



**MANAGEMENT REPORT  
THIRD QUARTER REPORT 2006**

For the nine-month period ended  
September 30, 2006

**Uni-Select Inc.**  
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## Message to Shareholders

Uni-Select Inc.'s sales were \$297,101,000 for the third quarter of 2006 an increase of 0.2% over sales of \$296,539,000 realized in the third quarter of 2005. Sales for the first nine months of the year were \$854,109,000, a 2.4% decrease compared to \$874,911,000 during the corresponding period in 2005. Unfavourable Canadian/US exchange rates negatively affected sales by 3.4% in the third quarter and 3.8% for the first nine months of the year. Furthermore, the third quarter of 2006 had one less billing day than the corresponding period of 2005 representing a 1.7% negative impact for the quarter and 0.6% for the nine-month period.

During the third quarter of 2006, Uni-Select's net earnings increased by 2.0% to reach \$9,402,000 or \$0.48 per share (except where indicated, earnings per share are presented on a fully diluted basis) compared to \$9,214,000 of \$0.47 per share last year. Net earnings for the nine-month period ended September 30, 2006 were \$25,587,000 or \$1.30 per share compared to \$24,875,000 or \$1.27 per share in 2005. The Canadian/US exchange rate reduced net earnings by \$0.02 compared to the third quarter of 2005. This variation is \$0.05 per share for the nine-month period.

### Automotive Group USA

Automotive Group USA decreased sales by 0.3% in the third quarter of 2006 from \$150,461,000 in the third quarter of 2005 to \$149,952,000 in the third quarter of 2006. Without the negative impact of the exchange rate, sales for the Automotive Group USA would have increased by 6.5% essentially through its acquisition program. One less billing day during the quarter and changes to the purchasing practices of a significant customer in South-Western USA have negatively impacted sales by 3.1% for the quarter. For the nine-month period of 2006, sales for the Group have decreased by 2.2% from \$441,460,000 in 2005 to \$431,967,000 in 2006. Excluding the negative impact of the exchange rate, sales for the Group would have increased by 5.3%. Just as for the quarter, the one less billing day and the changes in the purchasing practices of a significant customer in the South-Western region have decreased sales by 2.5% for the nine-month period. The operating margin for the Group in the third quarter was 6.0% and is identical to that of the third quarter of 2005. Year-to-date, the operating margin of the Group was improved at 5.9% compared to 5.7% in 2005. This increase is attributable to the implementation of programs in 2005 and at the beginning of 2006.

### Automotive Group Canada

Automotive Group Canada increased sales by 0.6% during the third quarter of 2006. Sales for the third quarter were \$129,365,000 compared to \$128,545,000 during the same quarter in 2005. For the nine-month period of 2006, sales for the Group were \$373,493,000 compared to \$383,033,000 in 2005, a 2.5% decrease. Besides the negative impact of 1.8% for the quarter and 0.6% for the nine-month period due to one less billing day, sales in exhaust and paint products were weakened by the changeover in product lines for certain national accounts and the closure of certain accounts specializing in collision repair products. It is, however, notable that the negative impact caused by the changeover in exhaust product lines, diminished over the course of the third quarter. During the third quarter, the operating margin of the Group was 7.9%, a strong increase compared to the same quarter of 2005 when the operating margin was 6.6%. This increase essentially stems from the 100% ownership of Uni-Select Prairies Inc. (previously known as USI-AGI Prairies Inc., a joint venture reported at 50% ) since June 1, 2006. Year-to-date, the operating margin of Automotive Group Canada increased from 6.4% in 2005 to 7.4% in 2006. Approximately 0.6% of this increase is from the reporting of Uni-Select Prairies Inc. at 100%, while 0.3% is non-recurring in nature and results from a sales program implemented last year.

### Heavy Duty Group

Sales for the Heavy Duty Group increased by 1.4% during the third quarter to \$17,784,000 compared to \$17,533,000 during the same quarter in 2005. This increase is mainly due to the transfer of certain wheel sales from the second quarter to the third quarter. Excluding the transfer of certain activities to Automotive Group Canada and one less billing day in 2006, the increase would have been 5.5%. For the first nine months of 2006, the Group's sales decreased by 3.5% from \$50,418,000 to \$48,649,000. This decrease is mainly due to significant returns in wheels from certain clients. It is to be noted that the one less billing day represents a negative impact of 0.7% compared to 2005. During the third quarter, the operating margin of the Group was (1.9%) compared to 0.6% for the same quarter in 2005. Year-to-date, the operating margin of the Group was (3.7%) and 0.2% in 2005.

## **Outlook**

Our market, in both Canada and the United States, was affected by increased fuel costs at the beginning of the year. Nevertheless, we have noted improved market conditions as fuel costs have decreased during the quarter. Furthermore, the market offers numerous developmental opportunities through acquisitions. We will, therefore, pursue our acquisition and integration activities which are a measure of the value to be gained by our shareholders, employees and suppliers.

