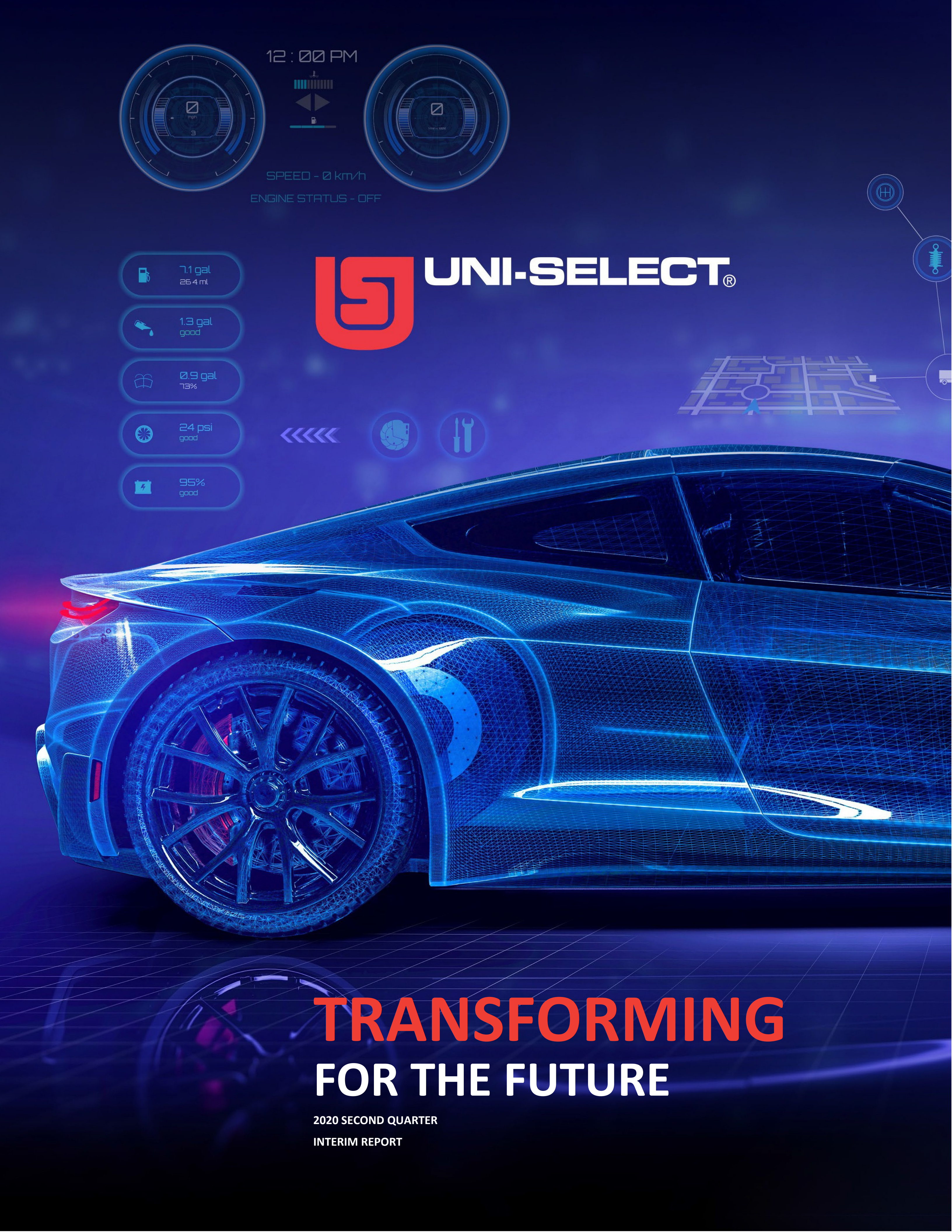

UNI-SELECT®

TRANSFORMING
FOR THE FUTURE

2020 SECOND QUARTER

INTERIM REPORT

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

UNI-SELECT®

QUARTERLY HIGHLIGHTS

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

2020

SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET LOSS	ADJUSTED LOSS[1]
$302.5	$(2.7)	$14.8	$(24.2)	$(9.7)
ORGANIC GROWTH[1] (31.9)%	(0.9)%	4.9%	$(0.57)/SHARE	$(0.23)/SHARE

2019

SALES	EBITDA[1]	ADJUSTED EBITDA[1]	NET EARNINGS	ADJUSTED EARNINGS[1]
$456.2	$31.7	$35.8	$6.3	$10.4
ORGANIC GROWTH[1] 1.2%	7.0%	7.8%	$0.15/SHARE	$0.25/SHARE

Operational highlights:

- Quick implementation of its business continuity plan by Management to mitigate the COVID-19 pandemic ("COVID-19") impact, resulting in approximately 50% of its workforce being on furlough at one point or another combined with reduced work hours or salary cuts. Management put significant emphasis on working capital management across the Corporation. These combined actions resulted in better than anticipated results compared to the internal forecast set in late March. *(Refer to the "Status on the COVID-19 pandemic" section for further details.)*
- Refinancing of the debt, announced on May 29, 2020, with new credit facilities providing access to additional liquidity on more flexible financial terms and conditions. The new $565 secured credit facilities, which will mature on June 30, 2023, consist of a $350 revolving credit facility and $215 in term facilities.
- Implementation of the Continuous Improvement Plan ("CIP"), announced on June 22, 2020, to further improve productivity and efficiency of all three businesses. This resulted in annualized savings of $14.0 realized during the quarter, mostly from workforce reduction. Restructuring and other charges were incurred for a total of $16.9, mainly for severance, write-off of assets and integration of company-owned stores. *(Refer to the "Update on the Continuous Improvement Plan" section for further details.)*

Financial highlights:

- Consolidated sales decreased by 33.7% to $302.5 from $456.2 for the same quarter in 2019 and consolidated organic growth[1] was negative 31.9%. All three segments experienced a decline in sales, affected by lower demand, a direct effect of the global spread of COVID-19. While April's sales decreased by about 50% year over year, sales recovered, increasing month after month, with June sales closing at over 85% compared to the same month last year.
- EBITDA[1] and EBITDA margin[1], once adjusted for special items such as restructuring and other charges of $16.9 and the review of strategic alternatives of $0.6, were respectively $14.8 and 4.9% compared to $35.8 and 7.8% for the corresponding quarter last year. The decline is due to the lower volume of sales attributable to COVID-19, which resulted in lower gross margins, a reduced absorption of fixed costs and additional reserves for obsolescence of $2.0 and bad debt of $4.3.
- Earnings Before Tax ("EBT") and EBT margin[1], once adjusted for special items such as restructuring and other charges of $16.9 and the review of strategic alternatives of $0.6, were respectively $(12.5) and (4.1)% compared to $13.9 and 3.0% for the corresponding quarter last year.
- Net loss of $(24.2) or $(0.57) per share reported for the current quarter of 2020, compared to net earnings of $6.3 or $0.15 per share last year. Once adjusted, earnings[1] were $(9.7) or $(0.23) per share for the current quarter and $10.4 or $0.25 per share in 2019.
- Total net debt[1] was $443.6 as at June 30, 2020, including lease obligations of $94.1, a reduction of $24.7 from March 31, 2020 and $5.5 from December 31, 2019.

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

SELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts, percentages and otherwise specified)	Second quarters 2020	2019	%	Six-month periods 2020	2019	%
OPERATING RESULTS						
Sales	**302,534**	456,175	*(33.7)*	**710,218**	876,212	*(18.9)*
EBITDA[1]	**(2,674)**	31,734	*(108.4)*	**12,406**	53,090	*(76.6)*
EBITDA margin[1]	***(0.9%)***	*7.0%*		***1.7%***	*6.1%*	
Adjusted EBITDA[1]	**14,841**	35,808	*(58.6)*	**31,627**	64,259	*(50.8)*
Adjusted EBITDA margin[1]	***4.9%***	*7.8%*		***4.5%***	*7.3%*	
EBT	**(30,967)**	8,540	*(462.6)*	**(39,583)**	7,243	*(646.5)*
EBT margin[1]	***(10.2%)***	*1.9%*		***(5.6%)***	*0.8%*	
Adjusted EBT[1]	**(12,449)**	13,877	*(189.7)*	**(18,324)**	20,956	*(187.4)*
Adjusted EBT margin[1]	***(4.1%)***	*3.0%*		***(2.6%)***	*2.4%*	
Special items	**17,515**	4,074		**19,221**	11,169	
Net earnings (loss)	**(24,169)**	6,318	*(482.5)*	**(30,910)**	4,985	*(720.1)*
Adjusted earnings (loss)[1]	**(9,655)**	10,422	*(192.6)*	**(13,956)**	15,472	*(190.2)*
Free cash flows[1]	**12,932**	32,071		**24,701**	51,277	
COMMON SHARE DATA						
Net earnings (loss)	**(0.57)**	0.15	*(480.0)*	**(0.73)**	0.12	*(708.3)*
Adjusted earnings (loss)[1]	**(0.23)**	0.25	*(192.0)*	**(0.33)**	0.37	*(189.2)*
Dividend (C$)	**-**	0.0925		**0.0925**	0.1850	
Book value	**10.65**	12.22		**10.65**	12.22	
Number of shares outstanding	**42,387,300**	42,387,300		**42,387,300**	42,387,300	
Weighted average number of outstanding shares	**42,387,300**	42,387,300		**42,387,300**	42,387,300	

	June 30, 2020	Dec. 31, 2019
FINANCIAL POSITION		
Working capital	**314,865**	321,970
Total assets	**1,350,108**	1,586,394
Total net debt[1]	**443,594**	449,059
Credit facilities (including revolving and term loans) at nominal value	**383,345**	375,956
Convertible debentures	**81,186**	84,505
Total equity	**451,397**	506,994
Return on average total equity[1]	***(11.5%)***	*(3.9%)*
Adjusted return on average total equity[1]	***(0.6%)***	*5.2%*

(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 quarter and six-month period ended June 30, 2020 compared with the quarter and six-month period ended June 30, 2019, as well as its financial position as at June 30, 2020 compared with its financial position as at December 31, 2019. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2019 Annual Report. The information contained in this MD&A takes into account all major events that occurred up to July 30, 2020, the date at which the interim condensed 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. and its subsidiaries.

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, number of shares and otherwise specified. Comparisons are presented in relation to the comparable periods of the prior year.

The interim condensed consolidated financial statements contained in the present MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have not 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 securities 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 included in the 2019 Annual Report. 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 securities 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.

PROFILE AND DESCRIPTION

With over 5,000 employees in Canada, the U.S. and the U.K., Uni-Select is a leader in the distribution of automotive refinish and industrial coatings and related products in North America, as well as a leader in the automotive aftermarket parts business in Canada and in the U.K. Uni-Select is headquartered in Boucherville, Québec, Canada, and its shares are traded on the Toronto Stock Exchange (UNS).

In Canada, Uni-Select supports over 16,000 automotive repair and collision repair shops and more than 4,000 shops through its automotive repair/installer shop banners and automotive refinish banners. Its national network includes over 1,000 independent customer locations and more than 75 company-owned stores, many of which operate under the Uni-Select BUMPER TO BUMPER®, AUTO PARTS PLUS® and FINISHMASTER® store banner programs.

In the United States, Uni-Select, through its wholly-owned subsidiary FinishMaster, Inc., operates a national network of over 175 automotive refinish company-owned stores under the FINISHMASTER® banner, which supports over 30,000 customers annually and is the primary supplier to more than 5,500 collision repair centre customers.

In the U.K. and Ireland, Uni-Select, through its Parts Alliance group of subsidiaries, is a major distributor of automotive parts supporting over 23,000 customer accounts with a network of over 175 company-owned stores. www.uniselect.com

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 opinion 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 consolidated sales between two given periods, excluding the impact of acquisitions, the erosion of sales from the integration of company-owned stores, 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) and adjusted EBITDA(1)	EBITDA represents net earnings excluding finance costs, depreciation and amortization 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 excludes certain adjustments, which may affect the comparability of the Corporation's financial results. These adjustments include, among other things, restructuring and other charges, charges related to the review of strategic alternatives, impairment loss on goodwill, as well as net gain on business disposal.
EBITDA margin(1) and adjusted EBITDA margin(1)	EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales. Adjusted EBITDA margin is a percentage corresponding to the ratio of adjusted EBITDA to sales.
Adjusted EBT(1), adjusted earnings(1) and adjusted earnings per share(1)	Management uses adjusted EBT, adjusted earnings and adjusted earnings per share to assess EBT, 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 facilitate the analysis and provide the best understanding of the Corporation's operational performance. The intent of these measures is to provide additional information. These adjustments include, among other things, restructuring and other charges, charges related to the review of strategic alternatives, impairment loss on goodwill, net gain on business disposal, as well as amortization of intangible assets related to The Parts Alliance acquisition. Management considers The Parts Alliance acquisition as transformational. The exclusion of these items does not indicate that they are non-recurring.
EBT margin(1) and adjusted EBT margin(1)	EBT margin is a percentage corresponding to the ratio of EBT to sales. Adjusted EBT margin is a percentage corresponding to the ratio of adjusted EBT 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, acquisitions of property and equipment and difference between amounts paid for post-employment benefits and current period 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 consolidated 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 12 to the interim 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, convertible debentures 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 12 to the interim consolidated financial statements)*, divided by the sum of convertible debentures and total equity.
Total net debt to adjusted EBITDA ratio[3]	This ratio corresponds to total net debt divided by adjusted EBITDA.
Return on average total equity ratio[3]	This ratio corresponds to net earnings, divided by average total equity.
Adjusted return on average total equity ratio[3]	This ratio corresponds to adjusted earnings[1] to which the amortization of intangible assets related to The Parts Alliance acquisition is added back 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.

