outremont, Québec

Dennis M. Welvaert
B.S. MBA, MAAP [2]
President, Welvaert
Business Solutions, LLC
Leander, Texas

1) Member of the Audit Committee, chaired by Mrs. Cormier
2) Member of the Corporate Governance and Nominating Committee, chaired by Mr. Courville
3) Member of the Human Resources and Compensation Committee, chaired by Mrs. Curadeau-Grou

UNI-SELECT

MANAGEMENT'S DISCUSSION AND ANALYSIS 2016

Highlights	18
Preliminary comments to Management's discussion and analysis	19
Profile and description	19
Operational review of the last 3 years	20
Non-IFRS financial measures	22
Analysis of consolidated results	24
Analysis of results by segment	31
Cash flows	34
Financing	36
Capital structure	38
Financial position	40
Related parties	41
Subsequent events	41
Risk management	41
Change in accounting policies	44
Use of accounting estimates and judgements	45
Exchange rate data	47
Effectiveness of disclosure controls and procedures and internal controls of financial reporting	47
Outlook	48

HIGHLIGHTS

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

SALES	EBITDA [1]	ADJUSTED EBITDA [1]	NET EARNINGS	ADJUSTED EARNINGS [1]
$1,197.3	**$106.8**	**$107.6**	**$58.3**	**$58.6**
		9.0%	$1.37/SHARE	$1.38/SHARE

The 2016 results in dollars vary compared to last year's figures, since the twelve-month period of 2015 includes five months of operations of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. sold on June 1, 2015. Prior to the disposal, the net assets were included in the Automotive Products group for segmented reporting.

- Earnings per share are at $1.37 compared to a net loss per share of $0.94 last year. Adjusted earnings [1] per share improved by 3.8% from $1.33 last year to $1.38.
- Consolidated sales decreased by 11.7%, mainly in relation to the sale of net asset of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. ("net assets"). Sales grew by 13.4%, once sales from net assets sold are excluded, fuelled by sales generated from recent business acquisitions, representing a growth of 15.0%. Consolidated organic growth [1] is at 0.2%; 1.1% for the Paint and Related Products (US) segment and (1.1%) for the Automotive Products (in Canada) segment.
- EBITDA [1] is $106.8 compared to ($53.3) last year. 2015 figures included impairment and transaction charges related to the sale of net assets of $145.0 and restructuring and other charges of $5.3. Adjusted EBITDA margin [1] improved by 1.9% from 7.1% to 9.0%, mainly in relation to the net assets sold, which had a lower EBITDA margin than the ongoing operations and was driven by accretive business acquisitions as well as ongoing margin improvements.
- Net earnings are $58.3 compared to a net loss of $40.2 last year. 2015 figures included impairment and transaction charges related to the sale of net assets, net of taxes of $93.5 and restructuring and other charges, net of taxes of $4.0. Adjusted earnings [1] of $58.6 improved by 3.2% from $56.8 last year as a result of the growing EBITDA, strengthened by ongoing margin improvements as well as by business acquisitions, which were partially offset by their related intangible amortization and finance costs and by a higher tax rate in relation to different geographic pre-tax earnings.
- Free cash flows [1] grew by 39.4% from $78.5 last year to $109.4, fuelled by newly acquired business operating income and income tax refunds.
- As at December 31, 2016, the total net debt [1] stood at $112.0 from a net cash position of $1.1 at the end of last year. The Corporation has an unused credit facility of $284.0 to seize growth opportunities.
- 14 business acquisitions concluded during the year and one greenfield opening extending the store network to more than 250 stores.
- Establishment of the foundation of the corporate store initiative in Canada, including branding BUMPER TO BUMPER® - CANADA'S PARTS PEOPLE™.
- Launch of the FINISHMASTER® brand by the Automotive Products segment in Canada.
- 2-for-1 stock split of common shares was effected during the second quarter to increase the number of shares outstanding and enhance affordability to investors.

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

PRELIMINARY COMMENTS TO MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's discussion and analysis ("MD&A") discusses the Corporation's operating results and cash flows for the periods ended December 31, 2016 compared with those of the periods ended December 31, 2015, as well as its financial position as at December 31, 2016 compared with its financial position as at December 31, 2015. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2016 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to February 8, 2017, the date at which the consolidated financial statements and MD&A were approved and authorized for issuance by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per Management's best knowledge as at that date.

Additional information on Uni-Select, including the audited consolidated financial statements and the Corporation's Annual Information Form, is available on the SEDAR website at sedar.com.

In this MD&A, "Uni-Select" or the "Corporation" refers, as the case may be, to Uni-Select Inc., its subsidiaries, divisions and joint ventures, if any.

Unless otherwise indicated, the financial data presented in this MD&A, including tabular information, is expressed in thousands of US dollars, except per share amounts, percentages and number of shares. Comparisons are presented in relation to the comparable periods of the prior year.

The consolidated financial statements contained in the present MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been audited by the Corporation's external auditors.

FORWARD-LOOKING STATEMENTS

The MD&A is intended to assist investors in understanding the nature and importance of the results and trends, as well as the risks and uncertainties associated with Uni-Select's operations and financial position. Certain sections of this MD&A contain forward-looking statements within the meaning of security's legislation concerning the Corporation's objectives, projections, estimates, expectations or forecasts.

Forward-looking statements involve known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. Risks that could cause the results to differ materially from expectations are discussed in the "Risk Management" section. Those risks include, among others, competitive environment, consumer purchasing habits, vehicle fleet trends, general economic conditions and the Corporation's financing capabilities.

There is no assurance as to the realization of the results, performance or achievements expressed or implied by forward-looking statements. Unless required to do so pursuant to applicable security's legislation, Management assumes no obligation as to the updating or revision of forward-looking statements as a result of new information, future events or other changes.

COMPLIANCE WITH IFRS

The information included in this report contains certain financial measures that are inconsistent with IFRS. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other entities. The Corporation considers that users of its MD&A may analyze its results based on these measurements. *(Refer to section "Non-IFRS financial measures" for further details.)*

PROFILE AND DESCRIPTION

Uni-Select is a leader in the distribution of automotive refinish and industrial paint and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada. In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops through a growing national network of more than 1,100 independent customers and corporate stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® AND FINISHMASTER® store banner programs. It also supports over 3,900 shops and stores through its automotive repair/installer shop banners, as well as through its automotive refinish banners. In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of automotive refinish corporate stores under the FINISHMASTER banner which services a network of over 30,000 customers annually, of which it is the primary supplier to over 6,000 collision repair centre customers. Uni-Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (TSX) under the symbol UNS.

OPERATIONAL REVIEW OF THE LAST 3 YEARS

The last three years were transformational for the Corporation. The Corporation is evolving in a changing world and has implemented new business strategies and initiatives to reinforce its market share positions, optimize both of its operational segments for superior productivity and pursue the improvement of its replenishment processes and warehouse workflow.

The major initiatives and achievements of the Corporation include the following:

- Optimizing and rightsizing the distribution network through the Action Plan in 2014 and ultimately the sale of the net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. in 2015.
- Establishing a detailed mergers and acquisitions program for both Automotive Products in Canada and FinishMaster US by building capabilities, including standard processes and dedicated teams resulting in numerous acquisitions in 2015 and 2016.
- Growing sales at FinishMaster US through organic growth initiatives and by acquiring businesses to expand geographical coverage across the USA and, additionally, building customer density in key large markets.
- Transforming and evolving the Automotive business in Canada to compete in the future by adding a corporate store network, complementing the network of independent jobber customers. Developed and now executing new enhanced store banner and merchandising programs (BUMPER TO BUMPER and AUTO PARTS PLUS). In addition, launched the FINISHMASTER brand in Canada with 7 corporate stores to date.

All of these activities have resulted in a sound financial position and strong free cash flows for the Corporation, allowing it to further accelerate growth and create value through both segments.

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	**2016**	2015	2014
OPERATING RESULTS			
Sales	**1,197,319**	1,355,434	1,784,359
EBITDA [(1)]	**106,848**	(53,322)	105,456
Adjusted EBITDA [(1)]	**107,628**	96,603	111,442
Adjusted EBITDA margin [(1)]	***9.0%***	*7.1%*	*6.2%*
Restructuring and other charges	**(746)**	5,328	(1,931)
Impairment and transaction charges related to the sale of net assets	**-**	144,968	-
Net earnings (loss)	**58,265**	(40,221)	50,125
Adjusted earnings [(1)]	**58,638**	56,839	55,271
Free cash flows [(1)]	**109,355**	78,532	83,610
COMMON SHARE DATA			
Net earnings (loss)	**1.37**	(0.94)	1.18
Adjusted earnings [(1)]	**1.38**	1.33	1.30
Dividend (C$)	**0.335**	0.315	0.290
Book value per share	**11.19**	10.13	12.09
Number of shares outstanding	**42,214,178**	43,135,758	42,431,518
Weighted average number of outstanding shares	**42,434,956**	42,777,589	42,507,842
FINANCIAL POSITION			
Working capital	**191,458**	228,774	343,934
Total assets	**976,917**	835,150	1,190,305
Total net debt [(1)]	**111,973**	-	260,240
Total equity	**472,362**	436,978	512,996
Adjusted return on average total equity [(1)]	***12.9%***	*12.0%*	*10.9%*

[(1)] This information represents a non-IFRS financial measure. *(Refer to the “Non-IFRS financial measures” section for further details.)*

Detailed analysis of the changes in operating results and the consolidated statements of financial position between 2016 and 2015 are provided in the following sections. Detailed analysis of the changes in the operating results and the consolidated statements of financial position between 2015 and 2014 are included in the MD&A in the 2015 Annual Report, available on the SEDAR website at sedar.com.

FINANCIAL YEAR 2016

Growing our network

The Corporation was successful in its growth and performance activities through accretive business acquisitions, while navigating through slower economic conditions in Canada and a product line changeover in the United States.

Each segment contributed towards the Corporation's success.

Paint and Related Products (US) segment:

This segment was active on the acquisition front with 7 business acquisitions concluded during the year, as per this segment strategy, adding 45 locations before synergies opportunities. Integration is progressing as planned and is already yielding the expected benefits. In addition, a new distribution centre on the East Coast was opened to better serve customers.

The FinishMaster US team continues to work on organic initiatives to drive future growth. Buying conditions optimized during the year commensurate with increased volumes. Additionally, this segment worked through a product line changeover during the second half of the year.

Automotive Products (Canada) segment:

2016 was a transformational year in Canada with the acceleration of the corporate store initiative and the launch of both the new BUMPER TO BUMPER program and the FINISHMASTER brand in Canada. These initiatives are complementary to constant focus on independent jobber customers.

This segment added 12 corporate BUMPER TO BUMPER and 4 FINISHMASTER locations to its growing national network. The new BUMPER TO BUMPER program and branding for independent customers and corporate stores was launched and accelerated through the year. Investment continues in the corporate store program building the foundation including a dedicated leadership team, implementation of processes and initiation of the deployment of a point of sales system (POS). That foundation will continue to grow in 2017 as store locations are added.

Corporate Office and Others segment:

On the corporate side, strategies were initiated to manage cash, enhance performance, limit risks and ultimately improve value, such as:

- Renewal and addition of vendor financing agreements with suppliers that should positively impact the cash position in 2017;
- Negotiations with information technology suppliers and deployment of a server solution which should provide savings starting in the second half of 2017;
- Amendment of the credit facilities extending the maturity date to June 30, 2020;
- Hedging of the stock-based compensations as well as some large accounts payable in order to limit financial risks related to stock price and foreign exchange variations; and
- 2-for-1 stock split of common shares to increase the number of shares outstanding and enhance affordability to investors, as well as share repurchases and a new normal course issuer bid to improve value for shareholders.

FINANCIAL YEAR 2015

Sale of the Net Assets and Net Debt Free

The Corporation continued its focus on growing its core business units to strengthen its leadership position and announced on February 9, 2015 that it had reached an agreement for the sale of the net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. On June 1, 2015, the Corporation closed the sale of these net assets.

Following the announcement of the agreement, the Corporation rightsized its corporate operations, accelerated debt reduction and was debt free. Consequently, the Corporation announced its intention to pursue its growth through acquisitions, leveraging its cash position.

2015 was the turning point toward a business model which includes corporate stores in Canada; 27 stores were acquired during the year. The Paint and Related Products (US) segment was also active with 7 business acquisitions closed during the year. These acquisitions added 34 stores to the network.

The results of the period were derived from the various initiatives taken by the Corporation. The customer-centric approach, providing a superior customer experience, resulted in an organic growth of 2.6%. Adjusted EBIDTA margin improved by 0.9%, notably benefiting from the sale of net assets, as well as the performance of the ongoing operations and the accretive acquisitions.

FINANCIAL YEAR 2014

Restructuring and Debt Reduction

The Corporation continued its execution of the Action Plan to optimize its operations by reducing its inventory level and achieving its cost-reduction objectives.

The Corporation improved its profitability by taking advantage of the Action Plan, the ongoing cost-reduction initiatives and the optimization of its supply chain. The Corporation also leveraged its technological solutions and added tools to monitor daily activities and access real-time operational and inventory information, reducing response time. In doing so, the Corporation succeeded in improving adjusted EBITDA compared to the previous year.

The positive organic growth was marked by the recruitment of new customers, the intensified enrolment to banner programs and the leverage of business opportunities in paint distribution. Overall, the Corporation aimed to improve customer experience and satisfaction by a selected product offering and customized solutions.

The improved profitability combined with the optimization of cash controls permitted the Corporation to reduce its debt by $80,698, excluding the reclassification of the convertible debentures for $44,525 and net business acquisitions of $18,735. On December 11, 2014, the Corporation announced the redemption of its convertible debentures on February 1, 2015.

NON-IFRS FINANCIAL MEASURES

The information included in this report contains certain financial measures that are inconsistent with IFRS. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other entities. The Corporation is of the view that users of its MD&A may analyze its results based on these measurements.

The following table presents performance measures used by the Corporation which are not defined by IFRS.

Organic growth [(1)]	This measure consists of quantifying the increase in pro forma consolidated sales between two given periods, excluding the impact of acquisitions, sales and disposals of stores, net assets sold, exchange-rate fluctuations and when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.
EBITDA [(1)]	This measure represents net earnings excluding finance costs, depreciation and amortization, equity income and income taxes. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.
Adjusted EBITDA, adjusted earnings and adjusted earnings per share [(1)]	Management uses adjusted EBITDA, adjusted earnings and adjusted earnings per share to assess EBITDA, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes (for adjusted earnings and adjusted earnings per share), which may affect the comparability of the Corporation's financial results. Management considers that these measures are more representative of the Corporation's operational performance and more appropriate in providing additional information. These adjustments include, among other things, restructuring and other charges, impairment and transaction charges related to the sale of net assets and costs related to the closure and disposal of stores. The exclusion of these items does not indicate that they are non-recurring.
EBITDA margin and adjusted EBITDA margin [(1)]	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. The adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.

Free cash flows [2]	This measure corresponds to the cash flows from operating activities according to the consolidated statements of cash flows adjusted for the following items: changes in working capital items, equity income, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current year expenses. Uni-Select considers the free cash flows to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flows exclude certain variances in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the statements of cash flows. Therefore, it should not be considered as an alternative to the consolidated statements of cash flows, or as a measure of liquidity, but as additional information.
Total net debt[3]	This measure consists of long-term debt, including the portion due within a year *(as shown in note 18 to the consolidated financial statements)*, net of cash.
Total net debt to total net debt and total equity ratio[3]	This ratio corresponds to total net debt divided by the sum of total net debt and total equity.
Long-term debt to total equity ratio[3]	This ratio corresponds to long-term debt, including the portion due within a year *(as shown in note 18 to the consolidated financial statements)*, divided by the total equity.
Funded debt to adjusted EBITDA[3]	This ratio corresponds to total net debt to adjusted EBITDA.
Adjusted return on average total equity[3]	This ratio corresponds to adjusted earnings [1] divided by average total equity.

(1) Refer to the “Analysis of consolidated results” section for a quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

(2) Refer to the “Cash flows” section for a quantitative reconciliation from the non-IFRS measures to the most directly comparable measure calculated in accordance with IFRS.

(3) Refer to the “Capital structure” section for further details.

ANALYSIS OF CONSOLIDATED RESULTS

The 2016 results in dollars vary compared to last year's figures, since the twelve-month period of 2015 includes five months of operations of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. sold on June 1, 2015. The explanations are provided based on percentage of sales.

SALES

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
United States	**180,758**	153,558	**752,864**	918,078
Canada	**110,228**	105,663	**444,455**	437,356
Sales	**290,986**	259,221	**1,197,319**	1,355,434
Sales from net assets sold	**-**	-	**-**	(299,267)
Sales net of sales from net assets sold	**290,986**	259,221	**1,197,319**	1,056,167
		%		*%*
Sales variance	**31,765**	***12.3***	**141,152**	***13.4***
Conversion effect of the Canadian dollar	**266**	***0.1***	**14,244**	***1.4***
Number of billing days	**3,301**	***1.3***	**(979)**	***(0.1)***
Impact of net assets sold	**1,405**	***0.5***	**5,430**	***0.5***
Acquisitions and others	**(39,570)**	***(15.3)***	**(157,939)**	***(15.0)***
Consolidated organic growth	**(2,833)**	***(1.1)***	**1,908**	***0.2***

FOURTH QUARTER

The quarter growth of 12.3%, compared to the same quarter in 2015, was driven by the sales generated from recent business acquisitions, mainly in the US, bringing additional sales of $39,570 or 15.3%.

The Corporation is reporting a negative organic growth of 1.1%. The Paint and Related Products (US) segment reported a negative organic growth of 2.5% in relation to a product line changeover. Without this impact, the segment would have reported an organic growth of approximately 4.1%, while consolidated organic growth would have been approximately 2.8%. Driven by the Western provinces, the Automotive Products (in Canada) segment regained some strength and posted an organic growth of 1.0%.

TWELVE-MONTH PERIOD

Annual sales increased by 13.4%, compared to the same period in 2015, once the sales from net assets sold are excluded. This performance was driven by the sales generated from recent business acquisitions, representing $157,939 or 15.0%, exceeding the impact of the declining Canadian dollar on its conversion to US dollar that penalized sales by $14,244 or 1.4%.