Jacques Landreville  
President & Chief Executive Officer

# **Management's Discussion and Analysis**

## **Profile**

The activities of Uni-Select are segregated into three principal groups: AUTOMOTIVE GROUP CANADA, which specializes in the distribution of automotive replacement parts and accessories across Canada, AUTOMOTIVE GROUP USA, which also distributes automotive replacement parts and operates automotive stores in the United States, and HEAVY DUTY GROUP, which distributes and sells wheels and parts and accessories for heavy-duty vehicles in Quebec, Ontario, the Maritimes and Alberta.

## **Preamble**

### **General**

This Management's Discussion and Analysis on the operating results and cash flows for the period ended September 30, 2006 compared to the period ended September 30, 2005, as well as the financial situation of the Company for the period ended September 30, 2006 compared to the period ended December 31, 2005, should be read with the consolidated financial statements and the accompanying notes. The information contained in this Management's Discussion and Analysis takes into account all important events which occurred prior to November 7, 2006, date of the approval of the financial statements and the Management's Discussion and Analysis by the Board of Directors of the Company. They reflect, in management's best opinion, the situation of the Company and the general business context at the time this report is issued.

### **Non GAAP performance measure and forward-looking information**

Operating margin represents operating earnings before interests, amortization, loss on disposal of property, plant and equipment, income taxes and non-controlling interest (EBITDA) on sales. EBITDA is presented as it is a widely accepted financial indicator of a company's ability to service and incur debt. EBITDA should not be considered by an investor as an alternative to operating income or net earnings, an indicator of operating performance or of cash flows, or as a measure of liquidity. Because EBITDA is not a measurement determined in accordance with Canadian generally accepted accounting principles ("GAAP"), it may not be comparable to the EBITDA of other companies. In the statement of earnings of the Company, EBITDA is reported under the item "Earnings before the following items".

Certain sections of this report by management include forward-looking statements which are inherently subject to risks and uncertainties and may cause the Company's actual performance to differ materially from that contemplated by the forward-looking statements. Uni-Select's management, unless required by Law, does not undertake to update or revise the forward-looking statements because of new information, future events or other changes.

## **Operating Results**

### **Sales**

For the third quarter ended September 30, 2006, Uni-Select recorded sales of \$297,101,000 compared with \$296,539,000 for the quarter ended September 30, 2005, a 0.2% increase. The Company's sales reached \$854,109,000 for the nine months ended September 30, 2006, a decrease of 2.4% over the same period the previous year, when sales reached \$874,911,000. The increase in sales in the third quarter results from new sales generated through acquisitions completed in the previous quarters diminished by the 3.4% negative impact from the variation in Canadian/US exchange rates, one less billing day in 2006 compared to 2005 and a slight decrease of organic nature. This decrease is as a result of two factors, on the one hand, a change in the purchasing practices of a significant customer in South-Western USA and on the other hand, the closure of certain non-performing branches in the US. Excluding these two factors, organic growth would have been positive.

- Automotive Group USA sales were \$149,952,000 during the third quarter of 2006, a decrease of 0.3% over the corresponding quarter of the preceding year, when sales were reported at \$150,461,000. Had the Canadian/US exchange rate remained stable, sales would have increased by 6.5%. Excluding the negative impact of the variations from the exchange rate and from one less billing day, as well as sales generated from the acquisitions realized in the first three quarters of 2006, sales for the existing operations showed a decrease of 1.6%. We attribute this slowdown in demand to a change in the purchasing practices of a significant customer in South-Western USA and the closure of 10 non-performing branches. Excluding these two factors, sales would have increased by 0.8%. Automotive Group USA's sales reached \$431,967,000 for the first nine months ended September 30, 2006, a decrease of 2.2% over the same period the previous year, when sales reached \$441,460,000. This increase would have been 5.3% had the exchange rate remained constant. This increase is principally explained by sales generated pursuant to recent acquisitions, taking into account the one less billing

day and a 0.5% decrease organic in nature. At the onset of the quarter, organic growth would have been 2.2% had the changes in the purchasing practices by a significant customer in South-Western USA and the closure of non-performing branches not occurred.

- Automotive Group Canada attained sales of \$129,365,000 in the third quarter of 2006, a 0.6% increase compared to the same quarter the previous year when sales were \$128,545,000. This increase is essentially due to the acquisition of certain wholesalers. The increase would have been 2.4% had there not been one less billing day. Automotive Group Canada's sales reached \$373,493,000 for the nine months ended September 30, 2006, a 2.5% decrease over the same period the previous year, when sales were \$383,033,000. This decrease is essentially organic. The changeover of products at Midas franchisees' locations and the closure of certain accounts specializing in collision repair products and one less billing day are contributing factors to the decrease in sales during the current quarter.
- Heavy Duty Group realized sales of \$17,784,000 in the third quarter of 2006, a 1.4% increase over the corresponding quarter of the previous year when sales reached \$17,533,000. This increase is essentially due to the transfer of wheel sales from the second quarter to the third quarter. One less billing day and the transfer of certain activities to Automotive Group Canada had a 4.1% negative impact during the course of the third quarter. Heavy Duty Group sales reached \$48,649,000 for the nine months ended September 30, 2006, a 3.5% decrease over the same period the previous year, when sales were \$50,418,000. This decrease is mainly due to significant returns in the wheel division at the beginning of the year and one less billing day in 2006 compared to 2005.

