



CONSOLIDATED INTERIM REPORT
1st QUARTER, PERIOD ENDED MARCH 31, 2010

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INTRODUCTION

This Management Report on the operating results and cash flows of the Company for the period ended March 31, 2010 compared to the period ended March 31, 2009 and on its financial position as at March 31, 2010 compared with its position as at December 31, 2009 should be read in conjunction with the consolidated financial statements and accompanying notes. The information contained in this Management Report takes into account any major event that occurred prior to May 4, 2010, on which date the financial statements and Management Report were approved by the Board of Directors of the Company. It presents the status and business context of the Company as they were, to management's best knowledge, at the time these lines were written.

Additional information on Uni-Select, including the audited financial statements as of December 31, 2009 and the Annual Information Form of the Company, is available on SEDAR's website at: www.sedar.com.

In this Management Report, "Uni-Select" or the "Company" designates, as the case may be, Uni-Select Inc., or its subsidiaries, divisions or joint ventures. Unless otherwise indicated, all financial amounts appearing in this Management Report, including tabular amounts, are expressed in thousands of Canadian dollars, and all comparisons are made with the previous period.

Certain sections of this Management Report contain forward-looking statements which, by their very nature, include risks and uncertainties, such that actual results could differ from those indicated in these forward-looking statements. Unless required to do so pursuant to applicable securities legislation, management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

The interim financial statements for the period ended March 31, 2010 have not been reviewed by the auditors of the Company.

SUMMARY

Uni-Select recorded sales of \$306,964 for the first quarter of 2010, an increase in organic growth of close to 1%, mainly in the United States. These sales are a result of efforts made to improve customer loyalty and search for new market niches. Uni-Select's adjusted EBITDA margin was 5.2%, a decrease compared to the corresponding period of 2009 as a result of pressure on margins in the United States offset by the reduction of expenses from store closings and disposals in 2009.

1. FINANCIAL HIGHLIGHTS OF THE FIRST QUARTER (related to continuing operations)

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

	Three-month periods ended		
	March 31, 2010	March 31, 2009	%
Sales	306,964	350,844	(12.5%)
Adjusted operating income from continuing operations	15,815	20,709	(23.6%)
<i>Adjusted operating profit margin from continuing operations</i>	5.2%	5.9%	
Operating income from continuing operations	14,614	20,709	(29.4%)
Adjusted earnings from continuing operations	8,385	8,994	(6.8%)
Earnings from continuing operations	7,601	8,994	(15.5%)
Net earnings	7,601	8,013	(5.1%)
COMMON SHARE DATA			
Adjusted earnings from continuing operations	0.43	0.46	
Earnings from continuing operations	0.39	0.46	
Net earnings	0.39	0.41	
Dividend	0.117	0.108	
Number of shares issued at the end of the period	19,716,357	19,697,727	
Weighted average number of outstanding shares	19,722,337	19,708,796	
FINANCIAL POSITION			
	March 31, 2010	Dec. 31. 2009	
Working capital	384,317	395,362	
Total assets	777,298	775,657	
Total net indebtedness	207,327	170,079	
Shareholders' equity	371,876	372,918	
Long-term debt / equity	48.8%	50.0%	
Total net debt / invested capital	35.8%	31.4%	
Funded debt on EBITDA from continuing operations	2.51	1.92	
Return on average shareholders' equity from continuing operations	11.1%	11.6%	
Return on average shareholders' equity	10.1%	10.3%	
Book value	18.86	18.91	

The first quarter of 2010 is in line with the strategic plan of the Company as illustrated by the various initiatives undertaken in 2009:

- **Following the refocusing on its automotive operations**, the Company thought it would be wise to reorganize the operating structure in order to implement its five-year strategic plan even more effectively. The new organizational structure does away with the boundaries between Canada and the United States, creating two divisions based on the very nature of its customers. Both the “Jobbers and Major Accounts” and the “Corporate Stores” new divisions will aim to develop their respective growth platforms, which should be a source of organic growth for the Company. The Company holds the view that these two divisions are closely linked, since one is responsible for supplying the other. Any attempt to separate the results would lead to arbitrary allocations that would cause the reader’s eventual judgment to deviate from reality. This announcement, made in January, brings about a change in the presentation and analysis of results, which are now reported on a consolidated basis.
- **The repurchase of the minority shareholders** of Uni-Select USA in the fourth quarter of 2009 contributed \$971 or \$0.05 per share for the quarter;
- **Acquisition of the AIM purchasing group** in the United States during the course of the current quarter will increase direct-ship sales (delivery of products directly from manufacturers to customers);
- **The sale of a store** concluded during the quarter, as well as that of a second location on April 1, 2010, reaffirms the focus on distribution activities in Canada;
- **The disposal of assets of the Heavy Duty Group during the third quarter of 2009** contributed to a \$0.05 improvement in net earnings per share compared to the same quarter in the previous year;
- **The development of an enterprise resource planning system** continues. During the quarter, \$7,565 in capital expenditures and \$1,201 in operating expenses were incurred for this project;
- **The new financing structure** has allowed a decrease, as forecasted, in the consolidated tax rate as at March 31, 2010.

2. PROFIL AND DESCRIPTION

A KEY INDUSTRY PLAYER

Uni-Select, founded in 1968, is a major distributor of replacement parts, equipment, tools and accessories for motor vehicles in North America. Uni-Select is the Canadian leader and ranks seventh among North American distributors. With its 65 distribution centres, 272 stores and 4,823 employees, Uni-Select constitutes one of the largest networks of independent automotive parts wholesalers, with nearly 2,500 jobbers and 3,500 points of sale.

