



# GEARED FOR GROWTH

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# Interim Management's Discussion and Analysis

as at September 30, 2014

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## QUARTERLY HIGHLIGHTS

(In US dollars)

**Sales**  
**\$465.4 million**

**EBITDA**  
**\$29.9 million**

**Net Earnings**  
**\$14.8 million**

- Overall consolidated sales increased by 0.2%. Consolidated organic growth of 1.3% generated during the quarter has been offset by the effect of the declining Canadian dollar, while sales from acquisitions exceeded sales lost from store closures. Canadian operations generated an organic growth of 1.2% while the US operations concluded at 1.3%.
- EBITDA increased to \$29.9 million in the third quarter of 2014 from \$28.8 million last year. Adjusted EBITDA increased by 4.5% to \$31.4 million (or 6.8% of sales) from \$30.1 million (or 6.5% of sales) last year. EBITDA improvements are mainly related to savings generated by the Action Plan.
- Net earnings increased to \$14.8 million in 2014 from \$14.3 million last year. Adjusted earnings increased by 5.1% from \$15.0 million last year to \$15.8 million in 2014, benefiting from the Action Plan savings.
- Free cash flow was \$24.2 million compared to \$23.8 million for the same quarter last year.
- Debt decreased by \$38.4 million from \$259.6 million to \$221.2 million.

(in thousands of US dollars, except per share amounts and percentages)	Third quarter			Nine-month period		
	2014	2013	%	2014	2013	%
<b>OPERATING RESULTS</b>						
Sales	<b>465,408</b>	464,509	0.2	<b>1,357,175</b>	1,362,505	(0.4)
EBITDA <sup>(1)</sup>	<b>29,906</b>	28,847		<b>78,189</b>	37,381	
Adjusted EBITDA <sup>(1) (2)</sup>	<b>31,434</b>	30,079	4.5	<b>83,576</b>	76,710	9.0
Adjusted EBITDA margin	<b>6.8%</b>	6.5%		<b>6.2%</b>	5.6%	
Restructuring charges and others	-	-		-	35,180	
Net earnings	<b>14,842</b>	14,280		<b>38,762</b>	11,129	
Adjusted earnings <sup>(2)</sup>	<b>15,755</b>	14,987	5.1	<b>41,948</b>	37,543	11.7
Free cash flow	<b>24,201</b>	23,782		<b>61,316</b>	54,296	
<b>COMMON SHARE DATA</b>						
Net earnings	<b>0.70</b>	0.67		<b>1.82</b>	0.52	
Adjusted earnings	<b>0.74</b>	0.70	5.7	<b>1.97</b>	1.75	12.6
Dividend (C\$)	<b>0.15</b>	0.13	15.4	<b>0.43</b>	0.39	10.3
Number of shares outstanding (in thousands)	<b>21,256</b>	21,288		<b>21,256</b>	21,288	
Weighted average number of outstanding shares (in thousands)	<b>21,258</b>	21,404		<b>21,262</b>	21,456	
<b>FINANCIAL POSITION</b>				<b>Sept. 30,</b>	<b>Dec. 31,</b>	
				<b>2014</b>	<b>2013</b>	
Working capital				<b>395,949</b>	417,465	
Total assets				<b>1,196,880</b>	1,205,891	
Total net debt				<b>221,209</b>	277,658	
Total equity				<b>511,665</b>	488,755	
Adjusted return on average total shareholders' equity				<b>10.7%</b>	9.8%	
Book value per share				<b>24.07</b>	22.99	

<sup>(1)</sup> EBITDA represents net earnings excluding finance costs, depreciation and amortization, equity income and income taxes (Refer to the "Non-IFRS financial measures" section for further details.)

<sup>(2)</sup> EBITDA and net earnings have been adjusted for costs that the Corporation views as uncharacteristic of normal operations. These costs are therefore excluded to provide comparable measures. (Refer to the "Non-IFRS financial measure" section for further details.)

# PRELIMINARY COMMENTS TO THE MANAGEMENT'S DISCUSSION AND ANALYSIS

## BASIS OF PRESENTATION OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis discusses the Corporation's operating results and cash flows for the quarter and nine-month period ended September 30, 2014 compared with those of the quarter and nine-month period ended September 30, 2013, as well as its financial position as at September 30, 2014 compared with its financial position as at December 31, 2013. This report should be read in conjunction with the 2013 Consolidated Financial Statements and accompanying notes included in the 2013 Annual Report. The information contained in this Management's Discussion and Analysis takes into account all major events that occurred up to October 30, 2014, the date at which the financial statements and Management's Discussion and Analysis were approved by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per Management's best knowledge at that date.

Additional information on Uni-Select, including the audited Consolidated Financial Statements and the Corporation's Annual Information Form, is available on SEDAR website at [sedar.com](http://sedar.com).

In this Management's Discussion and Analysis, "Uni-Select" or the "Corporation" refers, as the case may be, to Uni-Select Inc., its subsidiaries, divisions and joint ventures. "Beck/Arnley" designates Beck/Arnley Worldparts, Inc. and "FinishMaster" designates FinishMaster, Inc., both of which are wholly-owned subsidiaries.

Unless otherwise specified, the financial data presented in this Management's Discussion and Analysis, including tabular information, is expressed in thousands of US dollars, except per share amounts and percentages. Comparisons are presented in relation to the comparable periods of the prior year.

The financial statements contained in the present Management's Discussion and Analysis were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial reports were not audited by the Corporation's external auditors.

## FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis is intended to assist investors in understanding the nature and importance of the results and trends, as well as the risks and uncertainties associated with Uni-Select's operations and financial position.

Certain sections of this Management's Discussion and Analysis contain forward-looking statements within the meaning of securities legislation concerning the Corporation's objectives, projections, estimates, expectations or forecasts.

Forward-looking statements involve known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. Risks that could cause the results to differ materially from expectations are discussed in the "Risk Management" section of the 2013 Annual Report. Those risks include, among others, competitive environment, consumer purchasing habits, vehicle fleet trends, general economic conditions and the Corporation's financing capabilities.

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

## COMPLIANCE WITH IFRS

The information included in this report contains certain measures that are inconsistent with IFRS. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other entities. The Corporation considers that users of its Management's Discussion and Analysis may analyze its results based on these measurements.

*(Details in section "Non-IFRS financial measures.")*

## PROFILE AND DESCRIPTION

### A MULTINATIONAL COMPANY IN THE AUTOMOTIVE AFTERMARKET

Founded in 1968, Uni-Select is a major distributor of replacement parts and paint products in the North American automotive aftermarket. With its 5,400 employees, 54 distribution centres and 417 corporate stores, the Corporation serves a large network of independent wholesalers and installers in Canada and the United States.

Uni-Select's clientele consists of 3,200 independent wholesalers, tens of thousands of repair and collision repair shops, national and regional accounts, and consumers. A key link in the supply chain that connects manufacturers, wholesalers and installers, Uni-Select offers a vast selection of products that includes 2 million replacement parts and accessories for domestic vehicles and over 27,000 Beck/Arnley products for foreign nameplate vehicles. It also offers 30,000 paint and related products, as well as equipment and tools for shops.

Uni-Select is a leader in Canada and the fifth-largest automotive parts distributor in North America. It is also the largest independent paint distributor in North America. The Corporation generates 73% of its sales in the United States and 27% in Canada.