The organic growth of 0.2% is resulting from the existing customer growth and net customer recruitment in the Paint and Related Products (US) segment, offsetting the product line changeover as well as the softness of the economic conditions adding pressure on the annual performance of the Automotive Products (in Canada) segment.

GROSS MARGIN

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Gross margin	**92,644**	77,532	**366,602**	402,617
In % of sales	***31.8%***	*29.9%*	***30.6%***	*29.7%*

FOURTH QUARTER

The gross margin, in percentage of sales, grew by 1.9%, compared to the same quarter in 2015, benefiting from accretive business acquisitions as well as optimized buying conditions.

These improvements were partially offset by a different revenue mix.

TWELVE-MONTH PERIOD

The 0.9% increase in gross margin, in percentage of sales, compared to the same period in 2015, is mainly explained by accretive business acquisitions as well as optimized buying conditions.

These favorable elements were partially offset by:

- The net assets sold, which had a higher gross margin in percentage of sales than the remaining operations due to a different mix of stores and distribution centres; and
- A different revenue mix.

EMPLOYEE BENEFITS

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Employee benefits	**44,974**	42,272	**175,621**	213,666
In % of sales	***15.5%***	*16.3%*	***14.7%***	*15.8%*

FOURTH QUARTER

Employee benefits, in percentage of sales, improved by 0.8%, compared to the same quarter in 2015. This improvement is mainly attributable to reduced 2016 bonus and other incentive plans, a direct result of the corporate office rightsizing. Furthermore, 2015 figures included unexpected medical claims in the Paint and related Product (US) segment which did not occur this year.

These elements were partially offset by additional workers' compensation insurance claims for former employees of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. sold on June 1, 2015, for which the Corporation remains liable after the disposition, as well as payroll investments required in relation to the corporate stores' initiatives in the Automotive Products segment (in Canada).

TWELVE-MONTH PERIOD

Employee benefits, in percentage of sales, improved by 1.1%, compared to the same period in 2015, mainly in relation to the sale of the net assets, which had higher employee benefits in percentage of sales than the remaining operations as well as by the same factors aforementioned in the quarter.

OTHER OPERATING EXPENSES

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Other operating expenses	**23,846**	11,936	**84,879**	91,977
In % of sales	***8.2%***	*4.6%*	***7.1%***	*6.8%*

FOURTH QUARTER

Other operating expenses, in percentage of sales, increased by 3.6%, compared to the same quarter in 2015, affected by:

- Net gains of $3,301 on the purchase of the remaining interests in joint ventures recorded in 2015;
- Negative synergies following the sale of net assets, predominantly related to the enterprise resource planning system and its maintenance;
- General increase in professional fees, notably for acquisitions and integration related costs; and
- Higher operating expenses, in percentage of sales, essentially related to acquired businesses, a temporary situation until the completion of integrations and synergies.

TWELVE-MONTH PERIOD

Other operating expenses, in percentage of sales, increased by 0.3%, compared to the same period in 2015. This increase is mainly related to the sale of net assets, which had higher expenses in percentage of sales than the remaining operations and was partially offset by the same items mentioned in the quarter.

RESTRUCTURING AND OTHER CHARGES

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Restructuring and other charges	**(746)**	1,932	**(746)**	5,328

At the end of 2016, the Corporation reviewed its provisions and reversed an amount of $746 in relation to onerous contracts, following the recent negotiations with its information technology suppliers. In 2015, the Corporation recorded restructuring and other charges of $1,932 ($8,234 for the twelve-month period) in relation to the rightsizing of the corporate operations for severance, moving costs and onerous contracts, following the disposal of the net assets. These charges were partially compensated by a reversal of $2,906 related to the Action Plan implemented on July 11, 2013 and ceased upon the closing of the sale of net assets.

(Refer to note 4 in the consolidated financial statements for further details.)

IMPAIRMENT AND TRANSACTION CHARGES RELATED TO THE SALE OF NET ASSETS

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Impairment and transaction charges related to the sale of net assets	**-**	(2,578)	**-**	144,968

The charges in 2015 are related to the sale of substantially all the assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. The Corporation recorded write-off of intangible assets (mainly software and customer relationships) for an amount of $65,398 and an impairment of a portion of the goodwill for an amount of $57,715. The Corporation has also recorded transaction-related charges of $21,855. The Corporation revised its transaction-related charges during the fourth quarter of 2015 resulting in a reversal of $2,578.

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

EBITDA

	Fourth quarter			Twelve-month period		
	2016	2015	%	**2016**	2015	%
Net earnings (loss)	**12,695**	13,941		**58,265**	(40,221)	
Income tax expense (recovery)	**5,487**	5,213		**28,137**	(32,814)	
Equity loss	**-**	629		**-**	533	
Depreciation and amortization	**5,224**	3,334		**15,962**	13,174	
Finance costs, net	**1,164**	853		**4,484**	6,006	
EBITDA	**24,570**	23,970		**106,848**	(53,322)	
Restructuring and other charges	**(746)**	1,932		**(746)**	5,328	
Impairment and transaction charges related to the sale of net assets	**-**	(2,578)		**-**	144,968	
Additional liabilities related to the sale of net assets [1]	**1,526**	-		**1,526**	-	
Net gains on the purchase of the remaining interests in joint ventures [2]	**-**	(3,301)		**-**	(3,301)	
Expenses related to the network optimization and to the closure and disposal of stores [3]	**-**	-		**-**	2,930	
Adjusted EBITDA	**25,350**	20,023	*26.6*	**107,628**	96,603	*11.4*
Adjusted EBITDA margin	***8.7%***	*7.7%*		***9.0%***	*7.1%*	

(1) These liabilities are related to additional workers' compensation insurance claims for former employees of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. sold on June 1, 2015, for which the Corporation remains liable after the disposition.

(2) Net gains were generated by revaluating the fair value of non-controlling equity interest in the acquirees that were held immediately before obtaining control.

(3) Consist primarily of handling and freight expenses required to relocate inventory.

FOURTH QUARTER

The adjusted EBITDA margin improvement of 1.0%, compared to the same quarter in 2015, is resulting from the following elements:

- Optimized buying conditions; and
- Reduced bonus and other incentive plans.

They were in part offset by:

- Negative synergies following the sale of net assets;
- Higher professional fees notably for acquisitions and integration related costs; and
- Ongoing investments for the corporate store initiative.

TWELVE-MONTH PERIOD

Adjusted EBITDA margin improved by 1.9%, compared to the same period in 2015, due to a combination of:

- The net assets sold, which had a lower EBITDA margin than the ongoing operations;
- Buying conditions optimized;
- Reduced bonus and other incentive plans; and
- Accretive business acquisitions.

These factors have been partially offset by negative synergies following the sale of net assets, ongoing investments related to the corporate store initiative, as well as acquisition and integration related costs.

FINANCE COSTS, NET

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Finance costs, net	**1,164**	853	**4,484**	6,006

FOURTH QUARTER

The increase in finance costs, compared to the same quarter in 2015, is mainly attributable to a higher average debt, resulting from the recent business acquisitions and generating higher borrowing costs.

TWELVE-MONTH PERIOD

The decrease in finance costs, compared to the same period in 2015, is mainly explained by:

- The termination of the swap agreements during the second quarter of 2015; and
- The redemption of the convertible debentures for cancellation on February 1, 2015.

(Refer to note 6 in the consolidated financial statements for further details.)

DEPRECIATION AND AMORTIZATION

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Depreciation and amortization	**5,224**	3,334	**15,962**	13,174

FOURTH QUARTER	TWELVE-MONTH PERIOD
Depreciation and amortization exceeded the corresponding quarter of 2015, impacted by the recent business acquisitions, notably for customer relationship intangible assets.	The increase in depreciation and amortization, compared to the same period of 2015, is mainly attributable to the net business acquisitions.

(Refer to note 7 in the consolidated financial statements for further details.)

INCOME TAX EXPENSE (RECOVERY)

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Income tax expense (recovery)	**5,487**	5,213	**28,137**	(32,814)
Income tax rate	***30.2%***	*27.2%*	***32.6%***	*44.9%*

FOURTH QUARTER	TWELVE-MONTH PERIOD
The variance, compared to the same quarter in 2015, is mainly attributable to different geographic earnings before income taxes as well as capital gains taxable at a lower rate included in 2015 earnings.	The variance, compared to the same period of 2015, is mainly attributable to: - The impairment and transaction charges related to the sale of net assets in 2015; - Different geographic earnings before income taxes in 2016; and - Lower tax benefits from the financing structure in 2016 following the sale of the net assets in 2015.

(Refer to note 8 in the consolidated financial statements for further details.)

Earnings and earnings per share

The following table presents a reconciliation of adjusted earnings and adjusted earnings per share.

	Fourth quarter			Twelve-month period		
	2016	2015	*%*	**2016**	2015	*%*
Net earnings (loss) attributable to shareholders, as reported	**12,695**	13,941		**58,265**	(40,221)	
Restructuring and other charges, net of taxes	**(539)**	1,406		**(539)**	4,026	
Impairment and transaction charges related to the sale of net assets, net of taxes	**-**	(2,058)		**-**	93,529	
Additional liabilities related to the sale of net assets, net of taxes	**912**	-		**912**	-	
Net gains on the purchase of the remaining interests in joint ventures, net of taxes	**-**	(2,245)		**-**	(2,245)	
Expenses related to the network optimization and to the closure and disposal of stores, net of taxes	**-**	-		**-**	1,750	
Adjusted earnings	**13,068**	11,044	*18.3*	**58,638**	56,839	*3.2*
Earnings (loss) per share attributable to shareholders, as reported	**0.30**	0.33		**1.37**	(0.94)	
Restructuring and other charges, net of taxes	**(0.01)**	0.03		**(0.01)**	0.10	
Impairment and transaction charges related to the sale of net assets, net of taxes	**-**	(0.05)		**-**	2.18	
Additional liabilities related to the sale of net assets, net of taxes	**0.02**	-		**0.02**	-	
Net gains on the purchase of the remaining interests in joint ventures, net of taxes	**-**	(0.05)		**-**	(0.05)	
Expenses related to the network optimization and to the closure and disposal of stores, net of taxes	**-**	-		**-**	0.04	
Adjusted earnings per share	**0.31**	0.26	*19.2*	**1.38**	1.33	*3.8*

The conversion effect of the Canadian dollar into US dollar had no impact on earnings per share for the quarter compared to the same period of 2015, while the effect for the twelve-month period was $0.02 compared to the same period last year.

CONSOLIDATED QUARTERLY OPERATING RESULTS

Historically, the Corporation's sales are typically stronger during the second and third quarters compared to the first and fourth quarters. Recently, sales have been impacted by both the business acquisitions and disposals, as well as the conversion effect of the Canadian dollar into US dollar. The Corporation records earnings in each quarter. It should be noted that in specific quarters, net earnings were impacted by non-recurring items.

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

	2016				2015			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Sales								
United States	**180,758**	202,215	196,478	173,413	153,558	162,040	281,227	321,253
Canada	**110,228**	116,330	127,280	90,617	105,663	114,189	127,072	90,432
	290,986	318,545	323,758	264,030	259,221	276,229	408,299	411,685
EBITDA	**24,570**	30,836	29,739	21,703	23,970	25,938	19,035	(122,265)
Adjusted EBITDA	**25,350**	30,836	29,739	21,703	20,023	26,038	31,051	19,491
Adjusted EBITDA margin	***8.7%***	*9.7%*	*9.2%*	*8.2%*	*7.7%*	*9.4%*	*7.6%*	*4.7%*
Restructuring and other charges [1]	**(746)**	-	-	-	1,932	100	(1,730)	5,026
Impairment and transaction charges related to the sale of net assets [2]	**-**	-	-	-	(2,578)	-	13,544	134,002
Net earnings (loss)	**12,695**	17,281	16,806	11,483	13,941	15,747	12,373	(82,282)
Adjusted earnings	**13,068**	17,281	16,806	11,483	11,044	15,808	19,954	10,033
Basic earnings (loss) per share [3]	**0.30**	0.41	0.40	0.27	0.33	0.37	0.29	(1.94)
Adjusted basic earnings per share[3]	**0.31**	0.41	0.40	0.27	0.26	0.37	0.47	0.24
Diluted earnings (loss) per share [3]	**0.30**	0.41	0.40	0.27	0.32	0.36	0.29	(1.94)
Dividends declared per share (C$) [3]	***0.085***	*0.085*	*0.085*	*0.080*	*0.080*	*0.080*	*0.080*	*0.075*
Average exchange rate for earnings	**0.75:$1**	0.77:$1	0.78:$1	0.73:$1	0.75:$1	0.76:$1	0.81:$1	0.81:$1

(1) In 2016, the Corporation reviewed its provisions and reversed an amount of $746 in relation to onerous contracts, following recent negotiations with its information technology suppliers. Restructuring and other charges reversal of 2015 is attributable to the Action Plan implemented on July 11, 2013, which ceased upon the sale of net assets in June 2015. In 2015, the Corporation incurred restructuring and other charges to rightsize the corporate operations and relocate certain locations.

(2) The charges include the write-off of intangible assets (mainly software and customer relationships), the impairment of a portion of the goodwill and the transaction charges in relation to the sale of net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. on June 1, 2015.

(3) 2-for-1 stock split of common shares was effected on May 11, 2016 for shareholders of record as at May 6, 2016. To reflect the effect of the stock split, information pertaining to the number of common shares has been retroactively restated.

ANALYSIS OF RESULTS BY SEGMENT

SEGMENTED INFORMATION

The Corporation has three reportable segments:

Paint and Related Products (US): distribution of automotive refinish and industrial paint and related products representing FinishMaster, Inc. in the US market.

Automotive Products (Canada in 2016): distribution of automotive aftermarket parts, including refinish and industrial paint and related products, through Canadian networks (US automotive aftermarket parts network was included in 2015 until the closing of the sale of net assets on June 1, 2015).

Corporate Office and Others: head office expenses and other expenses mainly related to the financing structure.

The profitability measure employed by the Corporation for assessing performance is EBITDA.

OPERATING RESULTS – PAINT AND RELATED PRODUCTS (US)

Sales

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Sales before intersegment sales	**180,758**	153,558	**752,864**	623,901
Intersegment sales	**-**	-	**-**	(5,090)
Sales	**180,758**	153,558	**752,864**	618,811
		%		*%*
Sales variance	**27,200**	***17.7***	**134,053**	***21.7***
Number of billing days	**2,377**	***1.5***	**-**	**-**
Impact of net assets sold	**1,405**	***0.9***	**5,430**	***0.9***
Acquisitions and others	**(34,857)**	***(22.6)***	**(132,953)**	***(21.5)***
Organic growth	**(3,875)**	***(2.5)***	**6,530**	***1.1***

FOURTH QUARTER

Sales from this segment increased by 17.7%, compared to the same quarter in 2015, strengthened by recent business acquisitions, representing a growth of 22.6%.

The segment recorded a negative organic growth of 2.5% for the quarter in relation to the implementation of a product line changeover, consolidating the product offering. Without this impact, the segment would have reported an organic growth of approximately 4.1%, a direct result from the sales team's efforts to attract new customers as well as to capitalize on business relationships with existing customers, improving respective growth.

TWELVE-MONTH PERIOD

Sales from this segment increased by 21.7%, compared to the same period of 2015, strengthened by recent business acquisitions which represent a growth of 21.5%.

The organic growth of 1.1%, compared to the same period in 2015, is a direct result from the sales team's efforts to counteract the impact of the product line changeover. Without this impact, the segment would have reported an organic growth of approximately 3.8%.

EBITDA

	Fourth quarter			Twelve-month period		
	2016	2015	*%*	**2016**	2015	*%*
EBITDA	**21,686**	16,378		**93,393**	69,991	
Restructuring and other charges	**-**	-		**-**	440	
Adjusted EBITDA	**21,686**	16,378	*32.4*	**93,393**	70,431	*32.6*
Adjusted EBITDA margin	***12.0%***	*10.7%*		***12.4%***	*11.4%*	

FOURTH QUARTER

The EBITDA margin improved by 1.3%, compared to the same quarter in 2015, a direct result of optimized buying conditions partially offset by an evolving revenue mix, acquisition and integration related costs, as well as lower cost absorption due to the negative organic growth.

Integration of acquisitions is progressing at the expected rate and, during the quarter, 5 locations were consolidated per the integration plan.

TWELVE-MONTH PERIOD

The adjusted EBITDA margin improved by 1.0%, compared to the same period in 2015, driven by the same factors as those mentioned in the quarter, as well as by the contribution from recent accretive business acquisitions.

OPERATING RESULTS – AUTOMOTIVE PRODUCTS (CANADA IN 2016)

The 2016 results in dollars vary compared to last year's figures, since the twelve-month period of 2015 includes five months of operations of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. sold on June 1, 2015.

Sales

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Sales	**110,228**	105,663	**444,455**	736,623
Sale from net assets sold	**-**	-	**-**	(299,267)
Sales net of sales from net assets sold	**110,228**	105,663	**444,455**	437,356
		%		*%*
Sales variance	**4,565**	***4.3***	**7,099**	***1.6***
Conversion effect of the Canadian dollar	**266**	***0.3***	**14,244**	***3.2***
Number of billing days	**924**	***0.9***	**(979)**	***(0.2)***
Acquisitions and others	**(4,713)**	***(4.5)***	**(24,986)**	***(5.7)***
Organic growth	**1,042**	***1.0***	**(4,622)**	***(1.1)***

FOURTH QUARTER

Sales growth for this segment reached 4.3%, compared to the same quarter in 2015, mainly derived from recent business acquisitions.

Organic growth regained some strength at the end of the year, driven by the Western provinces, and reached 1.0% for the quarter. This improvement was, in part, offset by a reduced volume from existing customers in relation to the softer economic conditions in the rest of Canada.

TWELVE-MONTH PERIOD

Sales increased by 1.6%, compared to the same period in 2015, once the sales from the net assets sold are excluded. Sales generated from recent business acquisitions exceeded the impact of the declining Canadian dollar on its conversion to US dollar of $14,244 or 3.2% and the negative organic growth.