STATUS ON THE COVID-19 PANDEMIC

The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared to be a pandemic on March 11, 2020, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The Corporation was not isolated from those events as the automotive aftermarket industry was also impacted.

State of emergency or shutdown declarations by several governments in the United States, Canada and the United Kingdom over the past months have impacted the Corporation's operations for the six-month period ended June 30, 2020, resulting in a decrease in sales as well as earnings. However, in certain of those jurisdictions, some or all of the Corporation's operations were permitted to continue as essential services at the beginning of the crisis and since then, the state of emergency or shutdown declarations have gradually been lifted.

The extent to which the COVID-19 pandemic impacts Uni-Select's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the outbreak. Even at its current scope, together with measures that have been taken globally to counteract it, the COVID-19 pandemic could materially and adversely impact Uni-Select's business, financial condition and results of operations including, without limitation, through a major decline in economic activity in North America and the United Kingdom resulting in a decline in demand for Uni-Select's products and services, compromised employee health and workplace productivity, government-ordered business closures and threats to the business continuity of Uni-Select's stores, suppliers, customers and/or partners. These impacts could in turn, amongst other things, negatively impact Uni-Select's liquidities and/or its ability to remain in compliance with covenants under its Syndicated Credit Agreement. Based on information available at this point, Management believes that the refinancing of the debt announced in late May 2020 will provide the required flexibility.

As previously reported, given the recent developments in the COVID-19 global pandemic, Management has put in place a response plan and is closely monitoring the evolution of this pandemic, including how it may affect the Corporation, the economy and the general population. As such, measures were implemented in early March to protect the health and safety of its employees, customers and suppliers. The Corporation is applying very strict protocols to protect employees who stay at work and safeguard operations and ensure that no one is exposed nor becomes infected with the disease.

STATUS ON THE COVID-19 PANDEMIC (CONTINUED)

Certain initial containment measures are gradually being phased out as operations are showing signs of recovery:

- Operational changes such as contactless curbside pick ups where possible, order intake procedures and deliveries that minimize contact and work-from-home policies wherever possible;
- Approximately 33% company-owned stores temporarily closed, with the first closures taking place on March 23, 2020. As at June 30, 2020, more than 80% of company-owned stores were open and operational;
- 28% of company-owned stores operating on reduced hours and 7% with very limited activities for essential services. As at June 30, 2020, 12% of company-owned stores operating on reduced hours and 3% with very limited activities for essential services;
- 50% of employees were temporarily furloughed across all business units. As at June 30, 2020, less than 30% of employees were temporarily furloughed;
- Working hours reduced by 20% for the remaining employees to support current operations. As at June 30, 2020, about 10% of employees were working per a reduced schedule;
- 20% salary cuts for executive management and certain positions;
- 25% remuneration reduction effective from January 1, 2020 for the Board of Directors; and
- All office employees are working from home, until further notice.

As the uncertainty regarding the full extent and duration of the pandemic continues, without excluding a second wave, Management is focusing on a cash conservation plan aimed at ensuring maximum available liquidity and financial flexibility until the crisis abates and market conditions stabilize. Most significant measures undertaken are:

- Tightening the management of working capital and nonessential expenses:
    - Reducing inventory purchases according to the level of sales;
    - Accentuating collection efforts; and
    - Working with customers and suppliers to find ways to accommodate and meet respective needs;
- Reducing capital expenditures and customer investments; and
- Suspending all future dividend payments for the time being with the exception of the dividend declared on February 19, 2020, paid on April 21, 2020, to shareholders of record as of March 31, 2020.

In this context, the Corporation successfully refinanced its debt, as announced on May 29, 2020, with new credit facilities providing access to additional liquidity on more flexible financial terms and conditions. The new $565,000 secured credit facilities, which will mature on June 30, 2023, consist of a $350,000 revolving credit facility and $215,000 term facilities.

As well, the Corporation continues to monitor announcements of governmental assistance programs in connection with COVID-19 and will seek to benefit from such programs where applicable and appropriate. For the six-month period, the Corporation benefitted from subsidies of about $700 for operating expenses in the U.K. As well, the Corporation deferred income tax instalments, sales tax remittances and payroll remittances wherever authorized by local governments.

Following the implementation of all these actions to respond to the COVID-19 pandemic, Uni-Select's operating performance and cash management exceeded internal forecasts set in late March in response to the uncertainty surrounding the pandemic.

Furthermore, the continuous improvement plan has been accelerated, ensuring that the Corporation is strategically positioned for recovery and growth post-COVID 19. This has led to the announcement of the CIP, launched on June 22, 2020. *(Refer to the "Update on the Continuous Improvement Plan " section for further details.)*

As at June 30, 2020, Management considers that COVID-19 has no impact on the Corporation's ability to continue as a going concern and did not cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at amortized cost (such as "Trade and other receivables") and at fair value, the net realizable value of inventories, and potential impairment charges on property and equipment, intangible assets and goodwill.

GIVING BACK TO THE COMMUNITY

The Corporation is particularly grateful to all those working on the front lines of defense for the security and well-being of us all. To that end, the Corporation is pleased to have donated thousands of much-needed N95 respirators to various governmental authorities in April in the hope that they will offer some reprieve for healthcare professionals.

UPDATE ON THE CONTINUOUS IMPROVEMENT PLAN ("CIP")

The Corporation is pursuing a continuous improvement plan, which is currently accelerated to be strategically positioned for recovery and growth post-COVID 19. This plan, announced on June 22, 2020, is based on a long-term approach to further improve the productivity and efficiency of all segments, while ensuring that customer needs remain the focus. The main objectives of the plan are to ensure that customers are served to the highest standards, that operations and service model are positioned to meet the long-term demands and expectations of the markets in which they operate, and that the Corporation continues to be a strong market leader, while ensuring a safe and healthy environment for all parties. To accomplish these objectives, an in-depth review of the operations was undertaken by each segment's respective team, resulting in a number of key initiatives, including the way customers are served, rightsizing where required, automation and optimizing supply chain logistics. The execution of the CIP started in June 2020 and will continue over the next several months.

Through this plan, the Corporation expects to generate annualized cost savings of about $28,000 to $30,000 by the end of 2020, measured against the first quarter of 2020. As at June 30, 2020, $14,000 has been realized, mostly from workforce reduction which occurred at the end of June 2020.

The total cash cost of implementing the CIP is expected to be $13,800, mainly for severance and closing costs as part of rightsizing activities. The Corporation is also expecting to write down certain assets of approximately $6,200. During the current quarter of 2020, the Corporation recognized restructuring and other charges in relation to the CIP totalling $16,914, of which, $6,155 is non-cash for the write-down of assets. *(Refer to the "Analysis of consolidated results" section for further details.)*

The following table summarizes the annualized impacts as at June 30, 2020:

	Expected	**Realized**
	By the end of 2020	**As at June 30, 2020**
Annualized cost savings	28,000	**14,000**
Restructuring and other charges:		
Restructuring charges [1]	10,500	**10,407**
Write-down of assets [2]	6,200	**6,155**
Other charges as incurred [3]	3,300	**352**
	20,000	**16,914**

(1) Mainly severance and closing costs as part of rightsizing activities.

(2) Mainly impairment of property and equipment.

(3) Primarily comprising stores' operating costs and moving costs.

As at June 30, 2020, a provision for restructuring charges in relation to improvement plans of $10,783 is presented as current liabilities in the Corporation's consolidated statement of financial position. *(Refer to note 4 in the interim condensed consolidated financial statements for further details.)*

ANALYSIS OF CONSOLIDATED RESULTS

SALES

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
FinishMaster U.S.	**133,374**	212,249	**335,573**	416,759
Canadian Automotive Group	**114,299**	143,445	**223,240**	256,558
The Parts Alliance U.K.	**54,861**	100,481	**151,405**	202,895
Sales	**302,534**	456,175	**710,218**	876,212
		%		*%*
Sales variance	**(153,641)**	***(33.7)***	**(165,994)**	***(18.9)***
Conversion effect of the Canadian dollar and the British pound	**5,760**	***1.2***	**7,830**	***0.9***
Number of billing days	**-**	**-**	**(6,867)**	***(0.8)***
Erosion of sales from the integration of company-owned stores	**3,050**	***0.7***	**5,949**	***0.6***
Acquisitions	**(513)**	***(0.1)***	**(1,076)**	***(0.1)***
Consolidated organic growth	**(145,344)**	***(31.9)***	**(160,158)**	***(18.3)***

SECOND QUARTERS

Consolidated sales for the quarter, when compared to the same quarter last year, decreased by 33.7%. This performance was largely attributable to the negative organic growth of 31.9% as well as to unfavourable fluctuations of the Canadian and the British currencies and the expected erosion resulting from the company-owned stores integrated over the last twelve months, as part of improvement plans.

The quarter started with April sales down about 50% compared to 2019, as all three segments experienced a decline in sales, affected by lower demand, a direct effect of the global spread of COVID-19. However, following the implementation of a number of actions, as previously reported, Uni-Select's sales performance was better than anticipated with sales increasing month after month during the quarter and exceeding the internal forecast set in late March in response to the uncertainty surrounding the pandemic. As a result, June sales closed at more than 85% compared to the same month last year.

SIX-MONTH PERIODS

Consolidated sales for the six-month period, when compared to the same period last year, decreased by 18.9%. This performance was, in large part, attributable to negative organic growth of 18.3%, as well as to unfavourable fluctuations of the Canadian and British currencies and the expected erosion resulting from the integration of company-owned stores over the last twelve months. These elements were partially compensated by one additional billing day and the contribution of business acquisitions.

The second quarter performance, affected by COVID-19, weighted on the six-month period. However, more than 80% of company-owned stores were in operation as at June 30, 2020, as the volume of sales gradually recovered.

GROSS MARGIN

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Gross margin	**85,955**	145,416	**208,732**	280,961
In % of sales	***28.4%***	*31.9%*	***29.4%***	*32.1%*

SECOND QUARTERS

The gross margin, as a percentage of sales, decreased by 350 basis points, compared to the same quarter in 2019. This variance is in part due to the lower volume of sales, affected by COVID-19, resulting in an unfavourable segment mix, lower volume rebates from reduced volume of purchases in all segments, as well as additional inventory reserves of $2,043 or approximately 40 basis points. Furthermore, the FinishMaster U.S. segment was affected by lower rebates in relation to the optimization of inventory, as well as by an evolving customer mix. During the second quarter of 2019, the Canadian Automotive Group segment benefitted from additional volume rebates and incentives.

These elements were, in part, compensated by a favourable distribution channel mix from a lower volume of drop shipments in the Canadian Automotive Group segment.

SIX-MONTH PERIODS

The gross margin, as a percentage of sales, decreased by 270 basis points, compared to the same period last year, essentially affected by the same factors aforementioned in the quarter, where additional inventory reserves represent approximately 20 basis points.

SALARIES AND BENEFITS

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Salaries and benefits	**45,153**	79,487	**117,318**	158,102
In % of sales	***14.9%***	*17.4%*	***16.5%***	*18.0%*

SECOND QUARTERS

Salaries and benefits, as a percentage of sales, improved by 250 basis points, compared to the same quarter in 2019, benefitting from temporary lay-offs and the reduction of working hours to align with sales activity. As well, initiatives in relation to the Performance Improvement Plan (“PIP”) were accretive to the quarter.

These savings were partially offset by a lower absorption of fixed payroll attributable to the lower volume of sales resulting from COVID-19.

SIX-MONTH PERIODS

Salaries and benefits, as a percentage of sales, improved by 150 basis points, compared to the same period last year, essentially affected by the same factors aforementioned in the quarter.

OTHER OPERATING EXPENSES

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Other operating expenses	**25,961**	30,121	**59,787**	58,600
In % of sales	***8.6%***	*6.6%*	***8.4%***	*6.7%*

SECOND QUARTERS

Other operating expenses, as a percentage of sales, increased by 200 basis points, compared to the same quarter last year, affected by the COVID-19 pandemic, as the lower volume of sales impacted the absorption of fixed costs, and additional bad debt expense of $4,309 or approximately 90 basis points was recorded, certain customers experiencing financial difficulties. As well, the second quarter last year benefitted from the ProColor program, which was sold in September 2019.

These elements were partially compensated by cost control measures put in place to counteract the decline in sales, reducing discretionary spending, as well as benefits from the PIP. Additionally, The Parts Alliance U.K. segment benefitted from COVID-19-specific governmental subsidies of about $700 in relation to occupancy costs during the quarter.

SIX-MONTH PERIODS

Other operating expenses, as a percentage of sales, increased by 170 basis points, compared to the same period last year, mainly affected by the same factors aforementioned in the quarter. Additionally, the six-month period reflects the recognition of foreign exchange losses in relation to the depreciation of the Canadian dollar and the British pound, as well as a one-time charge. Both elements recorded during the first quarter of 2020, combined with additional bad debt expense, represent $9,108 or approximately 100 basis points.