The Company plays an essential role in connecting automotive parts manufacturers with the jobbers and installers that form its customer base. With access to more than one million automotive parts and accessories, Uni-Select provides efficient management of the supply chain, maintaining a constant inventory of more than 350,000 different part numbers to meet its clients' needs.

Uni-Select stands apart from the competition with a business model characterized by a focus on, and the delivery of, flexible solutions for independent jobbers and installers. Independent jobbers and Uni-Select clients are supplied with national brand-name products according to their needs by means of mixed direct access from suppliers or Uni-Select warehouses strategically located throughout North America. Uni-Select is aware that each client is operating a business, and it maintains partner-type relationships with them aimed at ensuring their success. The Company thus offers them "*on a menu basis*" that lets them pay only for the programs and resources they require. In this way it helps them meet their development and growth goals, whether this involves marketing programs, banners or inventory and order-management programs. Uni-Select also offers its clients succession programs to facilitate a timely transition of their business.

3. EXCHANGE RATE DATA

The following table sets forth information about exchange rates based upon the Bank of Canada rates expressed as Canadian dollars per US\$1.00.

	March 31, 2010	March 31, 2009
Average for the period	1.04	1.24
	March 31, 2010	December 31, 2009
Period end	1.01	1.05

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

4. ANALYSIS OF RESULTS

ANALYSIS OF CONSOLIDATED RESULTS (from continuing operations)

(in thousands of dollars, except for percentage)

	First quarter		
	2010	2009	%
Sales			
United States	193,189	232,936	(17.1%)
Canada	113,775	117,908	(3.5%)
	306,964	350,844	(12.5%)
EBITDA	14,614	20,709	(29.4%)
EBITDA margin	4.8%	5.9%	
Non-recurring items ^(A)	1,201	-	
Adjusted EBITDA	15,815	20,709	(23.6%)
Adjusted EBITDA margin	5.2%	5.9%	

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

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

Non-recurring items

(in thousands of dollars)

	First quarter	
	2010	2009
EBITDA as reported	14,614	20,709
Expenses related to enterprise resource planning (ERP) ⁽¹⁾	1,201	-
Adjusted EBITDA	15,815	20,709
Earnings as reported	7,601	8,994
Non-recurring items, after tax	784	
Adjusted earnings	8,385	8,994

⁽¹⁾ Expenses related to ERP data conversion and training

SALES

Excluding the impact of the following items, during the course of the first quarter, organic growth was 0.6%, being 0.9% in the US and 0.2% in Canada:

- The effects of the variation of the Canadian dollar vis-à-vis the US dollar which had a negative impact of 11.0% on sales;
- The closing of unprofitable stores and/or in areas with lesser growth potential in the United States during the 2009 period; and
- The impact on sales from the disposal of 15 stores in Canada during recent quarters;

ADJUSTED EBITDA FROM CONTINUING OPERATIONS

The adjusted EBITDA margin was 5.2% of sales compared to 5.9% for the first quarter of 2010. This decrease is mainly attributable to the following factors:

A lower gross margin explained by:

- Pressure on prices and changes in the product offering sold, resulting from increased competition in some markets combined with the challenging economy prevailing in the United States;
- Loss of sales from stores sold or closed in 2009 for which margins to installers were more significant;

In part, offset by a positive product sales mix favoring imported parts.

Operating expenses were lower due to the following factors:

- The elimination of operating expenses of the stores which were closed and sold in 2009 and which had higher gross margins, resulted in operating losses;

In part, offset by:

- An increase in the current information systems expenses in Canada related to the outsourcing of additional support required during the implementation of the enterprise resource planning system; and
- Semi-variable expenses which increased more rapidly than sales.

ANALYSIS OF OTHER ITEMS AND AMOUNTS RELATED TO CONSOLIDATED RESULTS (from continuing operations)

(in thousands of dollars, except for percentages)

	First quarter		
	2010	2009	%
Interest	1,618	2,292	(29.4%)
Amortization	3,403	3,790	(10.2%)
Income taxes	2,077	4,662	
Tax rate	21.7%	31.9%	

INTEREST

The decrease in interest expense is principally due to the increase of the Canadian dollar compared to its US counterpart, as well as from a decrease in interest rates.

AMORTIZATION

The decrease in amortization expenses is due to the increase of the Canadian dollar compared to its US counterpart, partly offset by acquisitions of fixed assets and development of intangible assets in 2008 and 2009, primarily for modernizing management systems and renewing the delivery fleet in the United States.

INCOME TAXES

During the last quarter of 2009, the Company established a new financing structure for its US subsidiary. This new structure, combined with the decrease in the federal tax rate in Canada, had the effect of reducing the Company's consolidated tax rate.

Notably the tax rate presented in the first quarter of 2010 is not in keeping with that forecasted for the current period; the benefits of the new structure materializing in a linear fashion throughout the year, contrary to earnings which are affected by some seasonality.

EARNINGS AND EARNINGS PER SHARE (from continuing operations)

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

(in thousands of dollars, except for percentages)

	First quarter		
	2010	2009	%
Earnings	7,601	8,994	(15.5%)
Non-recurring items ⁽¹⁾	784	-	
Adjusted earnings	8,385	8,994	(6.8%)
Earnings per share	0.39	0.46	(15.2%)
Non-recurring items per share	0.04	-	
Adjusted earnings per share	0.43	0.46	(6.5%)

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

NET EARNINGS

Taking into account the loss on discontinued operations, Uni-Select recorded net earnings of \$7,601 in 2010 compared to \$8,013 in 2009. Basic earnings per share as well as diluted earnings per share amounted to \$0.39 in 2010 against \$0.41 in 2009.