Organic growth was below expectations due to a reduced volume from existing customers in relation to the softer economic conditions, delivery delays on some products and reduction in benefits from price increases compared to 2015.

EBITDA

	Fourth quarter			Twelve-month period		
	2016	2015	*%*	**2016**	2015	*%*
EBITDA	**5,513**	13,019		**26,611**	(103,917)	
Restructuring and other charges	**-**	(433)		**-**	(3,339)	
Impairment and transaction charges related to the sale of net assets	**-**	(2,214)		**-**	144,523	
Net gains on the purchase of the remaining interests in joint ventures [1]	**-**	(3,301)		**-**	(3,301)	
Expenses related to the network optimization and to the closure and disposal of stores [2]	**-**	-		**-**	2,930	
Adjusted EBITDA	**5,513**	7,071	*(22.0)*	**26,611**	36,896	*(27.9)*
Adjusted EBITDA margin	***5.0%***	*6.7%*		***6.0%***	*5.0%*	

(1) Net gains were generated by revaluating the fair value of non-controlling equity interest in the acquirees that were held immediately before obtaining control.

(2) Consist primarily of handling and freight expenses required to relocate inventory.

FOURTH QUARTER

The adjusted EBITDA margin decrease of 1.7%, compared to the same quarter in 2015, is mainly related to:

- Different revenue mix impacting the margin;
- Ongoing investments required in relation to the corporate store initiative, including branding (BUMPER TO BUMPER - CANADA'S PARTS PEOPLE); and
- Integration costs, net of synergies, pertaining to recent business acquisitions.

Integration of the corporate stores, including store rebranding, store processes and the implementation of the new POS system are progressing as per plan. Once completed, these respective activities are expected to yield additional synergies and efficiency.

TWELVE-MONTH PERIOD

The adjusted EBITDA margin increase of 1.0%, compared to the same period in 2015, is mainly related to the 2015 weaker performance from the operations that were eventually sold on June 1, 2015.

This enhancement was partially offset by:

- Reduced fixed cost absorption resulting from the negative organic growth;
- Ongoing investments required in relation to the corporate store initiative;
- Reduction in benefits from price increases compared to 2015; and
- Acquisition and integration costs pertaining to the recent business acquisitions.

OPERATING RESULTS – CORPORATE OFFICE AND OTHERS

EBITDA

	Fourth quarter			Twelve-month period		
	2016	2015	%	**2016**	2015	%
EBITDA	**(2,629)**	(5,427)		**(13,156)**	(19,396)	
Restructuring and other charges	**(746)**	2,365		**(746)**	8,227	
Impairment and transaction charges related to the sale of net assets	**-**	(364)		**-**	445	
Additional liabilities related to the sale of net assets [1]	**1,526**	-		**1,526**	-	
Adjusted EBITDA	**(1,849)**	(3,426)	*46.0*	**(12,376)**	(10,724)	*15.4*

[1] These liabilities are related to additional workers' compensation insurance claims for former employees of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. sold on June 1, 2015.

FOURTH QUARTER

The positive variance, compared to the same quarter in 2015, is mainly explained by reduced bonus and other incentive plans compared to the same period last year, following the rightsizing.

This improvement was, in part, offset by negative synergies following the sale of net assets, including the enterprise resource planning system and its maintenance. However, the Corporation is expecting savings for the second half of 2017 following the recent negotiations with its information technology suppliers and internalization of the servers.

TWELVE-MONTH PERIOD

The variance, compared to the same period of 2015, is mainly explained by the negative synergies following the sale of net assets.

These expenses were partially compensated by:

- Reduced bonus in relation to the corporate office rightsizing; and
- Lower stock-based compensation expenses incurred in relation to the stock price variance as well as to a lower number of outstanding options, DSUs and PSUs.

CASH FLOWS

OPERATING ACTIVITIES

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Cash flows from (used in) operating activities	**54,931**	(17,290)	**136,905**	19,186

FOURTH QUARTER

Operating activities generated higher cash inflows as opposed to cash outflows required for the same quarter in 2015. The variance is mainly explained by:

- Increased utilization of the vendor financing program in 2016 related to strategic purchases; and
- Improved operating income mainly related to accretive business acquisitions.

TWELVE-MONTH PERIOD

Operating activities generated higher cash inflows compared to last year. This variance is explained by:

- Increased utilization of the vendor financing program in 2016 related to strategic purchases;
- Lower investment required in inventory in 2016, while 2015 inventory was built up to improve fill rates as well as to minimize the impact of expected pricing increases;
- Income tax refunds; and
- Higher operating income generated mainly by accretive business acquisitions, exceeding the divestiture impact.

These items were partially offset by payments under the vendor financing program of $13,563 in 2016 pertaining to the sold operations.

INVESTING ACTIVITIES

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Cash flows from (used in) investing activities	**(27,850)**	(22,387)	**(211,549)**	245,005

FOURTH QUARTER

The variance in cash outflows from investing activities is mainly related to renewals of long-term incentives granted to customers in the Paint and Related Products segment.

TWELVE-MONTH PERIOD

Investing activities required cash outflows as opposed to cash inflows generated last year. This variance is mainly explained by the net proceeds of $321,001 received in 2015 in relation to the sale of net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. while cash outflows were required in 2016 to support the strategy for business acquisitions as well as renewals of long-term incentives granted to customers in the Paint and Related Products segment.

FINANCING ACTIVITIES

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Cash flows from (used in) financing activities	**(25,464)**	82,474	**5,370**	(166,166)

FOURTH QUARTER

Financing activities required cash outflows as opposed to cash inflows generated for the same quarter in 2015. This variance is explained by:

- The reimbursement of the credit facility in 2016 permitted by the performance of the operations; and
- The usage of the credit facility in 2015, notably to support the working capital needs.

TWELVE-MONTH PERIOD

Financing activities' variance is mainly explained by:

- The reimbursement of the credit facility in 2015 following the sale of net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc.;
- The cash flows required, in 2015, to redeem the convertible debentures for cancellation; and
- The utilization of the credit facility in 2016 to support the strategy for business acquisitions and share repurchases.

FREE CASH FLOWS

	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Cash flows from (used in) operating activities	**54,931**	(17,290)	**136,905**	19,186
Changes in working capital	**(28,522)**	39,660	**(17,720)**	76,308
	26,409	22,370	**119,185**	95,494
Equity loss	**-**	629	**-**	533
Acquisitions of property and equipment	**(4,790)**	(2,994)	**(9,755)**	(17,150)
Difference between amounts paid for post-employment benefits and current year expenses	**(64)**	3	**(75)**	(345)
Free cash flows	**21,555**	20,008	**109,355**	78,532

FOURTH QUARTER

Higher free cash flows were generated from improved operating income mainly related to accretive business acquisitions and higher vendor incentives that were partially offset by higher capital expenditures, notably for the POS development in Canada, in comparison to the same quarter in 2015.

TWELVE-MONTH PERIOD

Higher free cash flows were generated compared to last year due to:

- Improved operating income generated mainly by accretive business acquisitions and higher vendor incentives, exceeding the divestiture impact;
- Income tax refunds during the current period; and
- Lower capital expenditures following the sale of the net assets.

FINANCING

SOURCES OF FINANCING

The Corporation is diversifying its sources of financing in order to manage and mitigate liquidity risk.

CREDIT FACILITIES

The Corporation has access for its needs to a $400,000 unsecured long-term revolving credit facility as well as a $20,000 letter of credit facility both with extended maturity date of June 30, 2020 following their amendments during the second quarter.

As at December 31, 2016, the unused portion amounted to $284,000 ($321,000 as at December 31, 2015). *(Refer to note 18 in the consolidated financial statements for further details.)*

VENDOR FINANCING PROGRAM

The Corporation benefits from a vendor financing program. Under this program, financial institutions make discounted accelerated payments to suppliers and the Corporation makes full payment to the financial institutions according to the new extended payment term agreements with the suppliers.

As at December 31, 2016, Uni-Select benefited from additional deferred payments of accounts payable in the amount of $113,509 and used $188,229 of the program ($90,038 and $148,417 respectively as at December 31, 2015). The authorized limit with the financial institutions is $222,500. These amounts are presented in “Trade and other payables” in the consolidated statements of financial position. This program is available upon the Corporation’s request and may be modified by either party.

FUND REQUIREMENTS

The Corporation is able to meet both its operational and contractual fund requirements and support its various strategic initiatives for future growth, by using the various financing tools mentioned above, as well as its capacity to generate cash flows.

OPERATIONAL NEEDS

Operational requirements that the Corporation will face in 2017 are summarized as follows:

- The purchase of various capital assets for about $23,000 notably for:
  - Location modernization including warehouse equipment and racking;
  - Hardware equipment and software applications, including the POS system for the Canadian stores;
  - Partial renewal of the vehicle fleet through finance leases;
  - New launch of BUMPER TO BUMPER store locations in the Automotive Products segment; and
  - Greenfield openings.
- The dividend payments.

CONTRACTUAL OBLIGATIONS

Operating leases

The Corporation has entered into long-term operating lease agreements expiring at various dates until 2026 for the rental of buildings, vehicles and outsourcing of information technology services. 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.

Finance leases

The Corporation uses finance leases to renew its vehicle fleet. The terms vary from 24 to 60 months depending on the lease. As at December 31, 2016, the carrying values of the leased assets, which are presented under "automotive equipment" along with "property and equipment", were $9,672 ($7,843 as at December 31, 2015).

The following table shows the various contractual obligations due by period.

	2017	2018	2019	2020	2021	Thereafter
Long-term debt [1] [2]	4	4	4	123,844	3	-
Operating leases	21,417	19,134	15,375	11,648	6,820	9,458
Finance leases [3]	3,722	2,956	2,050	1,272	439	-
Total	25,143	22,094	17,429	136,764	7,262	9,458

(1) Includes credit facility

(2) Does not include obligations related to interest on debt

(3) Include obligations related to interest on finance leases

Post-employment benefit obligations

The Corporation sponsors both defined benefit and defined contribution pension plans.

The defined benefit plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit plans are based on years of service and final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations.

For the year ended December 31, 2017, the Corporation expects to make contributions of approximately $2,091 for its defined benefit plans. *(Refer to note 17 in the consolidated financial statements for further details.)*

Off balance sheet arrangements – guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations. *(Refer to note 23 in the consolidated financial statements for further details.)*

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to $10,267 as at December 31, 2016 ($14,854 as at December 31, 2015). *(Refer to note 18 in the consolidated financial statements for further details.)*

CAPITAL STRUCTURE

The Corporation's capital management strategy optimizes the capital structure 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 the changing business conditions and the risks related to the underlying assets.

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

The strategy of the Corporation is to monitor the following ratios to ensure flexibility in the capital structure:

- Total net debt to total net debt and total equity;
- Long-term debt to total equity ratio;
- Funded debt to adjusted EBITDA ratio;
- Adjusted return on average total equity; and
- Dividend payout ratio based on the adjusted earnings of the previous year converted in Canadian dollars.

	December 31,	
	2016	2015
Components of debt ratios:		
Long-term debt	**134,298**	90,344
Total net debt	**111,973**	-
Total equity	**472,362**	436,978
Debt ratios [1]:		
Total net debt to total net debt and total equity ratio	***19.2%***	*N/A*
Long-term debt to total equity ratio	***28.4%***	*20.7%*
Funded debt to adjusted EBITDA ratio	***1.04***	*N/A*
Adjusted return on average total equity	***12.9%***	*12.0%*
Dividend payout ratio	***19.4%***	*21.6%*

(1) These ratios are not required for banking commitments but represent the ones that the Corporation considers pertinent to monitor and to ensure flexibility in the capital structure.

Management continuously monitors its working capital items to improve the cash conversion cycle.

The Corporation was in a net cash position as at December 2015, explaining the variances of the total net debt to total net debt and total equity ratio and the funded debt to adjusted EBITDA ratio.

The variance of the long-term debt to total equity ratio is attributable to the long-term debt increase, partially compensated by an increase of the total equity.

The adjusted return on average total equity increase is mainly explained by a reduced average total equity resulting from the impairment and transaction charges in relation to the sale of net assets recorded in 2015 as well as to improved adjusted earnings.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at December 31, 2016, the Corporation met all the requirements. *(Refer to note 25 in the consolidated financial statements for further details.)*

DIVIDENDS [1]

For the 2016 year, the Corporation declared dividends amounting to C$0.335 per share compared to C$0.315 in 2015, representing an increase of 6.3%.

On February 8, 2017, the Corporation declared the first quarterly dividend of 2017 of C$0.085, payable on April 18, 2017 to shareholders of record as at March 31, 2017.

Dividends are approved by the Board of Directors, which bases its decision on operating results, cash flows and other relevant factors. There is no guarantee that dividends will be declared in the future.

These dividends are eligible dividends for income tax purposes.

INFORMATION ON CAPITAL STOCK [1]

(in thousands of shares)	Fourth quarter		Twelve-month period	
	2016	2015	**2016**	2015
Number of shares issued and outstanding	**42,214**	43,136	**42,214**	43,136
Weighted average number of outstanding shares	**42,219**	42,872	**42,435**	42,778

At January 31, 2017, 42,248,628 shares of the Corporation were outstanding.

Issuance of common shares

During the year ended December 31, 2016, the Corporation issued 105,810 (1,066,430 for 2015) common shares at the exercise of stock options for a cash consideration of $1,090 ($11,315 for 2015). The weighted average price of the exercise of stock options was C$13.34 for the year (C$13.51 for 2015).

Repurchase and cancellation of shares

On August 10, 2016, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 2,000,000 common shares, representing 4.7% of its 42,231,178 issued and outstanding common shares as of August 1, 2016 over a twelve-month period beginning on August 17, 2016 and ending on August 16, 2017. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the repurchase and cancellation of common shares during self-imposed blackout periods. Such repurchase for cancellation will be determined by the broker in its sole discretion based on the Corporation's parameters.

During the year ended December 31, 2016, 1,027,390 common shares (362,190 for 2015) were repurchased for a cash consideration of $22,043 ($7,747 in 2015) including a share repurchase and cancellation premium of $20,013 ($7,058 in 2015) applied as a reduction of retained earnings.

STOCK-BASED COMPENSATION [1]

The Corporation's stock-based compensation plans include an equity-settled common share stock option plan, and cash-settled plans consisting of a deferred share unit plan and a performance share unit plan.

During the third quarter of 2016 and in the normal course of business, the Corporation entered into equity swap agreements. *(Refer to notes 16 and 21 in the consolidated financial statements for further details.)*

Common share stock option plan for management employees and officers

For the year ended December 31, 2016, 126,960 options were granted to management employees and officers of the Corporation (514,678 for 2015), with an average exercise price of C$33.94 (C$15.32 in 2015). During the year, 105,810 options were exercised (1,066,430 for 2015), no options were forfeited (104,342 for 2015) and no options expired (same for 2015).

As at December 31, 2016, options granted for the issuance of 392,778 common shares (371,628 as at December 31, 2015) were outstanding under the Corporation's stock option plan, and 1,811,034 common shares (1,937,994 as at December 31, 2015) were reserved for additional options under the stock option plan.

For the year ended December 31, 2016, compensation expense of $672 ($1,164 for 2015) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

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[1] During the second quarter of 2016, the Corporation carried out a 2-for-1 stock split of its common shares. To reflect the effect of the stock split, information pertaining to the number of common shares and stock-based compensation units has been retroactively restated.

Deferred share unit plan

For the year ended December 31, 2016, the Corporation granted 45,149 DSUs (60,204 DSUs for 2015) and redeemed 84,323 DSUs (49,764 for 2015). Compensation expense of $670 ($3,057 in 2015) was recorded during the year, and 142,256 DSUs were outstanding as at December 31, 2016 (181,430 as at December 31, 2015) for which the compensation liability was $3,141 ($4,476 as at December 31, 2015). The fair value of the equity swap agreement as at December 31, 2016 is a liability of $182.

Performance share unit plan

For the year ended December 31, 2016, the Corporation granted 76,282 PSUs (223,230 PSUs for 2015) and redeemed 98,684 PSUs (329,660 for 2015). Compensation expense of $3,787 was recorded during the year ($1,829 in 2015), and 216,036 PSUs were outstanding as at December 31, 2016 (238,438 PSUs as at December 31, 2015) for which the compensation liability was $4,959 ($3,009 as at December 31, 2015). The fair value of the equity swap agreement as at December 31, 2016 is a liability of $205.

(Refer to note 16 in the consolidated financial statements for further details.)

FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2015, has been impacted by business acquisitions and the declining Canadian dollar.

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

	Dec. 31, 2016	Dec. 31, 2015	Impact of business acquisitions	Impact on conversion C$/US$	Net variance [1]
Cash	**22,325**	91,432	(132,556)	168	63,281
Cash held in escrow	**14,486**	3,790	10,718	(22)	-
Trade and other receivables	**146,130**	123,612	16,080	2,774	3,664
Inventory	**330,808**	269,900	32,148	4,975	23,785
Deferred tax assets, net	**18,358**	52,479	-	(394)	(33,727)
Trade and other payables	**314,550**	267,995	3,128	2,711	40,716
Balance of purchase price, net	**25,303**	6,517	18,749	37	-
Investments and advances to merchant members	**28,651**	14,082	10,034	82	4,453
Property and equipment	**41,982**	30,304	3,948	427	7,303
Intangible assets	**101,158**	65,355	39,041	455	(3,693)
Goodwill	**243,807**	157,270	85,219	1,318	-
Long-term debt (including short-term portion)	**134,298**	90,344	42,755	95	1,104

[1] Explanations for net variance:

Cash: Resulting from the free cash flows generated by the operations.

Inventory: The increase is related to strategic purchases made at end of the year.

Deferred tax assets, net: Increased pre-tax earnings allowing the recovery of deferred tax losses.

Trade and other payables: Mainly attributable to an increased utilization of the vendor financing program at the end of 2016 in relation to the strategic purchases.