SPECIAL ITEMS

Special items comprise elements which do not reflect the Corporation's core performance or where their separate presentation will assist readers of the interim consolidated financial statements in understanding the Corporation's results for the period. Special items are detailed as follows:

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Restructuring and other charges related to improvement plans	**16,914**	1,768	**18,132**	7,961
Review of strategic alternatives	**601**	2,306	**1,089**	3,208
	17,515	4,074	**19,221**	11,169

Restructuring and other charges related to improvement plans

Performance Improvement Plan ("PIP")

At the beginning of 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment. The 25/20 Plan, announced in late 2018, and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together referred to as the PIP. Over the course of 2019, due to the uncertainty and challenging macroeconomics in the United Kingdom as well as to the competitive environment in the U.S., the Corporation successively expanded the PIP, adding new accretive initiatives. The PIP is now completed, with annualized expected savings realized.

Continuous Improvement Plan ("CIP")

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan based on a long-term approach to further improve the productivity and efficiency of all segments. An in-depth review of the operations was undertaken by each segment's respective team, with the main objective of optimizing processes, including customer service, automation and supply chain logistics, while rightsizing accordingly. The execution of the CIP started in June 2020 and will continue over the next several months.

The Corporation recognized for the quarter and the six-month period ended June 30, 2020, restructuring and other charges related to improvement plans totalling $16,914 and $18,132 respectively ($1,768 and $7,961 for 2019). These charges are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Restructuring charges [1]	**10,407**	-	**10,407**	1,985
Non-cash costs related to the write-down of assets [2]	**6,155**	647	**6,155**	3,326
Other charges as incurred [3]	**352**	1,121	**1,999**	2,650
Change in estimates [4]	**-**	-	**(429)**	-
	16,914	1,768	**18,132**	7,961

(1) Mainly severance and closing costs as part of rightsizing activities.

(2) Mainly impairment of property and equipment.

(3) Primarily comprising consulting fees related to the optimization of the logistical processes, inventory liquidation and moving costs.

(4) During the first quarter, the Corporation reviewed its remaining provisions in relation to the PIP and reflected a partial reversal in relation to severance.

Review of strategic alternatives

The review of strategic alternatives was initiated in September 2018, when the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer, and the President and Chief Operating Officer of FinishMaster, Inc., and concluded in December 2019, following the issuance of the convertible debentures.

The Corporation recognized for the quarter and six-month period ended June 30, 2020, charges totalling $601 and $1,089 respectively ($2,306 and $3,208 for 2019). These charges are detailed as follows:

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Retention bonuses	**523**	1,360	**975**	1,858
Other fees [1]	**78**	946	**114**	1,350
	601	2,306	**1,089**	3,208

(1) Primarily comprising consulting fees related to the review of strategic alternatives.

EBITDA

The following is a reconciliation of the EBITDA and the adjusted EBITDA:

	Second quarters			Six-month periods		
	2020	2019	%	**2020**	2019	%
Net earnings (loss)	**(24,169)**	6,318		**(30,910)**	4,985	
Income tax expense (recovery)	**(6,798)**	2,222		**(8,673)**	2,258	
Depreciation and amortization	**15,895**	15,756		**32,489**	31,624	
Finance costs, net	**12,398**	7,438		**19,500**	14,223	
EBITDA	**(2,674)**	31,734	*(108.4)*	**12,406**	53,090	*(76.6)*
EBITDA margin	***(0.9%)***	*7.0%*		***1.7%***	*6.1%*	
Special items	**17,515**	4,074		**19,221**	11,169	
Adjusted EBITDA	**14,841**	35,808	*(58.6)*	**31,627**	64,259	*(50.8)*
Adjusted EBITDA margin	***4.9%***	*7.8%*		***4.5%***	*7.3%*	

SECOND QUARTERS

The adjusted EBITDA margin decreased by 290 basis points, compared to the same quarter in 2019. This variance is mainly explained by the lower volume of sales attributable to COVID-19, which resulted in lower gross margins, a reduced absorption of fixed costs and additional reserves for obsolescence and bad debt, both totalling $6,352 or approximately 140 basis points. Additionally, the adjusted EBITDA margin was affected by lower vendor incentives resulting from the optimization of inventory in all three segments but mainly affecting the FinishMaster U.S.

These elements were partially compensated by temporary lay-offs, reduction of working hours, cost control measures, reduced discretionary spending, as well as savings realized in relation to the PIP. Initiatives implemented at the end of June in relation to the CIP, mainly workforce alignment, will start to show benefits at the beginning of the third quarter.

SIX-MONTH PERIODS

The adjusted EBITDA margin decreased by 280 basis points, compared to the same period in 2019. This variance is mainly explained by the same factors aforementioned in the quarter. Furthermore, the adjusted EBITDA margin of the six-month period reflects foreign exchange losses from the depreciation of the Canadian dollar and the British pound, as well as a one-time charge, both recognized during the first quarter of 2020. Both elements, combined with additional reserves for obsolescence and bad debt, recorded during the second quarter of 2020, represent $11,151 or approximately 130 basis points.

FINANCE COSTS, NET

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Finance costs, net	**12,398**	7,438	**19,500**	14,223
In % of sales	***4.1%***	*1.6%*	***2.7%***	*1.6%*

SECOND QUARTERS

The increase of 250 basis points in finance costs, compared to the same quarter in 2019, is mainly attributable to a lower absorption due to negative organic growth, as well as to the loss on debt extinguishment of $3,553 following the conclusion of a new credit agreement on May 29, 2020. In addition, a higher average level of debt resulted in higher borrowing costs.

SIX-MONTH PERIODS

The increase of 110 basis points in finance costs, compared to the same period in 2019, is mainly affected by the same factors aforementioned in the quarter.

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

DEPRECIATION AND AMORTIZATION

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Depreciation and amortization	**15,895**	15,756	**32,489**	31,624
In % of sales	***5.3%***	*3.5%*	***4.6%***	*3.6%*

SECOND QUARTERS

The increase of 180 basis points in depreciation and amortization, compared to the same quarter in 2019, is mainly attributable to the level of sales and the absorption of depreciation and amortization since the dollar value is relatively the same.

SIX-MONTH PERIODS

The increase of 100 basis points in depreciation and amortization, compared to the same period in 2019, is mainly affected by the same factors aforementioned in the quarter.

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

EBT

The following is a reconciliation of the EBT and adjusted EBT:

	Second quarters			Six-month periods		
	2020	**2019**	*%*	**2020**	2019	*%*
Net earnings (loss)	**(24,169)**	6,318		**(30,910)**	4,985	
Income tax expense (recovery)	**(6,798)**	2,222		**(8,673)**	2,258	
EBT	**(30,967)**	8,540	*(462.6)*	**(39,583)**	7,243	*(646.5)*
EBT margin	***(10.2%)***	*1.9%*		***(5.6%)***	*0.8%*	
Special items	**17,515**	4,074		**19,221**	11,169	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,003**	1,263		**2,038**	2,544	
Adjusted EBT	**(12,449)**	13,877	*(189.7)*	**(18,324)**	20,956	*(187.4)*
Adjusted EBT margin	***(4.1%)***	*3.0%*		***(2.6%)***	*2.4%*	

SECOND QUARTERS

The adjusted EBT margin decreased by 710 basis points, compared to the same quarter in 2019. This variance is mainly explained by the same factors impacting the EBITDA, as well as by the loss of $3,553 on debt extinguishment recorded following the conclusion of a new credit agreement.

SIX-MONTH PERIODS

The adjusted EBT margin decreased by 500 basis points, compared to the same period in 2019. This variance is mainly explained by the same factors aforementioned in the quarter.

INCOME TAX EXPENSE (RECOVERY)

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Income tax expense (recovery)	**(6,798)**	2,222	**(8,673)**	2,258
Income tax rate	***22.0%***	*26.0%*	***21.9%***	*31.2%*

SECOND QUARTERS

The variance of income tax, compared to the same quarter in 2019, is mainly attributable to the impact of the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes" as well as a change in the enacted tax rate in the UK which increased the Corporation's net deferred tax liability.

SIX-MONTH PERIODS

The variance of income tax, compared to the same period in 2019, is mainly explained by the same factors aforementioned in the quarter.

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

NET EARNINGS (LOSS) AND EARNINGS (LOSS) PER SHARE

	Second quarters			Six-month periods		
	2020	2019	%	**2020**	2019	%
Net earnings (loss)	**(24,169)**	6,318	*(482.5)*	**(30,910)**	4,985	*(720.1)*
Special items, net of taxes	**13,390**	3,055		**14,661**	8,375	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**1,124**	1,049		**2,293**	2,112	
Adjusted earnings (loss)	**(9,655)**	10,422	*(192.6)*	**(13,956)**	15,472	*(190.2)*
Earnings (loss) per share	**(0.57)**	0.15	*(480.0)*	**(0.73)**	0.12	*(708.3)*
Special items, net of taxes	**0.31**	0.07		**0.35**	0.20	
Amortization of intangible assets related to the acquisition of The Parts Alliance, net of taxes	**0.03**	0.02		**0.05**	0.05	
Adjusted earnings (loss) per share	**(0.23)**	0.25	*(192.0)*	**(0.33)**	0.37	*(189.2)*

SECOND QUARTERS

Adjusted earnings, compared to the same quarter in 2019, decreased by $20,077 or 192.6%, mainly resulting from a lower adjusted EBT, as well as a different income tax rate.

SIX-MONTH PERIODS

Adjusted earnings, compared to the same period in 2019, decreased by $29,428 or 190.2%, mainly resulting from a lower adjusted EBT, as well as a different income tax rate.

CONSOLIDATED QUARTERLY OPERATING RESULTS

The Corporation's sales follow seasonal patterns: sales are typically stronger during the second and the third quarters for the FinishMaster U.S. and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance U.K. segment. Sales are also impacted by business acquisitions as well as by the conversion effect of the Canadian dollar and the British pound into the US dollar. The first and second quarters of 2020 were, however, affected by the COVID-19 crisis.

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

	2020		2019				2018	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Sales								
FinishMaster U.S.	**133,374**	202,199	198,271	215,735	212,249	204,510	203,440	214,209
Canadian Automotive Group	**114,299**	108,941	122,321	137,233	143,445	113,113	122,460	131,128
The Parts Alliance U.K.	**54,861**	96,544	92,010	97,790	100,481	102,414	93,555	103,508
	302,534	407,684	412,602	450,758	456,175	420,037	419,455	448,845
EBITDA	**(2,674)**	15,080	(27,997)	51,365	31,734	21,356	12,783	29,712
EBITDA margin	***(0.9%)***	*3.7%*	*(6.8%)*	*11.4%*	*7.0%*	*5.1%*	*3.0%*	*6.6%*
Adjusted EBITDA	**14,841**	16,786	27,930	37,742	35,808	28,451	21,428	34,924
Adjusted EBITDA margin	***4.9%***	*4.1%*	*6.8%*	*8.4%*	*7.8%*	*6.8%*	*5.1%*	*7.8%*
EBT	**(30,967)**	(8,616)	(51,530)	26,898	8,540	(1,297)	(2,852)	14,382
EBT margin	***(10.2%)***	*(2.1%)*	*(12.5%)*	*6.0%*	*1.9%*	*(0.3%)*	*(0.7%)*	*3.2%*
Adjusted EBT	**(12,449)**	(5,875)	5,437	14,343	13,877	7,079	7,092	20,887
Adjusted EBT margin	***(4.1%)***	*(1.4%)*	*1.3%*	*3.2%*	*3.0%*	*1.7%*	*1.7%*	*4.7%*
Special items	**17,515**	1,706	55,927	(13,623)	4,074	7,095	8,645	5,212
Net earnings (loss)	**(24,169)**	(6,741)	(49,447)	24,617	6,318	(1,333)	(2,363)	10,594
Adjusted earnings (loss)	**(9,655)**	(4,301)	4,560	10,739	10,422	5,050	5,430	15,528
Basic earnings (loss) per share	**(0.57)**	(0.16)	(1.17)	0.58	0.15	(0.03)	(0.06)	0.25
Adjusted basic earnings (loss) per share	**(0.23)**	(0.10)	0.11	0.25	0.25	0.12	0.13	0.37
Diluted earnings (loss) per share	**(0.57)**	(0.16)	(1.17)	0.58	0.15	(0.03)	(0.06)	0.25
Dividends declared per share (C$) [(1)]	**-**	*0.0925*	*0.0925*	*0.0925*	*0.0925*	*0.0925*	*0.0925*	*0.0925*
Average exchange rate for earnings (C$)	***0.72:$1***	*0.75:$1*	*0.76:$1*	*0.76:$1*	*0.75:$1*	*0.75:$1*	*0.76:$1*	*0.77:$1*
Average exchange rate for earnings (£)	***1.24:$1***	*1.28:$1*	*1.29:$1*	*1.23:$1*	*1.29:$1*	*1.30:$1*	*1.29:$1*	*1.30:$1*

(1) On April 20, 2020, the Board made the decision to suspend all future dividend payments for the time being, as part of a cash preservation plan aimed at ensuring maximum available liquidity and financial flexibility.

ANALYSIS OF RESULTS BY SEGMENT

SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster U.S.: distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market.

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks.

The Parts Alliance U.K.: distribution of automotive original equipment manufacturer ("OEM") and aftermarket parts, serving local and national customers across the U.K.

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 segment performance is EBT.

OPERATING RESULTS—FINISHMASTER U.S.