5. CASH FLOWS

The following table shows the main cash flows resulting from the various initiatives taken during the quarter.

(in thousands of dollars)	First quarter	
	2010	2009
Cash at beginning of the quarter	15,850	9,682
Cash flows from operations before working capital items	2,279	10,437
Accounts receivable	(20,912)	(15,287)
Inventory	(9,853)	(2,117)
Prepaid expenses	(267)	536
Accounts payable	(8,366)	(16,850)
Income taxes receivable/payable	5,411	5,833
Working capital items	(34,007)	(27,885)
Cash flows from continuing operations	(31,728)	(17,448)
Development of intangible assets	(6,433)	(1,195)
Purchase of various fixed assets	(2,904)	(2,179)
Payment of dividends	(2,298)	(2,118)
Business acquisitions	(1,074)	(668)
Repayment of long term debt	-	(1,356)
<i>TOTAL disbursements</i>	(44,437)	(24,964)
Bank indebtedness	26,585	12,117
Disposal of assets	1,417	-
Balance of purchase price	950	117
Investments and advances to members	382	877
<i>TOTAL cash inflows</i>	29,334	13,111
Cash flows from discontinued operations	(1,102)	1,385
Effect of exchange rate changes on cash	(87)	757
Others	492	226
Cash at end of quarter	50	197

Working Capital Items

Working capital items used cash flows of \$34,007 in 2010, compared to \$27,885 in 2009. This change is explained by the fact that, in the first quarter, accounts receivable, inventory and payables were rebuilt; the month of December 2009 had lower sales due to the seasonality of operations.

Development of Intangible Assets

Related almost exclusively to the development of the enterprise resource planning software.

Purchase of Various Fixed Assets

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

Payment of Dividends

Dividend payments to common shareholders, amounting to \$0.117 per share for the quarter, represent an 8.3% increase over the dividend for the first quarter of 2009 which was \$0.108.

Business Acquisitions

Represents the purchase of the AIM purchasing group announced on February 2, 2010. (*For more details on this, see Note 6 to the Consolidated Financial Statements.*)

Disposal of Assets

The Company sold 1 corporate store during the quarter to focus its activities on distribution. (*For more details on this, see Note 7 to the Consolidated Financial Statements.*)

Bank Indebtedness

The Company increased its bank indebtedness at the beginning of the year in order to finance its working capital requirements, procurement of inventory for the high season being completed during the course of the first quarter.

6. FINANCIAL POSITION

The main variances in the different balance sheet items stem from seasonality as well as from the fluctuation of the Canadian dollar compared to its US counterpart.

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

(in thousands of dollars)

	March 31, 2010	Dec. 31, 2009	Variance	Impact from business acquisitions/ disposals	Exchange rate impact	Net variance	Explanations for net variances
Working capital excluding cash and bank indebtedness	410,369	379,556	30,813	(1,204)	(9,153)	41,170	The increase is explained by the reconstitution of working capital items following the increase in sales at the end of the first quarter compared to December 2009, partly offset by a cash outflow of certain supplier accounts for which advantageous payment terms had been negotiated at the end of the 2009 period.
Fixed assets	39,415	39,660	(245)	(50)	(688)	493	Due to amortization exceeding acquisitions.
Intangible assets	35,172	27,836	7,336	1,074	(541)	6,803	Due mainly to the development of the enterprise resource planning system.
Goodwill	92,224	93,961	(1,737)	(163)	(1,574)	0	
Long-term debt	173,578	178,866	(5,288)		(5,288)	0	

7. SOURCES OF FINANCING

The Company is in a financial position to support its initiatives.

The Company has a credit facility consisting of a \$235,000 revolving line of credit maturing in October 2011 and a \$90,000 operating line of credit, maturing in October 2010, renewable for a period of one year. As at March 31, the Company had an unused credit facility of \$138,000 for its development (\$175,000 as at December 31, 2009).

With its ability to generate cash flows and the credit facility at its disposal, the Company has the funds it needs to cover its various cash requirements, including: implementation of an enterprise resource planning system, dividend payments, purchase of various fixed assets, primarily for the development of information systems equipment and the modernization of its delivery fleet in the United States, as well as the payment of its various operational and contractual obligations

Vendor Financing Program

In the second quarter of 2009, the Company implemented a vendor financing program. Under this program, financial institutions make discounted accelerated payments to suppliers, and the Company makes full payment to the financial institution, based on the new extended terms agreed to with suppliers. As at March 31, 2010, under these agreements Uni-Select has financed \$31,066 for which the payment terms have been extended. These amounts are presented in the accounts payable in the consolidated balance sheet. This program is available upon request. As at March 31, 2010, the Company had an authorized limit of \$75,000 for this program.

Financial Instruments

The Company uses financial derivatives to reduce the interest-rate risks to which its debt is exposed. The Company does not use financial instruments for trading or speculation purposes. In 2008, the Company entered into various interest-rate swap agreements as part of its program to manage floating interest rates on its debt and its corresponding overall borrowing cost. These contracts, amounting to \$120,000, mature in a series of three equal instalments of \$40,000 in 2011, 2012 and 2013, and bear an average interest rate of 3.68%.