### **EBITDA**

Uni-Select's EBITDA reached \$18,889,000 for the third quarter of 2006, compared to \$17,611,000 during the corresponding period a year earlier. The operating margin for the third quarter was 6.4% compared to 5.9% last year. For the nine-month period ended September 30, 2006, earnings were \$51,349,000 compared to \$49,615,000 over the same period in 2005. The operating margin for the first nine months of the year was 6.0% compared to 5.7% last year.

- The contribution of Automotive Group USA to the third quarter was \$9,035,000 compared to \$9,020,000 for the same quarter of the previous year. The operating margin for Automotive Group USA was stable at 6.0%. The operating margin remained at the same level as that of the third quarter of 2005 as a result of improved gross margins pursuant to the implementation of planned synergies in 2005 and early 2006 and of a higher proportion of sales to installers. However, these positive factors were offset by pressures on costs resulting from increased distribution costs to installers and from the high cost of energy. The contribution of Automotive Group USA was \$25,592,000 for the nine-month period ended September 30, 2006, compared to \$25,125,000 over the same period the previous year. The operating margin for the first nine months of the year was 5.9% compared to 5.7% last year.
- The contribution of Automotive Group Canada to the third quarter was \$10,187,000 compared to \$8,484,000 for the same quarter of the previous year. The operating margin of Automotive Group Canada increased from 6.6% in the third quarter of 2005 to 7.9% in the third quarter of 2006. This improvement results from higher gross margins that reflect the 100% ownership, as of June 1, 2006, of the subsidiary Uni-Select Prairies Inc. (previously known as USI-AGI Prairies Inc. and a 50% joint venture) and from a higher percentage of sales to installers resulting from the acquisition of wholesalers. Excluding the impact from Uni-Select Prairies Inc., the operating margin would have been 6.7% for the quarter. On the other hand, the increase in operational expenses is essentially explained by the reporting of Uni-Select Prairies Inc.'s results at 100% and by higher operational costs to supply installer clients. The contribution of Automotive Group Canada was \$27,560,000 for the nine-month period ended September 30, 2006, compared to \$24,380,000 over the same period the previous year. The operating margin, for the first nine months of the year, was 7.4% compared to 6.4% last year. Excluding the non-recurring income reported in the previous quarters and the additional contribution by Uni-Select Prairies Inc., the operating margin would have been 6.5% for the nine-month period.
- The contribution of the Heavy Duty Group to the third quarter was (\$333,000) compared to \$107,000 during the same quarter of the previous year. The operating margin for the Heavy Duty Group was (1.9%) compared to 0.6% for the corresponding quarter last year. This decrease is primarily explained by a lower gross margin due to an unfavourable mix in products sold when compared with the corresponding quarter the previous year. The operating expenses, remain largely unchanged, as they could not be reduced proportionately to sales and any improvement was further offset by the increase in delivery costs resulting from the increase in fuel costs. The contribution of the Heavy Duty Group was (\$1,803,000) for the first nine months of 2006, compared to \$110,000 over the same period the previous year. The operating margin of the Heavy Duty Group for the nine-month period ended September 30, 2006 was (\$3.7%) compared to 0.2% last year.

### **Interest, amortization and loss on disposal of property, plant and equipment**

During the third quarter, interest income from cash, cash equivalents and temporary investments less expenses on short term loans was \$151,000 compared to \$184,000 in 2005, principally due to an average cash and cash equivalent level superior to last year. For the nine-month period, short-term borrowing costs, net of interest income from cash, cash equivalents and temporary investments, represent an income of \$123,000 compared to \$41,000 the previous year.

Long-term borrowing costs for the third quarter were \$980,000 compared to \$772,000. The increase of \$208,000 is primarily explained by an increase in interest rates. For the nine-month period, costs increased from \$2,156,000 to \$2,791,000.

Interest paid on members' deposits in guarantee funds for the third quarter increased from \$60,000 to \$85,000 due to an increase in interest rates. For the nine-month period, interest paid increased from \$191,000 to \$241,000.

Interest income paid by merchant members for the third quarter was \$175,000 (\$182,000 in 2005). This income was \$384,000 for the nine-month period (\$368,000 last year). Income remained relatively stable; the increase in interest rates having been compensated by a reduction in advances to members.

For the third quarter, amortization expenses reached \$2,073,000 compared to \$1,852,000 for the previous year. This increase is explained by the large acquisitions completed in 2005. For the nine-month period, these costs totalled \$5,987,000 compared to \$6,040,000 last year.