Sales

	Second quarters		**Six-month periods**	
	2020	2019	**2020**	2019
Sales	**133,374**	212,249	**335,573**	416,759
		%		%
Sales variance	**(78,875)**	*(37.2)*	**(81,186)**	*(19.5)*
Number of billing days	**-**	-	**(3,282)**	*(0.8)*
Erosion of sales from the integration of company-owned stores	**1,223**	*0.6*	**2,784**	*0.7*
Organic growth	**(77,652)**	*(36.6)*	**(81,684)**	*(19.6)*

SECOND QUARTERS

The FinishMaster U.S. segment is reporting a decrease in sales of 37.2%, compared to the same quarter last year, essentially from a negative organic growth of 36.6%. Sales were affected mainly by COVID-19 since the end of the first quarter and, to a lesser extent, by the expected erosion from the integration of company-owned stores within the last twelve months.

In April, organic sales decreased sharply compared to 2019. However, since then, sales are showing encouraging signs with steady growth, month over month.

SIX-MONTH PERIODS

The FinishMaster U.S. segment is reporting a decrease in sales of 19.5%, compared to the same period last year, and a negative organic growth of 19.6%. Sales were affected mainly by COVID-19 since the end of the first quarter and, to a lesser extent, by the expected erosion from the integration of company-owned stores within the last twelve months. These elements were, in part, compensated by one additional billing day.

EBITDA and EBT

	Second quarters			Six-month periods		
	2020	2019	*%*	**2020**	2019	*%*
EBITDA	**(1,516)**	17,823	*(108.5)*	**9,802**	28,895	*(66.1)*
EBITDA margin	***(1.1%)***	*8.4%*		***2.9%***	*6.9%*	
Special items	**5,975**	1,168		**6,758**	6,481	
Adjusted EBITDA	**4,459**	18,991	*(76.5)*	**16,560**	35,376	*(53.2)*
Adjusted EBITDA margin	***3.3%***	*8.9%*		***4.9%***	*8.5%*	
EBT	**(8,700)**	10,425	*(183.5)*	**(4,723)**	14,105	*(133.5)*
EBT margin	***(6.5%)***	*4.9%*		***(1.4%)***	*3.4%*	
Special items	**5,975**	1,168		**6,758**	6,481	
Adjusted EBT	**(2,725)**	11,593	*(123.5)*	**2,035**	20,586	*(90.1)*
Adjusted EBT margin	***(2.0%)***	*5.5%*		***0.6%***	*4.9%*	

SECOND QUARTERS

The adjusted EBITDA margin decreased by 560 basis points and the adjusted EBT margin by 750 basis points when compared to the same quarter last year. Both margins were affected by the COVID-19 pandemic, resulting in a lower volume of sales and gross profit, a reduced fixed costs absorption, as well as additional inventory obsolescence and bad debt expenses. Furthermore, the segment earned lower rebates in relation to the optimization of inventory and was affected by an evolving customer mix.

These elements were partially compensated by furloughs, as well as by the reduction of working hours and discretionary expenses, aligning the cost structure with the current state of the market. Furthermore, the quarter benefitted from realized savings in relation to the improvement plan, including company-owned stores integrated as at March 31, 2020, and optimization of processes.

As well, in relation to the CIP, this segment further aligned its workforce at the end of the quarter, resulting in annualized savings of approximately $5,800 (measured against the first quarter of 2020).

SIX-MONTH PERIODS

The adjusted EBITDA margin decreased by 360 basis points and adjusted the EBT margin by 430 basis points when compared to the same quarter last year. These variances are essentially explained by the same factors aforementioned in the quarter, as well as by a one-time charge recorded during the first quarter.

The implementation of the improvement plan allows the segment to adjust its cost base to the level of sales and to face difficult market conditions in the U.S. due to COVID-19 as well as competition.

OPERATING RESULTS—CANADIAN AUTOMOTIVE GROUP

Sales

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Sales	**114,299**	143,445	**223,240**	256,558
		%		*%*
Sales variance	**(29,146)**	*(20.3)*	**(33,318)**	*(13.0)*
Conversion effect of the Canadian dollar	**3,856**	*2.7*	**4,771**	*1.9*
Number of billing days	**-**	-	**(2,056)**	*(0.8)*
Acquisitions	**(513)**	*(0.4)*	**(1,076)**	*(0.4)*
Organic growth	**(25,803)**	*(18.0)*	**(31,679)**	*(12.3)*

SECOND QUARTERS

The Canadian Automotive Group segment is reporting a decrease in sales of 20.3%, compared to the corresponding quarter of 2019, affected by negative organic growth of 18.0%, mainly from the effects of COVID-19, and the depreciation of the Canadian currency.

In April, organic sales decreased sharply compared to last year. However, since then, sales are showing encouraging signs with steady growth, month over month.

SIX-MONTH PERIODS

The Canadian Automotive Group segment is reporting a decrease in sales of 13.0%, compared to the corresponding period of 2019, affected by negative organic growth of 12.3%, mainly from the effect of COVID-19, and the depreciation of the Canadian currency. These elements were partially compensated by the contribution of one additional billing day and business acquisitions.

EBITDA and EBT

	Second quarters			Six-month periods		
	2020	2019	%	**2020**	2019	%
EBITDA	**7,305**	16,046	*(54.5)*	**9,574**	23,862	*(59.9)*
EBITDA margin	***6.4%***	*11.2%*		***4.3%***	*9.3%*	
Special items	**5,586**	600		**6,022**	1,480	
Adjusted EBITDA	**12,891**	16,646	*(22.6)*	**15,596**	25,342	*(38.5)*
Adjusted EBITDA margin	***11.3%***	*11.6%*		***7.0%***	*9.9%*	
EBT	**2,206**	10,623	*(79.2)*	**(853)**	13,290	*(106.4)*
EBT margin	***1.9%***	*7.4%*		***(0.4%)***	*5.2%*	
Special items	**5,586**	600		**6,022**	1,480	
Adjusted EBT	**7,792**	11,223	*(30.6)*	**5,169**	14,770	*(65.0)*
Adjusted EBT margin	***6.8%***	*7.8%*		***2.3%***	*5.8%*	

SECOND QUARTERS

The adjusted EBITDA margin decreased by 30 basis points and the adjusted EBT margin by 100 basis points compared to the same quarter in 2019. Both margins were impacted by lower volume rebates and a lesser absorption of fixed costs resulting from the lower volume of sales attributable to COVID-19. Furthermore, additional bad debt expense was incurred during the quarter. On the other hand, the second quarter of 2019 benefitted from additional volume rebates and incentives, as well as from the ProColor program, which was sold during the third quarter of 2019.

These elements were partially compensated by furloughs, as well as by the reduction of working hours and discretionary expenses, aligning the cost structure with the level of activity. Additionally, the quarter benefitted from savings related to the improvement plan. As well, in relation to this plan, this segment further aligned its workforce at the end of the quarter, resulting in annualized savings of approximately $8,200 (measured against the first quarter of 2020).

SIX-MONTH PERIODS

The adjusted EBITDA margin decreased by 290 basis points and the adjusted EBT margin by 350 basis points compared to the same period in 2019. These variances are mainly explained by the same elements aforementioned in the quarter. As well, margins were penalized by foreign exchange losses, mostly arising during the first quarter, on accounts payable in U.S. currency, due to the depreciation of the Canadian dollar, while 2019 benefitted from gains.

OPERATING RESULTS—THE PARTS ALLIANCE U.K.

Sales

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Sales	**54,861**	100,481	**151,405**	202,895
		%		*%*
Sales variance	**(45,620)**	*(45.4)*	**(51,490)**	*(25.4)*
Conversion effect of the British pound	**1,904**	*1.9*	**3,059**	*1.5*
Number of billing days	**-**	-	**(1,529)**	*(0.8)*
Erosion of sales from the integration of company-owned stores	**1,827**	*1.8*	**3,165**	*1.6*
Organic growth	**(41,889)**	*(41.7)*	**(46,795)**	*(23.1)*

SECOND QUARTERS

Sales for this segment decreased by 45.4% compared to the same quarter last year, affected by negative organic growth of 41.7% and the weakness of the British pound. As well, sales were affected by the expected erosion resulting from the integration of company-owned stores within the last twelve months.

In April, organic sales decreased sharply compared to 2019. However, since then, sales are showing encouraging signs with steady growth, month over month.

SIX-MONTH PERIODS

Sales for the six-month period decreased by 25.4% compared to the same period last year, affected by negative organic growth of 23.1% and the weakness of the British pound. As well, sales were affected by the expected erosion resulting from the integration of company-owned stores within the last twelve months, aiming to optimize the network.

EBITDA and EBT

	Second quarters			Six-month periods		
	2020	2019	%	**2020**	2019	%
EBITDA	**(4,878)**	3,059	*(259.5)*	**(222)**	10,249	*(102.2)*
EBITDA margin	***(8.9%)***	*3.0%*		***(0.1%)***	*5.1%*	
Special items	**5,197**	-		**5,197**	-	
Adjusted EBITDA	**319**	3,059	*(89.6)*	**4,975**	10,249	*(51.5)*
Adjusted EBITDA margin	***0.6%***	*3.0%*		***3.3%***	*5.1%*	
EBT	**(9,551)**	(1,379)	*(592.6)*	**(9,871)**	941	*(1,149.0)*
EBT margin	***(17.4%)***	*(1.4%)*		***(6.5%)***	*0.5%*	
Special items	**5,197**	-		**5,197**	-	
Adjusted EBT	**(4,354)**	(1,379)	*(215.7)*	**(4,674)**	941	*(596.7)*
Adjusted EBT margin	***(7.9%)***	*(1.4%)*		***(3.1%)***	*0.5%*	

SECOND QUARTERS

The adjusted EBITDA margin decreased by 240 basis points and the adjusted EBT margin by 650 basis points, compared to the same quarter in 2019. Margins were affected by the COVID-19 pandemic, resulting in a lower volume of sales and gross profit, a reduced fixed costs absorption, as well as additional bad debt expense. In addition, the gross margin reflects a lower level of rebates, as a result of reduced purchases, in line with the sales level.

These elements were partially compensated by furloughed staff savings, as well as by the reduction of working hours and discretionary expenses, aligning the cost structure with the level of activity. Furthermore, the quarter benefitted from savings in relation to improvement plans, including company-owned stores integrated as at March 31, 2020. During the quarter, this segment also benefitted from COVID-19 specific governmental subsidies of about $700 for occupancy costs.

SIX-MONTH PERIODS

The adjusted EBITDA margin decreased by 180 basis points and the adjusted EBT margin by 360 basis points compared to the same period in 2019. These variances are primarily explained by the same factors aforementioned in the quarter.

Since the beginning of 2020, The Parts Alliance U.K. segment implemented some initiatives, aligning its organizational structure and integrating company-owned stores.

OPERATING RESULTS—CORPORATE OFFICE AND OTHERS

	Second quarters			First quarters		
	2020	2019	%	**2020**	2019	%
EBITDA	**(3,585)**	(5,194)	*31.0*	**(6,748)**	(9,916)	*31.9*
Special items	**757**	2,306		**1,244**	3,208	
Adjusted EBITDA	**(2,828)**	(2,888)	*2.1*	**(5,504)**	(6,708)	*17.9*
EBT	**(14,922)**	(11,129)	*(34.1)*	**(24,136)**	(21,093)	*(14.4)*
Special items	**757**	2,306		**1,244**	3,208	
Amortization of intangible assets related to the acquisition of The Parts Alliance	**1,003**	1,263		**2,038**	2,544	
Adjusted EBT	**(13,162)**	(7,560)	*(74.1)*	**(20,854)**	(15,341)	*(35.9)*

SECOND QUARTERS

The Corporate Office and Others segment reported an adjusted EBITDA similar to the same quarter in 2019 despite higher stock-based compensation, recorded during the current quarter in relation to the appreciation of the share price of the Corporation, which was compensated by an associated gain from the equity swap instrument, as well as by a reduction in working hours.

The variance in the adjusted EBT reported by this segment is mainly explained by, in addition to the elements mentioned above, the loss on debt extinguishment following the conclusion of a new credit agreement on May 29, 2020, as well as to higher borrowing costs from higher average debt.

SIX-MONTH PERIODS

The variances of the adjusted EBITDA and the adjusted EBT reported by the Corporate Office and Others segment, compared to the same period in 2019, are essentially explained by the same factors aforementioned in the quarter.

CASH FLOWS

OPERATING ACTIVITIES

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Cash flows from operating activities	**34,877**	97,176	**24,102**	27,689

SECOND QUARTERS

Lower inflows were generated by operating activities, compared to the same quarter in 2019, mainly due to the timing of vendor financing transactions, negatively impacting this current quarter's trade and other payables. As well, the operating results were impacted during the 2020 quarter, by lower margins mainly affected by lower volume due to the COVID-19 pandemic and impacting the business units mix as well as inventory reserves.

These outflows were partially offset by the optimization of inventory at the FinishMaster U.S. segment during the current quarter, as well as by a lower level of trade receivables, in part from emphasized efforts on collection, as part of cash management in relation to the COVID-19 pandemic.

SIX-MONTH PERIODS

The variance in cash flows from operating activities, compared to the same period in 2019, is essentially explained by the same factors aforementioned in the quarter.