8. CAPITAL STRUCTURE

INDEBTEDNESS

The Company strives to maintain the following objectives:

(in thousands of dollars, except for percentages)

	Objectives	March 31, 2010	Dec. 31, 2009	%
Long-term debt and merchant member deposits in a guarantee fund (including short-term portion)		181,297	186,556	(2.8%)
Total net debt		207,327	170,079	21.9%
Shareholders' equity		371,876	372,918	(0.3%)
<i>Total net debt on total net debt plus equity</i>	<i>Less than 45 %</i>	35.8%	31.4%	
<i>Long-term debt to equity ratio</i>	<i>Less than 125 %</i>	48.8%	50.0%	
<i>Funded debt to EBITDA ratio</i>	<i>Maximum 3.5</i>	2.51	1.92	

The variation in debt ratios is attributable to the following factors:

- Increase in bank indebtedness to support the reconstitution of working capital items;
- Exchange rate fluctuations;
- Adjusted EBITDA lower than the corresponding quarter of the previous period.

SHAREHOLDERS' EQUITY

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

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

Return on Average Equity

The return on average shareholders' equity, excluding the loss related to discontinued operations, is 11.1% for the quarter, compared with 11.6 % in 2009.

Additional Information on Authorized Shares

As at May 4, 2010, the Company has 19,722,337 shares outstanding and unexercised options on 67,949 shares. (Additional information of the stock option plan intended for officers and senior executives as at December 31, 2009, is presented in Note 22 to the Consolidated Financial Statements contained in the Annual Report.)

Dividends

The Company paid \$2,298 in dividends during the first quarter, or \$0.117 per share, compared to \$2,118 or \$0.108 per share for the corresponding quarter of 2009. At March 30, 2010, the Company also declared a dividend of \$0.117, that was paid on April 21, 2010, to shareholders of record as at March 31, 2010.

9. COMPLIANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Unless otherwise indicated, the financial information presented hereinafter is prepared in compliance with Canadian Generally Accepted Accounting Principles (GAAP). The information included in this report contains items that are not performance measures consistent with GAAP including:

Organic growth	This measurement consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions and sales of corporate stores, strategic alliances and exchange-rate fluctuations. Uni-Select uses this measurement because it enables the Company to judge the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. The determination of the organic growth rate, which is based on reasonable assumptions according to Management, may differ from actual organic growth rates. In addition, this measurement may not correspond to similarly titled measurements used by other companies.
EBITDA	This measurement represents operating income before depreciation, amortization, interest, income taxes and non-controlling interest. This measurement is a widely accepted financial indicator of a company's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measurement of liquidity, but as additional information. Because EBITDA is not a measurement defined by GAAP, it may not be comparable to the EBITDA of other companies. In the Company's statement of earnings, EBITDA corresponds to "Earnings before the following items."
EBITDA margin	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.
Non-recurring items	These are rarely incurred costs that management regards as not being characteristic or representative of the Company's regular operations. They include the non-capitalizable costs related to the implementation of the enterprise resource planning system. This document presents analysis of variations in EBITDA, earnings from continuing operations and earnings per share from continuing operations, excluding non-recurring items. Although these measurements are not standardized in GAAP, Company management regards them as good indicators for comparing operational performance.

Adjusted EBITDA	This measurement corresponds to EBITDA plus non-recurring items. According to management, adjusted EBITDA is more representative of the Company's operational performance and more appropriate in providing additional information to investors because it gives an indication of the Company's ability to repay its debts. Since EBITDA is not established in compliance with GAAP, it may not be comparable to other companies' EBITDA. For the first quarter of 2010, the only non-recurring item is the non-capitalizable costs related to the implementation of the enterprise resource planning system.
Total net indebtedness	This measure consists of bank indebtedness, long-term debt and merchant members' deposits in a guarantee fund (including short-term portions), net of cash.
Ratio of total net debt to total net debt plus equity	This ratio corresponds to the percentage of total net debt divided by the sum of total net debt and shareholders' equity. These two measurements are not defined by GAAP and may, therefore, not be comparable to similarly titled measurements used by other companies.
Funded debt to EBITDA	This ratio corresponds to bank indebtedness, long-term debt and merchant members' deposits in a guarantee fund (including short-term portions) to EBITDA.

The Company believes many users of its management report analyze the results based on these measurements of returns. These measurements that are not GAAP-compliant are taken primarily from the Consolidated Financial Statements, but they have no standardized significance set out in Canadian GAAP; accordingly, other companies using similar terms may calculate them differently.

10. CONSOLIDATED QUARTERLY OPERATING RESULTS (from continuing operations)

Quarterly results are affected by seasonal factors. The Company records earnings in each quarter, but the second and third quarters have historically been more productive in terms of sales than the first and fourth quarters. For the 2008 year, the fourth quarter, compared to the other quarters of 2008, deviates from the rule as it includes the sales of Parts Depot acquired in September 2008 combined with the strength of the US dollar at that time.

Finally, because more than 60% of the Company's activities are in the United States, the comparison of the results from one quarter to the next must take into account the significant variation of currencies.