## ACTION PLAN AND RESTRUCTURING

The Action Plan is mainly completed and is expected to be finalized during the first half of 2015. Various optimization initiatives on stores, distribution centres and headcount are ongoing. The optimization of the distribution network includes the opening of a new distribution centre in Washington D.C. while another one is currently being built in Massachusetts. Furthermore, unprofitable stores and distribution centres are either closed, sold or consolidated. The following table summarizes the expected and realized impacts of the various initiatives included in the Action Plan as of September 30, 2014:

	Expected				Realized		
	2013	2014	2015	Total	2013	2014	Since implementation
Sales erosion	20,000	45,000	5,000	<b>70,000</b>	13,100	<b>34,200</b>	<b>47,300</b>
Cost savings	10,000	15,000	5,000	<b>30,000</b>	13,000	<b>12,700</b>	<b>25,700</b>
Restructuring charges and others							
Recorded	36,000	-	-	<b>36,000</b>	35,180	-	<b>35,180</b>
As incurred	4,000	5,000	-	<b>9,000</b>	4,143	<b>4,973</b>	<b>9,116</b>
Inventory reduction	8,000	22,000	10,000	<b>40,000</b>	4,200	<b>14,400</b>	<b>18,600</b>
Capital expenditures	7,000	9,000	-	<b>16,000</b>	2,357	<b>700</b>	<b>3,057</b>

As at September 30, 2014, \$8,059 of these charges is presented as current liabilities within "Provision for restructuring charges and others" in the Corporation's Consolidated Statements of Financial Position. (Refer to Note 6 in the Interim Consolidated Financial Statements for further details.)

The expected figures represent forward-looking information. Delays in execution, unfavorable changes in economic and/or market conditions could reduce the benefits or increase the cash outlay stemming from the plan. To mitigate that risk, the Corporation dedicated resources and implemented processes to closely monitor its realization.

## ANALYSIS OF CONSOLIDATED RESULTS

### SALES

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<i>United States</i>	<b>339,501</b>	334,090	<b>993,225</b>	989,208
<i>Canada</i>	<b>125,907</b>	130,419	<b>363,950</b>	373,297
	<b>465,408</b>	464,509	<b>1,357,175</b>	1,362,505
<b>Organic sales</b>		%		%
<b>Sales variance</b>	<b>903</b>	<b>0.2</b>	<b>(5,330)</b>	<b>(0.4)</b>
Closed or sold locations	8,687	1.9	33,426	2.5
Effect of declining Canadian dollar	5,963	1.3	24,419	1.8
Acquisitions and others	(9,620)	(2.1)	(23,161)	(1.7)
<b>Consolidated organic sales</b>	<b>5,933</b>	<b>1.3</b>	<b>29,354</b>	<b>2.2</b>
Canadian operations	1,594	1.2	15,610	4.2
US operations	4,339	1.3	13,744	1.4

#### THIRD QUARTER:

Sales increased by 0.2% compared to the same period last year. Sales from acquisitions were partially offset by sales lost from store closures, in line with the Action Plan, while organic growth has been offset by the declining Canadian dollar.

The overall organic growth of 1.3% is the result of the successful sales initiatives and the recruitment of new customers. It is also attributed to improved service level permitted by the completion of the ERP implementation.

#### NINE-MONTH PERIOD:

Sales decreased by 0.4% compared to the same period last year. Sales lost from store closures, in line with the Action Plan, combined with the declining Canadian dollar exceeded organic growth and sales from acquisitions.

The overall organic growth of 2.2% is the result of the same factors as those mentioned in the quarter.

### GROSS MARGIN

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Gross margin</b>	<b>136,665</b>	138,396	<b>401,822</b>	410,713
<i>In % of sales</i>	<b>29.4%</b>	29.8%	<b>29.6%</b>	30.1%

#### THIRD QUARTER:

Gross margin, in percentage of sales, decreased by 0.4% compared to the same period last year, mainly due to an unfavorable distribution channel and customer mix, competitive market and lower special vendor incentives.

#### NINE-MONTH PERIOD:

Gross margin, in percentage of sales, decreased by 0.5% compared to the same period last year and reflects the same factors as those mentioned for the quarter.

## EMPLOYEE BENEFITS

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Employee benefits</b>	<b>70,293</b>	73,413	<b>212,395</b>	222,495
<i>In % of sales</i>	<b>15.1%</b>	15.8%	<b>15.6%</b>	16.3%

THIRD QUARTER:

NINE-MONTH PERIOD:

Employee benefits, in percentage of sales, decreased by 0.7% compared to the same period last year and are mainly due to headcount reduction and closure of unprofitable locations in relation to the Action Plan, while maintaining the same level of service and improving productivity.

Employee benefits, in percentage of sales, decreased by 0.7% compared to the same period last year and reflect the same factors as those mentioned for the quarter.

## OTHER OPERATING EXPENSES

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Other operating expenses</b>	<b>36,466</b>	36,136	<b>111,238</b>	115,657
<i>In % of sales</i>	<b>7.8%</b>	7.8%	<b>8.2%</b>	8.5%

THIRD QUARTER:

NINE-MONTH PERIOD:

Other operating expenses, in percentage of sales, remained constant compared to the same period last year. While there have been tighter controls on expenses, our recent acquisitions as well as timing of marketing expenses have partially offset the improvement derived from the Action Plan.

Other operating expenses, in percentage of sales, decreased by 0.3% compared to the same period last year.

This improvement is mainly derived from the Action Plan: closure of unprofitable locations, delivery reengineering and tighter control on expenses that has been partly offset by additional expenses related to recent acquisitions.

## RESTRUCTURING CHARGES AND OTHERS

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Restructuring charges and others</b>	-	-	-	35,180

The charges, recorded in the second quarter of 2013, are related to the Action Plan as described in the section "Action Plan and restructuring" above.

*(Refer to Note 6 in the Interim Consolidated Financial Statements for further details.)*

## EBITDA

	Third quarter			Nine-month period		
	2014	2013	%	2014	2013	%
<b>Net earnings</b>	<b>14,842</b>	14,280		<b>38,762</b>	11,129	
Adjustments:						
Income tax expense (recovery)	<b>4,482</b>	3,688		<b>8,529</b>	(5,533)	
Equity income	<b>(433)</b>	(565)		<b>(1,729)</b>	(2,072)	
Depreciation and amortization	<b>7,983</b>	7,492		<b>23,330</b>	21,807	
Finance costs, net	<b>3,032</b>	3,952		<b>9,297</b>	12,050	
<b>EBITDA</b>	<b>29,906</b>	28,847		<b>78,189</b>	37,381	
Restructuring charges and others	-	-		-	35,180	
Expenses related to the development and deployment of the enterprise resource planning system (ERP) <sup>(1)</sup>	-	647		<b>414</b>	2,437	
Expenses related to the network optimization and to the closure and disposal of stores <sup>(2)</sup>	<b>1,528</b>	585		<b>4,973</b>	1,712	
<b>Adjusted EBITDA</b>	<b>31,434</b>	30,079	4.5	<b>83,576</b>	76,710	9.0
<i>Adjusted EBITDA Margin</i>	<b>6.8%</b>	6.5%		<b>6.2%</b>	5.6%	

<sup>(1)</sup> Mainly include costs related to data conversion, employee training and deployment to various sites. Last deployment was made in December 2013.

<sup>(2)</sup> Primarily consist of handling and freight expenses required to relocate inventory.

### THIRD QUARTER:

The adjusted EBITDA margin represents 6.8% of sales compared to 6.5% for the same quarter last year.

The increase is mainly attributable to savings of \$3,300 derived from the Action Plan and tighter controls on expenses.

These positive items are partially offset by unfavorable distribution channel and customer mix and timing of marketing expenses, combined with lower special vendor rebates.

### NINE-MONTH PERIOD:

The adjusted EBITDA margin was 6.2% of sales compared to 5.6% for the same period last year.