RELATED PARTIES

For the years ended December 31, 2016 and 2015, common shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

Transaction with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2016 and 2015, the compensation to key management personnel was as follows:

	Years ended December 31,	
	2016	2015
Salaries and short-term employee benefits	**3,480**	4,273
Post-employment benefits (including contributions to defined benefit pension plans)	**244**	434
Stock-based benefits	**3,016**	4,671
Severances	**-**	1,302
Total compensation	**6,740**	10,680

There were no other related party transactions with key management personnel for the years ended December 31, 2016 and 2015.

Other transactions

For the year ended December 31, 2016, the Corporation incurred no rental expenses to the benefit of a related party (rental expenses of $1,241 were incurred in 2015 to the benefit of Clarit Realty, Ltd., a company controlled by a related party).

SUBSEQUENT EVENTS

During January 2017, the Corporation acquired assets and liabilities of 3 companies operating in the United States for a total cost of $65,504. At the acquisition dates, the preliminary fair value allocated to goodwill amounted to $37,965.

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks that may have a material impact on its business activities, operating results, cash flows and financial position. The Corporation continuously maintains and updates its system of analysis and controls on operational, strategic and financial risks to manage and implement activities with the objective of mitigating the main risks mentioned below.

RISKS ASSOCIATED WITH THE ECONOMY

Economic climate

The economic climate has a moderate impact on sales of automotive aftermarket parts, automotive refinish and industrial paint and related products and on the Corporation's operations. Although the automotive aftermarket industry is, to some extent, dependent on the economic climate, it is not nearly as affected as new car sales are by a difficult economic situation, since deciding to make car repairs is less discretionary and less expensive than the decision to buy a new vehicle.

Inflation

Management believes that inflation has little impact on the Corporation's financial results as the vast majority of price increases imposed by manufacturers on products are passed on to consumers. Nevertheless, low inflation or deflation in the value of aftermarket parts, automotive refinish and industrial paint and related products 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.

Distance travelled

There is a direct link between unemployment rates, fuel prices and distance travelled as there is a direct link between distance travelled and the rate of vehicle wear and tear and repairs. Fuel prices also affect the Corporation's delivery costs.

RISKS ASSOCIATED WITH THE BUSINESS CONTEXT

Growth in the vehicle fleet

The growing number of car models over the last few years, coupled with their longer lifespan, results in a proliferation of aftermarket parts, imposing financial constraints on distributors and wholesalers 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 having more than one use and costing more to repair, which is favourable to the automotive aftermarket.

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 aftermarket parts. This situation, together with technological complexity, electric cars and greater number of electrical 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' network could result in a move toward the aftermarket network for vehicle maintenance and repairs.

Products supply and inventory management

Uni-Select primarily distributes parts and products from well-known and well-established North American manufacturers. These manufacturers generally take responsibility for products that are defective, poorly designed or non-compliant with their intended use.

Uni-Select directly imports, to a lesser extent, various parts and products from foreign sources; with regards to these parts, the cash recovery of an eventual recourse against a supplier or manufacturer is uncertain. The Corporation carries liability insurance. In addition, transport logistics between the country of origin and the markets supplied increase the risk of stock outages.

The nature of the Corporation's businesses demands the maintenance of adequate inventories and the ability to meet specific delivery requirements. Supply management is an important element for proper inventory management and under most of our automotive parts supply agreements, the Corporation has return privileges, which helps mitigate the risks associated with inventory obsolescence.

To ensure a continuous supply of its products, the Corporation examines the financial results of its main suppliers and regularly reviews the diversification of its sources of supply.

Distribution by the manufacturer directly to consumers

The distribution of paint depends on the supply of products to the Corporation by certain large and limited number of manufacturers. One or some of these manufacturers could, in the future, decide to distribute their products directly to the end-customers or through other distributors without using the Corporation's services as a distributor. Such decision could cause an adverse effect on the profitability of the Corporation's business depending on the importance of the manufacturer in the Corporation's supply chain and the availability of alternative supply sources. To reduce such risks, Uni-Select retains harmonious business relationships with large paint manufacturers, provides efficient distribution and offers loyalty programs to their body shop customers, thereby creating value throughout the supply chain.

Technology

Ongoing technological developments in recent years require distributors and wholesalers to provide continual training programs to their employees and customers, 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 wholesalers, 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.

Improved safety features such as collision avoidance systems, driverless vehicles and other safety improvements as well as insurance company influence may reduce the demand for some of the Corporation's paint and related products and may have an impact on the operations and financial results.

Environmental risks

The industry of paint and of certain parts products distribution involves a certain level of environmental risk. Damages or destruction to warehouses specialised in the storage of such products, notably by fire, resulting in the spillage of paint or hazardous material, can have environmental consequences such as soil contamination or air pollution. These specialised warehouses are well-equipped to reduce such risks. This includes up-to-date sprinkler systems and retention basins in the event of accidental spills.

Legal and tax risks

The Corporation may be exposed to claims, disputes and legal proceedings arising in the ordinary course of business that may have a material adverse effect on the Corporation's earnings or financial position. The Corporation is subject to various regulations and taxation authorities. Changes in regulations or tax laws may have a material adverse effect on the Corporations' earnings or financial position. To mitigate these risks, the Corporation utilizes the services of professional advisors.

RISKS ASSOCIATED WITH THE OPERATIONAL CONTEXT

Risks related to Uni-Select's business model and strategy

In the automotive aftermarket, Uni-Select's business model is servicing independent wholesalers and independent installers through a network of company-owned warehouses and stores. This requires the Corporation to take special measures to promote its wholesalers' loyalty and long-term survival. This is why Uni-Select's fundamental approach is to drive the growth, competitiveness and profitability of its independent wholesalers by 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.

Furthermore, considering that owners of aftermarket parts stores are aging, Uni-Select has also implemented succession programs to enable independent wholesalers who wish to retire to sell their business to a family member or an employee. Alternatively, Uni-Select may decide to purchase the business of its independent wholesalers to protect and grow its distribution network, as part of its corporate strategy.

Integration of acquired business

The Corporation's growth-by-acquisition strategy carries its share of risks. The Corporation's success of its acquisitions depends on its ability to integrate and crystallize synergies in terms of efficiently consolidating the operations of the acquired businesses into its existing operations. Uni-Select has developed an expertise in this regard having successfully acquired and integrated several businesses over the years. To limit its risk, the Corporation has adopted a targeted and selective acquisition strategy, conducts strict due diligence 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.

Competition

The aftermarket industry in which the Corporation does business is highly competitive. Availabilities of parts, prices, quality and customer service are critical factors. Uni-Select competes primarily in the DIFM (Do It For Me) segment of the industry with, among others, national retail chains, independent distributors and wholesalers as well as online suppliers. Competition varies from market to market, and some competitors may have superior advantages over Uni-Select, which may result, among others, in a reduction in selling prices and an increase in marketing and promotional expenses, which would drive down the Corporation's profitability. To reduce this risk, the Corporation regularly reviews its product and service offering to meet the needs of its customer base as effectively as possible. In addition, the proliferation of parts in itself is a barrier to entry into the market for new competitors.

Business and financial systems

The Corporation relies extensively on its computer systems and the systems of its business partners to manage inventory, process transactions and report results. These systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches and catastrophic events. If its computer systems or those of its business partners fail to function properly, the Corporation may experience loss of critical data and interruptions or delays in its ability to manage inventories or process transactions, potentially impacting revenue and operational results. To mitigate that risk, the Corporation is supported by expert firms to prevent its applications from intrusion and loss of data. It includes robust firewalls, backup procedures, dual telecommunication lines, hardware redundancy and external hosting of equipment in specialised sites.

Human resources

During this period of active change, Uni-Select must attract, train and retain a large number of competent employees, while controlling payroll. Labour costs are subject to numerous external factors, such as wage rates, fringe benefits and the availability of local skilled resources at the opportune moment. The inability to attract, train and retain employees could affect the Corporation's growth capacity as well as its financial performance. The Corporation introduced the following to attract, train and retain the best talent:

- Guides to accelerate employee on-boarding and measure proficient acquisition integration;
- Focus on areas related to training, such as sales development, business-related subject matter reinforcement, effective teams and interpersonal communications;
- Yearly talent reviews for performance, development and succession; and
- Harmonized competitive and equitable pension and benefits programs.

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations on time and at a reasonable cost. This risk is dealt with in the "Financing" section.

Credit risk

Credit risk stems primarily from the potential inability of customers to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash, cash held in escrow, trade and other receivables and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specific credit limits are determined for certain accounts and reviewed regularly by the Corporation.

The Corporation may also be exposed to credit risk from its foreign exchange forward contracts and its equity swap agreements, which is managed by dealing with reputable financial institutions.

The Corporation holds securities on some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly, and monthly analyses are reviewed to ensure that past-due amounts are collectible and if necessary, that measures are taken to limit credit risk.

Allowances 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.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments, mainly related to purchases in currencies other than the respective functional currencies of the Corporation. To limit the impact of fluctuations of the Canadian dollar over the US dollar on net earnings and cash flows, the Corporation uses, from time to time, foreign exchange forward contracts. Management considers that fluctuations in the relative values of the US dollar and the Canadian dollar will not have a material impact on net earnings. The Corporation has certain investments in foreign operations (United States) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar denominated debt instruments. (*For further details, see note 21 in the consolidated financial statements.)*

Interest rates

The Corporation is exposed to interest rate fluctuations, primarily due to its variable-rate debts. When required to mitigate those fluctuations, the Corporation uses, from time to time, derivative financial instruments, such as swap contracts designed to exchange variable rates for fixed rates. The Corporation does not use financial instruments for trading or speculative purposes. *(For further details, refer to note 21 in the consolidated financial statements.)*

CHANGE IN ACCOUNTING POLICIES

FUTURE ACCOUNTING CHANGES

At the date of authorization of the consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been adopted earlier by the Corporation.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated financial statements.

EFFECTIVE DATE – JANUARY 1, 2018 WITH EARLIER ADOPTION PERMITTED

Revenues from contracts with customers

In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") jointly issued IFRS 15 "Revenues from contracts with customers", a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB's current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers. The impact of this new standard is currently being assessed and the Corporation does not expect to have significant impact on the consolidated financial statements upon its adoption.

Financial instruments

In July 2014, the IASB issued a complete and final version of IFRS 9 "Financial Instruments", replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model. The impact of this new standard is currently being assessed and the Corporation does not expect to have significant impact on the consolidated financial statements upon its adoption.

EFFECTIVE DATE – JANUARY 1, 2019 WITH EARLIER ADOPTION PERMITTED IN CERTAIN CIRCUMSTANCES

Leases

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

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires Management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and notes to the financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Information about the Corporation's accounting policies is provided in note 3 to the consolidated financial statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

ESTIMATES

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. *(Refer to note 11 in the consolidated financial statements for further details.)*

Sales recognition: Estimates are used in determining the amounts to be recorded for rights of return, guarantees, and trade and volume discounts. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and costs, product demand and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Allowance for surplus or obsolete inventory: 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 statements of financial position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives of property and equipment and intangible assets with finite useful lives. *(Refer to note 3 in the consolidated financial statements for further details.)*

Impairments of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variations between the estimated amounts and actual results may have a significant impact on the assets recorded in the consolidated statements of financial position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2016 and 2015, with the exception of the impairment losses recorded in 2015 in connection with the agreement for the sale of the net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc., no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. *(Refer to notes 4, 5 and 15 in the consolidated financial statements for further details.)*

Deferred taxes: The Corporation estimates its deferred income tax assets and liabilities based on 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 temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. *(Refer to note 17 in the consolidated financial statements for further details.)*

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship, if any. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions: The Corporation makes estimates of projected costs and timelines and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. *(Refer to note 3 in the consolidated financial statements for further details.)*

JUDGMENTS

Leases: The Corporation uses judgment in determining the classification of its leased assets at inception of the lease. *(Refer to note 3 in the consolidated financial statements for further details.)*

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by Management are used in the impairment tests.

Hedge accounting: At the inception of a hedging relationship, if any, the Corporation uses judgment in determining the probability that a forecasted transaction will occur.

EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon rates expressed as US dollars per C$1.00:

	Years ended December 31,		
	2016	2015	2014
Average for the period			
For statement of earnings	**0.75**	0.78	0.91
Period end			
For statement of financial position	**0.74**	0.72	0.86

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

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

Management plans and performs an audit of the Corporation's internal controls related to the Canadian Securities Administrators' National Instrument 52-109 "*Certification of Disclosure in Issuer's Annual and Interim Filings"* (NI 52-109).

DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52-109 guidelines. As at December 31, 2016, the President and Chief Executive Officer and the Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at December 31, 2016, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

During the year ended December 31, 2016, no change in the Corporation's internal controls over financial reporting occurred that materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

OUTLOOK

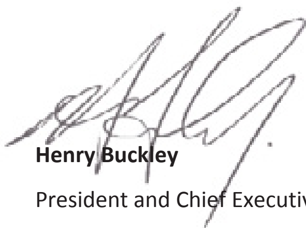
During the year 2016, the Corporation implemented key initiatives to grow its geographical coverage and build density in key markets at FinishMaster (US). In Canada, the focus was to build the foundation for the automotive corporate store group, launch the FINISHMASTER brand and launch the new BUMPER TO BUMPER program and brand to independent customers and corporate stores. In 2017, the mission remains the same. The goal in both businesses is to drive a combination of profitable organic and acquisitive growth. The Corporation demonstrated, in 2016, the potential of its growth strategy plan and is committed to accelerating its progress in 2017.

FinishMaster (US) continues to have the opportunity to expand its geographic coverage and build density in some larger US key markets. It will remain focused on the successful integration of the acquired businesses into the FinishMaster (US) family driving expected synergies and providing better service to more customers. In addition, the segment is committed on accelerating current and implementing new organic growth initiatives.

Automotive products in Canada will keep being focused on executing the current strategies of accelerating profitable growth with both independent jobber customers and corporate stores. In 2016, the segment made progress establishing the corporate store group. Today, this group has a committed corporate store leadership team which is dedicated to driving profitable growth, installing an enhanced sales discipline, standard and optimized operational processes, all supported by systems. In 2017, it anticipates rolling out the new POS system to all corporate stores. In 2016, the group launched the new updated BUMPER TO BUMPER program and brand to independent customers and corporate stores and in 2017, will continue to be committed to accelerating that program to more customers nationally. It aims also carry on adding select businesses to the corporate stores to complement the independent jobber customer network, as well as additional FINISHMASTER locations to build the network across Canada.

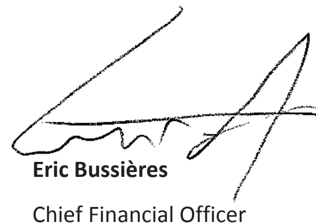
Underlying these growth initiatives, the Corporation will maintain its commitment to delivering exceptional service to customers through a best-in-class customer experience and very high fill rates. Operational teams in both businesses are optimizing processes to deliver on these goals.

The objective is to extend its market share in both current businesses while setting up the Corporation for the future. The Corporation stands by its strategy to look for business opportunities to deliver shareholder value both now and in the long run.



Henry Buckley

President and Chief Executive Officer



Eric Bussières

Chief Financial Officer

Approved by the Board of Directors on February 8, 2017.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

Management's report	50
Independent auditor's report	51
Consolidated statements of earnings	52
Consolidated statements of comprehensive income	53
Consolidated statements of changes in equity	54
Consolidated statements of cash flows	55
Consolidated statements of financial position	56
Notes to consolidated financial statements	57

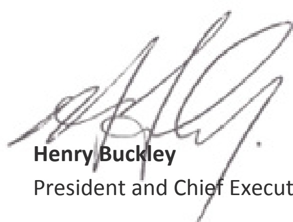
MANAGEMENT'S REPORT

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 International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors on February 8, 2017.

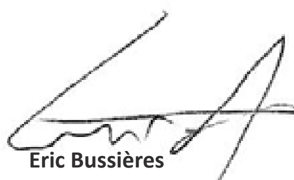
Uni-Select Inc. maintains internal control systems which, according to Management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in this Annual Report, primarily through its Audit Committee. This Committee, which meets periodically with the Corporation's directors, management 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.