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

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

	1st Quarter		4th Quarter		3rd Quarter		2 nd Quarter	
	2010	2009	2009	2008	2009	2008	2009	2008
Sales								
United States	193,189	232,936	189,574	227,940	220,131	172,092	241,541	168,181
Canada	113,775	117,908	126,060	125,081	139,105	136,070	142,620	149,504
	306,964	350,844	315,634	353,021	359,236	308,162	384,161	317,685
EBITDA from continuing operations	14,614	20,709	9,170	27,808	27,159	23,195	31,768	25,017
Adjusted EBITDA from continuing operations	15,815	20,709	14,494	29,121	28,830	23,372	31,768	25,017
<i>Adjusted EBITDA margin from continuing operations</i>	5.2%	5.9 %	4.6%	8.2%	8.0%	7.6%	8.3%	7.9%
Adjusted earnings from continuing operations	8,385	8,994	8,571	15,156	14,096	12,031	16,029	13,179
Earnings from continuing operations	7,601	8,994	5,309	14,390	13,018	11,909	16,029	13,179
Net earnings	7,601	8,013	7,248	14,816	7,901	12,354	15,408	12,689
Adjusted basic and diluted earnings per share from continuing operations	0.43	0.46	0.44	0.77	0.71	0.61	0.81	0.67
Basic and diluted earnings per share from continuing operations	0.39	0.46	0.27	0.73	0.66	0.60	0.81	0.67
Basic and diluted earnings per share	0.39	0.41	0.37	0.75	0.40	0.63	0.78	0.64
Dividends paid per share	0.117	0.108	0.116	0.108	0.117	0.108	0.117	0.108
Average exchange rate for earnings	1.04	1.25	1.06	1.22	1.10	1.04	1.20	1.01

11. FUTURE ACCOUNTING AMENDMENTS

International Financial Reporting Standards

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

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

PHASE	DEADLINE	IMPLEMENTATION
Phase 1: Awareness <ul style="list-style-type: none"> ○ Preparation of the comprehensive transition plan ○ Mobilization of the organization ○ Confirmation of executive involvement ○ Assignment of team members to complete the project ○ Establishment of methods for analyzing of standards 	Late 2008	Completed
Phase 2: Assessment <ul style="list-style-type: none"> ○ Finalization of the comprehensive transition plan ○ Identification of differences between Canadian standards and IFRS ○ General review of choices (IFRS 1 exemptions) Start of training for the team, senior executives and Board of Directors members 	Second quarter 2009	Completed
Phase 3: Conception <ul style="list-style-type: none"> ○ Identification of impacts on systems ○ Finalization of choices (IFRS 1 and explicit choices) ○ Resolution of differences between IFRS and Canadian standards ○ Establishment of accounting policies ○ Preparation of the IFRS financial statement model 	Second quarter 2010	The IFRS team takes part in implementing the ERP system to ensure that configuration is in compliance with IFRS Analysis of IFRS 1 exemptions and explicit choices is completed Resolution of differences between IFRS and Canadian standards; IFRS model financial statements being prepared

<p>Phase 4: Implementation</p> <ul style="list-style-type: none"> ○ Reconciliation of opening balances (TM2 2010) ○ Preparation of IFRS 2010 interim financial statements alongside financial statements based on Canadian standards (comparables for 2011) ○ Continuation of training for the entire organization ○ Determination of impacts on infrastructure, business activities and control activities, and completion of necessary adjustments ○ Publication of IFRS financial statements (TM1 2011) 	<p>Late 2010</p>	<p>Opening balance sheet being prepared</p>
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The first two phases of the transition plan have been completed. The Company is currently completing analysis of the impact of differences between Canadian standards and IFRS on accounting policies, financial statements and disclosure. The opening balance sheet is also being prepared. Accounting policies are likely to be amended, and this should affect the Company's consolidated financial statements. A process of progress reports to the Audit Committee on the status of the IFRS project has been instituted.

Business Combinations

In January 2009, CICA published Section 1582, *Business Combinations*, replacing Section 1581 of the same name. This section applies prospectively to business combinations conducted during fiscal periods starting January 1, 2011. The section sets out standards for recording a business combination. The Company will analyze the impacts of applying this section when analyzing IFRS.

Consolidated Financial Statements

In January 2009, the CICA published Section 1601, *Consolidated Financial Statements*, replacing Section 1600 of the same name. This section applies to interim and annual financial statements for fiscal years starting January 1, 2011. The section sets out standards for establishing consolidated financial statements. The Company will analyze the impacts of applying this section when analyzing IFRS.

Non-controlling Interests

In January 2009, the CICA published Section 1602, *Non-Controlling Interests*, replacing Section 1600, *Consolidated Financial Statements*. This section applies to interim and annual financial statements starting January 1, 2011. The section sets out standards for recording non-controlling interests in a subsidiary in the consolidated financial statements following a business combination. The Company will analyze the impacts of applying this chapter when analyzing IFRS.

12. RISK MANAGEMENT

The Company attempts to continually reduce its exposure to risk and uncertainties that it may encounter in its operational or financial situation. Accordingly, management continually reviews overall controls and preventive measure to ensure they are better matched to significant risks to which the Company's operating activities are exposed. A report on risk management program is reviewed once a year by the Audit Committee of the Company.

This focus also guides management's decisions regarding its day-to-day operations, among which, cost-reduction measures and the addition or removal of products from the existing product offering. It also has a direct impact on decisions made regarding investments, acquisitions or disposals of assets as well as to financing related to the growth of the Company.

Quarterly Update

The list of the main risks is available in the management report section of the 2009 Annual Report. This section deals with the following risks for which no major change occurred during the course of the first quarter of 2010: industry-related risks, economic climate, vehicle fleet, technology, inflation, fuel prices, interest rates and business model of the Company.