The increase is mainly attributable to the combination of the savings derived from the Action Plan of \$12,700 and tighter controls on expenses that were partially offset by unfavorable distribution channel and customer mix and lower special vendor rebates



## FINANCE COSTS, NET

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Finance costs, net</b>	<b>3,032</b>	3,952	<b>9,297</b>	12,050

### THIRD QUARTER:

The decrease in finance costs for the quarter compared to the same quarter of 2013 is due primarily to the following items:

- Interest rates reduction resulting from the termination of swap tranches bearing interest at higher rates; and
- Debt reduction.

### NINE-MONTH PERIOD:

The decrease in finance costs compared to the same period of 2013 reflects the same factors as those mentioned in the quarter.

*(Refer to Note 4 in the Interim Consolidated Financial Statements for further details.)*

## DEPRECIATION AND AMORTIZATION

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Depreciation and amortization</b>	<b>7,983</b>	7,492	<b>23,330</b>	21,807

### THIRD QUARTER:

The increase in depreciation and amortization for the quarter is mainly related to the depreciation of the vehicle fleet renewal and computer hardware.

### NINE-MONTH PERIOD:

The increase in depreciation and amortization compared to the same period of 2013 reflects the same factor mentioned in the quarter.

*(Refer to Note 5 in the Interim Consolidated Financial Statements for further details.)*

## EQUITY INCOME

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Equity income</b>	<b>433</b>	565	<b>1,729</b>	2,072

### THIRD QUARTER:

The decrease is related to the disposal of partnerships combined with the impact of the declining Canadian dollar.

### NINE-MONTH PERIOD:

The decrease, compared to the same period of 2013, reflects the same factors as those mentioned in the quarter.

## INCOME TAX EXPENSES (RECOVERY)

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Income tax expenses (recovery)</b>	<b>4,482</b>	3,688	<b>8,529</b>	(5,533)

### THIRD QUARTER:

The income tax variance for the quarter is mainly related to higher taxable income and their different geographical distributions compared to the same quarter last year.

### NINE-MONTH PERIOD:

The income tax variance compared to the same period of 2013 reflects the same factors as those mentioned in the quarter.

*(Refer to Note 7 in the Interim Consolidated Financial Statements for further details.)*

## EARNINGS AND EARNINGS PER SHARE

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

	Third quarter			Nine-month period		
	2014	2013	%	2014	2013	%
Net earnings attributable to shareholders, as reported	<b>14,842</b>	14,280		<b>38,762</b>	11,129	
Restructuring charges and others, net of taxes	-	-		-	23,926	
Expenses related to the development and deployment of the enterprise resource planning system (ERP), net of taxes	-	411		<b>247</b>	1,518	
Expenses related to the network optimization and to the closure and disposal of stores, net of taxes	<b>913</b>	296		<b>2,939</b>	970	
Adjusted earnings	<b>15,755</b>	14,987	5.1	<b>41,948</b>	37,543	11.7
Net earnings per share attributable to shareholders, as reported	<b>0.70</b>	0.67		<b>1.82</b>	0.52	
Restructuring charges and others, net of taxes	-	-		-	1.12	
Expenses related to the development and deployment of the enterprise resource planning system (ERP), net of taxes	-	0.02		<b>0.01</b>	0.07	
Expenses related to the network optimization and to the closure and disposal of stores, net of taxes	<b>0.04</b>	0.01		<b>0.14</b>	0.05	
Adjusted earnings per share	<b>0.74</b>	0.70	5.7	<b>1.97</b>	1.75	12.6

The effect of the declining Canadian dollar was \$0.01 on earnings per share for the quarter compared to the same quarter in 2013, while the effect for the nine-month period was \$0.04 compared to the same period last year.

## CONSOLIDATED QUARTERLY OPERATING RESULTS

The Corporation records earnings in each quarter. Historically, the Corporation's sales were typically stronger during the second and third quarters compared to the first and fourth quarters. It should be noted that net earnings were negatively impacted by restructuring charges and others during the second quarter of 2013 in the amount of \$35,180 (\$23,926 net of income taxes).

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

	2014			2013				2012 <sup>(1)</sup>
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter
Sales								
United States	<b>339,501</b>	343,127	310,597	304,907	334,090	339,530	315,588	298,499
Canada	<b>125,907</b>	135,563	102,480	120,673	130,419	136,646	106,232	119,741
	<b>465,408</b>	478,690	413,077	425,580	464,509	476,176	421,820	418,240
EBITDA	<b>29,906</b>	29,681	18,602	19,818	28,847	(7,394)	15,928	10,398
Adjusted EBITDA	<b>31,434</b>	31,306	20,836	24,475	30,079	29,320	17,311	12,310
Adjusted EBITDA margin	<b>6.8%</b>	6.5%	5.0%	5.8%	6.5%	6.2%	4.1%	2.9%
Restructuring charges and others	-	-	-	-	-	35,180	-	-
Net earnings (loss)	<b>14,842</b>	15,532	8,388	10,199	14,280	(9,295)	6,144	4,499
Adjusted earnings	<b>15,755</b>	16,470	9,723	13,117	14,987	15,561	6,995	5,708
Basic earnings (loss) per share	<b>0.70</b>	0.73	0.39	0.48	0.67	(0.43)	0.29	0.21
Adjusted basic earnings per share	<b>0.74</b>	0.77	0.46	0.62	0.70	0.72	0.33	0.26
Diluted earnings (loss) per share	<b>0.69</b>	0.72	0.39	0.48	0.66	(0.43)	0.29	0.21
Dividends paid per share (C\$)	<b>0.15</b>	0.15	0.13	0.13	0.13	0.13	0.13	0.13
Average exchange rate for earnings	<b>0.92:\$1</b>	0.92:\$1	0.91:\$1	0.95:\$1	0.96:\$1	0.98:\$1	0.99:\$1	1.01:\$1

<sup>(1)</sup> 2012 has been restated to take into account the changes in accounting policies as per IFRS 11 "Joints Arrangements" and as per the amended IAS 1 "Employee Benefits".

## CASH FLOWS

### CASH FROM OPERATING ACTIVITIES

	Third quarter		Nine-month period	
	2014	2013	2014	2013
Cash flows from operating activities	49,499	38,166	103,664	88,120

#### THIRD QUARTER:

Increase in net earnings combined with higher payables due to longer payment terms were partially offset by higher tax installments resulting from higher taxable income.

#### NINE-MONTH PERIOD:

Increase in net earnings combined with inventory reduction and longer payment terms on payables were partially offset by higher tax installments.

### CASH FROM INVESTING ACTIVITIES

	Third quarter		Nine-month period	
	2014	2013	2014	2013
Cash flows used in investing activities	(6,599)	(6,850)	(37,988)	(21,163)

#### THIRD QUARTER:

Cash was used mainly for capital expenditures for both quarters.

#### NINE-MONTH PERIOD:

The main variance compared to 2013 is due to increased activities related to business acquisitions.

### CASH FROM FINANCING ACTIVITIES

	Third quarter		Nine-month period	
	2014	2013	2014	2013
Cash flows used in financing activities	(42,926)	(31,321)	(65,703)	(67,001)

#### THIRD QUARTER:

The variance is explained by higher reimbursements of the credit facility during the third quarter of 2014, permitted by higher earnings and reduction of the working capital.

#### NINE-MONTH PERIOD:

During both periods, cash was used to reimburse the credit facility and dividend payment. In addition, during 2013, cash was also used for the repurchase of 263,301 shares.