INVESTING ACTIVITIES

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Cash flows used in investing activities	**(876)**	(9,019)	**(12,595)**	(17,020)

SECOND QUARTERS

Lower outflows were required in investing activities, compared to the same quarter in 2019, mainly in response to the COVID-19 pandemic. Management significantly curtailed its capital expenditures and customer investments during the quarter, whereas last year, the Corporation was investing in the new distribution centres. Such significant investments were not expected this year.

These elements were partially compensated by a lower level of reimbursement of advances to merchant members during the current quarter.

SIX-MONTH PERIODS

The decrease in cash outflows used in investing activities, compared to the same period in 2019, is mainly explained by the same factor aforementioned in the quarter.

These elements were partially compensated by a business acquisition during the current period by the Canadian Automotive Group segment. In comparison, the six-month period of 2019 benefitted from the proceeds of the sale of a building.

FINANCING ACTIVITIES

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Cash flows used in financing activities	**(19,184)**	(86,141)	**(5,045)**	(11,814)

SECOND QUARTERS

The decrease in the level of cash outflows in financing activities, compared to the same quarter in 2019, is mainly explained by an unfavourable timing of vendor financing transactions, as mentioned above, allowing a lower reimbursement of the credit facility in 2020.

These elements were partially compensated by the favorable effect of the optimization of inventory and the collection of trade receivables during the current quarter, resulting in lower funding needs from the credit facility.

SIX-MONTH PERIODS

The variance in cash flows used in financing activities, compared to the same period in 2019, is mainly explained by the same factor as the quarter.

Furthermore, these elements were partially compensated by a lower level of customer investment and capital expenditures in 2020, allowing a partial repayment of the credit facility, despite a business acquisition during the current period.

FREE CASH FLOWS

	Second quarters		Six-month periods	
	2020	2019	**2020**	2019
Cash flows from operating activities	**34,877**	97,176	**24,102**	27,689
Changes in working capital	**(20,422)**	(59,460)	**6,863**	35,561
	14,455	37,716	**30,965**	63,250
Acquisitions of property and equipment	**(1,248)**	(5,651)	**(5,710)**	(11,714)
Difference between amounts paid for post-employment benefits and current period expenses	**(275)**	6	**(554)**	(259)
Free cash flows	**12,932**	32,071	**24,701**	51,277

SECOND QUARTERS

The decrease in free cash flows, compared to the same quarter in 2019, is due to the decline in margins, mainly in relation to the lower volume of rebates associated with the impact of COVID-19, as well as higher interest payments on long-term debt, due in part to the interest on the convertible debentures which is paid on a semi-annual basis.

These elements were partially offset by lower capital expenditures in 2020, as opposed to investments required in 2019 for the new distribution centres.

SIX-MONTH PERIODS

The variance in free cash flows, compared to the same period in 2019, is essentially explained by the same factors mentioned in the quarter.

FINANCING

LONG-TERM DEBT AND CREDIT FACILITIES

The following table presents the composition of the long-term debt:

	Maturity	Effective interest rate	**Current portion**	**June 30,**	Dec. 31**,**
				2020	2019
Revolving credit facility, variable rates (1) (2)	2023	5.25% to 7.25%		**167,331**	372,472
Term facility, variable rates (1) (2)	2023	6.75% to 7.25%		**214,369**	-
Lease obligations - vehicles, variable rates	-	-	3,547	**8,685**	10,979
Lease obligations - buildings, variable rates	-	-	23,840	**94,133**	101,298
Others	2021	-	14	**16**	18
			27,401	**484,534**	484,767
Instalments due within a year				**27,401**	28,594
Long-term debt				**457,133**	456,173

(1) As at June 30, 2020, nominal amounts of $168,345 and $215,000 were respectively used under the Corporation's revolving credit facility and term facility ($375,956 for the revolving credit facility as at December 31, 2019). The difference with the carrying amount presented above is composed of deferred financing costs.

(2) As at June 30, 2020, a principal amount of $303,534 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations ($296,291 as at December 31, 2019).

Revolving credit facility, term facility and letter of credit facility

In March 2020, the Corporation terminated its $20,000 unsecured letter of credit facility (the "letter of credit agreement") and transitioned the outstanding letters of credit originally issued under this letter of credit agreement to the revolving credit facility in place

FINANCING (CONTINUED)

In May 2020, the Corporation entered into a new credit agreement (the "new credit agreement") for a principal total maximum amount of $565,000. Through the refinancing, and immediate cancellation, of the unsecured revolving credit facility outstanding balance, the new credit agreement provides a $350,000 secured long-term revolving credit facility, as well as two secured term facilities for a principal total amount of $215,000. The facilities are secured by a first ranking lien on all of the Corporation's assets. The new revolving credit facility can be repaid at any time without penalty and is maturing on June 30, 2023. The new term facilities are maturing in tranches starting on March 31, 2022, with the repayment of a first $100,000. Thereafter, a quarterly repayment schedule of $5,000 is planned, the remaining balance becoming payable on June 30, 2023. Under this new credit agreement, the credit facilities are available in Canadian dollars, US dollars, Euros or British pounds. The applicable variable interest rates are based either on Libor, Euro Libor, GBP Libor, banker's acceptances, US base rate or prime rates plus the applicable margins.

Part of the Corporation's new revolving credit facility, an amount not exceeding $20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on US base rate or 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 June 30, 2020, $6,537 of letters of credit have been issued ($7,137 as at December 31, 2019).

As at June 30, 2020, the Corporation benefits from an available amount on its credit facilities, subject to financial covenants, of approximately $205,000 ($199,000 as at December 31, 2019).

CONVERTIBLE DEBENTURES

On December 18, 2019, the Corporation issued convertible senior subordinated unsecured debentures for aggregate principal amount of C$125,000. The convertible debentures were offered at a price of C$1,000 per C$1,000 principal amount of debentures and bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 18 and December 18 of each year. The convertible debentures have a maturity date of 7 years from their date of issue and are convertible at the option of the holder into common shares of the Corporation at a price of C$13.57 per share, representing a conversion rate of 73.69 shares per C$1,000 principal amount of debentures. The equity component of the debentures was determined as the difference between the fair value of the convertible debentures and the fair value of the liability component, which was calculated using an effective rate of 8.25%.

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 suppliers.

As at June 30, 2020, Uni-Select benefited from additional deferred payments of accounts payable in the amount of $70,805 and used $85,400 of the program ($143,978 and $229,562 respectively as at December 31, 2019). 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. As part of the Corporation's cash preservation plan and the recent debt refinancing, this program is currently under review with financial institutions.

FINANCIAL INSTRUMENTS

Derivative financial instruments – hedge of foreign exchange risk

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at June 30, 2020, are as follows:

Currencies (sold/bought)	Maturity	Average rate (1)	Notional amount (2)
CAD/USD	Up to February 2021	0.72	6,592
GBP/USD	Up to August 2020	1.22	1,581
GBP/EUR	Up to August 2020	1.11	873

(1) Rates are expressed as the number of units of the currency bought for one unit of currency sold.

(2) Exchange rates as at June 30, 2020, were used to translate amounts in foreign currencies.

FINANCING (CONTINUED)

Derivative financial instruments used in cash flow hedges - hedge of interest rate risk

The Corporation entered into interest rate swap agreements denominated in British pounds for total nominal amount of £70,000 to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955%.

As at December 31, 2019, the Corporation entered into swap agreements for total nominal amounts of $42,500 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, the agreements for interest rate swaps denominated in US dollars were fixing the interest cash flows between 1.745% and 1.760%.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at June 30, 2020, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (214,277 as at December 31, 2019).

CAPITAL STRUCTURE

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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;
- Total net debt to adjusted EBITDA ratio; and
- Adjusted return on average total equity.

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.

Furthermore, Management continuously monitors its working capital items to improve the cash conversion cycle, in particular, on optimizing inventory levels in all business segments.

The following table presents the components used in the calculation of debt and equity ratios:

	June 30,	Dec. 31,
	2020	2019
Cash	**40,940**	35,708
Long-term debt (per long-term debt schedule above)	**484,534**	484,767
Total net debt (long-term debt minus cash)	**443,594**	449,059
Convertible debentures	**81,186**	84,505
Total equity	**451,397**	506,994
Total equity (including convertible debentures)	**532,583**	591,499

The following table presents debt and equity ratios:

	June 30,	Dec. 31,
	2020	2019
Total net debt to total net debt and total equity ratio	***45.4%***	*43.2%*
Long-term debt to total equity ratio	***91.0%***	*82.0%*
Total net debt to adjusted EBITDA ratio	***4.56***	*3.46*
Return on average total equity ratio	***(11.5%)***	*(3.9%)*
Adjusted return on average total equity ratio	***(0.6%)***	*5.2%*

CAPITAL STRUCTURE (CONTINUED)

Despite the COVID-19 pandemic, the Corporation managed to reduce its total net debt as of June 30, 2020 compared to December 31, 2019 by $5,465. The increase in both the *total net debt to total net debt and total equity ratio* and the *long-term debt to total equity ratio*, when compared to December 31, 2019, is principally attributable to a lower total equity, since debts remained at a similar level. The total equity was impacted by the net loss of the six-month period, unrealized exchange losses on the translation of financial statements to the presentation currency, as well as by remeasurements of long-term employee benefit obligations, resulting in the recognition of actuarial losses.

The increase in the *total net debt to adjusted EBITDA ratio* is essentially attributable to the lower adjusted EBITDA reflecting the effect of the COVID-19 pandemic.

The variance of the *adjusted return on average total equity ratio* is due to lower adjusted earnings, which were, in part, compensated by the lower average total equity, from factors mentioned above.

BANK COVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at June 30, 2020, the Corporation met all the requirements.

DIVIDENDS

On February 19, 2020, the Corporation declared the first quarterly dividend of 2020 of C$0.0925 per share, paid on April 21, 2020, to shareholders of record as of March 31, 2020.

These dividends are eligible dividends for income tax purposes.

On April 20, 2020, the Board made the decision to suspend all future dividend payments for the time being, as part of a cash preservation plan aimed at ensuring maximum available liquidity and financial flexibility.

INFORMATION ON CAPITAL STOCK

As of June 30, 2020, 42,387,300 common shares were outstanding (same as at December 31, 2019).

STOCK-BASED COMPENSATION

Common share stock option plan for management employees and officers

For the six-month period ended June 30, 2020, 950,000 options were granted to management employees and officers of the Corporation (207,169 options for 2019), with an average exercise price of C$12.34 (C$19.17 in 2019). During the six-month period, no options were exercised (no options for 2019) and 12,914 options were forfeited or expired (no options for 2019).

As at June 30, 2020, options granted for the issuance of 1,647,009 common shares (748,663 common shares as at June 30, 2019) were outstanding under the Corporation's stock option plan.

For the quarter and six-month period ended June 30, 2020, compensation expense of $433 and $1,199 ($80 and $209 respectively in 2019) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the six-month period ended June 30, 2020, the Corporation granted 137,744 DSUs (88,658 DSUs for 2019) and 411 DSUs were redeemed (27,346 DSUs for 2019). Compensation expense (reversal) of $824 and $(3) ($208 and $103 respectively in 2019) was recorded during the quarter and six-month period, and 429,122 DSUs were outstanding as at June 30, 2020 (211,780 DSUs as at June 30, 2019). As at June 30, 2020, the compensation liability was $2,339 ($2,427 as at December 31, 2019) and the fair value of the equity swap agreement was a liability of $3,075 (liability of $3,179 as at December 31, 2019).

Performance share unit ("PSU") plan

For the six-month period ended June 30, 2020, the Corporation granted 381,643 PSUs (173,839 PSUs for 2019) and redeemed 73,245 PSUs (86,461 PSUs for 2019). There was no compensation expense recorded during the quarter and six-month period (no compensation expense and a reversal of $144 respectively in 2019). As at June 30, 2020, 555,880 PSUs were outstanding (306,262 PSUs as at June 30, 2019). There was no compensation liability as at June 30, 2020 (same as at December 31, 2019).

CAPITAL STRUCTURE (CONTINUED)

Restricted share unit ("RSU") plan

In March 2020, the Corporation formally adopted a RSU plan as part of its existing long-term incentive plan ("LTIP"). Under the amended terms of the LTIP, certain management employees receive a portion of their annual incentives under the plan as restricted share units ("RSUs"). The value of each RSU is equal to the average closing price of one common share of the Corporation listed on the TSX for the five consecutive trading days immediately preceding the day on which the value is to be determined ("RSU value"). RSUs vest at the end of a three-year period following the date of issuance, after death, disability, retirement or termination of a participant ("redemption date"). The participant is then entitled to receive in cash for each RSU, the RSU value calculated at the redemption date. A RSU's compensation liability is recorded for the vested RSUs based on the RSU value. A RSU compensation expense is recorded based on the change in compensation liability.

For the six-month period ended June 30, 2020, the Corporation granted 725,144 RSUs and recorded a compensation expense of $125 and $163 for the quarter and six-month period. As at June 30, 2020, 725,144 RSUs were outstanding and the compensation liability was $164.

FINANCIAL POSITION

During the period, the financial position, when compared to December 31, 2019, has been impacted by the conversion effect of the Canadian dollar and the British pound into the US dollar, special items, as well as by business acquisitions.