For the third quarter, loss on disposal of property, plant and equipment were \$89,000 (none in 2005). For the nine-month period, these losses equalled \$4,000 (none in 2005). These losses are principally linked to the change in the warehouse management system pursuant to the rationalization of the operations of a distribution center.

Interest, amortization and loss on disposal of property plant and equipment increased by \$885,000 to reach \$3,203,000 for the third quarter of 2006. For the nine-month period, interest, amortization and loss on disposal of property, plant and equipment increased by \$538,000 to reach \$8,516,000. Consequently, for the third quarter, Uni-Select recorded earnings before taxes and non-controlling interest (minority shareholders) of \$15,686,000, a 2.6% increase over the previous year. For the nine-month period, earnings before taxes and non-controlling interest (minority shareholders) reached \$42,833,000, a 2.9% increase over the previous year.

### **Net Profitability**

In the third quarter of 2006, the effective tax rate was 35.3% compared to 34.7% in 2005. Year-to-date, the effective tax rate was 35.2% compared to 35.1% over the same period the previous year.

After deducting income taxes and the \$746,000 non-controlling interest (minority shareholders) in the earnings of the American subsidiary (\$778,000 in 2005), Uni-Select posted, for the third quarter, net earnings of \$9,402,000 compared to \$9,214,000 for the previous year. The increase in net earnings was 2.0% for the third quarter of 2006 when compared to the same period of the previous year. Year-to-date, net earnings were \$25,587,000, a 2.9% increase over the previous year. The net profit margin in relation to sales for the quarter increased from 3.1% in 2005 to 3.2% in 2006. For the nine-month period, the net profit margin in relation to sales increased from 2.8% in 2005 to 3.0% in 2006.

For the third quarter, earnings per share (base and diluted) amounted to \$0.48, representing a 2.1% growth on earnings per share (base and diluted) of \$0.47 over the previous year. Year-to-date, earnings per share (base and diluted) amounted to \$1.30 compared to \$1.28 last year (\$1.27 diluted). Notably the appreciation of the Canadian currency compared to the American dollar had an unfavourable impact of \$0.02 per share for the third quarter. After the nine-month period, the negative impact is \$0.05 per share. For the third quarter, the weighted average number of outstanding shares increased from 19.5 million in 2005 (19.7 million on a diluted basis) to 19.7 million in 2006 (19.8 million on a diluted basis), mainly as a result of shares issued on the exercise of stock options held by officers. As for the dilution of shares, it reflects the eventual exercise of stock options held by officers.

## Principal Cash Flows

### **Cash Flows from Operating Activities**

Cash generated from operations before changes in working capital items amounted to \$12,090,000 during the third quarter of 2006, compared to \$11,361,000 for the previous year. Changes in working capital items generated liquidities in the amount of \$2,032,000 during the third quarter compared to a use of liquidities of \$10,329,000 last year. This source of liquidities during the quarter is due mainly to the improvement in our collection rate as well as to the receipt of income tax refunds. After changes to working capital items, operating activities generated net cash flows in the amount of \$14,122,000 during the third quarter compared to \$1,032,000 last year.

During the nine-month period, cash generated from operations before changes in working capital items amounted to \$33,647,000, compared to \$33,562,000 the previous year. The changes in working capital items generated \$12,893,000 of liquid assets whereas they used \$4,000,000 last year. After changes to working capital items, operating activities generated net cash flows in the amount of \$46,540,000 compared to \$29,562,000 last year.

### **Cash Flow Used by Investing Activities**

During the quarter, investment activities used cash in the amount of \$5,883,000. For the nine-month period, investment activities used cash in the amount of \$58,964,000. Major items in the third quarter include:

- The Company disbursed \$4,971,000 in cash for acquisitions (\$0 in 2005) for which the details are as follows:
  - \$626,000 were disbursed for the acquisition of shares held by the joint venture partners in Uni-Select Prairies Inc.;
  - \$4,228,000 were disbursed for the acquisition of the shares and assets from various wholesalers, both in Canada and the United States;
  - \$117,000 were disbursed during the quarter to pay balances of sales resulting from the purchase of shares and assets from various wholesalers, both in Canada and the United States.

The disbursement for acquisitions amounts to \$61,349,000 for the year-to-date (\$5,708,000 in 2005).

- The purchase of various fixed assets for \$1,766,000 (\$2,692,000 in 2005) notably to continue the modernization of information systems, as well as for leasehold and office improvements in Canada and the United States, and the purchase of automotive equipment mainly for Automotive Group USA. For the nine-month period, the purchases of fixed assets totalled \$4,796,000 (\$7,318,000 in 2005);
- The disposal of property, plant and equipment in the amount of \$26,000 for the quarter (none in 2005) and \$262,000 for the year (none in 2005);
- Receipts, net of advances to merchant members, generated liquid assets of \$828,000 during the quarter ((\$2,000) in 2005) and \$1,977,000 for the first nine months of the year (\$708,000 in 2005).