## FREE CASH FLOW

	Third quarter		Nine-month period	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>	<b>49,499</b>	38,166	<b>103,664</b>	88,120
Changes in working capital	(19,836)	(10,410)	(32,126)	(21,835)
Equity income	(433)	(565)	(1,729)	(2,072)
Acquisitions of property and equipment	(5,029)	(3,409)	(8,493)	(9,917)
<b>Free cash flow</b>	<b>24,201</b>	23,782	<b>61,316</b>	54,296

THIRD QUARTER:

NINE-MONTH PERIOD:

Free cash flow remains stable compared to last year. Higher income tax instalments and acquisitions of property and equipment were compensated by improved results and lower interest disbursements resulting from debt reduction.

The increase in free cash flow is mainly due to improved results, lower interest disbursements resulting from debt reduction and lower acquisitions of property and equipment that were partially offset by higher income tax instalments.

## FINANCING

### CREDIT FACILITIES

The Corporation has a total credit facility available for its needs of \$400,000. The date of maturity is January 7, 2017 and was subsequently amended on October 3, 2014 to June 30, 2018. (Refer to Note 17 Subsequent Event in the Interim Consolidated Financial Statements for further details.)

As at September 30, 2014, the unused portion amounted to \$178,000 (\$120,000 as at December 31, 2013).

(Refer to Note 16 Credit Facilities, Long-Term Debt and Convertible Debentures of the 2013 Consolidated Financial Statements.)

### VENDOR FINANCING PROGRAM

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

As at September 30, 2014, Uni-Select benefited from additional deferred payments of accounts payable in the amount of \$77,942 and used \$146,828 of the program (\$100,064 and \$122,772 respectively as at December 31, 2013). The authorized limit with the financial institutions is \$222,500. These amounts are presented in the trade and other payables in the Consolidated Statements of Financial Position. This program is available upon request and may be modified by either party.

## CAPITAL STRUCTURE

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

### LONG-TERM FINANCIAL POLICIES AND GUIDELINES

The strategy of the Corporation is to maintain the following policies and guidelines to ensure flexibility in the capital structure:

- Total net debt to total net debt and total shareholders' equity of less than 45%;
- Long-term debt to total shareholders' equity ratio of less than 125%;
- Funded debt to adjusted EBITDA ratio at a maximum of 3.50;
- Return on average total shareholders' equity of at least 9% greater than the risk-free interest rate; and
- Dividend payout ratio target between 20% and 25% of the adjusted earnings of the previous year.

		Sept. 30, 2014	Dec. 31, 2013
<b>Components of debt ratios:</b>			
Long-term debt		221,238	277,715
Total net debt		221,209	277,658
Total shareholders' equity (including convertible debentures)		557,009	535,584
<b>Debt ratios<sup>(1)</sup>:</b>		<b>Objectives:</b>	
<i>Total net debt to total net debt and total shareholders' equity ratio</i>	<i>Less than 45%</i>	28.4%	34.1%
<i>Long-term debt to total shareholders' equity ratio</i>	<i>Less than 125%</i>	39.7%	51.9%
<i>Funded debt to adjusted EBITDA ratio</i>	<i>Maximum 3.50</i>	2.05	2.75
<i>Adjusted return on average total shareholders' equity</i>	<i>At least 9% greater than the risk free interest rate</i>	10.7%	9.8%
<i>Dividend payout ratio</i>	<i>Between 20% and 25% of the adjusted earnings of the previous year</i>	23.6%	24.5%

<sup>(1)</sup> These ratios do not constitute the calculations and ratios required in banking commitments but rather those that the Corporation considers pertinent to follow as a way of ensuring flexibility in the capital structure.

The Corporation's Management continuously reviews its working capital items to improve and maintain the funded debt to adjusted EBITDA ratio.

The *total net debt to total net debt and total shareholders' equity ratio* as well as the *long-term debt to total shareholders' equity ratio* improved as the debt decreased.

The *funded debt to adjusted EBITDA ratio* variation is attributed to a lower level of debt combined with an increase in adjusted EBITDA.

The *adjusted return on average total shareholders' equity* increased as a direct effect of the Corporation's higher adjusted net earnings.

(For further details on how the Corporation calculates those ratios, see the section on "Non-IFRS financial measures".)

## **BANK COVENANTS**

For purposes of compliance, the Corporation regularly monitors the requirements of its bank covenants to ensure they are met. As at September 30, 2014, the Corporation met all the requirements.

## **DIVIDENDS**

On July 30, 2014, the Corporation declared the third quarterly dividend of 2014 of C\$0.15 per share, payable on October 21, 2014 to shareholders of record as at September 30, 2014.

On October 30, 2014, the Corporation declared the fourth quarterly dividend of 2014 of C\$0.15 per share, payable on January 21, 2015 to shareholders of record as at December 31, 2014.

The dividend is an eligible dividend for income tax purposes.

## **INFORMATION ON CAPITAL STOCK**

As at September 30, 2014, 21,256,269 shares of the Corporation were outstanding.

## **NORMAL COURSE ISSUER BID**

During the nine-month period of 2014, the Corporation repurchased 7,400 (263,301 for 2013) common shares for a cash consideration of \$192 (\$5,771 in 2013) including a share repurchase premium of \$159 (\$4,584 in 2013) applied as a reduction of retained earnings.

## **ISSUANCE OF SHARES**

No shares were issued during the normal course of business in 2014 and in 2013.

## **STOCK-BASED COMPENSATION**

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

During the nine-month period of 2014, 203,243 options were granted to management employees and officers of the Corporation (298,338 for the same period last year) with an exercise price of C\$28.76 (C\$22.90 in 2013).

As at September 30, 2014, options granted for the issuance of 524,066 common shares (320,823 as at September 30, 2013) were outstanding under the Corporation's stock option plan.

Compensation expense of \$209 and \$883 (\$3 and \$838 for 2013) was recorded in the net earnings for the quarter and nine-month period ended September 30, 2014, with the corresponding amounts recorded in "Contributed surplus".

### ***Deferred share unit plan***

For the nine-month period ended September 30, 2014, the Corporation granted 37,113 deferred share units ("DSUs") (28,463 DSUs for 2013). Compensation expense of \$70 and \$842 (\$287 and \$657 in 2013) was recorded during the quarter and nine-month period, and 79,631 DSUs were outstanding as at September 30, 2014 (38,080 as at September 30, 2013).

### ***Performance share unit plan***

For the nine-month period ended September 30, 2014, the Corporation granted 92,419 performance share units ("PSUs") (108,812 PSUs for 2013). Compensation expense of \$272 and \$967 (\$84 and \$447 in 2013) was recorded during the quarter and nine-month period, and 177,434 PSUs were outstanding as at September 30, 2014 (96,742 as at September 30, 2013).

*(Refer to Note 19 Stock-Based Compensation in the 2013 Consolidated Financial Statements for further details.)*

## FINANCIAL POSITION

During the third quarter, the financial position when compared to December 31, 2013, has been impacted by the declining Canadian dollar and by net business acquisitions.

The following table shows an analysis of the main variances in the Consolidated Statement of Financial Position:

	Sept. 30 2014	Dec. 31 2013	Impact of business acquisitions or disposals	Exchange rate impact	(1) Net variance
<b>Trade and other receivables</b>	<b>246,869</b>	220,942	3,770	(4,431)	26,588
<b>Inventory</b>	<b>508,475</b>	532,045	8,514	(5,158)	(26,926)
<b>Trade and other payables</b>	<b>(373,680)</b>	(341,429)	-	5,161	(37,412)
<b>Other working capital items</b>	<b>19,398</b>	10,517	2,892	(217)	6,206
<b>Working capital</b> (excluding cash and instalments on long-term debt and merchant members' deposits in the guarantee fund)	<b>401,062</b>	422,075	15,176	(4,645)	(31,544)
<b>Equity investments, other investments and advances to merchant members</b>	<b>21,305</b>	36,855	(13,426)	(739)	(1,385)
<b>Intangible assets</b>	<b>131,115</b>	140,598	4,020	(715)	(12,788)
<b>Goodwill</b>	<b>194,203</b>	184,449	11,530	(1,776)	-
<b>Long-term debt</b> (including short-term portion)	<b>221,238</b>	277,715	17,617	(69)	(74,025)

(1) Explanations for net variance:

**Trade and other receivables:** Increase is related to additional sales during the last month of the quarter and seasonality.