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

	June 30, 2020	Dec. 31, 2019	Impact on conversion C$/US$ and £/US$	Impact of special items	Impact of business acquisitions	Net variances
Short-term						
Trade and other receivables	**200,126**	250,861	(7,801)	-	772	(43,706)
Inventory	**364,819**	516,169	(12,357)	(1,951)	2,043	(139,085)
Trade and other payables	**258,711**	448,530	(11,332)	3,088	21	(181,596)
Provision for restructuring charges	**10,783**	3,227	(212)	7,768	-	-
Long-term						
Property and equipment	**149,835**	171,420	(6,616)	(4,204)	673	(11,438)
Intangible assets	**184,352**	197,751	(5,872)	-	1,377	(8,904)
Goodwill	**326,416**	333,030	(7,507)	-	893	-
Long-term employee benefit obligations	**28,025**	16,902	(712)	-	-	11,835
Long-term debt (including short-term portion)	**484,534**	484,767	(11,498)	-	4,100	7,165

Explanations for net variances:

Trade and other receivables: The decrease is resulting from a lower volume of sales due to COVID-19, as well as accentuated efforts on collection.

Inventory: The lower level of inventory is mainly resulting from the optimization of inventory especially by the FinishMaster U.S. segment.

Trade and other payables: The decrease is mainly resulting from large payments of trade payables during the period, as well as a lower level of inventory purchase as part of the optimization of inventory mentioned above.

Provision for restructuring charges: Additional restructuring provision was recorded during the second quarter of 2020 in relation to the CIP. *(Refer to the "Update on the Continuous Improvement Plan" section for further details.)*

Property and equipment: The reduction is mainly explained by the depreciation exceeding the level of new investment, which has been reduced to essential maintenance activity, as part of cash management in relation to the COVID-19 pandemic.

Intangible assets: The decrease is essentially attributable to the amortization of the period.

Long-term employee benefit obligations: Remeasurements during the period resulted in the recognition of actuarial losses from a decrease in the discount rate.

Long-term debt: The increase is primarily explained by additional cash on hand, since cash flows from operating activities were greater than fund requirements, as a result of effective cash management.

RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks and uncertainties that may have a material and adverse 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 risks mentioned in the 2019 Annual Report.

No significant change occurred during the six-month period with respect to these risks, other than what is discussed in the *"Status on the COVID-19 pandemic" section*.

SIGNIFICANT ACCOUNTING POLICIES

FUTURE ACCOUNTING CHANGES

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2019. Certain other new standards and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon rates expressed as US dollars per comparative currency unit:

	Second quarters		**Six-month periods**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Average for the period (to translate the statement of earnings)				
Canadian dollar	**0.72**	0.75	**0.73**	0.75
British pound	**1.24**	1.29	**1.26**	1.29
			June 30, 2020	Dec. 31, 2019
Period end (to translate the statement of financial position)				
Canadian dollar			**0.73**	0.77
British pound			**1.23**	1.31

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 and its U.K. 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 and the British pound are therefore related to the translation in US dollars of the Corporation's results for its Canadian and U.K. 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

The President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Corporation are responsible for the implementation and maintenance of disclosure controls and procedures, and of the internal control over financial reporting, as provided for in National Instrument 52–109 regarding the Certification of Disclosure in Issuers' Annual and Interim Filings. They are assisted in this task by the Disclosure Committee, which is comprised of members of the Corporation's senior management.

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 June 30, 2020, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at June 30, 2020, in accordance with the NI 52–109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the interim condensed consolidated financial statements in accordance with IFRS.

During the six-month period ended June 30, 2020, 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

The transformational steps undertaken over the past years solidified the three business segments. However, the extent to which the COVID-19 pandemic will impact the Corporation is unknown. Consequently, the Corporation is proactively preparing a gradual return to the "new normal" and is taking advantage of this time to accelerate the continuous improvement plan, step-up consolidation opportunities and drive technology conversion. These activities will enable the Corporation to promptly emerge, when the crisis abates and market conditions improve, as well as to pursue plans for growth and value creation for shareholders. The Corporation will provide updates during this crisis to shareholders, employees, customers and suppliers.

Brent Windom
President and Chief Executive Officer

Eric Bussières
Executive Vice President and Chief Financial Officer

Approved by the Board of Directors on July 30, 2020.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 (unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(In thousands of US dollars, except per share amounts, unaudited)	Note	Quarters ended June 30,		Six-month periods ended June 30,	
		2020	2019	**2020**	2019
Sales		**302,534**	456,175	**710,218**	876,212
Purchases, net of changes in inventories		**216,579**	310,759	**501,486**	595,251
Gross margin		**85,955**	145,416	**208,732**	280,961
Salaries and benefits		**45,153**	79,487	**117,318**	158,102
Other operating expenses		**25,961**	30,121	**59,787**	58,600
Special items	4	**17,515**	4,074	**19,221**	11,169
Earnings (loss) before finance costs, depreciation and amortization and income taxes		**(2,674)**	31,734	**12,406**	53,090
Finance costs, net	5	**12,398**	7,438	**19,500**	14,223
Depreciation and amortization	5	**15,895**	15,756	**32,489**	31,624
Earnings (loss) before income taxes		**(30,967)**	8,540	**(39,583)**	7,243
Income tax expense (recovery)	5	**(6,798)**	2,222	**(8,673)**	2,258
Net earnings (loss)		**(24,169)**	6,318	**(30,910)**	4,985
Earnings (loss) per share (basic and diluted)	6	**(0.57)**	0.15	**(0.73)**	0.12
Weighted average number of common shares outstanding (in thousands)	6				
Basic and diluted		**42,387**	42,387	**42,387**	42,387

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of US dollars, unaudited)	Note	Quarters ended June 30,		Six-month periods ended June 30,	
		2020	2019	**2020**	2019
Net earnings (loss)		**(24,169)**	6,318	**(30,910)**	4,985
Other comprehensive 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 $54 and $155 for the quarter and six-month period ($94 and $256 respectively in 2019))		**(149)**	(280)	**(430)**	(741)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to net earnings (loss) (net of income tax of $42 and $52 for the quarter and six-month period ($25 and $53 respectively in 2019))	5	**116**	(74)	**144**	(155)
Unrealized exchange losses on the translation of financial statements to the presentation currency		**(4,255)**	(9,148)	**(11,855)**	(3,340)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations		**6,828**	6,445	**(2,848)**	9,115
		2,540	(3,057)	**(14,989)**	4,879
Items that will not subsequently be reclassified to net earnings (loss):					
Remeasurements of long-term employee benefit obligations (net of income tax of $2,063 and $2,875 for the quarter and the six-month period ($898 and $2,122 respectively in 2019))		**(5,720)**	(2,558)	**(7,974)**	(6,040)
Total other comprehensive loss		**(3,180)**	(5,615)	**(22,963)**	(1,161)
Comprehensive income (loss)		**(27,349)**	703	**(53,873)**	3,824

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

						Attributable to shareholders	
(In thousands of US dollars, unaudited)	**Note**	Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (loss)	**Total equity**
Balance, December 31, 2018		100,244	6,005	-	457,455	(39,822)	523,882
IFRS 16 adjustment		-	-	-	(4,944)	992	(3,952)
Balance, January 1, 2019		100,244	6,005	-	452,511	(38,830)	519,930
Net earnings		-	-	-	4,985	-	4,985
Other comprehensive income (loss)		-	-	-	(6,040)	4,879	(1,161)
Comprehensive income (loss)		-	-	-	(1,055)	4,879	3,824
Contributions by and distributions to shareholders:							
Dividends		-	-	-	(5,877)	-	(5,877)
Stock-based compensation	10	-	209	-	-	-	209
		-	209	-	(5,877)	-	(5,668)
Balance, June 30, 2019		100,244	6,214	-	445,579	(33,951)	518,086
Balance, December 31, 2019		**100,244**	**6,724**	**8,232**	**418,624**	**(26,830)**	**506,994**
Net loss		**-**	**-**	**-**	**(30,910)**	**-**	**(30,910)**
Other comprehensive loss		**-**	**-**	**-**	**(7,974)**	**(14,989)**	**(22,963)**
Comprehensive loss		**-**	**-**	**-**	**(38,884)**	**(14,989)**	**(53,873)**
Contributions by and distributions to shareholders:							
Dividends		**-**	**-**	**-**	**(2,923)**	**-**	**(2,923)**
Stock-based compensation	10	**-**	**1,199**	**-**	**-**	**-**	**1,199**
		-	**1,199**	**-**	**(2,923)**	**-**	**(1,724)**
Balance, June 30, 2020		**100,244**	**7,923**	**8,232**	**376,817**	**(41,819)**	**451,397**

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Note	Quarters ended June 30,		Six-month periods ended June 30,	
		2020	2019	**2020**	2019
OPERATING ACTIVITIES					
Net earnings (loss)		**(24,169)**	6,318	**(30,910)**	4,985
Non-cash items:					
Special items	4	**17,515**	4,074	**19,221**	11,169
Finance costs, net	5	**12,398**	7,438	**19,500**	14,223
Depreciation and amortization	5	**15,895**	15,756	**32,489**	31,624
Income tax expense (recovery)	5	**(6,798)**	2,222	**(8,673)**	2,258
Amortization and reserves related to incentives granted to customers		**3,966**	4,981	**9,735**	10,315
Other non-cash items		**5,056**	914	**5,336**	2,557
Changes in working capital items	7	**20,422**	59,460	**(6,863)**	(35,561)
Interest paid		**(10,604)**	(6,691)	**(14,548)**	(12,711)
Income taxes recovered (paid)		**1,196**	2,704	**(1,185)**	(1,170)
Cash flows from operating activities		**34,877**	97,176	**24,102**	27,689
INVESTING ACTIVITIES					
Business acquisition	8	**-**	-	**(4,482)**	(294)
Business disposal		**-**	-	**258**	-
Net balance of purchase price		**55**	(177)	**41**	(1,133)
Cash held in escrow		**747**	-	**747**	-
Advances to merchant members and incentives granted to customers		**(877)**	(4,902)	**(4,322)**	(9,285)
Reimbursement of advances to merchant members		**536**	2,397	**1,392**	3,994
Acquisitions of property and equipment		**(1,248)**	(5,651)	**(5,710)**	(11,714)
Proceeds from disposal of property and equipment		**289**	217	**420**	2,585
Acquisitions and development of intangible assets		**(247)**	(826)	**(751)**	(1,054)
Other provisions paid		**(131)**	(77)	**(188)**	(119)
Cash flows used in investing activities		**(876)**	(9,019)	**(12,595)**	(17,020)
FINANCING ACTIVITIES					
Increase in long-term debt		**507,999**	18,566	**542,960**	114,225
Repayment of long-term debt	7	**(524,623)**	(101,781)	**(542,253)**	(120,007)
Net increase (decrease) in merchant members' deposits in the guarantee fund		**226**	6	**51**	(147)
Dividends paid		**(2,786)**	(2,932)	**(5,803)**	(5,885)
Cash flows used in financing activities		**(19,184)**	(86,141)	**(5,045)**	(11,814)
Effects of fluctuations in exchange rates on cash		**372**	(179)	**(1,230)**	(18)
Net increase (decrease) in cash		**15,189**	1,837	**5,232**	(1,163)
Cash, beginning of period		**25,751**	5,036	**35,708**	8,036
Cash, end of period		**40,940**	6,873	**40,940**	6,873

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	Note	June 30, 2020	Dec. 31, 2019
ASSETS			
Current assets:			
Cash		**40,940**	35,708
Cash held in escrow		**5**	1,654
Trade and other receivables		**200,126**	250,861
Income taxes receivable		**5,032**	2,712
Inventory		**364,819**	516,169
Prepaid expenses		**10,471**	10,331
Total current assets		**621,393**	817,435
Investments and advances to merchant members		**31,143**	36,831
Property and equipment		**149,835**	171,420
Intangible assets		**184,352**	197,751
Goodwill		**326,416**	333,030
Deferred tax assets		**36,969**	29,927
TOTAL ASSETS		**1,350,108**	1,586,394
LIABILITIES			
Current liabilities:			
Trade and other payables		**258,711**	448,530
Balance of purchase price, net		**28**	97
Provision for restructuring charges	4	**10,783**	3,227
Income taxes payable		**6,275**	8,603
Dividends payable		**-**	3,002
Current portion of long-term debt and merchant members’ deposits in the guarantee fund		**27,471**	28,678
Derivative financial instruments	13	**3,260**	3,328
Total current liabilities		**306,528**	495,465
Long-term employee benefit obligations		**28,025**	16,902
Long-term debt	12	**457,133**	456,173
Convertible debentures	12	**81,186**	84,505
Merchant members’ deposits in the guarantee fund		**5,401**	5,587
Balance of purchase price		**510**	477
Other provisions		**1,160**	1,503
Derivative financial instruments	13	**717**	315
Deferred tax liabilities		**18,051**	18,473
TOTAL LIABILITIES		**898,711**	1,079,400
TOTAL EQUITY		**451,397**	506,994
TOTAL LIABILITIES AND EQUITY		**1,350,108**	1,586,394

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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 interim condensed consolidated financial statements present the operations and financial position of the Corporation and all of its subsidiaries.

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

2 - BASIS OF PRESENTATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. As permitted under IAS 34 "Interim Financial Reporting", these interim consolidated financial statements constitute a condensed set of financial statements, as the Corporation does not present all the notes to consolidated financial statements included in its annual report. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019.

The Board of Directors approved and authorized for issuance these interim condensed consolidated financial statements on July 30, 2020.