### **Cash Flow Used by Financing Activities**

During the quarter, financing activities required funds in the amount of \$15,510,000 (\$1,988,000 in 2005). The following are the principal elements thereof:

- repayment of bank indebtedness required liquidities of \$13,286,000. The repayment of bank indebtedness totalled \$1,016,000 for the nine-month period;
- \$1,970,000 was disbursed as dividend payment on common shares, representing \$0.10 per share (\$5,503,000 after nine months);
- \$197,000 went to the repayment of the long-term debt, net of an increase (\$873,000 after nine months);
- a reimbursement of \$67,000 (\$134,000 after nine months) in merchant members' deposits in the guarantee fund, and
- Finally, Uni-Select received proceeds of \$10,000 (\$1,288,000 for nine months) on the issue of 318 common shares (99,618 for the nine months) issued to a new merchant member.

Taking into account the various cash inflows of the third quarter of 2006, the Company's cash and cash equivalents decreased by \$7,271,000 to reach \$446,000 as at September 30, 2006 compared to \$17,923,000 as at December 31, 2005.

## Financial Position

As at September 30, 2006, the Company's total assets were \$542,925,000 compared to \$541,876,000 as at June 30, 2006 and \$495,676,000 at the end of December 2005. This increase of 0.2% is mostly attributable to assets from acquisitions offset by the reduction of assets related to existing operations.

Accounts receivable decreased by 0.3% to reach \$147,767,000 at the end of September 2006 compared to \$148,220,000 as at June 30, 2006 and \$133,903,000 at the end of December 2005.

Inventory increased by 5.1% to reach \$300,385,000 at the end of September 2006 compared to \$285,780,000 as at June 30, 2006 and \$260,156,000 as at December 31, 2005. The increase of inventory is mainly due to acquisitions completed during the quarter and to seasonal factors.

Long-term investments, comprised mostly of advances granted to merchant members to facilitate their expansion, totalled \$7,250,000 as at September 30, 2006 compared to \$8,189,000 as at June 30, 2006 and \$7,798,000 as at December 31, 2005.

Goodwill went from \$35,917,000 as at June 30, 2006 to \$36,044,000 as at September 30, 2006 due to acquisitions completed during the quarter. It amounted to \$17,996,000 as at December 31, 2005.

The book value of the Company's fixed assets was \$38,137,000 as at September 30, 2006 compared to \$37,293,000 as at June 30, 2006 and \$36,246,000 as at December 31, 2005.

Accounts payable stood at \$163,629,000 at the end of the third quarter of 2006 compared to \$158,440,000 as at June 30, 2006 and \$132,339,000 as at December 31, 2005. This variation is essentially due to the seasonality of the current operations of the Company.

Long-term debt (including members' deposits in guarantee funds and the portion of the debt coming to term in less than one year) decreased by \$256,000 to reach \$69,270,000 during the third quarter of 2006, compared to \$69,526,000 as at June 30, 2006. The long-term debt reached \$72,056,000 as at December 31, 2005. Long-term debt to shareholders' equity ratio decreased slightly to reach 25.4% compared to 26.2% as at June 30, 2006 and 28.2% as at December 31, 2005. On the other hand, bank indebtedness went from \$14,789,000 as at June 30, 2006 to \$2,588,000 at the end of the third quarter. It was \$1,932,000 as at December 31, 2005. The amount of cash and cash equivalents was \$446,000 as at September 30, 2006 compared to \$7,717,000 as at June 30, 2006 and \$24,050,000 as at December 31, 2005.

Shareholders' equity increased by 2.8% to reach \$272,394,000 (\$13.83 per common share), compared to \$264,919,000 (\$13.45 per common share) as at June 30, 2006, accounting for the year's net earnings and the payment of dividends. At the 2005 year-end, shareholders' equity was \$255,617,000 (\$13.04 per common share). As at November 6, 2006, the Company had 19,699,334 shares and 89,152 options outstanding.

Working capital of the Company stood at \$290,082,000 for a ratio of 2.7:1 at the end of the third quarter of 2006 compared to \$282,092,000 for a ratio of 2.6:1 as at June 30, 2006. As at December 31, 2005, working capital was \$294,227,000 for a ratio of 3.2:1.

## Outlook

Our market, both in Canada and the United States, has been affected by rising fuel prices in the previous months. Nevertheless, we have noted improved market conditions as fuel costs have decreased. We are, therefore, confident that we will see these conditions thrive as a result of the lower demand for fuel. Furthermore, we have pursued our corporate development program over the course of the previous quarter. We believe that our current integration activities, while they may generate non-recurring costs and be demanding on our management team, are a measure of the value to be gained by our shareholders, employees and suppliers.



### **Additional Information**

The reader will find other information related to Uni-Select, including the Company's Annual Information Form, on the SEDAR site at: [www.sedar.com](http://www.sedar.com).