**Inventory:** Reduction is mainly related to the Action Plan initiatives.

**Trade and other payables:** The Corporation took advantage of better payment terms.

**Intangible assets:** Since the ERP project has been fully implemented in December 2013, current depreciation is higher than additions.

**Long-term debt** (including short-term portion): Cash generated by operating activities allowed the reimbursement.

## RELATED PARTIES

For the quarter and nine-month period ended September 30, 2014, the Corporation incurred rental expenses of \$755 and \$2,306 (\$880 and \$2,611 for 2013) to the benefit of Clarit Realty, Ltd., a company controlled by a related party. The associated lease payments were concluded in the Corporation's normal course of business for various terms of no more than five years.

*(Refer to Note 24 Related-Party Transactions in the 2013 Consolidated Financial Statements for further details.)*



## RISK MANAGEMENT

In the normal course of business, the Corporation is exposed to a variety of risks that may have a material impact on its business activities, operating results, cash flows and financial position. Uni-Select continuously updates its system of analysis and of operational, strategic and financial risk control to manage and implement activities with objectives to mitigate the main risks mentioned in the 2013 Annual Report.

No significant change occurred during the third quarter of 2014 with respect to these risks.

## ACCOUNTING POLICIES

### *ADOPTED IN 2014*

*Effective date – January 1, 2014*

### **FINANCIAL INSTRUMENTS: PRESENTATION**

In December 2011, the International Accounting Standards Board (“IASB”) issued an amendment to IAS 32 “Financial Instruments: Presentation”, focusing on the meaning of “currently has a legally enforceable right of set-off” and the application of simultaneous realization and settlement for applying the offsetting requirements. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation’s interim consolidated financial statements.

### **FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT**

In June 2013, the IASB issued amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, permitting the continuation of hedge accounting in specific cases where a derivative instrument designed as a hedging instrument is novated to a derivative instrument cleared through a central counterparty in order to comply with local laws or regulations. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation’s interim consolidated financial statements.

### *FUTURE ACCOUNTING CHANGES*

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

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

*Effective date – January 1, 2017 with earlier adoption permitted*

### **REVENUES FROM CONTRACTS WITH CUSTOMERS**

In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB’s current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers. The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

**Effective date – January 1, 2018 with earlier adoption permitted**

## **FINANCIAL INSTRUMENTS**

In July 2014, the IASB issued a complete and final version of IFRS 9 “Financial Instruments”, replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity’s own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model. The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

## **NON-IFRS FINANCIAL MEASURES**

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

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

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

<b>Free cash flow</b>	<p>This measure corresponds to the cash flow from operating activities according to the statement of cash flows adjusted for the following items: changes in working capital items, equity income and acquisitions of property and equipment. Uni-Select considers the free cash flow to be a good indicator of financial strength and of operating performance because it shows the amount of funds available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise.</p> <p>The free cash flow excludes certain variations in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the statement of cash flows. Therefore, it should not be considered as an alternative to the Consolidated Statement of Cash Flows, or as a measure of liquidity, but as additional information.</p>
<b>Total net debt</b>	<p>This measure consists of long-term debt, including the portion due within a year (<i>as shown in note 12 to the Interim Consolidated Financial Statements</i>), net of cash. Debentures are excluded from the long-term debt.</p>
<b>Total net debt to total net debt and total shareholders' equity ratio</b>	<p>This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total shareholders' equity.</p>
<b>Long-term debt to total shareholders' equity ratio</b>	<p>This ratio corresponds to long-term debt, including the portion due within a year (<i>as shown in note 12 to the Interim Consolidated Financial Statements</i>) divided by the sum of convertible debentures and total shareholders' equity.</p>
<b>Funded debt to adjusted EBITDA</b>	<p>This ratio corresponds to total net debt to adjusted EBITDA. Debentures are excluded from the total net debt.</p>
<b>Adjusted return on average total shareholders' equity</b>	<p>This ratio corresponds to net earnings adjusted for restructuring charges and others as well as the non-recurring expenses related to the Action Plan and to the closure and disposal of stores, divided by average total shareholders' equity.</p>

## EXCHANGE RATE DATA

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

	Third quarter		Nine-month period	
	Sept. 30, 2014	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2013
<b>Average for the period</b>				
For statement of earnings	0.92	0.96	0.91	0.98
			Sept. 30, 2014	Dec. 31, 2013
<b>Period end</b>				
For statement of financial position			0.90	0.94

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

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

Management plans and performs an audit of the Corporation's internal controls related to the Canadian Securities Authorities National Instrument 52-109 "Certification of Disclosure in Issuer's Annual and Interim Filings" (NI 52-109). These audits are performed in accordance with the recognized original COSO (Committee of Sponsoring Organizations of the Treadway Commission) control framework.

### DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52-109 guidelines. As at September 30, 2014, the President and Chief Executive Officer and the Executive Vice President, Corporate Services and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at September 30, 2014, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Executive Vice President, Corporate Services 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 IFRS.

There has been no change in the Corporation's internal control over financial reporting that occurred since December 2013 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## OUTLOOK

During the last quarter of 2014, Uni-Select will focus on the execution of the 2012-2015 Strategic Plan centred on customer service, sales, operations and operating margin. More specifically, the Corporation will:

- Continue to execute the 2013 Action Plan to optimize operations by reducing inventory levels and achieving cost-reduction objectives. The Action Plan is expected to be completed during the first half of 2015;
- Accelerate organic growth by offering superior customer experience, recruiting customers, intensifying enrolment to its banner programs, leveraging business opportunities in the paint distribution sector and improving its product offering;
- Improve adjusted EBITDA margin by taking advantage of the Action Plan and the ongoing cost-reduction initiatives, by leveraging its enterprise resource planning system and by continuing to improve the overall buying and selling conditions.

Management is confident that these initiatives will contribute to improve its profitability, allowing further growth and debt reduction.



Richard G. Roy, FCPA, FCA

President and Chief Executive Officer



Denis Mathieu, CPA, CA, MBA

Executive Vice President, Corporate Services and Chief Financial Officer

Approved by the Board of Directors on October 30, 2014.

# Interim Consolidated Financial Statements

(unaudited)

as at September 30, 2014

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**Notice related to the review of the  
Interim Consolidated Financial Statements**

The Interim Consolidated Financial Statements for the quarter and nine-month period ended September 30, 2014 have not been reviewed by the independent auditors of the Corporation.

## CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of US dollars, except per share amounts, unaudited)	Note	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
		2014	2013	2014	2013
<b>Sales</b>		<b>465,408</b>	464,509	<b>1,357,175</b>	1,362,505
Purchases, net of changes in inventories		<b>328,743</b>	326,113	<b>955,353</b>	951,792
Gross margin		<b>136,665</b>	138,396	<b>401,822</b>	410,713
Employee benefits		<b>70,293</b>	73,413	<b>212,395</b>	222,495
Other operating expenses		<b>36,466</b>	36,136	<b>111,238</b>	115,657
Restructuring charges and others	6	-	-	-	35,180
Earnings before finance costs, depreciation and amortization, equity income and income taxes		<b>29,906</b>	28,847	<b>78,189</b>	37,381
Finance costs, net	4	<b>3,032</b>	3,952	<b>9,297</b>	12,050
Depreciation and amortization	5	<b>7,983</b>	7,492	<b>23,330</b>	21,807
Earnings before equity income and income taxes		<b>18,891</b>	17,403	<b>45,562</b>	3,524
Equity income		<b>433</b>	565	<b>1,729</b>	2,072
Earnings before income taxes		<b>19,324</b>	17,968	<b>47,291</b>	5,596
Income tax expense (recovery)	7				
Current		<b>1,686</b>	3,851	<b>9,889</b>	8,607
Deferred		<b>2,796</b>	(163)	<b>(1,360)</b>	(14,140)
		<b>4,482</b>	3,688	<b>8,529</b>	(5,533)
<b>Net earnings attributable to shareholders</b>		<b>14,842</b>	14,280	<b>38,762</b>	11,129
<b>Earnings per share basic</b>	8	<b>0.70</b>	0.67	<b>1.82</b>	0.52
<b>Earnings per share diluted</b>	8	<b>0.69</b>	0.66	<b>1.81</b>	0.52
<b>Weighted average number of common shares outstanding (in thousands)</b>					
Basic	8	<b>21,258</b>	21,404	<b>21,262</b>	21,456
Diluted	8	<b>22,544</b>	22,643	<b>22,557</b>	21,456

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of US dollars, unaudited)	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2014	2013	2014	2013
<b>Net earnings</b>	<b>14,842</b>	14,280	<b>38,762</b>	11,129
Other comprehensive income (loss)				
Items that will subsequently be reclassified to net earnings:				
Effective portion of changes in the fair value of cash flow hedges (net of income tax of \$3 and \$56 for the quarter and nine-month period (\$30 and \$78 in 2013))	<b>8</b>	83	<b>(150)</b>	212
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income tax of \$46 and \$134 for the quarter and nine-month period (\$86 and \$281 in 2013))	<b>124</b>	232	<b>362</b>	713
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	<b>6,371</b>	(4,194)	<b>6,334</b>	7,126
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	<b>(11,728)</b>	5,430	<b>(11,428)</b>	(10,432)
	<b>(5,225)</b>	1,551	<b>(4,882)</b>	(2,381)
Items that will not subsequently be reclassified to net earnings:				
Remeasurements of long-term employee benefit obligations (net of income tax of \$39 and \$1,232 for the quarter and nine-month period (\$458 and \$1,618 in 2013))	<b>(107)</b>	1,245	<b>(3,329)</b>	4,399
Total other comprehensive income (loss)	<b>(5,332)</b>	2,796	<b>(8,211)</b>	2,018
<b>Comprehensive income attributable to shareholders</b>	<b>9,510</b>	17,076	<b>30,551</b>	13,147

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



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of US dollars, unaudited)	Note	Attributable to shareholders					Total equity
		Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (loss)	
<b>Balance, December 31, 2012</b>		88,563	392	1,687	384,902	8,661	484,205
Net earnings		-	-	-	11,129	-	11,129
Other comprehensive income (loss)		-	-	-	4,399	(2,381)	2,018
Comprehensive income (loss)		-	-	-	15,528	(2,381)	13,147
Contributions by and distributions to shareholders:							
Share repurchases	9	(1,187)	-	-	(4,584)	-	(5,771)
Dividends		-	-	-	(8,099)	-	(8,099)
Stock-based compensation	10	-	838	-	-	-	838
		(1,187)	838	-	(12,683)	-	(13,032)
<b>Balance, September 30, 2013</b>		87,376	1,230	1,687	387,747	6,280	484,320
<b>Balance, December 31, 2013</b>		87,271	1,332	1,687	394,716	3,749	488,755
Net earnings		-	-	-	38,762	-	38,762
Other comprehensive income (loss)		-	-	-	(3,329)	(4,882)	(8,211)
Comprehensive income (loss)		-	-	-	35,433	(4,882)	30,551
Contributions by and distributions to shareholders:							
Share repurchases	9	(33)	-	-	(159)	-	(192)
Dividends		-	-	-	(8,332)	-	(8,332)
Stock-based compensation	10	-	883	-	-	-	883
		(33)	883	-	(8,491)	-	(7,641)
<b>Balance, September 30, 2014</b>		87,238	2,215	1,687	421,658	(1,133)	511,665

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of US dollars, unaudited)	Note	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
		2014	2013	2014	2013
<b>OPERATING ACTIVITIES</b>					
Net earnings		14,842	14,280	38,762	11,129
Non-cash items:					
Finance costs, net	4	3,032	3,952	9,297	12,050
Depreciation and amortization	5	7,983	7,492	23,330	21,807
Restructuring charges and others	6	-	-	-	35,180
Income tax expense (recovery)	7	4,482	3,688	8,529	(5,533)
Other non-cash items		3,795	773	9,086	626
Changes in working capital items		19,836	10,410	32,126	21,835
Interest paid		(2,899)	(3,990)	(8,186)	(11,722)
Income taxes recovered (paid)		(1,572)	1,561	(9,280)	2,748
Cash flows from operating activities		49,499	38,166	103,664	88,120
<b>INVESTING ACTIVITIES</b>					
Net business acquisitions	11	(40)	(31)	(17,617)	(1,432)
Balances of purchase price		(19)	(138)	17	(390)
Advances to merchant members		(1,854)	(3,272)	(12,350)	(10,155)
Receipts on advances to merchant members and dividends received from equity investments		1,856	1,772	5,850	6,029
Net acquisitions of property and equipment		(5,237)	(3,162)	(8,340)	(9,187)
Net acquisitions and development of intangible assets		(1,305)	(2,019)	(5,548)	(6,028)
Cash flows used in investing activities		(6,599)	(6,850)	(37,988)	(21,163)
<b>FINANCING ACTIVITIES</b>					
Increase in long-term debt		14,825	-	58,859	201,691
Repayment of long-term debt		(54,618)	(24,906)	(116,332)	(254,405)
Merchant members' deposits in the guarantee fund		(135)	94	(40)	(373)
Share repurchases	9	(44)	(3,809)	(192)	(5,771)
Dividends paid		(2,954)	(2,700)	(7,998)	(8,143)
Cash flows used in financing activities		(42,926)	(31,321)	(65,703)	(67,001)
Effects of fluctuations in exchange rates on cash		(1)	1	(1)	(4)
Net decrease in cash		(27)	(4)	(28)	(48)
Cash, beginning of period		56	78	57	122
Cash, end of period		29	74	29	74

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US dollars, unaudited)	Note	Sept. 30, 2014	Dec. 31, 2013
<b>ASSETS</b>			
Current assets:			
Cash		29	57
Trade and other receivables		246,869	220,942
Income taxes receivable		15,607	16,883
Inventory		508,475	532,045
Prepaid expenses		14,712	11,417
Total current assets		<b>785,692</b>	781,344
Equity investments, other investments and advances to merchant members	11	21,305	36,855
Property and equipment		52,374	49,494
Intangible assets		131,115	140,598
Goodwill		194,203	184,449
Deferred tax assets		12,191	13,151
<b>TOTAL ASSETS</b>		<b>1,196,880</b>	<b>1,205,891</b>
<b>LIABILITIES</b>			
Current liabilities:			
Trade and other payables		373,680	341,429
Provision for restructuring charges and others	6	8,059	15,185
Dividends payable		2,862	2,598
Current portion of long-term debt and merchant members' deposits in the guarantee fund		5,142	4,667
Total current liabilities		<b>389,743</b>	363,879
Long-term employee benefit obligations		24,529	19,561
Long-term debt	12	216,226	273,165
Convertible debentures		45,344	46,829
Merchant members' deposits in the guarantee fund		6,626	6,988
Derivative financial instruments		601	890
Deferred tax liabilities		2,146	5,824
<b>TOTAL LIABILITIES</b>		<b>685,215</b>	717,136
<b>EQUITY</b>			
Share capital	9	87,238	87,271
Contributed surplus		2,215	1,332
Equity component of the convertible debentures		1,687	1,687
Retained earnings		421,658	394,716
Accumulated other comprehensive income		(1,133)	3,749
<b>TOTAL EQUITY</b>		<b>511,665</b>	488,755
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,196,880</b>	<b>1,205,891</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

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

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

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

## 2 - BASIS OF PRESENTATION

### Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. As permitted under IAS 34 "Interim Financial Reporting", these interim consolidated financial statements constitute a condensed set of financial statements, as the Corporation does not present all the notes to financial statements included in its annual report. To avoid repetition of previously reported information, the Corporation deemed it unnecessary to include such information. These interim consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements and should therefore be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2013.