Henry Buckley
President and Chief Executive Officer



Eric Bussières
Chief Financial Officer

Boucherville
February 8, 2017

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 statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as Management determines is necessary to enable the preparation of consolidated 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 consolidated 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uni-Select Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

/s/ Raymond Chabot Grant Thornton LLP[1]

Montréal (Canada)
February 8, 2017

[1] CPA auditor, CA public accountancy permit no. A120795

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of US dollars, except per share amounts)	Note	Year ended December 31,	
		2016	2015
Sales		**1,197,319**	1,355,434
Purchases, net of changes in inventories		**830,717**	952,817
Gross margin		**366,602**	402,617
Employee benefits		**175,621**	213,666
Other operating expenses		**84,879**	91,977
Restructuring and other charges	4	**(746)**	5,328
Impairment and transaction charges related to the sale of net assets	5	**-**	144,968
Earnings (loss) before finance costs, depreciation and amortization, equity loss and income taxes		**106,848**	(53,322)
Finance costs, net	6	**4,484**	6,006
Depreciation and amortization	7	**15,962**	13,174
Earnings (loss) before equity loss and income taxes		**86,402**	(72,502)
Equity loss		**-**	(533)
Earnings (loss) before income taxes		**86,402**	(73,035)
Income tax expense (recovery)	8		
Current		**(5,680)**	12,235
Deferred		**33,817**	(45,049)
		28,137	(32,814)
Net earnings (loss)		**58,265**	(40,221)
Earnings (loss) per share	9		
Basic		**1.37**	(0.94)
Diluted		**1.36**	(0.94)
Weighted average number of common shares outstanding (in thousands)	9		
Basic		**42,435**	42,778
Diluted		**42,693**	42,778

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of US dollars)	Note	Year ended December 31,	
		2016	2015
Net earnings (loss)		**58,265**	(40,221)
Other comprehensive income (loss)			
Items that will subsequently be reclassified to net earnings (loss):			
Effective portion of changes in the fair value of cash flow hedges (net of income tax of $29 in 2015)		**-**	(78)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income tax of $167 in 2015)		**-**	452
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency (net of income tax of nil in 2016 ($6,689 in 2015))		**6,229**	(16,247)
Unrealized exchange losses on the translation of debt designated as a hedge of net investments in foreign operations (net of income tax of $6,200 in 2015)		**-**	(13,748)
		6,229	(29,621)
Items that will not subsequently be reclassified to net earnings (loss):			
Remeasurements of long-term employee benefit obligations (net of income tax of $745 ($118 in 2015))	17	**1,940**	(321)
Total other comprehensive income (loss)		**8,169**	(29,942)
Comprehensive income (loss)		**66,434**	(70,163)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to shareholders					
(In thousands of US dollars)	**Note**	Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (loss) (note 22)	**Total equity**
Balance, December 31, 2014		87,238	2,424	1,687	428,497	(6,850)	512,996
Net loss		-	-	-	(40,221)	-	(40,221)
Other comprehensive loss		-	-	-	(321)	(29,621)	(29,942)
Comprehensive loss		-	-	-	(40,542)	(29,621)	(70,163)
Contributions by and distributions to shareholders:							
Repurchase and cancellation of shares	20	(689)	-	-	(7,058)	-	(7,747)
Issuance of shares	20	11,315	-	-	-	-	11,315
Convertible debentures redemption	18	-	-	(1,687)	1,687	-	-
Dividends		-	-	-	(10,587)	-	(10,587)
Stock-based compensation	16	-	1,164	-	-	-	1,164
		10,626	1,164	(1,687)	(15,958)	-	(5,855)
Balance, December 31, 2015		97,864	3,588	-	371,997	(36,471)	436,978
Net earnings		**-**	**-**	**-**	**58,265**	**-**	**58,265**
Other comprehensive income		**-**	**-**	**-**	**1,940**	**6,229**	**8,169**
Comprehensive income		**-**	**-**	**-**	**60,205**	**6,229**	**66,434**
Contributions by and distributions to shareholders:							
Repurchase and cancellation of shares	20	**(2,030)**	**-**	**-**	**(20,013)**	**-**	**(22,043)**
Issuance of shares	20	**1,090**	**-**	**-**	**-**	**-**	**1,090**
Dividends		**-**	**-**	**-**	**(10,769)**	**-**	**(10,769)**
Stock-based compensation	16	**-**	**672**	**-**	**-**	**-**	**672**
		(940)	**672**	**-**	**(30,782)**	**-**	**(31,050)**
Balance, December 31, 2016		**96,924**	**4,260**	**-**	**401,420**	**(30,242)**	**472,362**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars)	Note	Year ended December 31, 2016	2015
OPERATING ACTIVITIES			
Net earnings (loss)		**58,265**	(40,221)
Non-cash items:			
Restructuring and other charges	4	**(746)**	5,328
Impairment and transaction charges related to the sale of net assets	5	**-**	144,968
Finance costs, net	6	**4,484**	6,006
Depreciation and amortization	7	**15,962**	13,174
Income tax expense (recovery)	8	**28,137**	(32,814)
Amortization of incentives granted to customers		**14,722**	12,532
Other non-cash items		**1,704**	4,277
Changes in working capital items	10	**17,720**	(76,308)
Interest paid		**(3,553)**	(5,330)
Income taxes recovery (paid)		**210**	(12,426)
Cash flows from operating activities		**136,905**	19,186
INVESTING ACTIVITIES			
Business acquisitions	11	**(161,839)**	(40,821)
Net cash proceeds from sale of net assets	5	**-**	321,001
Net balance of purchase price		**(2,173)**	(1,114)
Cash held in escrow		**(11,353)**	(3,790)
Advances to merchant members and incentives granted to customers		**(23,757)**	(13,282)
Reimbursement of advances to merchant members		**1,916**	4,141
Dividends received from equity investments		**-**	664
Acquisitions of property and equipment		**(9,755)**	(17,150)
Proceeds from disposal of property and equipment		**662**	304
Acquisitions and development of intangible assets		**(5,250)**	(4,948)
Cash flows from (used in) investing activities		**(211,549)**	245,005
FINANCING ACTIVITIES			
Increase in long-term debt		**138,965**	210,358
Repayment of long-term debt		**(101,730)**	(327,984)
Convertible debenture redemption		**-**	(41,713)
Net increase (decrease) in merchant members' deposits in the guarantee fund		**(379)**	175
Repurchase and cancellation of shares	20	**(22,043)**	(7,747)
Issuance of shares	20	**1,090**	11,315
Dividends paid		**(10,533)**	(10,570)
Cash flows from (used in) financing activities		**5,370**	(166,166)
Effects of fluctuations in exchange rates on cash		**167**	(6,700)
Net increase (decrease) in cash		**(69,107)**	91,325
Cash, beginning of year		**91,432**	107
Cash, end of year		**22,325**	91,432

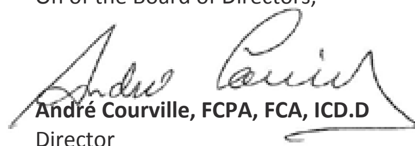
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars)	Note	December 31,	
		2016	2015
ASSETS			
Current assets:			
Cash		**22,325**	91,432
Cash held in escrow		**14,486**	3,790
Trade and other receivables	12	**146,130**	123,612
Income taxes receivable		**16,751**	11,053
Inventory		**330,808**	269,900
Prepaid expenses		**8,076**	12,671
Total current assets		**538,576**	512,458
Investments and advances to merchant members	13	**28,651**	14,082
Property and equipment	14	**41,982**	30,304
Intangible assets	15	**101,158**	65,355
Goodwill	15	**243,807**	157,270
Deferred tax assets	8	**22,743**	55,681
TOTAL ASSETS		**976,917**	835,150
LIABILITIES			
Current liabilities:			
Trade and other payables		**314,550**	267,995
Balance of purchase price, net		**25,303**	6,517
Provision for restructuring and other charges	4	**775**	3,983
Dividends payable		**2,673**	2,485
Current portion of long-term debt and merchant members' deposits in the guarantee fund	18, 19	**3,817**	2,704
Total current liabilities		**347,118**	283,684
Long-term employee benefit obligations	16, 17	**16,802**	18,033
Long-term debt	18	**130,572**	87,722
Merchant members' deposits in the guarantee fund	19	**5,319**	5,531
Derivative financial instruments	16, 21	**359**	-
Deferred tax liabilities	8	**4,385**	3,202
TOTAL LIABILITIES		**504,555**	398,172
EQUITY			
Share capital	20	**96,924**	97,864
Contributed surplus		**4,260**	3,588
Retained earnings		**401,420**	371,997
Accumulated other comprehensive loss	22	**(30,242)**	(36,471)
TOTAL EQUITY		**472,362**	436,978
TOTAL LIABILITIES AND EQUITY		**976,917**	835,150

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

On of the Board of Directors,



André Courville, FCPA, FCA, ICD.D
Director

Michelle Ann Cormier, CPA, CA, ASC
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

Uni-Select Inc. ("Uni-Select") is a corporation domiciled in Canada and duly incorporated and governed by the Business Corporations Act (Québec). Uni-Select is the parent company of a group of entities, which includes Uni-Select and its subsidiaries (collectively, the "Corporation"). The Corporation is a major distributor of automotive products and paint and related products for motor vehicles. The Corporation's registered office is located at 170 Industriel Blvd., Boucherville, Québec, Canada.

These consolidated financial statements present the operations and financial position of the Corporation and all of its subsidiaries as well as the Corporation's interests in jointly controlled entities, if any.

The Corporation's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol UNS.

2 - BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Corporation has consistently applied the same accounting policies for all the periods presented.

The Board of Directors approved and authorized for issuance these consolidated financial statements on February 8, 2017.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value, provisions, which are measured based on the best estimates of the expenditures required to settle the obligation and the post-employment benefit obligations, which are measured at the present value of the defined-benefit obligation and reduced by the net value of plan assets.

Functional and presentation currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Corporation's functional currencies are the Canadian dollar for entities located in Canada, and the US dollar for entities located in the United States. These consolidated financial statements are presented in US dollars, which is the Corporation's presentation currency.

Use of accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires Management to apply judgment and to make estimates and assumptions that affect the amounts recognized in the consolidated financial statements and notes to the financial statements. Judgment is commonly used in determining whether a balance or transaction should be recognized in the financial statements and, estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Information about the Corporation's accounting policies is provided in note 3 to the consolidated financial statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

(i) Estimates

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their estimated fair values. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. See note 11 for details on the business combinations completed in the last two years.

Sales recognition: Estimates are used in determining the amounts to be recorded for rights of return, guarantees, and trade and volume discounts. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age, and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and costs, product demand, and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates, and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

2 - BASIS OF PRESENTATION (CONTINUED)

Allowance for surplus or obsolete inventory: 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 statements of financial position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives of property and equipment, and intangible assets with finite useful lives. Refer to note 3 for further details.

Impairments of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variances between the estimated amounts and actual results may have a significant impact on the assets recorded in the consolidated statements of financial position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2016 and 2015, with the exception of the impairment losses recorded in 2015 in connection with the sale of the net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. described in note 5, no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. Refer to notes 4, 5 and 15 for further details.

Deferred taxes: The Corporation estimates its deferred income tax assets and liabilities based on 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 temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of the defined benefit obligations are based on inflation rates, discount rates, and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations. Variation in these assumptions may significantly impact the Corporation's defined benefit obligations. Refer to note 17 for details on the assumptions and estimates used for the years ended December 31, 2016 and 2015.

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship, if any. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions: The Corporation makes estimates of projected costs and timelines, and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. Refer to note 3 for further details.

(ii) Judgments

Leases: The Corporation uses judgment in determining the classification of its leased assets at inception of the lease. Refer to note 3 for further details.

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by Management are used in the impairment tests.

Hedge accounting: At the inception of a hedging relationship, if any, the Corporation uses judgment in determining the probability that a forecasted transaction will occur.

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used to prepare these consolidated financial statements are as follow:

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date that control begins until the date that control ceases. Transactions with subsidiaries are eliminated on a consolidation basis. The Corporation's principal subsidiaries owned at 100% as at December 31, 2016 are as follows:

370071 Alberta Ltd.
FinishMaster, Inc.
FinishMaster Services, Inc.
Uni-Sélect Eastern Inc.
Uni-Select Luxembourg S.à r.l.
Uni-Select Pacific Inc.
Uni-Select Prairies Inc.
Uni-Select Purchases, G.P.
Uni-Sélect Québec Inc.
Uni-Select USA Holdings, Inc.

(ii) Equity investments (joint ventures)

Joint ventures are entities over which the Corporation exercises joint control, whereby the parties have rights to the net assets of the arrangement. Strategic financial and operating decisions about the relevant activities of the joint arrangement require unanimous consent of the parties. Joint ventures, if any, are accounted for using the equity method.

Business combinations

The Corporation applies the acquisition method in accounting for business acquisitions. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values, at the acquisition date, of the assets transferred, liabilities incurred and equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date estimated fair values.

Goodwill is measured at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets acquired and liabilities assumed. When the net result is negative, a bargain purchase gain is recognized immediately in net earnings.

Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are initially recorded in the functional currency of the related entity (note 2) using the exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated using closing exchange rates. Any exchange rate differences are recognized in net earnings except for those relating to qualifying cash flow hedges, which are deferred under other comprehensive income ("OCI") in equity.

(ii) Foreign operations

Assets and liabilities of foreign operations whose functional currency is other than the presentation currency (note 2) are translated into US dollars using closing exchange rates. Revenues and expenses are translated using average exchange rates for the period. Foreign currency translation differences are recognized and presented under OCI in equity. The exchange rates used in the preparation of the consolidated financial statements were as follows:

	Year ended December 31,	
	2016	2015
Exchange rate as at year-end	**US$0.74 for C$1**	US$0.72 for C$1
Average exchange rate for the year	**US$0.75 for C$1**	US$0.78 for C$1

Sales recognition

The Corporation recognizes sales upon shipment of goods at the fair value of the consideration received or receivable, net of right of return provisions and guarantees and other trade and volume discounts, when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the goods, recovery of the consideration is probable and the amount of revenue can be measured reliably. The Corporation offers its customers a right of return on the 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.

Inventory

Inventory consists of finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Incentives granted to customers

The Corporation provides cash, inventory and equipment incentives to certain customers as consideration for multi-year purchase commitments ("contracts"). These incentives are recorded at cost and are amortized, contract by contract, as a reduction of sales, on a straight-line basis over the lesser of the contract term or 48 months, corresponding to the average duration of the contracts. In the event that a customer breaches the commitment, the remaining unamortized book value of the incentive, net of liquidated damages to be received, is immediately recorded as other expenses in net earnings.

Property and equipment

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

	Methods	Periods / Rate
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	30 to 40 years / 5%
Furniture and equipment	Straight-line and diminishing balance	7 to 10 years / 20%
Computer equipment and system software	Straight-line and diminishing balance	3 to 5 years / 30%
Automotive equipment	Straight-line and diminishing balance	5 years / 30%
Leasehold improvements	Straight-line	Lease term
Vehicles under finance leases	Straight-line and diminishing balance	Lease term / 30%

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

Intangible assets

For internally-generated intangible assets, the Corporation records the costs directly attributable to the acquisition and development of an enterprise resource planning software ("ERP") and the corresponding borrowing costs. In order to accurately reflect the pattern of consumption of the expected benefits, the Corporation amortizes its software and related costs on a straight-line basis over a 10-year period. The amortization period begins when the asset is available for its intended use and ceases when the asset is classified as held for sale or is derecognized.

Trademarks, which were all acquired as a result of business acquisitions, are determined as having indefinite useful lives based on the prospects for long-term profitability and the overall positioning of the trademarks on the market in terms of notoriety and sales volume. They are measured at cost less accumulated impairment losses and are not amortized.

Other intangible assets, including those acquired as a result of business acquisitions, are measured at cost less accumulated amortization and accumulated impairment losses, and are amortized over their estimated useful lives according to the following methods and periods:

	Methods	Periods
Customer relationships and others	Straight-line	4 to 20 years
Software	Straight-line and diminishing balance	3 to 10 years / 30%

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

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is measured at cost less accumulated impairment losses and is not amortized.

Borrowing costs

Borrowing costs directly attributable to the development of the ERP software (i.e. qualifying asset), if any, are capitalized as part of the cost of that intangible asset until it is substantially ready for its intended use. Otherwise, borrowing costs are recognized in net earnings using the effective interest method.

Impairment of assets

Property and equipment and intangible assets with finite lives are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related CGU may not be recoverable. If any such indication exists, then the assets' or CGU's recoverable amount is estimated. Intangible assets with indefinite lives, specifically the goodwill and trademarks, are tested for impairment annually or more frequently if events or circumstances indicate that they are impaired.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the groups of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by Management.

Impairment losses are recognized in net earnings. Impairment losses recognized with respect to a CGU are allocated first to reduce the carrying amount of any goodwill, and then to reduce the carrying amounts of the other assets of a CGU on a pro-rata basis.

An impairment loss with respect to goodwill, if any, cannot be reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss with respect to other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss with respect to other assets is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, assets acquired under finance leases are recorded in "Property and equipment" at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a finance lease obligation within "Long-term debt". In subsequent periods, the asset is depreciated over the estimated useful life and interest on the obligation is recorded in "Finance costs, net" in the consolidated statements of earnings.

Other leases are classified as operating leases and the leased assets are not recognized in the Corporation's consolidated statements of financial position. Payments made under operating leases are recognized in net earnings on a straight-line basis over the term of the lease.

Income taxes

Income tax expense comprises current and deferred tax. Current taxes and deferred taxes are recognized in net earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred tax assets and liabilities for financial reporting purposes 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 reporting date for the years in which the temporary differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. Deferred tax liabilities are generally recognised in full, although IAS 12, "Income taxes" specifies limited exemptions. However, deferred taxes are not recognized on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred taxes on temporary differences associated with investments in subsidiaries and joint ventures are not recognized if the reversal of these temporary differences can be controlled by the Corporation and it is improbable that reversal will occur in the foreseeable future. Deferred taxes on temporary differences associated with investments in subsidiaries and joint ventures, if any, are reassessed at each reporting date and are recognized to the extent that it has become probable that reversal will occur in the foreseeable future.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. The Corporation's main provisions are related to restructuring charges, including site decommissioning costs, employee termination benefits and onerous lease obligations.

Restructuring charges are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create an obligation. Restructuring charges include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation's obligations. Subsequent changes in the estimate of the obligation are recognized in the Corporation's consolidated statements of earnings.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

Stock-based compensation

Equity-settled common share stock option plan

The compensation expense is measured as the fair value at the grant date using the trinomial option pricing model, and is recognized over the vesting period, with a corresponding increase to contributed surplus within equity. Forfeitures and cancellations are estimated at the grant date, and subsequently reviewed at each reporting date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that are expected to meet the related service conditions at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

Cash-settled stock-based compensation plans

The Corporation has two cash-settled stock-based compensation plans composed of a Deferred Share Unit Plan ("DSU Plan") and a Performance Share Unit Plan ("PSU Plan"). Under these plans, the fair value of the liability is measured as the number of units expected to vest multiplied by the fair value of one unit, which is based on the market price of the Corporation's common shares. The compensation expense and corresponding liability are recognized over the vesting period, if any, and are revalued at each reporting date until settlement, with any changes in the fair value of the liability recognized in net earnings.

The Corporation has entered into equity swap agreements in order to manage common shares market price risk relating to the DSUs and PSUs.

Post-employment benefit obligations

Defined-contribution plans

Contributions to the plans are recognized as an expense in the period that employee services are rendered.

Defined benefit plans

The Corporation has adopted the following policies for defined benefit plans:

- The Corporation's net obligation with respect to defined benefit pension plans is calculated by estimating the value of future benefits that employees have earned in return for their service in the current and prior periods less the fair value of any plan assets;
- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method. The calculations reflect Management's best estimates of salary increases, retirement ages and mortality rates of members and discount rate;
- When the benefits of a plan are improved, the benefit relating to past service by employees is recognized immediately in net earnings;
- Remeasurements comprising of actuarial gains and losses, the effect of the limit of the asset, the effect of minimum funding requirements and the return on plan assets in excess of interest income are recognized immediately in OCI and retained earnings.