### **Notice Related to the Review of Quarterly Financial Statements**

The interim financial statements for the period ended September 30, 2006, have not been reviewed by the auditors of the Company.

**CONSOLIDATED EARNINGS****THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005**

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

	3 <sup>rd</sup> QUARTER		9 MONTHS	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>SALES</b>	<b>297,101</b>	296,539	<b>854,109</b>	874,911
<b>Earnings before the following items</b>	<b>18,889</b>	17,611	<b>51,349</b>	49,615
Interest on bank indebtedness	331	44	665	251
Interest on long-term debt	980	772	2,791	2,156
Interest on merchant members' deposits in guarantee funds	85	60	241	191
Interest income from cash and cash equivalent	(180)	(228)	(788)	(292)
Interest income from merchant members	(175)	(182)	(384)	(368)
Amortization (Note 2)	2,073	1,852	5,987	6,040
Loss on disposal of property, plant and equipment	89	—	4	—
	<b>3,203</b>	2,318	<b>8,516</b>	7,978
<b>Earnings before income taxes and non-controlling interest</b>	<b>15,686</b>	15,293	<b>42,833</b>	41,637
Income taxes				
Current	5,758	5,784	15,177	14,115
Future	(220)	(483)	(87)	504
	<b>5,538</b>	5,301	<b>15,090</b>	14,619
<b>Earnings before non-controlling interest</b>	<b>10,148</b>	9,992	<b>27,743</b>	27,018
Non-controlling interest	746	778	2,156	2,143
<b>Net earnings</b>	<b>9,402</b>	9,214	<b>25,587</b>	24,875
<b>Basic earnings per share (Note 3)</b>	<b>0.48</b>	0.47	<b>1.30</b>	1.28
<b>Diluted earnings per share (Note 3)</b>	<b>0.48</b>	0.47	<b>1.30</b>	1.27
Weighted average number of outstanding shares	<b>19,699,299</b>	19,531,987	<b>19,666,490</b>	19,497,362
Number of issued and outstanding common shares	<b>19,699,334</b>	19,557,909	<b>19,699,334</b>	19,557,909

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

**CONSOLIDATED RETAINED EARNINGS****NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005**

(in thousands of dollars, unaudited)

	9 MONTHS	
	2006	2005
	\$	\$
<b>Balance, beginning of period</b>	<b>220,966</b>	188,159
Net earnings	<b>25,587</b>	24,875
	<b>246,553</b>	213,034
Dividends	<b>5,905</b>	4,686
<b>Balance, end of period</b>	<b>240,648</b>	208,348

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

**CONSOLIDATED CASH FLOWS****THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005**

(in thousands of dollars, except dividends paid on common shares, unaudited)

	3 <sup>rd</sup> QUARTER		9 MONTHS	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings	9,402	9,214	25,587	24,875
Non-cash items				
Amortization	2,073	1,852	5,987	6,040
Future income taxes	(220)	(483)	(87)	504
Loss on disposal of property, plant and equipment	89	–	4	–
Non-controlling interest	746	778	2,156	2,143
	12,090	11,361	33,647	33,562
Changes in working capital items	2,032	(10,329)	12,893	(4,000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>14,122</b>	<b>1,032</b>	<b>46,540</b>	<b>29,562</b>
<b>INVESTING ACTIVITIES</b>				
Temporary investment	–	–	4,942	–
Business acquisitions (Note 5)	(4,971)	–	(61,349)	(5,708)
Advances to merchant members	(979)	(1,090)	(4,136)	(2,674)
Receipts on advances to merchant members	1,807	1,088	6,113	3,382
Company shares	–	–	–	20
Property, plant and equipment	(1,766)	(2,692)	(4,796)	(7,318)
Disposal of property, plant and equipment	26	–	262	–
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(5,883)</b>	<b>(2,694)</b>	<b>(58,964)</b>	<b>(12,298)</b>
<b>FINANCING ACTIVITIES</b>				
Bank indebtedness	(13,286)	(533)	(1,016)	(2,337)
Due to a joint venturer	–	–	–	(2,500)
Balance of purchase price	–	–	–	(4,104)
Financing costs	–	(139)	–	(139)
Long-term debt	616	–	1,516	3,589
Repayment of long-term debt	(813)	(441)	(2,389)	(1,107)
Merchant members' deposits in guarantee fund	(67)	140	(134)	34
Issuance of shares	10	547	1,288	1,851
Dividends paid	(1,970)	(1,562)	(5,503)	(4,549)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(15,510)</b>	<b>(1,988)</b>	<b>(6,238)</b>	<b>(9,262)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,271)</b>	<b>(3,650)</b>	<b>(18,662)</b>	<b>8,002</b>
Cash and cash equivalents, beginning of period	7,717	21,573	19,108	9,921
<b>Cash and cash equivalents, end of period</b>	<b>446</b>	<b>17,923</b>	<b>446</b>	<b>17,923</b>

Cash and cash equivalents include cash and temporary investments maturing in less than three months.