The following risks have been updated:

Geographical Breakdown and Exchange Rate

The exchange rate between the Canadian and US dollars considerably fluctuated during the first quarter of 2010, the average rate moving from 1.24 in 2009 to 1.05 in 2010. Although this impact is strictly accounting in nature and does not affect cash flows, this variation had a significant impact on US operating results reported in Canadian dollars. Taking into account the information on hand at this time and the exchange rates currently prevailing in the market, a similar impact is foreseeable for the next two quarters of the current period.

Business and Financial Systems

As set out in the December 31, 2009 management report, the Company will proceed with the launch in 2010 of a new enterprise resource planning software. During the course of the first quarter, the Company completed the first of three test phases of the system's financial module. To mitigate implementation risks, the Company will begin with the financial module during the third quarter and will gradually deploy the operational module as of the fourth quarter of 2010 until 2012.

The Company is currently reviewing both current and future controls relating to the implementation of new methods and procedures as well as various temporary interfaces required for the launch of these systems. The Company is assisted in this initiative by a number of experts in the implementation of like systems. In addition to facilitate the management of every facet of the organization, the system will consolidate several business and financial applications as well as their interfaces and will add a number of automated controls that will replace actual compensatory controls.

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

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

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

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

14. OUTLOOK

During the next three quarters of 2010, the Company will focus on the three following main objectives:

- Adjust and continue its development efforts in line with its new administrative structure devoted to both the maximization of sales to independent jobbers and the improvement of the operational efficiency to its corporate store customers.
- Pursue the orderly deployment of the new enterprise resource planning system all the while ensuring the smooth transition for internal human resources and customer service by a sound change management approach.
- Pursue growth through acquisitions in the United States where development opportunities exist due to relative market fragmentation.

Management is confident that, through the deployment of its growth strategy and strict expense and asset controls, it will improve profitability in the short and long run. The Company has positioned itself to fully benefit from existing business opportunities in its market segment.



Richard G. Roy, CA
President and Chief Executive Officer



Denis Mathieu, CA
Vice-President and Chief Financial Officer

Approved by the Board of Directors on May 4, 2010.

Uni-Select Inc.

Consolidated Interim Financial Statements for quarters ended March 31, 2010 and 2009



UNI-SELECT®

Financial Statements

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Notice related to the review of interim financial statements

The consolidated interim financial statements for the periods ended March 31, 2010 and 2009 have not been reviewed by the auditors of the Company.

**Uni-Select Inc.
Consolidated Earnings**

Three-month periods ended March 31, 2010 and 2009

(In thousands of dollars, except earnings per share, unaudited)

	3 months	
	2010	2009
	\$	\$
Sales	306,964	350,844
Earnings before the following items:	14,614	20,709
Interest (Note 3)	1,618	2,292
Amortization (Note 3)	3,403	3,790
Earnings before income taxes and non-controlling interest	5,021	6,082
Income taxes (Note 4)		
Current	11,024	8,142
Future	(8,947)	(3,480)
Earnings before non-controlling interest	2,077	4,662
Non-controlling interest	7,516	9,965
Earnings from continuing operations	(85)	971
Loss from discontinued operations (Note 8)	7,601	8,994
Net earnings	-	(981)
	7,601	8,013
Basic and diluted earnings per share (Note 5)		
From continuing operations	0.39	0.46
From discontinued operations	-	(0.05)
Net income	0.39	0.41
Weighted average number of outstanding shares	19,716,357	19,697,727
Number of issued and outstanding shares	19,722,337	19,708,796

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

Uni-Select Inc.
Consolidated Comprehensive Income
Consolidated Retained Earnings

Three-month periods ended March 31, 2010 and 2009

(In thousands of dollars, unaudited)

	3 months	
	2010	2009
	\$	\$
CONSOLIDATED COMPREHENSIVE INCOME		
Net earnings	7,601	8,013
Other comprehensive income		
Unrealized losses on derivative financial instruments designated as cash flow hedges (net of income taxes of \$496 (\$286 in 2009))	(1,158)	(614)
Reclassification of realized losses to net earnings on derivative financial instruments designated as cash flow hedges (net of income taxes of \$267 (\$219 in 2009))	796	470
Unrealized exchange gain (loss) on translation of long-term debt designated as a hedge of net investments in self-sustaining foreign subsidiaries	5,295	(591)
Unrealized exchange gains (losses) on translating financial statements of self-sustaining foreign subsidiaries	(11,387)	6,265
Other comprehensive income	(6,454)	5,530
Comprehensive income	1,147	13,543
CONSOLIDATED RETAINED EARNINGS		
Balance, beginning of year	353,625	324,241
Net earnings	7,601	8,013
	361,226	332,254
Dividends	2,298	2,295
Balance, end of year	358,928	329,959

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

Uni-Select Inc.
Consolidated Cash Flows

Three-month periods ended March 31, 2010 and 2009

(In thousands of dollars, except dividends paid per share, unaudited)