The current and past service costs related to the defined benefit pension plans are recorded within "Employee benefits". The net interest income or expense on the net asset or obligation is recorded within "Finance costs, net".

Financial instruments

Non derivative financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets and liabilities are initially measured at fair value plus transaction costs and their subsequent measurement depends on their classification. 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:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Cash, cash held in escrow, trade receivables and advances to merchant members are classified as loans and receivables. After initial recognition, these are measured at amortized cost using the effective interest method, less any impairment.
- Trade and other payables, balance of purchase price, dividends payable, long-term debt (except finance leases), and merchant members' deposits in the guarantee fund are classified as liabilities measured at amortized cost. Subsequent valuations are recorded at amortized cost using the effective interest method.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

All financial assets except for those measured at fair value through net earnings are subject to review for impairment at least at each reporting date. A financial asset is impaired if objective evidence indicates that an event has occurred after the initial recognition of the asset having a negative effect on the estimated future cash flows of that asset that can be reliably estimated. An impairment loss with respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Derivative financial instruments and hedge accounting

The Corporation uses derivative financial instruments to manage interest rate risk, foreign exchange risk and common share market price risk. The Corporation does not use financial instruments for trading or speculative purposes. Some of the derivative financial instruments are designated as hedging instruments.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. At the inception of the hedge relationship and on an ongoing basis, the Corporation assesses if the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated.

Cash flow hedges

Derivatives (interest rate swap agreements), if any, are used to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as a hedging instrument for a hedge of changes in cash flows attributable to a particular risk associated with a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges in equity. The amount recognized in OCI is removed and included in net earnings in the same period as the hedged cash flows affect net earnings, under the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. The Corporation considers that its derivative financial instruments are effective as hedges, both at inception and over the term 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.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in OCI and presented in accumulated changes in the fair value of derivative financial instrument designated as cash flow hedges remains in equity until the forecasted interest expense affects net earnings. If the forecasted interest expense is no longer expected to occur, then the balance in OCI is recognized immediately in net earnings. In other cases, the amount recognized in OCI is transferred to net earnings in the same period that the hedged item affects net earnings.

Hedge of net investments in foreign operations

The Corporation applies hedge accounting to foreign currency translation differences arising between the functional currency of the foreign operation and the parent entity's functional currency. Foreign currency differences arising on the translation of the debt designated as a hedge of net investments in foreign operations are recognized in OCI to the extent that the hedge is effective, and are presented within equity in the cumulative translation account balance. To the extent that the hedge is ineffective, such differences are recognized in net earnings. When the hedged portion of a net investment is reduced, the relevant amount in the cumulative translation account is transferred to net earnings as part of the profit or loss on partial or on complete disposal. The Corporation elects to exclude from a partial disposal of a foreign operation the repayments of loans forming part of the net investment in a foreign operation.

Foreign exchange gains or losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance is considered to form part of the net investment in the foreign operation, are recognized in OCI in the cumulative amount of foreign currency translation differences.

Hedge of foreign exchange risk

Forward contracts are used in order to manage foreign exchange risk. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value variances are recognized in the consolidated statements of earnings, and are presented under "Other operating expenses" with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position.

Pursuant to the agreement, the Corporation generates offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted foreign currency transactions. The net effect of the forward contracts partly offset fluctuations in currency rates impacting the foreign exchange gains/losses mainly resulting from purchases in currencies other than the respective functional currencies of the Corporation.

Hedge of share-based payments cost

Equity swap agreements are used in order to manage common shares market price risk. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value variances are recognized in the consolidated statements of earnings, and are presented under "Employee benefits" with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position.

Pursuant to the agreement, the Corporation receives the economic benefit of dividends and share price appreciation while providing payments to the financial institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Corporation's share price impacting the cost of the DSU and the PSU plans.

Accumulated other comprehensive income

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of Canadian operations to the Corporation's presentation currency, as well as from the translation of debt designated as a hedge of the Corporation's net investment in a foreign operation, if any.

Accumulated changes in the fair value of derivative financial instrument designated as cash flow hedge

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, if any, related to hedged transactions that have not yet been settled.

Future accounting changes

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been adopted earlier by the Corporation.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated financial statements.

Effective date – January 1, 2018 with earlier adoption permitted

Revenues from contracts with customers

In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") jointly issued IFRS 15 "Revenues from contracts with customers", a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB's current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers. The impact of this new standard is currently being assessed and the Corporation does not expect to have significant impact on the consolidated financial statements upon its adoption.

Financial instruments

In July 2014, the IASB issued a complete and final version of IFRS 9 "Financial Instruments", replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model. The impact of this new standard is currently being assessed and the Corporation does not expect to have significant impact on the consolidated financial statements upon its adoption.

Effective date – January 1, 2019 with earlier adoption permitted in certain circumstances

Leases

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

4 - RESTRUCTURING AND OTHER CHARGES

The Corporation's Board of Directors approved, in 2013, an internal strategic and operational plan (the "Action Plan"), which complemented the distribution network consolidation plan announced in 2012. The Action Plan included the closure and rightsizing of certain stores and warehouses, as well as the addition of two new facilities, among other initiatives. The plan ceased in June 2015, when the Corporation concluded the sale of substantially all the assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. announced in February 2015.

In 2015, following the announcement of the agreement for the sale of these assets and in order to rightsize its corporate operations, the Corporation recognized restructuring and other charges consisting of severance charges of $4,918 and onerous contract charges of $2,876. The Corporation also recognized $440 to relocate certain locations for a total of restructuring and other charges of $8,234.

As at December 31, 2016 and 2015, the variances in the provision for restructuring and other charges are detailed as follows:

	Year ended December 31,	
	2016	2015
Balance, beginning of year	**3,983**	6,724
Restructuring and other charges recognized during the year	**-**	8,234
Provision used during the year	**(2,567)**	(5,791)
Change in estimate [1]	**(746)**	(2,906)
Sale of net assets	**-**	(1,902)
Effects of fluctuations in exchange rates	**105**	(376)
Balance, end of year	**775**	3,983

[1] In December 2016, the Corporation reviewed its remaining provisions and reflected a reduction of the restructuring and other charges in the consolidated statements of earnings of $746 for onerous contracts following the recent negotiations with its information technology suppliers.
In June 2015, the Corporation reviewed its remaining provisions and reflected the following changes of estimates: a decrease of $1,056 for building decommissioning and a decrease of $1,850 for future rent obligations, resulting in a reduction of the restructuring and other charges in the consolidated statements of earnings of $2,906.

5 - SALE OF NET ASSETS

In 2015, following the announcement of the agreement for the sale of substantially all the assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. concluded in June 2015, the Corporation recognized impairment and transaction charges of $144,968. The charges included write-off of assets (mainly software and customer relationships) for an amount of $65,398 and an impairment of a portion of the goodwill for an amount of $57,715. The Corporation has also recorded transaction-related costs of $21,855.

As of December 31, 2015, net cash proceeds amounted to $321,001, which was reflecting the Corporation's obligation to reimburse a balance of sale price of $469, subsequently paid in January 2016.

6 - FINANCE COSTS, NET

	Year ended December 31,	
	2016	2015
Interest on long-term debt	**3,652**	3,763
Interest and accreted interest on convertible debentures [1]	**-**	252
Amortization of financing costs	**465**	577
Net interest expense on the long-term employee benefit obligations	**498**	815
Interest on merchant members' deposits in the guarantee fund and others	**102**	106
Reclassification of realized losses on derivative financial instruments designated as cash flow hedges to net earnings, and cancellation of swap	**-**	971
Total finance costs	**4,717**	6,484
Interest income from merchant members and others	**(233)**	(478)
Total finance costs, net	**4,484**	6,006

(1) Refer to note 18 for further details.

7 - DEPRECIATION AND AMORTIZATION

	Year ended December 31,	
	2016	2015
Depreciation of property and equipment	**7,113**	6,493
Amortization of intangible assets	**8,849**	6,681
Total depreciation and amortization	**15,962**	13,174

8 - INCOME TAXES

Income tax expense (recovery)

	Year ended December 31,	
	2016	2015
Current tax expense (recovery)	**(5,680)**	12,235
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**33,817**	(45,049)
Total income tax expense (recovery)	**28,137**	(32,814)

Reconciliation of the income tax expense (recovery)

The following table presents a reconciliation of income taxes at the combined Canadian statutory income tax rates applicable in the jurisdictions in which the Corporation operates to the amount of reported income taxes in the consolidated statements of earnings:

	Year ended December 31,	
	2016	2015
Income taxes at the Corporation's statutory tax rate – 26.90% (26.90% in 2015)	**23,242**	(19,586)
Effect of tax rates in foreign jurisdictions	**5,932**	(10,899)
Tax benefit from a financing structure	**(4,019)**	(5,739)
Gain on foreign exchange	**384**	5,059
Non-deductible expenses and others	**2,598**	(1,649)
Income tax expense (recovery) reported in the consolidated statements of earnings	**28,137**	(32,814)

Recognized deferred tax assets and liabilities

						December 31, 2016
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Recognized as part of business combinations (note 11)	Effects of fluctuations in exchange rates	**Closing balance**
Non-capital loss (gain) carryforwards	48,163	(29,339)	-	-	485	**19,309**
Taxable income during the coming year	1,195	(1,255)	-	-	60	**-**
Provisions and accrued charges, deductible in future years	23,173	(14,180)	-	-	147	**9,140**
Property and equipment	(2,512)	786	-	-	(94)	**(1,820)**
Long-term employee benefit obligations	2,837	161	(745)	-	77	**2,330**
Financing costs	(273)	26	-	-	(11)	**(258)**
Provision for performance incentives	1,882	(111)	-	-	63	**1,834**
Intangible assets and goodwill	(15,253)	6,067	-	-	(865)	**(10,051)**
Capital loss (gain) on foreign exchange	(5,309)	1,231	-	-	624	**(3,454)**
Others	(1,424)	2,797	-	-	(45)	**1,328**
Income tax assets	52,479	(33,817)	(745)	-	441	**18,358**

						December 31, 2015
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Recognized as part of business combinations (note 11)	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss (gain) carryforwards	20,454	29,384	-	204	(1,879)	48,163
Taxable income during the coming year	325	1,004	-	-	(134)	1,195
Provisions and accrued charges, deductible in future years	28,910	(5,623)	-	-	(114)	23,173
Property and equipment	(19,013)	15,954	-	-	547	(2,512)
Long-term employee benefit obligations	5,832	(2,379)	(118)	-	(498)	2,837
Financing costs	41	(338)	-	-	24	(273)
Cash flow hedges	138	-	(138)	-	-	-
Provision for performance incentives	893	1,225	-	-	(236)	1,882
Intangible assets and goodwill	(22,816)	8,235	-	(919)	247	(15,253)
Capital loss (gain) on foreign exchange	-	(4,196)	(1,534)	-	421	(5,309)
Others	(2,827)	1,783	-	-	(380)	(1,424)
Income tax assets	11,937	45,049	(1,790)	(715)	(2,002)	52,479

Consolidated statements of financial position presentation

		December 31,
	2016	2015
Deferred tax assets	**22,743**	55,681
Deferred tax liabilities	**4,385**	3,202
	18,358	52,479

9 - EARNINGS (LOSS) PER SHARE

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

	Note	Year ended December 31,	
		2016	2015
Net earnings (loss) attributable to shareholders considered for basic and diluted earnings (loss) per share		**58,265**	(40,221)
Weighted average number of common shares outstanding for basic earnings (loss) per share	20	**42,434,956**	42,777,589
Impact of the stock options [1]		**258,138**	-
Weighted average number of common shares outstanding for diluted earnings (loss) per share		**42,693,094**	42,777,589
Earnings (loss) per share basic		**1.37**	(0.94)
Earnings (loss) per share diluted		**1.36**	(0.94)

[1] For the year ended December 31, 2016, 126,960 weighted average common shares issuable on the exercise of stock options were excluded from the calculation of diluted earnings per share as the exercise price of the options was higher than the average market price of the shares (347,672 in 2015 were excluded from the calculation of diluted loss per share as their inclusion would have had an anti-dilutive effect).

10 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital are detailed as follows:

	Year ended December 31,	
	2016	2015
Trade and other receivables	**(1,658)**	4,587
Inventory	**(23,889)**	(47,623)
Prepaid expenses	**4,954**	(6,397)
Trade and other payables	**40,880**	(21,084)
Provision for restructuring charges	**(2,567)**	(5,791)
Total changes in working capital	**17,720**	(76,308)

11 - BUSINESS COMBINATIONS

During the year ended December 31, 2016, the Corporation acquired assets and liabilities of 7 companies operating in the United States (8 companies in 2015), 6 companies operating in Canada (5 companies in 2015) and acquired the shares of 1 company operating in Canada. In 2015, the Corporation also purchased the remaining interests in 3 joint ventures operating in Canada.

Total cost of these acquisitions of $183,342 ($55,939 in 2015), net of the cash of the acquired businesses amounting to $12 ($1,730 in 2015) was preliminarily allocated to the acquired assets and liabilities based on their fair value.

The aggregate fair value amounts recognized for each class of the acquirees' assets and liabilities at the acquisition dates were as follows:

			December 31,	
			2016	2015
	Paint and Related Products	Automotive Products	**Total**	Total
Trade and other receivables	13,191	2,912	**16,103**	8,974
Inventory	26,020	6,151	**32,171**	17,012
Property and equipment	3,074	874	**3,948**	3,356
Intangible assets	29,670	-	**29,670**	4,050
Goodwill [(1)]	86,616	7,849	**94,465**	29,181
Other non-current assets	9,484	550	**10,034**	1,969
Trade and other payables	(1,270)	(1,779)	**(3,049)**	(7,888)
Deferred tax liabilities	-	-	**-**	(715)
Total cost	166,785	16,557	**183,342**	55,939
Balance of purchase price [(2)]	(18,333)	(3,170)	**(21,503)**	(6,851)
Fair value of non-controlling equity interest in the acquirees that were held immediately before obtaining control [(3)]	-	-	**-**	(8,267)
Net disbursement	148,452	13,387	**161,839**	40,821

(1) For tax purposes, goodwill is expected to be deductible.

(2) As at December 31, 2016, $11,331 of this balance of purchase price is held in escrow ($3,790 as at December 31, 2015).

(3) The purchase of the Corporation's interest in 3 joint ventures generated net gains totaling $3,301 recognized in "Other operating expenses" for the year ended December 31, 2015.

Those companies were acquired in the normal course of business, and the Corporation incurred $903 ($517 in 2015) of acquisition costs. Since their respective acquisition date, the acquisitions have contributed a total of $121,038 and $6,732 to sales and net earnings respectively ($33,049 and $2,017 in 2015).

As at December 31, 2016, the Corporation finalized the purchase price allocation of all companies acquired in 2015, which resulted in a reclassification of $9,371 between goodwill and intangible assets and $125 between other current assets and goodwill (refer to note 15 for further details).

12 - TRADE AND OTHER RECEIVABLES

	December 31,	
	2016	2015
Trade receivables	**132,107**	112,012
Current portion of investments and advances to merchant members (note 13)	**14,023**	11,600
Total trade and other receivables	**146,130**	123,612

13 - INVESTMENTS AND ADVANCES TO MERCHANT MEMBERS

	December 31,	
	2016	2015
Incentives granted to customers	**40,401**	22,896
Shares of companies	**375**	604
Advances to merchant members [(1)]	**1,898**	2,182
Total investments and advances to merchant members	**42,674**	25,682
Current portion of investments and advances to merchant members	**14,023**	11,600
Non-current portion of investments and advances to merchant members	**28,651**	14,082

(1) Interest rates varying between 0% and 5.7%, receivable in monthly instalments, maturing on various dates until 2021.

14 - PROPERTY AND EQUIPMENT

	Land and paving	Buildings	Furniture and equipment	Computer equipment and system software	Automotive equipment	Leasehold improvements	**Total**
Balance, January 1, 2015	2,752	7,505	13,600	5,507	17,446	5,114	51,924
Additions	37	517	4,470	6,536	4,962	1,183	17,705
Acquisitions through business combinations (note 11)	531	1,348	751	91	416	219	3,356
Write-offs (note 5)	-	(23)	(598)	(716)	(1,239)	(211)	(2,787)
Disposals	(90)	(438)	(11,270)	(5,621)	(9,638)	(3,815)	(30,872)
Depreciation	(54)	(433)	(1,034)	(1,579)	(2,951)	(442)	(6,493)
Effects of fluctuations in exchange rates	(408)	(740)	(753)	(399)	(130)	(99)	(2,529)
Balance, December 31, 2015	2,768	7,736	5,166	3,819	8,866	1,949	30,304
Cost	3,038	15,361	21,853	19,478	20,186	10,921	90,837
Accumulated depreciation	(270)	(7,625)	(16,687)	(15,659)	(11,320)	(8,972)	(60,533)
Net book value, end of year 2015	2,768	7,736	5,166	3,819	8,866	1,949	30,304
Additions	60	387	2,083	4,296	5,140	3,140	15,106
Acquisitions through business combinations (note 11)	-	2	1,828	42	2,076	-	3,948
Disposals	(79)	(235)	(31)	-	(368)	(2)	(715)
Depreciation	(54)	(458)	(1,161)	(1,603)	(3,264)	(573)	(7,113)
Effects of fluctuations in exchange rates	80	157	130	49	25	11	452
Balance, December 31, 2016	2,775	7,589	8,015	6,603	12,475	4,525	41,982
Cost	3,105	15,694	26,222	24,084	25,725	14,116	108,946
Accumulated depreciation	(330)	(8,105)	(18,207)	(17,481)	(13,250)	(9,591)	(66,964)
Net book value, end of year 2016	**2,775**	**7,589**	**8,015**	**6,603**	**12,475**	**4,525**	**41,982**

The carrying values of leased assets, which are presented under "Automotive equipment", were $9,672 as at December 31, 2016 ($7,843 as at December 31, 2015).