Dividends paid on common shares	0.100	0.080	0.280	0.234
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The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2006, SEPTEMBER 30, 2005 AND DECEMBER 31, 2005**

(in thousands of dollars)

	SEPTEMBER 30, 2006 (unaudited)	SEPTEMBER 30, 2005 (unaudited)	DECEMBER 31, 2005 (audited)
	\$	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	446	17,923	19,108
Temporary investment	-	-	4,942
Accounts receivable	147,767	157,177	133,903
Income taxes receivable	1,839	4,601	5,352
Inventory	300,385	266,419	260,156
Prepaid expenses	5,230	6,302	3,885
Future income taxes	2,768	4,352	3,093
	<u>458,435</u>	<u>456,774</u>	<u>430,439</u>
Investments and volume discounts receivable, at cost	7,250	9,122	7,798
Property, plant and equipment	38,137	34,965	36,246
Financing costs	965	1,245	1,321
Goodwill	36,044	17,970	17,996
Future income taxes	2,094	3,307	1,876
	<u>542,925</u>	<u>523,383</u>	<u>495,676</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank indebtedness	2,588	854	1,932
Accounts payable	163,629	174,769	132,339
Income taxes payable	-	2,596	-
Dividends payable	1,970	1,565	1,568
Instalments on long-term debt and on merchant members' deposits in guarantee fund	166	286	373
	<u>168,353</u>	<u>180,070</u>	<u>136,212</u>
Deferred government grants	368	396	395
Long-term debt	60,838	63,352	64,349
Merchant members' deposits in guarantee funds	8,266	7,594	7,334
Future income taxes	4,773	3,644	4,837
Non-controlling interest	27,933	25,966	26,932
	<u>270,531</u>	<u>281,022</u>	<u>240,059</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (Note 4)	49,334	47,452	48,056
Retained earnings	240,648	208,348	220,966
Cumulative translation adjustments	(17,598)	(13,439)	(13,405)
	<u>272,394</u>	<u>242,361</u>	<u>255,617</u>
	<u>542,925</u>	<u>523,383</u>	<u>495,676</u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### SEPTEMBER 30, 2006 AND 2005

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

#### 1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all the information required for complete financial statements. They are also consistent with the accounting policies outlined in the Company's audited financial statements for the year ended December 31, 2005. The interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2005. When necessary, the financial statements include amounts based on informed estimates and management's best judgements. The operating results for the interim periods reported are not necessarily indicative of results to be expected for the year.

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

#### 2. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS

	3 <sup>rd</sup> QUARTER		9 MONTHS	
	2006	2005	2006	2005
Amortization of property, plant and equipment	1,973	1,768	5,667	5,797
Amortization of financing costs	100	84	320	243
	<b>2,073</b>	<b>1,852</b>	<b>5,987</b>	<b>6,040</b>

#### 3. EARNINGS PER SHARE

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

	3 <sup>rd</sup> QUARTER					
	2006			2005		
	Net earnings	Weighted average number of shares	Earnings per share	Net earnings	Weighted average number of shares	Earnings per share
	\$		\$	\$		\$
Basic earnings per share	9,402	19,699,299	0.48	9,214	19,531,987	0.47
Impact of stock options exercised		89,152			133,465	
Diluted earnings per share	9,402	19,788,451	0.48	9,214	19,665,452	0.47

  

	9 MONTHS					
	2006			2005		
	Net earnings	Weighted average number of shares	Earnings per share	Net earnings	Weighted average number of shares	Earnings per share
	\$		\$	\$		\$
Basic earnings per share	25,587	19,666,490	1.30	24,875	19,497,362	1.28
Impact of stock options exercised		66,678			151,140	
Diluted earnings per share	25,587	19,733,168	1.30	24,875	19,648,502	1.27

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006 AND 2005**

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

**4. CAPITAL STOCK**

**Authorized**

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

	<b>SEPTEMBER 30, 2006</b>	<b>DECEMBER 31, 2005</b>
	(unaudited)	(audited)
<b>Issued and fully paid</b>		
Balance, beginning of year: 19,599,716 common shares (19,423,289 in 2005)	<b>48,056</b>	45,601
Issue of 1,303 common shares for cash (1,717 in 2005)	<b>40</b>	50
Issue of 98,315 common shares on the exercise of stock options (174,710 in 2005)	<b>1,248</b>	2,405
Balance, end of period: 19,699,334 common shares (19,599,716 in 2005)	<b>49,344</b>	48,056

**5. BUSINESS ACQUISITIONS**

*Uni-Select Prairies Inc. (USI-AGI):*

On May 31, 2006, the Company acquired the shares held by its partners in the USI-AGI joint venture and now owns 100% of the shares. This company operates distribution centres and stores in the Automotive Canada segment.