Basis of measurement

These interim condensed 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 obligations and reduced by the fair 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 US dollar for entities located in the United States, the Canadian dollar for entities located in Canada and the British pound for entities located in the United Kingdom. These interim condensed consolidated financial statements are presented in US dollars, which is the Corporation's presentation currency.

Seasonality of interim operations

Sales of the Corporation follow seasonal patterns. Typically, sales are stronger during the second and the third quarters for FinishMaster U.S. and the Canadian Automotive Group segments, and during the first and the second quarters for The Parts Alliance U.K. segment. As such, the operating results for any interim period are not necessarily indicative of full-year performance. Refer to note 14 for further details on segmented information.

Use of accounting estimates and judgments

The most significant uses of judgment, estimates and assumptions are described in the Corporation's audited consolidated financial statements for the year ended December 31, 2019, except for the modifications resulting from IFRS first time adoption as described in note 3, if any.

3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in these interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2019, except for the changes in accounting policies as described below.

Basis of consolidation

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 upon consolidation. The Corporation's principal wholly owned subsidiaries as at June 30, 2020, are as follows:

121222 Holdco Limited	FinishMaster Canada Inc.	Parts Alliance Group Limited
121333 Limited	FinishMaster Services, Inc.	Uni-Sélect Lux Holdco 2018 Inc.
Autochoice Parts & Paints Limited	German Swedish & French Car Parts Limited	Uni-Select Canada Inc.
FinishMaster, Inc.	PA Topco Limited	Uni-Select USA Holdings, Inc.

Stock-based compensation

Cash-settled stock-based compensation plans

The Corporation has three cash-settled stock-based compensation plans (two in 2019) composed of a Deferred Share Unit Plan ("DSU Plan"), a Performance Share Unit Plan ("PSU Plan") and a Restricted Share Unit Plan ("RSU 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 the settlement, with any changes in the fair value of the liability recognized in net earnings (loss). Refer to note 10 for further details.

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

Future accounting changes

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's interim condensed consolidated financial statements is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2019. Certain other amendments and interpretations have been issued but had no material impact on the Corporation's interim condensed consolidated financial statements.

4 - SPECIAL ITEMS

Special items comprise elements which do not reflect the Corporation's core performance or where their separate presentation will assist users of the interim condensed consolidated financial statements in understanding the Corporation's results for the period. Special items are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Restructuring and other charges related to improvement plans	**16,914**	1,768	**18,132**	7,961
Review of strategic alternatives	**601**	2,306	**1,089**	3,208
	17,515	4,074	**19,221**	11,169

Restructuring and other charges related to improvement plans

Performance Improvement Plan ("PIP")

At the beginning of 2019, the Corporation announced a broad performance improvement and rightsizing plan for the FinishMaster U.S. segment. The 25/20 Plan, announced in late 2018, and the FinishMaster U.S. segment performance improvement and rightsizing plan combined together referred to as the PIP. Over the course of 2019, due to the uncertainty and challenging macroeconomics in the United Kingdom as well as to the competitive environment in the U.S., the Corporation successively expanded the PIP, adding new accretive initiatives. The PIP was completed during the first quarter of 2020, with annualized expected savings realized.

4 - SPECIAL ITEMS (CONTINUED)

Continuous Improvement Plan ("CIP")

On June 22, 2020, the Corporation announced that it was pursuing a continuous improvement plan based on a long-term approach to further improve the productivity and efficiency of all segments. An in-depth review of the operations was undertaken by each segment's respective team, with the main objective of optimizing processes, including customer service, automation and supply chain logistics, while rightsizing accordingly. The execution of the CIP started in June 2020 and will continue over the next several months.

The Corporation recognized for the quarter and the six-month period ended June 30, 2020, restructuring and other charges related to improvement plans totalling $16,914 and $18,132 respectively ($1,768 and $7,961 for 2019). These charges are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Restructuring charges [(1)]	**10,407**	-	**10,407**	1,985
Non-cash costs related to the write-down of assets [(2)]	**6,155**	647	**6,155**	3,326
Other charges as incurred [(3)]	**352**	1,121	**1,999**	2,650
Change in estimates [(4)]	**-**	-	**(429)**	-
	16,914	1,768	**18,132**	7,961

(1) Mainly severance and closing costs as part of rightsizing activities.

(2) Mainly impairment of property and equipment.

(3) Primarily comprising consulting fees related to the optimization of the logistical processes, inventory liquidation and moving costs.

(4) During the first quarter, the Corporation reviewed its remaining provisions in relation to the PIP and reflected a partial reversal in relation to the severance.

The variances in the provision for restructuring charges are detailed as follows:

	June 30,	Dec. 31,
	2020	2019
Balance, beginning of period, December 31	**3,227**	4,173
Plus: IFRS 16 adjustment	**-**	(1,234)
Balance, beginning of period, January 1	**3,227**	2,939
Restructuring charges recognized during the period	**10,407**	4,605
Change in estimates	**(429)**	-
Provision used during the period	**(2,210)**	(4,516)
Effects of fluctuations in exchange rates	**(212)**	199
	10,783	3,227

Review of strategic alternatives

On September 18, 2018, the Corporation announced Management changes with the immediate departure and replacement of its President and Chief Executive Officer, and the President and Chief Operating Officer of FinishMaster, Inc., which lead to the review of strategic alternatives. The strategic review concluded on December 18, 2019, following the issuance of the convertible debentures.

The Corporation recognized for the quarter and six-month period ended June 30, 2020, charges totalling $601 and $1,089 respectively ($2,306 and $3,208 for 2019). These charges are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Retention bonuses	**523**	1,360	**975**	1,858
Other fees [(1)]	**78**	946	**114**	1,350
	601	2,306	**1,089**	3,208

(1) Primarily comprising consulting fees related to the review of strategic alternatives.

5 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED EARNINGS (LOSS)

Finance costs, net

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Interest on long-term debt	**5,208**	5,628	**8,761**	10,444
Interest on lease obligations	**1,399**	1,496	**2,845**	3,221
Interest on convertible debentures	**1,352**	-	**2,751**	-
Accreted interest on convertible debentures (note 12)	**288**	-	**564**	-
Amortization of financing costs [(1)]	**3,791**	248	**4,043**	441
Net interest expense on the long-term employee benefit obligations	**133**	135	**271**	243
Reclassification of realized losses (gains) on derivative financial instruments designated as cash flow hedges to net earnings (loss)	**158**	(99)	**196**	(208)
Interest on merchant members' deposits in the guarantee fund and others	**81**	90	**165**	197
	12,410	7,498	**19,596**	14,338
Interest income from merchant members and others	**(12)**	(60)	**(96)**	(115)
	12,398	7,438	**19,500**	14,223

(1) For the quarter and six-month period ended June 30, 2020, primarily comprises a loss of $3,553 on debt extinguishment. Refer to note 12 for further details.

Depreciation and amortization

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Depreciation of property and equipment	**4,329**	3,984	**8,828**	7,877
Depreciation of right-of-use assets	**6,754**	6,853	**13,897**	13,922
Amortization of intangible assets	**4,812**	4,919	**9,764**	9,825
	15,895	15,756	**32,489**	31,624

Income taxes

For the quarter and six-month period ended June 30, 2020, the income tax recovery was $6,798 and $8,673 (income tax expense of $2,222 and $2,258 respectively in 2019), and the corresponding tax rate was 22.0% and 21.9% (26.0% and 31.2% in 2019). The variation year-over-year is mainly attributable to the impact of the difference in tax rates from foreign jurisdictions and the different geographic "Earnings (loss) before income taxes" as well as a change in the enacted tax rate in the UK which increased the Corporation's net deferred tax liabilities.

6 - EARNINGS (LOSS) PER SHARE

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

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Net earnings (loss) considered for basic and diluted earnings (loss) per share [(1)]	**(24,169)**	6,318	**(30,910)**	4,985
Weighted average number of common shares outstanding for basic and diluted earnings (loss) per share [(1) (2)]	**42,387,300**	42,387,300	**42,387,300**	42,387,300
Earnings (loss) per share - basic and diluted	**(0.57)**	0.15	**(0.73)**	0.12

(1) For both the quarter and six-month period ended June 30, 2020, the conversion impact of convertible debentures was excluded from the calculation of diluted earnings (loss) per share as the conversion impact was anti-dilutive.

(2) For both the quarter and six-month period ended June 30, 2020, options to acquire 1,647,009 common shares (748,663 for both periods in 2019) were excluded from the calculation of diluted earnings (loss) per share as the strike price of the options was higher than the average market price of the shares.

7 - INFORMATION INCLUDED IN CONDENSED CONSOLIDATED CASH FLOWS

Changes in working capital items

The changes in working capital items are detailed as follows:

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Trade and other receivables	**28,869**	(18,468)	**42,327**	(25,604)
Inventory	**81,330**	8,217	**139,081**	22,442
Prepaid expenses	**1,480**	(796)	**(262)**	(2,336)
Trade and other payables	**(89,888)**	71,467	**(185,799)**	(28,072)
Provision for restructuring and other charges (note 4)	**(1,369)**	(960)	**(2,210)**	(1,991)
	20,422	59,460	**(6,863)**	(35,561)

Repayment of long-term debt

For the six-month period ended June 30, 2020, repayment of long-term debt includes cash outflow for leases totalling $12,298 ($11,969 for 2019).

8 - BUSINESS COMBINATIONS

During the six-month period ended June 30, 2020, the Corporation acquired the net assets of 1 company operating in Canada. That company was acquired in the normal course of business. The total cost of the acquisition of $5,274 was preliminarily allocated to the acquired assets and liabilities based on their fair value and comprised a balance of purchase price of $792.

The primary factor that gave rise to the recognition of goodwill was the earnings capacity of the acquired business in excess of the net tangible and intangible assets acquired.

Since its acquisition date, the acquiree generated total sales of $3,095.

As of June 30, 2020, the following aggregate fair value amounts were recognized for each class of the acquiree's net assets at the date of acquisition: trade and other receivables for $772, inventory for $2,043, property and equipment for $673, intangible assets for $1,377, goodwill for $893, trade and other payables for $26, lease obligations - buildings for $464 (including a current portion of $84) and other net assets for $6. For tax purposes, goodwill is expected to be deductible.

The Corporation is currently assessing the estimated fair values of certain assets acquired, mainly intangible assets, to finalize the purchase price allocation over the identifiable net assets acquired and goodwill. As permitted by IFRS, the Corporation expects to finalize the purchase price allocation within a year from the date of acquisition.

9 - IMPACT OF COVID-19

The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared to be a pandemic on March 11, 2020, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. It has created challenges for the entire automotive aftermarket.

State of emergency or shutdown declarations by several governments in the United States, Canada and the United Kingdom over the past months have impacted the Corporation's operations for the six-month period ended June 30, 2020, resulting in a decrease in sales as well as earnings. However, in certain of those jurisdictions, some or all of the Corporation's operations were permitted to continue as essential services at the beginning of the crisis and since then, the state of emergency or shutdown declarations have gradually been lifted.

As previously reported, given the recent developments in the COVID-19 global pandemic, Management has put in place a response plan and is closely monitoring the evolution of this pandemic, including how it may affect the Corporation, the economy and the general population. Following the implementation of a number of actions to respond to the COVID-19 pandemic, the Corporation's operating performance was better than anticipated and cash management delivering better results than anticipated compared to the internal forecast set in late March in response to the uncertainty surrounding the pandemic.

The Corporation will continue to monitor announcements of governmental assistance programs in connection with the COVID-19 crisis and will seek to benefit from such programs where applicable and appropriate.

As the uncertainty regarding the full extent and duration of the pandemic continues, Management is focusing on a cash conservation plan aimed at ensuring maximum available liquidity and financial flexibility until the crisis abates and market conditions stabilize.

As of June 30, 2020, Management considers that COVID-19 has no impact on the Corporation's ability to continue as a going concern and did not cause significant adverse changes to assets or liabilities of the Corporation, including the recoverability of financial instruments measured at amortized cost (such as "Trade and other receivables") and at fair value, the net realizable value of inventories, and potential impairment charges on property and equipment, intangible assets and goodwill.

10 - 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, a performance share unit plan and a restricted share unit plan.

Common share stock option plan for management employees and officers

For the six-month period ended June 30, 2020, 950,000 options were granted to management employees and officers of the Corporation (207,169 options for 2019), with an average exercise price of C$12.34 (C$19.17 in 2019). During the six-month period, no options were exercised (no options for 2019) and 12,914 options were forfeited or expired (no options for 2019).

As at June 30, 2020, options granted for the issuance of 1,647,009 common shares (748,663 common shares as at June 30, 2019) were outstanding under the Corporation's stock option plan.

For the quarter and six-month period ended June 30, 2020, compensation expense of $433 and $1,199 ($80 and $209 respectively in 2019) was recorded in the "Net earnings (loss)", with the corresponding amounts recorded in "Contributed surplus".

Deferred share unit ("DSU") plan

For the six-month period ended June 30, 2020, the Corporation granted 137,744 DSUs (88,658 DSUs for 2019) and 411 DSUs were redeemed (27,346 DSUs for 2019). Compensation expense (reversal) of $824 and $(3) ($208 and $103 respectively in 2019) was recorded during the quarter and six-month period, and 429,122 DSUs were outstanding as at June 30, 2020 (211,780 DSUs as at June 30, 2019). As at June 30, 2020, the compensation liability was $2,339 ($2,427 as at December 31, 2019) and the fair value of the equity swap agreement was a liability of $3,075 (liability of $3,179 as at December 31, 2019).