15 - INTANGIBLE ASSETS AND GOODWILL

	Intangible assets				Goodwill
	Trademarks	Customer relationships and others	Software [2]	**Total**	
Balance, January 1, 2015	8,650	52,548	72,358	133,556	192,496
Additions	-	478	3,140	3,618	-
Acquisitions through business combinations (note 11)	-	4,050	-	4,050	29,181
Write-offs and impairment (note 5)	(750)	(6,145)	(55,716)	(62,611)	(57,715)
Disposals	-	-	(3,907)	(3,907)	-
Amortization	-	(3,659)	(3,022)	(6,681)	-
Effect of fluctuations in exchange rates	-	(488)	(2,182)	(2,670)	(6,692)
Balance, December 31, 2015	7,900	46,784	10,671	65,355	157,270
Cost	7,900	77,386	23,108	108,394	157,270
Accumulated amortization [1]	-	(30,602)	(12,437)	(43,039)	-
Net book value, end of year 2015	7,900	46,784	10,671	65,355	157,270
Additions	-	1,201	3,950	5,151	-
Acquisitions through business combinations (note 11)	-	29,670	-	29,670	94,465
Adjustments following the business combinations final purchase price allocation (note 11)	-	9,371	-	9,371	(9,246)
Amortization	-	(6,404)	(2,445)	(8,849)	-
Effect of fluctuations in exchange rates	-	110	350	460	1,318
Balance, December 31, 2016	7,900	80,732	12,526	101,158	243,807
Cost	7,900	117,754	27,799	153,453	243,807
Accumulated amortization [1]	-	(37,022)	(15,273)	(52,295)	-
Net book value, end of year 2016	**7,900**	**80,732**	**12,526**	**101,158**	**243,807**

[1] The weighted average amortization period of the intangible assets with useful lives is 5 years for software and 12 years for customer relationships and others.

[2] As at December 31, 2016, software includes the capitalized portion of costs and the accumulated amortization, amounting to $10,520 and $5,050 respectively ($10,171 and $3,880 at December 31, 2015), related to the acquisition and internal development of an ERP.

Impairment testing for cash-generating units containing goodwill and intangible assets with indefinite useful lives (trademarks)

For the purpose of impairment testing, goodwill and trademarks are allocated to the Corporation’s two CGUs, Canada and United States, which represent the lowest level within the Corporation at which the goodwill and trademarks are monitored for internal management purposes. The recoverable amounts of the Corporation’s CGUs were based on their value in use and were determined with the assistance of independent valuation consultants. The carrying amounts of the units were determined to be lower than their recoverable amounts, and no impairment loss was recognized.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use in 2016 was determined similarly as in 2015. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on experience, actual operating results and the five-year business plan in both 2016 and 2015. Cash flows for a further five-year period were extrapolated using constant growth rates of 2.0% (2.0% in 2015) for both the Canadian operations and the US operations, which do not exceed the long-term average growth rates for the industry.
- Pre-tax discount rates of 11.8% (11.6% in 2015) for the Canadian operations and 13.6% (13.4% in 2015) for the US operations were applied in determining the recoverable amount of the units. The discount rates were estimated based on experience and the industry’s weighted average cost of capital, which was based on a possible range of debt leveraging of 15% at market interest rates of 3.5% (4.1% in 2015) for the Canadian operations and 2.8% (3.4% in 2015) for the US operations.

The key assumptions reflect Management’s assessment of future trends in the automotive aftermarket and are based on both external and internal sources. The sensitivity analysis indicated that no reasonable possible changes in the assumptions would cause the carrying amount of each CGU to exceed its recoverable amount.

16 - STOCK-BASED COMPENSATION

The Corporation's stock-based compensation plans include an equity-settled common share stock option plan, and cash-settled plans consisting of a deferred share unit plan and a performance share unit plan.

During the second quarter of 2016, the Corporation carried out a 2-for-1 stock split of its common shares. To reflect the effect of the stock split, information pertaining to stock-based compensation has been retroactively restated, such as DSUs, PSUs and options.

During the third quarter of 2016 and in the normal course of business, the Corporation entered into equity swap agreements (note 21).

Common share stock option plan for management employees and officers

The Corporation has a common share stock option plan for management employees and officers (the "stock option plan") where a total of 3,400,000 shares have been reserved for issuance. Under the plan, the options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted vest over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years.

For the year ended December 31, 2016, 126,960 options were granted to management employees and officers of the Corporation (514,678 for 2015), with an average exercise price of C$33.94 (C$15.32 in 2015). During the year, 105,810 options were exercised (1,066,430 for 2015), no options were forfeited (104,342 for 2015) and no options expired (same for 2015).

As at December 31, 2016, options granted for the issuance of 392,778 common shares (371,628 as at December 31, 2015) were outstanding under the Corporation's stock option plan, and 1,811,034 common shares (1,937,994 as at December 31, 2015) were reserved for additional options under the stock option plan.

A summary of the Corporation's stock option plan for the years ended December 31, 2016 and 2015 is presented as follows:

	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		C$		C$
Outstanding, beginning of year	**371,628**	**14.46**	1,027,722	13.06
Granted	**126,960**	**33.94**	514,678	15.32
Exercised	**(105,810)**	**13.34**	(1,066,430)	13.51
Forfeited	**-**	**-**	(104,342)	14.65
Outstanding, end of year	**392,778**	**21.06**	371,628	14.46
Exercisable, end of year	**127,829**	**19.41**	26,874	15.32

The range of exercise prices, the weighted average exercise prices and the weighted average remaining contractual life of the Corporation's options are as follows:

	December 31, 2016				
	Options outstanding			**Options exercisable**	
Exercisable price	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
C$			**C$**		**C$**
11.45	**14,886**	**3.01**	**11.45**	**14,886**	**11.45**
14.38	**55,500**	**4.01**	**14.38**	**11,190**	**14.38**
15.32	**195,432**	**5.01**	**15.32**	**70,013**	**15.32**
33.94	**126,960**	**6.01**	**33.94**	**31,740**	**33.94**
	392,778	**5.11**	**21.06**	**127,829**	**19.41**

					December 31, 2015
	Options outstanding			Options exercisable	
Exercisable price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
C$			C$		C$
11.45	61,056	4.01	11.45	-	-
14.38	88,624	5.01	14.38	-	-
15.32	221,948	6.01	15.32	26,874	15.32
	371,628	5.44	14.46	26,874	15.32

For the year ended December 31, 2016, compensation expense of $672 ($1,164 for 2015) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

The fair value of the stock options granted on January 4, 2016 was determined using the Trinomial option pricing model. The assumptions used in the calculation of their fair value were as follows:

		2016	2015
Grant date fair value	C$	**33.94**	15.32
Dividend yield	%	**0.94**	1.98
Expected volatility	%	**24.69**	26.24
Forfeiture rate	%	**6.67**	6.67
Risk-free interest rate	%	**1.02**	1.42
Expected life	years	**6.99**	6.99
Exercise price	C$	**33.94**	15.32
Share price	C$	**33.94**	15.32

The expected volatility is estimated for each award tranche, taking into account the average historical volatility of the share price over the expected term of the options granted.

Deferred share unit plan

For the year ended December 31, 2016, the Corporation granted 45,149 DSUs (60,204 DSUs for 2015) and redeemed 84,323 DSUs (49,764 for 2015). Compensation expense of $670 ($3,057 in 2015) was recorded during the year, and 142,256 DSUs were outstanding as at December 31, 2016 (181,430 as at December 31, 2015) for which the compensation liability was $3,141 ($4,476 as at December 31, 2015). The fair value of the equity swap agreement as at December 31, 2016 is a liability of $182.

Performance share unit plan

For the year ended December 31, 2016, the Corporation granted 76,282 PSUs (223,230 PSUs for 2015) and redeemed 98,684 PSUs (329,660 for 2015). Compensation expense of $3,787 was recorded during the year ($1,829 in 2015), and 216,036 PSUs were outstanding as at December 31, 2016 (238,438 PSUs as at December 31, 2015) for which the compensation liability was $4,959 ($3,009 as at December 31, 2015). The fair value of the equity swap agreement as at December 31, 2016 is a liability of $205.

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Corporation sponsors both defined benefit and defined contribution pension plans.

The defined benefit plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit plans are based on the years of service and the final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations.

The Corporation also contributes to various other plans that are accounted for as defined contribution plans. The total expense for the Corporation's defined contribution plan was $1,635 for the year ended December 31, 2016 ($1,697 for 2015).

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit pension plans

An actuarial valuation of the defined benefit pension plans is obtained at least every three years.

The defined benefit plans expose the Corporation to actuarial risks such as longevity risk, currency risk, interest rate risk and investment risk. The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan members. Longevity risk exists because an increase in the life expectancy of plan members will increase the plan obligation. A change in the valuation of the plans' foreign assets due to changes in foreign exchange rates exposes the plans to currency risk. A decrease in the bond interest rate used to calculate the present value of the defined benefit obligation will increase the plan obligation. This interest rate risk will be partially offset by an increase in return on the plans' fixed income funds. Investment risk occurs if the return on plan assets is lower than the corporate bond interest rate used to determine the discount rate.

Currently, the plans have a balanced investment mix of 52.6% in equity funds, 20.3% in fixed income funds and 27.1% in other funds. Due to the long-term nature of plans' defined benefit obligations, the Corporation considers to be appropriate that a reasonable portion of the plans' assets should be invested in equity, fixed income and other funds to generate additional long-term return.

Information regarding the status of the obligation and plan assets of the defined benefit plans is as follows:

	2016	2015
Defined benefit obligations		
Balance, beginning of year	**53,154**	58,740
Current service cost	**2,347**	2,888
Employee contributions	**802**	593
Interest expense	**2,253**	2,271
Benefits paid	**(3,566)**	(1,561)
Remeasurements:		
Actuarial losses (gains) from changes in financial assumptions	**(463)**	665
Actuarial gains from experience adjustments	**(606)**	(201)
Effects of movements in exchange rates	**1,812**	(10,241)
Balance, end of year	**55,733**	53,154

	2016	2015
Plan assets		
Fair value, beginning of year	**42,606**	37,069
Interest income	**1,755**	1,456
Employer contributions	**2,630**	8,928
Employee contributions	**802**	593
Benefits paid	**(3,566)**	(1,334)
Administration fees	**(236)**	(219)
Return on plan assets (excluding amounts included in interest income)	**1,616**	25
Effects of movements in exchange rates	**1,424**	(3,912)
Fair value, end of year	**47,031**	42,606

	December 31,	
	2016	2015
	%	%
Components of plan assets		
Investments in equity funds	**52.6**	52.5
Investments in fixed income funds	**20.3**	16.0
Investments in other funds	**27.1**	31.5
	100.0	100.0

The net obligation is presented in "Long-term employee benefit obligations" in the consolidated statements of financial position.

	December 31,	
	2016	2015
Fair value of plan assets	**47,031**	42,606
Defined benefit obligations	**(55,733)**	(53,154)
Long-term employee benefit obligations	**(8,702)**	(10,548)

The expense for defined benefit plans recognized in "Employee benefits" and in "Finance costs, net" in the consolidated statements of earnings is as follows:

	Year ended December 31,	
	2016	2015
Current service cost	**2,347**	2,888
Net interest expense	**498**	815
Administration fees	**236**	219
Defined benefit plans expense	**3,081**	3,922

Remeasurements of long-term employee benefit obligations recognized in OCI are as follows:

	Year ended December 31,	
	2016	2015
Actuarial losses (gains) from changes in financial assumptions	**(463)**	665
Actuarial gains from experience adjustments	**(606)**	(201)
Return on plan assets (excluding amounts included in interest income)	**(1,616)**	(25)
	(2,685)	439

17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The significant actuarial assumptions at the reporting date are as follows (weighted average assumptions as at December 31):

		December 31,	
		2016	2015
Discount rate	%	**4.00**	3.95
Rate of compensation increase	%	**3.50**	3.50
Average life expectancies			
Male, 45 years of age at reporting date	years	**87.7**	87.6
Female, 45 years of age at reporting date	years	**90.0**	90.0
Male, 65 years of age at reporting date	years	**86.6**	86.5
Female, 65 years of age at reporting date	years	**89.1**	89.0

For the year ended December 31, 2017, the Corporation expects to make contributions of approximately $2,091 for its defined benefit pension plans.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the rate of compensation increase and the average life expectancy. The calculation of the net defined benefit obligation is sensitive to these assumptions.

The following table summarizes the effects of the changes in these actuarial assumptions of the defined benefit obligation:

	December 31,	
	2016	2015
	%	%
Discount rate		
Increase of 1%	**(14.2)**	(14.6)
Decrease of 1%	**18.8**	19.4
Rate of compensation		
Increase of 0.5%	**1.9**	2.4
Decrease of 0.5%	**(1.7)**	(1.9)
Average life expectancies		
Increase of 10%	**1.9**	1.9
Decrease of 10%	**(2.1)**	(2.0)

18 - CREDIT FACILITIES, LONG-TERM DEBT AND CONVERTIBLE DEBENTURES

Revolving credit facility

On May 20, 2016, the Corporation amended the terms of its $400,000 unsecured long-term revolving credit facility and extended its maturity to June 30, 2020. This facility is available in Canadian or US dollars and can be repaid at any time without penalty. The variable interest rates are based on the LIBOR in US dollars, bankers' acceptances and prime rates plus the applicable margins.

Letter of credit facility

On June 29, 2016, the Corporation amended the terms of its $20,000 unsecured letter of credit facility and extended its maturity to June 30, 2020. This facility is available for the issuance of Canadian and US dollars letters of credit. The variable interest rates are based on the LIBOR in US dollars, bankers' acceptances and prime rates plus the applicable margins.

The Corporation's letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases by subsidiaries. The letters of credit are not recorded as liabilities in the Corporation's long-term debt as the related guarantees have been recorded directly in the Corporation's consolidated statements of financial position, if applicable. As at December 31, 2016, $10,267 of letters of credit have been issued ($14,854 in 2015).

Long-term debt

	Maturity	Effective interest rate	**Current portion**	**December 31,**	
				2016	2015
Revolving credit facility, variable rates – $125,407 ($84,200 as at December 31, 2015)	2020	2.07% to 4.58%		**123,841**	82,426
Finance leases, variable rates	-	-	**3,722**	**10,439**	7,898
Others	2021	-	**4**	**18**	20
			3,726	**134,298**	90,344
Instalments due within a year				**3,726**	2,622
Long-term debt				**130,572**	87,722

Convertible debentures

In 2011, the Corporation issued convertible unsecured subordinated debentures, which were bearing interest at a rate of 5.90% per annum, payable semi-annually on January 31 and July 31 of each year. The debentures were convertible, at the option of the holder, into common shares of the Corporation at a price of C$41.76 per share pre-split, representing a conversion rate of 23.9 common shares per C$1,000 principal amount of convertible debentures. The convertible debentures had a January 31, 2016 maturity date, and may be redeemed by the Corporation, in certain circumstances, after January 31, 2014.

In accordance with the terms established at the issuance of the debentures, the Corporation redeemed, in February 2015, its convertible debentures for cancellation, at par, for an aggregate principal amount of C$51,750. Until the redemption, the effective annual interest rate was 8.16%.

The equity component of the debentures, initially determined as the difference between the fair value of the convertible debentures as a whole and the fair value of the liability component, was reclassified to retained earnings for a total amount of $1,687.

Minimum future payments

Principal repayments due on long-term debt (excluding finance leases) and present value of the Corporation's future lease obligations as of December 31, 2016 are presented as follows:

	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Long-term debt (excluding finance leases)	4	4	4	123,844	3	-
Present value of future lease obligations	3,722	2,956	2,050	1,272	439	-

19 - MERCHANT MEMBERS' DEPOSITS IN THE GUARANTEE FUND

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The deposit amounts are based on each merchant member's purchase volume, and bear interest at the prime rate less 1%. As at December 31, 2016, the interest rate in effect was 2.7% (2.7% at December 31, 2015). The variation in deposits is as follows:

	December 31,	
	2016	2015
Total merchant members' deposits in the guarantee fund	**5,410**	5,613
Instalments due within a year	**91**	82
Non-current portion of the merchant members' deposits in the guarantee fund	**5,319**	5,531

20 - SHARE CAPITAL

During the second quarter of 2016, the Corporation carried out a 2-for-1 stock split of its common shares. To reflect the effect of the stock split, information pertaining to common shares has been retroactively restated.

Authorized

The Corporation's capital structure includes an unlimited number of common shares, without par value, and an unlimited number of preferred shares, without par value, issuable in series with the following characteristics:

(i) Common shares

Each common share entitles the holder thereof to one vote and to receive dividends in such amounts and payable at such time as the Board of Directors shall determine after the payment of dividends to the preferred shares. In the event of a liquidation, dissolution or winding-up, the holders shall be entitled to participate in the distribution of the assets after payment to the holders of the preferred shares.

(ii) Preferred shares

The preferred shares, none of which are issued and outstanding, are non-voting shares issuable in series. The Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. The number of preferred shares that may be issued and outstanding is limited to a number equal to no more than 20% of the number of common shares issued and outstanding at the time of issuance of any preferred shares. The holders of any series of preferred shares are entitled to receive dividends and have priority over common shares in the distribution of the assets in the event of a liquidation, dissolution or winding-up.

	December 31,	
	2016	2015
Issued and fully paid		
Balance, beginning of year (43,135,758 common shares (42,431,518 in 2015))	**97,864**	87,238
Issuance of 105,810 common shares on the exercise of stock options (1,066,430 in 2015)	**1,090**	11,315
Repurchase and cancellation of 1,027,390 common shares (362,190 in 2015)	**(2,030)**	(689)
Balance, end of year (42,214,178 common shares (43,135,758 in 2015))	**96,924**	97,864

Repurchase and cancellation of shares

On August 10, 2016, the Corporation announced that it received approval from the TSX to renew its intention to purchase by way of a new normal course issuer bid ("NCIB"), for cancellation purposes, up to 2,000,000 common shares, representing 4.7% of its 42,231,178 issued and outstanding common shares as of August 1, 2016 over a twelve-month period beginning on August 17, 2016 and ending on August 16, 2017. In connection with the NCIB, the Corporation established an Automatic Purchase Plan ("APP"), enabling itself to provide standard instructions regarding the repurchase and cancellation of common shares during self-imposed blackout periods. Such repurchase for cancellation will be determined by the broker in its sole discretion based on the Corporation's parameters.