The accounting policies followed in these interim consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2013, except for the changes in accounting policies as described in note 3. The Corporation has consistently applied the same accounting policies for all the periods presented.

The Board of Directors approved these interim consolidated financial statements on October 30, 2014.

### Basis of measurement

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

### Functional and presentation currency

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

### Use of accounting estimates and judgments

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

The most significant uses of judgment, estimates and assumptions are described in the Corporation's audited consolidated financial statements for the year ended December 31, 2013.

### **3 - CHANGES IN ACCOUNTING POLICIES**

#### **ADOPTED IN 2014**

##### **Effective date – January 1, 2014**

###### **(i) Financial instruments: Presentation**

In December 2011, the International Accounting Standards Board (“IASB”) issued an amendment to IAS 32 “Financial Instruments: Presentation”, focusing on the meaning of “currently has a legally enforceable right of set-off” and the application of simultaneous realization and settlement for applying the offsetting requirements. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation’s interim consolidated financial statements.

###### **(ii) Financial instruments: Recognition and measurement**

In June 2013, the IASB issued amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, permitting the continuation of hedge accounting in specific cases where a derivative instrument designed as a hedging instrument is novated to a derivative instrument cleared through a central counterparty in order to comply with local laws or regulations. The Corporation has applied this amendment as of January 1, 2014, and this change had no impact on the Corporation’s interim consolidated financial statements.

#### **FUTURE ACCOUNTING CHANGES**

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

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

##### **Effective date – January 1, 2017 with earlier adoption permitted**

###### **(i) Revenues from contracts with customers**

In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB’s current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers. The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

##### **Effective date – January 1, 2018 with earlier adoption permitted**

###### **(ii) Financial instruments**

In July 2014, the IASB issued a complete and final version of IFRS 9 “Financial Instruments”, replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity’s own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model. The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

## 4 - FINANCE COSTS, NET

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2014	2013	2014	2013
Interest on long-term debt	1,630	2,047	5,247	6,497
Interest on convertible debentures	702	734	2,094	2,237
Accreted interest on convertible debentures	106	109	315	331
Amortization of financing costs	303	404	904	1,134
Interest on the net defined benefit obligation	223	273	665	832
Interest on merchant members' deposits in the guarantee fund and others	37	143	107	265
Reclassification of realized losses to net earnings on derivative financial instruments designated as cash flow hedges	170	318	496	994
Total finance costs	3,171	4,028	9,828	12,290
Interest income from merchant members and others	(139)	(76)	(531)	(240)
Total finance costs, net	3,032	3,952	9,297	12,050

## 5 - DEPRECIATION AND AMORTIZATION

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2014	2013	2014	2013
Depreciation of property and equipment	4,828	3,463	12,079	9,917
Amortization of intangible assets	3,155	4,029	11,251	11,890
Total depreciation and amortization	7,983	7,492	23,330	21,807

## 6 - PROVISION FOR RESTRUCTURING CHARGES AND OTHERS

During the second quarter of 2013, the Corporation's Board of Directors approved an internal strategic and operational plan (the "Action Plan"), which complements the distribution network consolidation plan announced in 2012. The Action Plan includes the closure and rightsizing of certain stores and warehouses, as well as the addition of two new facilities, among other initiatives. The plan is expected to be completed by the end of the first semester of 2015. As at September 30, 2014, the resulting provision for restructuring charges and others is detailed as follows:

	Nine-month period ended Sept. 30,	Year ended Dec. 31,	Nine-month period ended Sept. 30,
	2014	2013	2013
Balance, beginning of period	15,185	4,392	4,392
Restructuring charges and others recognized during the period <sup>(1)</sup>	-	17,642	17,642
Provision used during the period	(7,092)	(6,813)	(4,922)
Effects of fluctuations in exchange rates	(34)	(36)	(23)
Balance, end of period	8,059	15,185	17,089

<sup>(1)</sup> The Corporation recognized additional restructuring charges of \$31,680 in the second quarter of 2013 related to site closure and consolidation costs. The Corporation also recorded, in 2013, a write-off of \$3,500 in the value of certain software, which will no longer be used in its operations.

## 7 - INCOME TAXES

### Reconciliation of the income tax expense (recovery)

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

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2014	2013	2014	2013
Income taxes at the Corporation's statutory tax rate – 26.90% for both the quarter and nine-month period (27.03% and 26.88% respectively in 2013)	5,201	4,857	12,721	1,505
Effect of tax rates in foreign jurisdictions	2,136	1,403	2,755	(30)
Tax benefit from a financing structure	(2,154)	(2,348)	(6,462)	(7,053)
Non-deductible expenses and others	(701)	(224)	(485)	45
Income tax expense (recovery) reported in the Consolidated Statements of Earnings	4,482	3,688	8,529	(5,533)

## 8 - EARNINGS PER SHARE

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

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2014	2013	2014	2013
Net earnings attributable to shareholders considered for basic earnings per share	14,842	14,280	38,762	11,129
Impact of the convertible debentures <sup>(1)</sup>	658	685	1,984	-
Net earnings attributable to shareholders considered for diluted earnings per share	15,500	14,965	40,746	11,129
Weighted average number of common shares outstanding for basic earnings per share	21,257,705	21,403,737	21,261,609	21,455,952
Impact of the convertible debentures <sup>(1)</sup>	1,239,224	1,239,224	1,239,224	-
Impact of the stock options <sup>(2)</sup>	47,565	-	56,542	-
Weighted average number of common shares outstanding for diluted earnings per share	22,544,494	22,642,961	22,557,375	21,455,952
Earnings per share (basic)	0.70	0.67	1.82	0.52
Earnings per share (diluted)	0.69	0.66	1.81	0.52

<sup>(1)</sup> For both the quarter and nine-month period ended September 30, 2014, 1,239,224 weighted average common shares issuable on the conversion of convertible debentures (respectively 1,239,224 and nil in 2013) were included in the calculation of diluted earnings per share as the conversion impact was dilutive.

<sup>(2)</sup> For the quarter and nine-month period ended September 30, 2014, 253,243 and 50,000 weighted average common shares issuable on the exercise of stock options (322,250 and 337,251 in 2013) were respectively excluded from the calculation of diluted earnings per share as the exercise price of the options was higher than the average market price of the shares.

## 9 - SHARE CAPITAL

### Repurchase of Common Shares

During the nine-month period of 2014, the Corporation repurchased 7,400 (263,301 for 2013) common shares for a cash consideration of \$192 (\$5,771 in 2013) including a share repurchase premium of \$159 (\$4,584 in 2013) applied as a reduction of retained earnings. As a result of the share repurchases, 21,256,269 (21,287,869 for 2013) common shares were outstanding as at September 30, 2014.

### Dividends

Dividends of C\$0.15 per common share were declared by the Corporation for the quarter period ended September 30, 2014 (C\$0.13 for 2013). A total of C\$0.43 per common share was declared by the Corporation for the nine-month period (C\$0.39 for 2013).