Performance share unit ("PSU") plan

For the six-month period ended June 30, 2020, the Corporation granted 381,643 PSUs (173,839 PSUs for 2019) and redeemed 73,245 PSUs (86,461 PSUs for 2019). There was no compensation expense recorded during the quarter and six-month period (no compensation expense and a reversal of $144 respectively in 2019). As at June 30, 2020, 555,880 PSUs were outstanding (306,262 PSUs as at June 30, 2019). There was no compensation liability as at June 30, 2020 (same as at December 31, 2019).

Restricted share unit ("RSU") plan

In March 2020, the Corporation formally adopted a RSU plan as part of its existing long-term incentive plan ("LTIP"). Under the amended terms of the LTIP, certain management employees receive a portion of their annual incentives under the plan as restricted share units ("RSUs"). The value of each RSU is equal to the average closing price of one common share of the Corporation listed on the TSX for the five consecutive trading days immediately preceding the day on which the value is to be determined ("RSU value"). RSUs vest at the end of a three-year period following the date of issuance, after death, disability, retirement or termination of a participant ("redemption date"). The participant is then entitled to receive in cash for each RSU, the RSU value calculated at the redemption date. A RSU's compensation liability is recorded for the vested RSUs based on the RSU value. A RSU compensation expense is recorded based on the change in compensation liability.

For the six-month period ended June 30, 2020, the Corporation granted 725,144 RSUs and recorded a compensation expense of $125 and $163 for the quarter and six-month period. As at June 30, 2020, 725,144 RSUs were outstanding and the compensation liability was $164.

11 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

For the quarter and six-month period ended June 30, 2020, the salaries and benefits expense related to the Corporation's defined-benefit pension plans was $610 and $1,240 ($487 and $977 for 2019), and the net interest expense of $133 and $271 ($135 and $243 respectively in 2019) was recorded in "Finance costs, net". Benefit expenses of $724 and $1,929 ($1,264 and $2,407 respectively in 2019) related to the Corporation's defined-contribution pension plans was also recognized for the same respective periods.

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

	Maturity	Effective interest rate	Current portion	June 30,	Dec. 31,
				2020	2019
Revolving credit facility, variable rates (1) (2)	2023	5.25% to 7.25%		**167,331**	372,472
Term facility, variable rates (1) (2)	2023	6.75% to 7.25%		**214,369**	-
Lease obligations - vehicles, variable rates	-	-	3,547	**8,685**	10,979
Lease obligations - buildings, variable rates	-	-	23,840	**94,133**	101,298
Others	2021	-	14	**16**	18
			27,401	**484,534**	484,767
Instalments due within a year				**27,401**	28,594
Long-term debt				**457,133**	456,173

(1) As at June 30, 2020, nominal amounts of $168,345 and $215,000 were respectively used under the Corporation's revolving credit facility and term facility ($375,956 for the revolving credit facility as at December 31, 2019). The difference with the carrying amount presented above is composed of deferred financing costs.

(2) As at June 30, 2020, a principal amount of $303,534 of the revolving credit and term facilities was designated as a hedge of net investments in foreign operations ($296,291 as at December 31, 2019).

Revolving credit facility, term facility and letter of credit facility

In March 2020, the Corporation terminated its $20,000 unsecured letter of credit facility (the "letter of credit agreement") and transitioned the outstanding letters of credit originally issued under this letter of credit agreement to the revolving credit facility in place.

In May 2020, the Corporation entered into a new credit agreement (the "new credit agreement") for a principal total maximum amount of $565,000. Through the refinancing, and immediate cancellation, of the unsecured revolving credit facility outstanding balance, the new credit agreement provides a $350,000 secured long-term revolving credit facility, as well as two secured term facilities for a principal total amount of $215,000. The facilities are secured by a first ranking lien on all of the Corporation's assets. The new revolving credit facility can be repaid at any time without penalty and is maturing on June 30, 2023. The new term facilities are maturing in tranches starting on March 31, 2022, with the repayment of a first $100,000. Thereafter, a quarterly repayment schedule of $5,000 is planned, the remaining balance becoming payable on June 30, 2023. Under this new credit agreement, the credit facilities are available in Canadian dollars, US dollars, Euros or British pounds. The applicable variable interest rates are based either on Libor, Euro Libor, GBP Libor, banker's acceptances, US base rate or prime rates plus the applicable margins.

Part of the Corporation's new revolving credit facility, an amount not exceeding $20,000 is available for the issuance of Canadian or US dollars, Euros or British pounds letters of credit. The applicable variable interest rates of the letters of credit are based on US base rate or 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 June 30, 2020, $6,537 of letters of credit have been issued ($7,137 as at December 31, 2019).

Short-term leases, variable lease payments and leases of low-value assets

For the quarter ended June 30, 2020, expenses for short-term leases, variable lease payments and leases of low-value assets respectively totalling $118, $160 and $278 were recorded ($113, $272 and $349 in 2019). For the six-month period ended June 30, 2020, these expenses were respectively totalling $240, $415 and $577 ($226, $1,033 and $621 in 2019). These charges were recorded in "Other operating expenses".

Convertible debentures

On December 18, 2019, the Corporation issued convertible senior subordinated unsecured debentures for aggregate principal amount of C$125,000. The convertible debentures were offered at a price of C$1,000 per C$1,000 principal amount of debentures and bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 18 and December 18 of each year. The convertible debentures have a maturity date of 7 years from their date of issue and are convertible at the option of the holder into common shares of the Corporation at a price of C$13.57 per share, representing a conversion rate of 73.69 shares per C$1,000 principal amount of debentures. The equity component of the debentures was determined as the difference between the fair value of the convertible debentures and the fair value of the liability component, which was calculated using an effective rate of 8.25%.

12 - LONG-TERM DEBT, CREDIT FACILITIES AND CONVERTIBLE DEBENTURES (CONTINUED)

The table below indicates the movement in the liability component:

	June 30,	Dec. 31,
	2020	2019
Balance, beginning of the period	**84,505**	-
Convertible debentures issuance	**-**	95,026
Recognition of equity component	**-**	(11,200)
Accreted interest (note 5)	**564**	64
Effects of fluctuations in exchange rates	**(3,883)**	615
	81,186	84,505

13 - FINANCIAL INSTRUMENTS

The classification of financial instruments as well as their carrying amounts and fair values, other than those where the carrying amount is a reasonable approximation of fair value, are summarized as follows:

		June 30,			**December 31,**
			2020		2019
		Carrying amount	**Fair value**		Carrying amount and Fair value
Financial assets (liabilities) carried at amortized cost					
Advances to merchant members	**Level 2**	**943**	**943**	Level 2	1,263
Long-term debt (except lease obligations and financing costs)	**Level 2**	**(383,361)**	**(383,361)**	Level 2	(375,974)
Convertible debentures	**Level 2**	**(81,186)**	**(78,954)**	Level 2	(84,505)
Merchant members' deposits in the guarantee fund	**Level 2**	**(5,471)**	**(5,471)**	Level 2	(5,671)
Financial assets (liabilities) carried at fair value					
Derivative financial instruments					
Foreign exchange forward contracts	**Level 2**	**(185)**	**(185)**	Level 2	(136)
Interest rate swaps – Short-term [(1)]	**Level 2**	**-**	**-**	Level 2	(13)
Interest rate swaps – Long-term [(1)]	**Level 2**	**(717)**	**(717)**	Level 2	(315)
Equity swap agreements	**Level 2**	**(3,075)**	**(3,075)**	Level 2	(3,179)

(1) Derivatives designated in a hedge relationship.

Financial assets (liabilities) carried at amortized cost

The fair value of the advances to merchant members is equivalent to their carrying value as these instruments are bearing interests that reflect current market conditions for similar instruments.

The fair value of the long-term debt (except lease obligations and financing costs) 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 convertible debentures was determined by calculating the present value of the interest rate spread that exists between the actual convertible debentures and the rate that would be negotiated with the economic conditions at the reporting date.

The fair value of the merchant members' deposits in the guarantee fund is equivalent to their carrying value since their interest rates are comparable to market rates.

Financial assets (liabilities) 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.

The fair value of the interest rate swaps was determined using interest rates quoted in the active market adjusted for the credit risk added by the financial institutions.

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

Fair value hierarchy

Financial instruments measured at fair value in the interim condensed consolidated 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

The Corporation entered into forward contracts in order to mitigate the foreign exchange risks mainly related to purchases in currencies other than the respective functional currencies of the Corporation. The consolidated forward contracts outstanding as at June 30, 2020, are as follows:

Currencies (sold/bought)	Maturity	Average rate (1)	Notional amount (2)
CAD/USD	Up to February 2021	0.72	6,592
GBP/USD	Up to August 2020	1.22	1,581
GBP/EUR	Up to August 2020	1.11	873

(1) Rates are expressed as the number of units of the currency bought for one unit of currency sold.

(2) Exchange rates as at June 30, 2020, were used to translate amounts in foreign currencies.

Derivative financial instruments used in cash flow hedges - hedge of interest rate risk

The Corporation entered into interest rate swap agreements denominated in British pounds for total nominal amount of £70,000 to hedge the variable interest cash flows on a portion of the Corporation's revolving credit and term facilities. Until their maturities, these agreements are fixing the interest cash flows to 0.955%.

As at December 31, 2019, the Corporation entered into swap agreements for total nominal amounts of $42,500 for interest rate swaps denominated in US dollars, and £70,000 for interest rate swaps denominated in British pounds. Until their respective maturities, the agreements for interest rate swaps denominated in US dollars were fixing the interest cash flows between 1.745% and 1.760%.

Derivative financial instruments – hedge of share-based payment costs

In 2016, the Corporation entered into equity swap agreements in order to manage the market price risk of its common shares. As at June 30, 2020, the equity swap agreements covered the equivalent of 180,157 common shares of the Corporation (214,277 as at December 31, 2019).

14 - SEGMENTED INFORMATION

The Corporation is providing information on four reportable segments:

FinishMaster U.S.: distribution of automotive refinish and industrial coatings and related products representing FinishMaster, Inc. in the U.S. market;

Canadian Automotive Group: distribution of automotive aftermarket parts, including refinish and industrial coatings and related products, through Canadian networks;

The Parts Alliance U.K.: distribution of automotive original equipment manufacturer and aftermarket parts, serving local and national customers across the United Kingdom; and

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 segment performance is segment income (loss).

Quarters ended June 30,

	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Sales	**133,374**	212,249	**114,299**	143,445	**54,861**	100,481	**-**	-	**302,534**	456,175
Segment income (loss) [(1)]	**(2,725)**	11,593	**7,792**	11,223	**(4,354)**	(1,379)	**(14,165)**	(8,823)	**(13,452)**	12,614
Special items [(2)]	**5,975**	1,168	**5,586**	600	**5,197**	-	**757**	2,306	**17,515**	4,074
Segment income (loss) reported [(3)]	**(8,700)**	10,425	**2,206**	10,623	**(9,551)**	(1,379)	**(14,922)**	(11,129)	**(30,967)**	8,540
Income tax expense (recovery)									**(6,798)**	2,222
Net earnings (loss)									**(24,169)**	6,318

Six-month periods ended June 30,

	FinishMaster U.S.		Canadian Automotive Group		The Parts Alliance U.K.		Corporate Office and Others		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Sales	**335,573**	416,759	**223,240**	256,558	**151,405**	202,895	**-**	-	**710,218**	876,212
Segment income (loss) [(1)]	**2,035**	20,586	**5,169**	14,770	**(4,674)**	941	**(22,892)**	(17,885)	**(20,362)**	18,412
Special items [(2)]	**6,758**	6,481	**6,022**	1,480	**5,197**	-	**1,244**	3,208	**19,221**	11,169
Segment income (loss) reported [(3)]	**(4,723)**	14,105	**(853)**	13,290	**(9,871)**	941	**(24,136)**	(21,093)	**(39,583)**	7,243
Income tax expense (recovery)									**(8,673)**	2,258
Net earnings (loss)									**(30,910)**	4,985

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being earnings (loss) before income taxes plus special items.

(2) Refer to note 4 for further information.

(3) Per interim condensed consolidated statements of earnings (loss), corresponds to “Earnings (loss) before income taxes”.

14 - SEGMENTED INFORMATION (CONTINUED)

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

	Quarters ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Sales				
United States	**133,374**	212,249	**335,573**	416,759
Canada	**114,299**	143,445	**223,240**	256,558
United Kingdom	**54,861**	100,481	**151,405**	202,895
	302,534	456,175	**710,218**	876,212

	June 30, 2020			
	United States	**Canada**	**United Kingdom**	**Total**
Property and equipment	**45,988**	**51,217**	**52,630**	**149,835**
Intangible assets with definite useful lives	**88,667**	**22,329**	**37,713**	**148,709**
Intangible assets with indefinite useful lives	**7,900**	**-**	**27,743**	**35,643**
Goodwill	**201,951**	**56,145**	**68,320**	**326,416**

	December 31, 2019			
	United States	Canada	United Kingdom	Total
Property and equipment	51,163	60,285	59,972	171,420
Intangible assets with definite useful lives	93,378	24,395	42,360	160,133
Intangible assets with indefinite useful lives	7,900	-	29,718	37,618
Goodwill	201,951	57,944	73,135	333,030

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