During the year ended December 31, 2016, 1,027,390 common shares (362,190 for 2015) were repurchased for a cash consideration of $22,043 ($7,747 in 2015) including a share repurchase and cancellation premium of $20,013 ($7,058 in 2015) applied as a reduction of retained earnings.

Issuance of shares

During the year ended December 31, 2016, the Corporation issued 105,810 (1,066,430 for 2015) common shares at the exercise of stock options for a cash consideration of $1,090 ($11,315 for 2015). The weighted average price of the exercise of stock options was C$13.34 for the year (C$13.51 for 2015).

Dividends

A total of C$0.335 per common share was declared by the Corporation for the year ended December 31, 2016 (C$0.315 for 2015).

21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

		December 31, 2016			December 31, 2015	
		Carrying amount	Fair value		Carrying amount	Fair value
Financial assets classified as loans and receivables						
Cash		**22,325**	**22,325**		91,432	91,432
Cash held in escrow		**14,486**	**14,486**		3,790	3,790
Trade receivables		**132,107**	**132,107**		112,012	112,012
Advances to merchant members	**Level 3**	**1,898**	**1,898**	Level 3	2,182	2,182
Financial liabilities carried at amortized cost						
Trade and other payables		**298,188**	**298,188**		252,091	252,091
Balance of purchase price		**25,303**	**25,303**		6,517	6,517
Dividends payable		**2,673**	**2,673**		2,485	2,485
Long-term debt (except finance leases)	**Level 2**	**123,859**	**123,859**	Level 2	82,446	82,446
Merchant members' deposits in the guarantee fund	**Level 3**	**5,410**	**N/A**	Level 3	5,613	N/A
Financial liabilities carried at fair value						
Equity swap agreements	**Level 2**	**387**	**387**		N/A	N/A
Other liabilities						
Finance leases	**Level 2**	**10,439**	**10,439**	Level 2	7,898	7,898

Financial assets classified as loans and receivables

The fair value of the cash, cash held in escrow and trade receivables approximate their carrying amount given that they will mature shortly.

The fair value of the advances to merchant members was determined based on discounted cash flows using effective interest rates available to the Corporation at the end of the reporting period for similar instruments.

Financial assets carried at fair value

The fair value of the foreign exchange forward contracts was determined using exchange rates quoted in the active market adjusted for the credit risk added by the financial institutions. They are not included in the above table, as their fair value is not significant as at December 31, 2016.

Financial liabilities carried at amortized cost

The fair value of the trade and other payables, balance of purchase price and dividends payable approximate their carrying amount given that they will mature shortly.

The fair value of the long-term debt (except finance leases) has been determined by calculating the present value of the interest rate spread that exists between the actual credit facilities and the rate that would be negotiated with the economic conditions at the reporting date. The fair value of long-term debt approximates its carrying value as the effective interest rates applicable to the Corporation's credit facilities reflect current market conditions.

The fair value of the merchant members' deposits in the guarantee fund could not be determined given that they result from transactions not observable in the market.

Financial liabilities carried at fair value

The fair value of the equity swap agreements was determined using shares prices quoted in the active market adjusted for the credit risk added by the financial institutions.

Other liabilities

The fair value of the finance leases has been determined by calculating the present value of the interest rate spread that exists between the actual credit facilities and the rate that would be negotiated with the economic conditions at the reporting date. As at December 31, 2016, the fair value of the finance leases approximates their carrying value as the effective interest rates applicable to the Corporation's finance leases reflect current market conditions.

Fair value hierarchy

Financial instruments measured at fair value in the statements of financial position are classified according to the following hierarchy:

- Level 1: consists of measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: consists of measurement techniques mainly based on inputs, other than quoted prices (included within Level 1), that are observable either directly or indirectly in the market; and
- Level 3: consists of measurement techniques that are not mainly based on observable market data.

Derivative financial instruments – hedge of foreign exchange risk

During the fourth quarter of 2016, the Corporation entered into forward contracts for a nominal amount of $3,184 in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The average rate of these forward contracts is fixed at 0.75 until their respective terms ranging from 1 to 12 months.

Derivative financial instruments – hedge of share-based payments cost

During the third quarter of 2016, the Corporation entered into equity swap agreements in order to manage common shares market price risk. As at December 31, 2016, the equity swap agreements covered the equivalent of 318,371 common shares of the Corporation.

Derivative financial instruments used in cash flow hedges

In 2011, the Corporation entered into swap agreements to hedge the variable interest cash flows related to forecasting transactions beginning in 2012 on a portion of the Corporation's revolving credit facility for a nominal amount at inception of $80,000. These interest rate swaps fixed the interest cash flows at 0.97% until their maturity in 2016. The cash flows related to the interest rate swaps were expected to occur in the same periods as they were expected to affect the net earnings (loss).

These swap agreements were designated as cash flow hedges until June 2015 when the Corporation unwound the swap agreements at a cost of $352.

Risk management 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.

(i) Credit risk

Credit risk stems primarily from the potential inability of customers to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash, cash held in escrow, trade and other receivables and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specified credit limits are determined for certain accounts and reviewed regularly by the Corporation.

The Corporation may also be exposed to credit risk from its foreign exchange forward contracts and its equity swap agreements, which is managed by dealing with reputable financial institutions.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly, and monthly analyses are reviewed 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 amounts have had a negative impact on the Corporation's net earnings (loss) with the average bad debt on sales rate at 0.2% for the last three years.

As at December 31, 2016, past-due accounts receivable represent $4,990 ($2,501 as at December 31, 2015) and an allowance for doubtful accounts of $3,077 ($1,573 as at December 31, 2015) 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 variances in the allowance for doubtful accounts are as follows:

	December 31,	
	2016	2015
Balance, beginning of year	**1,573**	4,798
Bad-debt expense	**2,012**	2,320
Write-offs	**(576)**	(3,180)
Sale of net assets	**-**	(2,240)
Currency translation adjustment	**68**	(125)
Balance, ending of year	**3,077**	1,573

Management considers that all the above financial assets, that are not impaired or past due for each December 31 reporting dates under review, are of good credit quality.

(ii) 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 through its use of different capital markets in order to ensure flexibility in its capital structure. The Corporation prepares budget and cash forecasts, taking into account its current and future cash requirements, to ensure that it has sufficient funds to meet its obligations.

The Corporation has renewable revolving credit and letter of credit facilities totaling $400,000 and $20,000 respectively as at December 31, 2016 ($400,000 and $20,000 as at December 31, 2015). Refer to note 18 for further details. The Corporation benefits from an available amount on its credit facilities of approximately $284,000 as at December 31, 2016 ($321,000 as at December 31, 2015).

Management is of the opinion that as a result of the cash flows generated by operations and the financial resources available, the liquidity risk of the Corporation is appropriately mitigated.

The contractual maturities and estimated future interest payments of the Corporation's financial liabilities are as follows:

	December 31, 2016			
	Carrying amount	**Maturing under one year**	**One to three years**	**Over three years**
Non-derivative financial instruments				
Trade and other payables	**297,688**	**297,688**	**-**	**-**
Balance of purchase price	**25,303**	**25,303**	**-**	**-**
Dividends payable	**2,673**	**2,673**	**-**	**-**
Long-term debt (except finance leases)	**123,859**	**4**	**123,852**	**3**
Interest payable	**500**	**500**	**-**	**-**
Merchant members' deposits in the guarantee fund	**5,410**	**91**	**-**	**5,319**
	455,433	**326,259**	**123,852**	**5,322**
Derivative financial instruments				
Equity swap agreements	**387**	**387**	**-**	**-**
	455,820	**326,646**	**123,852**	**5,322**

	December 31, 2015			
	Carrying amount	Maturing under one year	One to three years	Over three years
Non-derivative financial instruments				
Trade and other payables	251,469	251,469	-	-
Balance of purchase price	6,517	6,517	-	-
Dividends payable	2,485	2,485	-	-
Long-term debt (except finance leases)	82,446	3	82,436	7
Interest payable	622	622	-	-
Merchant members' deposits in the guarantee fund	5,613	82	-	5,531
	349,152	261,178	82,436	5,538

(iii) Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments mainly related to purchases in currencies other than the respective functional currencies of the Corporation. To limit the impact of fluctuations of the Canadian dollar over the US dollar on forecasted cash flows, the Corporation uses forward contracts from time to time.

The Corporation has certain investments in foreign operations (United States) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar denominated debt instruments (note 18).

For the year ended December 31, 2016, Management considers that a 5% rise or fall in exchange rates, assuming that all other variables remain the same, will not have a significant impact on net earnings (loss). These changes are considered to be reasonably possible based on an observation of current market conditions.

(iv) 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 fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates. As at December 31, 2016, the Corporation is therefore exposed to interest rate risk on its variable rates revolving credit facility and finance leases. Refer to note 18 for further details.

For the year ended December 31, 2016, a 25-basis-point rise or fall in interest rates, assuming that all other variables remain the same, would have resulted in a $224 increase or decrease in the Corporation's net earnings (loss), and no impact in OCI. These changes are considered to be reasonably possible based on an observation of current market conditions.

22 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cumulative translation account	Unrealized exchange losses on the translation of debt designated as a hedge of net investments in foreign operations	Accumulated changes in fair value of derivative financial instruments designated as cash flow hedges	Total
Balance, beginning of year [1]	17,577	(24,053)	(374)	(6,850)
Other comprehensive income (loss) [1]	(16,247)	(13,748)	374	(29,621)
Balance, December 31, 2015	1,330	(37,801)	-	(36,471)
Other comprehensive income	6,229	-	-	6,229
Balance, December 31, 2016	**7,559**	**(37,801)**	**-**	**(30,242)**

[1] Reclassification of $6,323 and $(9,691) from "Cumulative translation account" to "Unrealized exchange losses on the translation of debt designated as a hedge of net investments in foreign operations" to adjust comparative figures, which had no impact on total accumulated other comprehensive income as at December 31, 2015.

23 - COMMITMENTS AND GUARANTEES

Commitments

The Corporation has entered into long-term operating lease agreements expiring at various dates until 2026 for the rental of buildings and vehicles, and outsourcing of information technology services. The rent expense recorded in the consolidated statements of earnings was $16,497 for the year ended December 31, 2016 ($20,109 for 2015). The committed minimum lease payments under these agreements are as follows:

	December 31, 2016
Less than one year	**21,417**
Between one and five years	**52,977**
More than five years	**9,458**
Total minimum lease payments	**83,852**

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.

Guarantees

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at rates of 60% or 75% of the cost of the inventory for a maximum of $44,956 as at December 31, 2016 (at rates of 60% or 75% and for a maximum of $44,835 as at December 31, 2015). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses are being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

24 - RELATED PARTIES

For the years ended December 31, 2016 and 2015, common shares of the Corporation were widely held, and the Corporation did not have an ultimate controlling party.

Transactions with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2016 and 2015, the compensation to key management personnel was as follows:

	Year ended December 31,	
	2016	2015
Salaries and short-term employee benefits	**3,480**	4,273
Post-employment benefits (including contributions to defined benefit pension plans)	**244**	434
Stock-based benefits	**3,016**	4,671
Severances	**-**	1,302
Total compensation	**6,740**	10,680

There were no other related party transactions with key management personnel for the years ended December 31, 2016 and 2015.

Other transactions

For the year ended December 31, 2016, the Corporation incurred no rental expenses to the benefit of a related party (rental expenses of $1,241 were incurred in 2015 to the benefit of Clarit Realty, Ltd., a company controlled by a related party).

25 - CAPITAL MANAGEMENT

Guided by its low-asset-base-high-utilization philosophy, the Corporation's strategy is to monitor the following ratios to ensure flexibility in the capital structure:

- Total net debt to total net debt and total equity;
- Long-term debt to total equity ratio;
- Ratio of funded debt on earnings (loss) before finance costs, depreciation and amortization, equity loss and income taxes excluding certain adjustments, among other things, restructuring and other charges, as well as impairment and transaction charges related to the sale of net assets (the "other adjustments");
- Return on average total equity; and
- Annual dividend payout ratio based on the previous year net earnings excluding the other adjustments.

In the management of capital, the Corporation includes total equity, long-term debt, and bank indebtedness net of cash.

The Corporation manages and adjusts its capital structure 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 share repurchase for cancellation program pursuant to normal course issuer bids and flexible credit facilities adding flexibility to business opportunities. 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. The Corporation has also 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 to total net debt and total equity, long-term debt to total equity ratio, return on average total equity ratio and funded debt on earnings (loss) before finance costs, depreciation and amortization, equity loss and income taxes ratio excluding the other adjustments.

The indicators used by the Corporation are as follows:

	December 31,	
	2016	2015
Total net debt to total net debt and total equity ratio	**19.2 %**	N/A
Long-term debt to total equity ratio	**28.4 %**	20.7 %
Return on average total equity ratio [1]	**12.8 %**	(8.5)%
Ratio of funded debt on earnings (loss) before finance costs, depreciation and amortization, equity loss and income taxes excluding the other adjustments	**1.05**	N/A

[1] The return on average total equity ratio is negative in 2015 due to the impairment of assets following the sale of the net assets of Uni-Select USA, Inc. and Beck/Arnley Worldparts, Inc. Refer to note 5 for further details.

The interest rate applicable on the revolving credit facility is contingent on the achievement of certain financial ratios such as funded debt on earnings (loss) before finance costs, depreciation and amortization, equity loss and income taxes excluding the other adjustments, and total net debt to total net debt and total equity, which are the same ratios the Corporation is required to comply with. The Corporation was in compliance with these covenants as at December 31, 2016. The Corporation's overall strategy with respect to capital risk management remains unchanged from the prior year.

26 - SEGMENTED INFORMATION

The Corporation is providing information on three reportable segments: Paint and Related Products *(representing FinishMaster, Inc. in the US market)*, Automotive Products *(representing the Canadian networks, and the US automotive aftermarket parts network until the the sale of net assets on June 1, 2015)*, and Corporate Office and Others. The profitability measure employed by the Corporation for assessing segment performance is segment income.

	Paint and Related Products		Automotive Products		Corporate Office and Others		Total	
	Year ended December 31,							
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Sales before intersegment sales	**752,864**	623,901	**444,455**	736,623	**-**	-	**1,197,319**	1,360,524
Intersegment sales	**-**	(5,090)	**-**	-	**-**	-	**-**	(5,090)
Sales	**752,864**	618,811	**444,455**	736,623	**-**	-	**1,197,319**	1,355,434
Segment income (loss) [1]	**93,393**	70,431	**26,611**	37,267	**(13,902)**	(10,724)	**106,102**	96,974
Restructuring and other charges	**-**	440	**-**	(3,339)	**(746)**	8,227	**(746)**	5,328
Impairment and transaction charges related to the sale of net assets	**-**	-	**-**	144,523	**-**	445	**-**	144,968
Segment income (loss) reported [2]	**93,393**	69,991	**26,611**	(103,917)	**(13,156)**	(19,396)	**106,848**	(53,322)

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being gross margin less employee benefits and other operating expenses.

(2) Per consolidated statements of earnings, corresponds to "Earnings (loss) before finance costs, depreciation and amortization, equity loss and income taxes".

The Corporation operates in Canada and the United States. The primary financial information per geographic location is as follows:

	Year ended December 31,	
	2016	2015
Sales		
United States	**752,864**	918,078
Canada	**444,455**	437,356
Total	**1,197,319**	1,355,434

	December 31, 2016		
	United States	**Canada**	**Total**
Property and equipment	**22,552**	**19,430**	**41,982**
Intangible assets	**84,029**	**17,129**	**101,158**
Goodwill	**198,266**	**45,541**	**243,807**

	December 31, 2015		
	United States	Canada	Total
Property and equipment	15,838	14,466	30,304
Intangible assets	51,110	14,245	65,355
Goodwill	119,525	37,745	157,270

27 - SUBSEQUENT EVENTS

During January 2017, the Corporation acquired assets and liabilities of 3 companies operating in the United States for a total cost of $65,504. At the acquisition dates, the preliminarily fair value allocated to goodwill amounted to $37,965.

SHAREHOLDER INFORMATION

DIVIDENDS DECLARED IN 2016

DECLARED	RECORD DATE	PAYABLE DATE	C$
February 10, 2016	March 31, 2016	April 19, 2016	0.080
April 27, 2016	June 30, 2016	July 19, 2016	0.085
July 27, 2016	September 30, 2016	October 18, 2016	0.085
October 26, 2016	December 31, 2016	January 17, 2017	0.085

EXCHANGE LISTING

TSX: UNS

DIVIDEND POLICY

The Corporation's practice is to declare quarterly dividends, subject to profitability, liquidity requirements to finance growth, the general financial health of the Corporation and other factors as determined by the Board of Directors from time to time.

Dividends paid by the Corporation, unless otherwise indicated, are designated as eligible dividends for tax purposes. The Corporation does not have a dividend reinvestment plan.

TRANSFER AGENT

Computershare Trust Company of Canada
1500 Robert-Bourassa Blvd., Suite 700
Montréal, QC H3A 3S8
514.982.7555 or 1.800.564.6253
Email: service@computershare.com
Website: computershare.com

FILINGS

The Corporation files all mandatory information with Canadian Securities Administrators which can be found at sedar.com. This report as well as other corporate documents can be found on the Corporation's website at uniselect.com.

AUDITORS

Raymond Chabot Grant Thornton LLP

LEGAL COUNSEL

McCarthy Tétrault LLP

BANKERS

National Bank of Canada
Royal Bank of Canada, N.A.
Bank of America
Bank of Montreal
Caisse Centrale Desjardins du Québec
JPMorgan Chase Bank, N.A.
M&T Bank
Laurentian Bank of Canada

ANNUAL GENERAL MEETING OF SHAREHOLDERS

May 4, 2017, at 1:30 PM (ET)
Mortagne Hotel
Iles-de-Boucherville – Room A
1228 Nobel Street
Boucherville, QC

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As part of the Audit Committee whistleblower procedures, this hotline allows team members and others to anonymously and confidentially raise accounting, internal controls and ethical inquiries or complaints.

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