	3 months	
	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Earnings from continuing operations	7,601	8,994
Non-cash items		
Amortization	3,403	3,790
Amortization of deferred gain on a sale-leaseback arrangement	(54)	(67)
Future income taxes	(8,947)	(3,480)
Compensation cost relating to stock option plans	20	32
Pension expense in excess of contributions	341	197
Non-controlling interest	(85)	971
	<u>2,279</u>	<u>10,437</u>
Changes in working capital items	(34,007)	(27,885)
Cash flows from continuing operating activities	<u>(31,728)</u>	<u>(17,448)</u>
Cash flows from discontinued operating activities	(1,102)	1,428
Cash flows from operating activities	<u>(32,830)</u>	<u>(16,020)</u>
INVESTING ACTIVITIES		
Business acquisitions (Note 6)	(1,074)	(668)
Disposal of assets (Note 7)	1,417	-
Balance of selling price	950	117
Buy-back of non-controlling interest	-	(37)
Investments	17	-
Advances to merchant members	(729)	(371)
Receipts on advances to merchant members	1,094	1,248
Fixed assets	(2,904)	(2,179)
Disposal of fixed assets	364	-
Intangible assets	(6,433)	(1,195)
Cash flows from continuing investing activities	<u>(7,298)</u>	<u>(3,085)</u>
Cash flows from discontinued investing activities	-	(43)
Cash flows from investing activities	<u>(7,298)</u>	<u>(3,128)</u>
FINANCING ACTIVITIES		
Bank indebtedness	26,585	12,117
Repayment of long-term debt	(26)	(1,356)
Merchant members' deposits in guarantee fund	64	61
Issuance of shares	90	202
Dividends paid	(2,298)	(2,118)
Cash flows from continuing financing activities	<u>24,415</u>	<u>8,906</u>
Effect of exchange rate changes on cash	(87)	757
Decrease in cash	<u>(15,800)</u>	<u>(9,485)</u>
Cash, beginning of year	<u>15,850</u>	<u>9,682</u>
Cash, end of year	<u>50</u>	<u>197</u>
Dividends paid per share	<u>0.117</u>	<u>0.108</u>

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

**Uni-Select Inc.
Consolidated Balance Sheets**

March 31, 2010 and 2009

(In thousands of dollars, unaudited)

	March 31 2010 \$	March 31 2009 \$	December 31 2009 \$ (audited)
ASSETS			
Current assets			
Cash	50	197	15,850
Accounts receivable	167,624	194,291	150,440
Income taxes receivable	-	4,042	3,859
Inventory (Note 9)	402,455	495,280	402,550
Prepaid expenses	6,713	6,262	6,914
Future income taxes	10,189	10,390	10,065
Assets from discontinued operations (Note 8)	2,847	-	3,777
	<u>589,878</u>	<u>710,462</u>	<u>593,455</u>
Investments and volume discounts receivable, at cost	16,933	8,045	16,831
Fixed assets	39,415	47,800	39,660
Financing costs	525	733	555
Intangible assets	35,172	16,576	27,836
Goodwill	92,224	101,390	93,961
Future income taxes	3,151	3,632	3,359
	<u>777,298</u>	<u>888,638</u>	<u>775,657</u>
LIABILITIES			
Current liabilities			
Bank indebtedness	26,102	12,197	44
Accounts payable	172,775	199,447	181,773
Income taxes payable	1,737	-	-
Dividends payable	2,298	2,295	2,298
Instalments on long-term debt and on merchant members' deposits in guarantee fund	96	148	402
Future income taxes	2,201	2,148	11,192
Liabilities from discontinued operations (Note 8)	352	-	2,384
	<u>205,561</u>	<u>216,235</u>	<u>198,093</u>
Deferred gain on a sale-leaseback arrangement	1,922	2,651	2,036
Long-term debt	173,578	214,614	178,866
Merchant members' deposits in guarantee fund	7,623	8,027	7,288
Derivative financial instruments	5,773	8,831	5,182
Future income taxes	7,598	5,024	7,821
Non-controlling interest	3,367	49,073	3,453
	<u>405,422</u>	<u>504,455</u>	<u>402,739</u>
SHAREHOLDERS' EQUITY			
Capital stock	50,242	50,040	50,152
Contributed surplus	374	259	355
Retained earnings	358,928	329,959	353,625
Accumulated other comprehensive income (Note 10)	(37,668)	3,925	(31,214)
	<u>371,876</u>	<u>384,183</u>	<u>372,918</u>
	<u>777,298</u>	<u>888,638</u>	<u>775,657</u>

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

Uni-Select Inc.

Notes to Consolidated Financial Statements

March 31, 2010 and 2009

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

1 - BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all disclosures required for complete financial statements. They are also consistent with the accounting policies outlined in the audited financial statements of the Company for the year ended December 31, 2009. The interim financial statements and related notes should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2009. When necessary, the financial statements include amounts based on informed estimates and the best judgment of management. The operating results for the interim periods reported are not necessarily indicative of results to be expected for the year.

These interim financial statements follow the same accounting policies as 2009. Certain comparative figures have been reclassified to conform with the presentation adopted in 2010. The Company now discloses one operating segment being the automotive parts distribution.

2 - FUTURE ACCOUNTING CHANGES

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which supersedes the like-named Section 1581. This Section applies prospectively to business combinations for which the date of acquisition is in fiscal years beginning on or after January 1, 2011. The Section establishes standards for the recognition of a business combination. The Company will analyze the effects of the adoption of this Section together with the analysis of the International Financial Reporting Standards.

Consolidated financial statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, which supersedes the like-named Section 1600. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the preparation of consolidated financial statements. The Company will analyze the effects of the adoption of this Section together with the analysis of the International Financial Reporting Standards.

Non-controlling interests

In January 2009, the CICA issued Section 1602, Non-controlling Interests, which supersedes Section 1600, Consolidated financial statements. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the accounting of non-controlling interests in a subsidiary in the consolidated financial statements subsequent to a business combination. The Company will analyze the effects of the adoption of this Section together with the analysis of the International Financial Reporting Standards.