*Auto Craft Automotive Products, LLC (Auto Craft):*

On June 1, 2006, the Company acquired the assets and assumed a portion of the liabilities of Auto Craft. This company operates distribution centres and stores in the Automotive USA segment.

Furthermore, the Company acquired 100% of the issued shares of a company expanding in the Automotive Canada segment. It also acquired the assets and assumed a portion of the liabilities of seven companies operating in the Automotive USA segment and 50% of the issued shares of a company operating in the Automotive Canada segment.

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

The preliminary purchase prices are allocated as follows:

	<b>USI-AGI</b>	<b>Auto Craft</b>	<b>Other</b>	<b>Total</b>
Current assets	28,978	15,252	13,223	57,453
Property, plant and equipment	1,166	773	1,642	3,581
Other long-term assets	318	-	31	349
Goodwill	11,351	4,403	2,505	18,259
Total assets acquired	41,813	20,428	17,401	79,642
Current liabilities	(9,801)	(133)	(4,777)	(14,711)
Long-term liabilities	(1,049)	-	(3)	(1,052)
Total liabilities assumed	(10,850)	(133)	(4,780)	(15,763)
Net assets acquired	30,963	20,295	12,621	63,879
Cash of company acquired	(2,047)	-	(16)	(2,063)
Net acquisition	28,916	20,295	12,605	61,816
Total consideration paid cash less cash acquired	28,916	20,295	12,138	61,349
Balance of purchase price payable	-	-	467	467

**6. EMPLOYEE FUTURE BENEFITS**

As at September 30, 2006, the Company's pension plans are defined benefit and defined contributions plans.

For the three-month period ended September 30, 2006, the total expense for the defined contribution pension plans was of \$330 (\$240 in 2005) and of \$545 (\$360 in 2005) for the defined benefit pension plans.

For the nine-month period ended September 30, 2006, the total expense for the defined contribution pension plans was of \$959 (\$754 in 2005) and of \$1,567 (\$1,195 in 2005) for the defined benefit pension plans.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006 AND 2005**

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

**7. GUARANTEES**

The Company has made a commitment to financial institutions to repurchase inventories from some of its customers at a rate of 60% to 75% of the value of cost of the inventories for a maximum amount of \$66,023 (\$61,007 as at December 31, 2005). In the event of proceedings, the inventories would be liquidated in the normal course of the Company's business. 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.

As at September 30, 2006, the Company was contingently liable for letters of credit issued in the aggregate amount of \$169.

**8. SEGMENTED INFORMATION**

**3<sup>rd</sup> QUARTER**

	Automotive Canada		Automotive USA		Heavy Duty		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
<b>SALES</b>	<b>129,365</b>	128,545	<b>149,952</b>	150,461	<b>17,784</b>	17,533	<b>297,101</b>	296,539
Earnings before interest, amortization, loss on disposal of property, plant and equipment, income taxes and non-controlling interest	<b>10,187</b>	8,484	<b>9,035</b>	9,020	<b>(333)</b>	107	<b>18,889</b>	17,611
Assets	<b>221,640</b>	215,832	<b>274,094</b>	257,849	<b>47,191</b>	49,702	<b>542,925</b>	523,383
Acquisition of property, plant and equipment	<b>1,515</b>	1,644	<b>1,451</b>	922	<b>65</b>	126	<b>3,031</b>	2,692
Acquisition (disposal) of goodwill	<b>2,814</b>	–	<b>200</b>	–	<b>(2,890)</b>	–	<b>124</b>	–

**9 MONTHS**

	Automotive Canada		Automotive USA		Heavy Duty		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
<b>SALES</b>	<b>373,493</b>	383,033	<b>431,967</b>	441,460	<b>48,649</b>	50,418	<b>854,109</b>	874,911
Earnings before interest, amortization, loss on disposal of property, plant and equipment, income taxes and non-controlling interest	<b>27,560</b>	24,380	<b>25,592</b>	25,125	<b>(1,803)</b>	110	<b>51,349</b>	49,615
Assets	<b>221,640</b>	215,832	<b>274,094</b>	257,849	<b>47,191</b>	49,702	<b>542,925</b>	523,383
Acquisition of property, plant and equipment	<b>3,818</b>	3,600	<b>4,388</b>	3,277	<b>171</b>	624	<b>8,377</b>	7,501
Acquisition (disposal) of goodwill	<b>16,240</b>	173	<b>4,909</b>	–	<b>(2,890)</b>	–	<b>18,259</b>	173

The Automotive USA segment includes property, plant and equipment for an amount of \$16,142 (\$14,668 as at December 31, 2005) and goodwill for an amount of \$10,910 (\$6,211 as at December 31, 2005).

On September 1, 2006, assets representing \$4,041, including goodwill of \$2,890, were transferred from the Heavy Duty segment to the Automotive Canada segment.

**9. SUBSEQUENT EVENT**

On November 1, 2006, the Company acquired the assets of Asher Management Group Ltd. and Gator Inc., two companies operating stores in the Automotive USA segment.