## 10 - STOCK-BASED COMPENSATION

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

During the nine-month period of 2014, 203,243 options were granted to management employees and officers of the Corporation (298,338 for the same period last year) with an exercise price of C\$28.76 (C\$22.90 in 2013).

As at September 30, 2014, options granted for the issuance of 524,066 common shares (320,823 as at September 30, 2013) were outstanding under the Corporation's stock option plan.

Compensation expense of \$209 and \$883 (\$3 and \$838 for 2013) was recorded in the net earnings for the quarter and nine-month period ended September 30, 2014, with the corresponding amounts recorded in "Contributed surplus".

### Deferred share unit plan

For the nine-month period ended September 30, 2014, the Corporation granted 37,113 deferred share units ("DSUs") (28,463 DSUs for 2013). Compensation expense of \$70 and \$842 (\$287 and \$657 in 2013) was recorded during the quarter and nine-month period, and 79,631 DSUs were outstanding as at September 30, 2014 (38,080 as at September 30, 2013).

### Performance share unit plan

For the nine-month period ended September 30, 2014, the Corporation granted 92,419 performance share units ("PSUs") (108,812 PSUs for 2013). Compensation expense of \$272 and \$967 (\$84 and \$447 in 2013) was recorded during the quarter and nine-month period, and 177,434 PSUs were outstanding as at September 30, 2014 (96,742 as at September 30, 2013).



## 11 - BUSINESS COMBINATIONS

In the normal course of business, the Corporation acquires the assets and liabilities of companies. During the nine-month period ended September 30, 2014, the Corporation acquired the assets and liabilities of 4 companies operating in the United States.

The total cost of these acquisitions of \$28,330 was preliminary allocated to the acquired assets and liabilities based on their fair value. The aggregate fair value amounts recognized for each class of the acquiree's assets and liabilities at the acquisition dates were as follows:

	Sept. 30, 2014
Trade and other receivables	3,501
Inventory	8,514
Prepaid expenses	63
Property and equipment	318
Intangible assets	3,920
Goodwill	11,530
Other non-current assets	484
Total cost	28,330
Balance of purchase price	(332)
Net disbursement	27,998

### Interests in an equity investment

During the second quarter of 2014, the Corporation sold its partnership in an equity investment for a cash consideration of \$10,381.

## 12 - LONG-TERM DEBT

	Maturity	Effective interest rate	Current portion	Sept. 30, 2014	Dec. 31, 2013
Revolving facility, variable rates, designated as a hedge of net investments in foreign operations – \$242,759 (\$265,888 as at December 31, 2013)	2017	1.90% to 4.50% <sup>(1)</sup>	-	205,042	262,747
Finance leases, variable rates	-	-		16,165	14,930
Others	2021	-		31	38
				221,238	277,715
Instalments due within a year				5,012	4,550
Long-term debt				216,226	273,165

<sup>(1)</sup> The interest rates reflect the derivative financial instruments designated as interest rate hedges as described in Note 14.

## 13 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

For the quarter ended September 30, 2014, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$751 (\$829 for 2013), and the net interest expense of \$223 (\$273 for 2013) was recorded in "Finance costs, net". Employee benefits expense of \$566 (\$558 for 2013) related to the Corporation's defined-contribution pension plans was also recognized for the same period.

For the nine-month period ended September 30, 2014, the employee benefits expense related to the Corporation's defined-benefit pension plans was \$2,243 (\$2,541 for 2013), and the net interest expense of \$665 (\$832 for 2013) was recorded in "Finance costs, net". Employee benefits expense of \$1,700 (\$1,644 for 2013) related to the Corporation's defined-contribution pension plans was also recognized for the same period.

## 14 - FINANCIAL INSTRUMENTS

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

	Sept. 30, 2014		Dec. 31, 2013		
	Level	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities carried at amortized cost</b>					
Long-term debt (except finance leases)	Level 2	205,073	205,073	Level 2	262,785
Convertible debentures	Level 1	45,344	46,934	Level 1	46,829
<b>Financial liabilities carried at fair value</b>					
Derivative financial instruments	Level 2	601	601	Level 2	890
<b>Other liabilities</b>					
Finance leases	Level 2	16,165	16,165	Level 2	14,930

### Financial assets classified as loans and receivables

The fair value of cash and trade receivables approximate their carrying amount given that they will mature shortly. The Corporation classified those financial assets as Level 1, as their fair values are determined using quoted market prices.

### Financial liabilities carried at amortized cost

The fair value of trade and other payables, and dividends payable approximate their carrying amount given that they will mature shortly. The Corporation classified those financial liabilities as Level 2 and Level 1 respectively, as their fair values are determined using observable market data and quoted market prices respectively.

The fair value of long-term debt (except finance leases) has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the economic conditions at the reporting date. As at September 30, 2014, the fair value of long-term debt approximates its carrying value as the effective interest rates applicable to the Corporation's credit facility reflect current market conditions.

The fair value of the convertible debentures, as set out above, was determined using their bid price at the end of the period.

The fair value of merchant members' deposits in the guarantee fund could not be determined given that they result from transactions not observable in the market. The Corporation classified those financial liabilities as Level 3.

### Financial liabilities carried at fair value

The fair value of the interest rate swaps was determined using quoted prices for similar assets or liabilities.

### Other liabilities

The fair value of finance leases has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the economic conditions at the reporting date. As at September 30, 2014, the fair value of finance leases approximates its carrying value as the effective interest rates applicable to the Corporation's credit facility reflect current market conditions.

### Fair value hierarchy

Financial instruments measured at fair value in the Statement of Financial Position are classified according to the following hierarchy:

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

## 14 - FINANCIAL INSTRUMENTS (CONTINUED)

### Derivative financial instruments used in cash flow hedges

In 2011, the Corporation entered into swap agreements to hedge the variable interest cash flows related to forecasting transactions beginning in 2012 on a portion of the Corporation's revolving credit for a nominal amount at inception and as at September 30, 2014 of \$80,000. These interest rate swaps fix the interest cash flows at 0.97% until their maturity in 2016. The cash flows related to the interest rate swaps are expected to occur in the same periods as they are expected to affect the net earnings.

The fair values of the interest rate swaps are calculated using quotes for similar instruments at the reporting date.

## 15 - RELATED PARTIES

For the quarter and nine-month period ended September 30, 2014, the Corporation incurred rental expenses of \$755 and \$2,306 (\$880 and \$2,611 for 2013) to the benefit of Clarit Realty, Ltd., a company controlled by a related party. The associated lease payments were concluded in the Corporation's normal course of business for various terms of no more than five years.

## 16 - GEOGRAPHIC INFORMATION

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

	Quarter ended Sept. 30,		Nine-month period ended Sept. 30,	
	2014	2013	2014	2013
Sales				
United States	339,501	334,090	993,225	989,208
Canada	125,907	130,419	363,950	373,297
Total	465,408	464,509	1,357,175	1,362,505
<b>Sept. 30, 2014</b>				
		United States	Canada	Total
Property and equipment		39,942	12,432	52,374
Intangible assets		115,701	15,414	131,115
Goodwill		156,337	37,866	194,203
<b>Dec. 31, 2013</b>				
		United States	Canada	Total
Property and equipment		36,674	12,820	49,494
Intangible assets		124,544	16,054	140,598
Goodwill		144,807	39,642	184,449

## 17 - SUBSEQUENT EVENT

On October 3, 2014, the Corporation amended the terms of its existing credit facility and extended its maturity to June 30, 2018. The Corporation will benefit from reduced interest rates under the amended terms of the credit facility that reflect current market conditions.

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