3 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	3 months	
	2010	2009
	\$	\$
Interest from		
Other financial liabilities		
Interest on bank indebtedness	98	323
Interest on long-term debt	1,576	2,044
Interest on merchant members' deposits in guarantee fund	29	67
	<u>1,703</u>	<u>2,434</u>
Held-for-trading financial assets		
Interest income on cash	(25)	(4)
Loans and receivables		
Interest income from merchant members	(60)	(138)
	<u>(85)</u>	<u>(142)</u>
	<u>1,618</u>	<u>2,292</u>
Amortization		
Amortization of fixed assets	2,735	3,130
Amortization of intangible assets and other assets	668	660
	<u>3,403</u>	<u>3,790</u>

4 - INCOME TAXES

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

	3 months	
	2010	2009
	%	%
Federal statutory rate	18.00	19.00
Provinces' statutory tax rates	11.25	11.86
Various tax rates applied in tax jurisdictions of foreign operations	9.68	4.69
Combined statutory rate of the Company	<u>38.93</u>	35.55
Tax benefit from a financing structure	(18.02)	(2.09)
Non-deductible tax expenses	0.35	0.35
Earnings taxable at lower rates in future years	(0.22)	(0.21)
Recognition of previously unrecorded tax benefits	-	(1.28)
Other	0.61	(0.45)
	<u>21.65</u>	<u>31.87</u>

5 - EARNINGS PER SHARE

Weighted average number of shares for the calculation of basic earnings per share is 19,716,357 for the three-month period ended March 31, 2010 (19,697,727 in 2009). Impact of stock options exercised is 11,574 shares for the three-month period ended March 31, 2010 (17,296 in 2009) which total a weighted average number of shares of 19,727,931 for the three-month period ended March 31, 2010 (19,715,023 in 2009) for calculation of diluted earnings per share.

6 - BUSINESS ACQUISITIONS

The Company acquired the shares of a company for a cash consideration of \$1,074 and a contingent consideration payable to the sellers based on the achievement of specific performance objectives. Purchase price allocation will be reviewed to consider the contingent consideration when it can be determined by the Company that the objectives will be achieved.

7 - DISPOSAL OF ASSETS

The Company sold some of the assets and liabilities of a store for a cash consideration of \$2,132 of which \$715 is receivable.

8 - DISCONTINUED OPERATIONS

In 2009, the Company has proceeded to the disposal of certain assets and liabilities of its Palmar Inc. subsidiary.

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

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

	3 months	
	2010	2009
	\$	\$
Sales	-	11,896
Loss before the following items:	-	(1,304)
Interests	-	45
Amortization	-	67
	-	112
Loss before non-recurring items and income taxes	-	(1,416)
Non-recurring items	-	(70)
Loss before income taxes	-	(1,486)
Income taxes	-	(505)
Loss from discontinued operations	-	(981)

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

	March 31	December 31
	2010	2009
	\$	\$
Assets		
Cash	22	671
Accounts receivable	365	646
Income taxes receivable	68	68
Future income taxes	2,392	2,392
Assets from discontinued operations	2,847	3,777
Liabilities		
Accounts payable	352	2,384
Liabilities from discontinued operations	352	2,384

9 - STOCK

The cost of inventory recognized as an expense is \$219,003 for the three-month period ended March 31, 2010 (\$239,378 in 2009).

10 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	March 31 2010	December 31 2009
	\$	\$
Balance, beginning of year	(31,214)	(1,605)
Other comprehensive income for the years	(6,454)	(29,609)
Balance, end of year	<u>(37,668)</u>	<u>(31,214)</u>

The components of other accumulated comprehensive income as at March 31, 2010 and December 31 2009, are as follows:

Accumulated currency translation adjustments	(33,627)	(27,535)
Cumulative changes in fair value of derivatives used as a hedge (net of future income taxes of \$1,732 (\$1,503 in 2009))	(4,041)	(3,679)
	<u>(37,668)</u>	<u>(31,214)</u>

11 - EMPLOYEE FUTURE BENEFITS

As at March 31, 2010, the Company's pension plans are defined benefit and contribution plans.

For the three-month period ended March 31, 2010, the total expense for the defined contribution pension plans was \$318 (\$265 in 2009) and \$653 (\$663 in 2009) for the defined benefit pension plans.

12 - GUARANTEES

Under inventory repurchase agreements, the Company has made a commitment to financial institutions to repurchase inventories from some of its customers at a rate of 60% to 75% of the cost of the inventories for a maximum amount of \$65,100 (\$64,269 in 2009). In the event of legal proceedings, the inventories would be liquidated in the normal course of the Company's operations. These agreements are for an undetermined period of time. In management's opinion, the likelihood of major payments being made and losses being absorbed is low, since the value of the assets held in guarantee is significantly greater than the Company's commitments.

13 - GEOGRAPHICAL INFORMATION

	3 months	
	2010	2009
	\$	\$
Sales in Canada	113,775	117,908
Sales in the United States	193,189	232,936
	<u>306,964</u>	<u>350,844</u>

	March 31, 2010		
	Canada	United States	Total
	\$	\$	\$
Fixed assets	17,078	22,337	39,415
Intangible assets	17,287	17,885	35,172
Goodwill	40,671	51,553	92,224

	December 31, 2009		
	Canada	United States	Total
	\$	\$	\$
Fixed assets	15,399	24,261	39,660
Intangible assets	15,056	12,780	27,836
Goodwill	40,835	53,126	93,961