2006 annual report

A TEAM A NETWORK A GROWTH ENGINE

mission

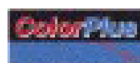
Uni-Select's mission is to create economic value for its members and shareholders by building a solid North American network

- for the distribution of replacement parts for motorized vehicles
- and services to members on a menu basis

to most efficiently meet the constantly evolving needs of merchant members and customers.

Uni-Select's priority is to ensure its growth and development mainly through its independent merchants.

Uni-Select will provide a competitive advantage to its merchant members in order for them to hold a dominant position in their respective markets.



Annual and Special Meeting of Shareholders
May 10, 2007, at 1:30 p.m., Ritz-Carlton Hotel, Gold and Gray Room, 1228 Sherbrooke Street West, Montreal, Quebec

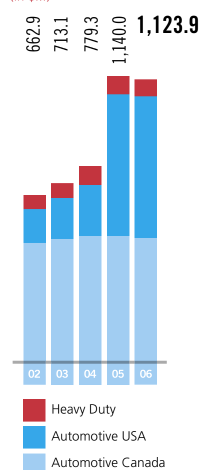
2006 achievements evolution • consolidation

EXPANSION:

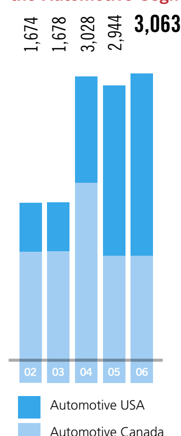
NORTH AMERICAN CONSOLIDATOR/INTEGRATOR

- 16 acquisitions in 2006, representing additional sales of $86 M on an annualized basis
- Excluding exchange rate fluctuations, consolidated sales increased by $21.2 M or 1.9%, attributable to 2005 and 2006 acquisitions

Sales
(in $M)



Number of Stores Served in the Automotive Segment*



* Including merchant members' stores and the Company's corporate stores

AUTOMOTIVE GROUP USA:

- 6.4% sales growth at a constant exchange rate resulting from the 2005 and 2006 acquisitions
- Integration of the 2005 acquisitions and 12 additional acquisitions in 2006:
  - Auto Craft Automotive Products in Pennsylvania (1 distribution centre, 5 satellite warehouses and 7 corporate stores)
  - Tier Parts Warehouse in New York State (1 distribution centre and 16 stores)
  - Wholesalers operating 12 corporate stores in different states (in addition to the opening of 8 new branches)
- Integration of MAWDI (year II):
  - Common product lines (complete) and several non-common lines
  - Operational information systems (completed in February 2007)
  - Financial and accounting systems, human resources, management and distribution
- Beginning of synchronization of Canadian and American business models
- Implementation of a benchmarking system for corporate stores and distribution centres
- Introduction of Uni-Select's corporate image in the United States
- Updating of 2006-2010 strategic plan

AUTOMOTIVE GROUP CANADA:

- Acquisition of the interest of Uni-Select's partner in USI-AGI Prairies Inc. (renamed Uni-Select Prairies Inc.), adding $3.4 M to the group's EBITDA in 2006
- Three other acquisitions:
  - Albatross (three corporate stores in Greater Toronto)
  - Interest in an operator of jobber stores in B.C.
  - Plastique Royal in Quebec (distributor of bodyshop and paint products providing access to a new market niche)
- Stabilization and optimization of the distribution of a new line of mufflers and exhaust system components to MIDAS franchisees
- Enhancement and regional decentralization of succession planning and partnership programs for merchant members
- Updating of 2007-2011 strategic plan

SERVICE:

THE BEST PARTNER FOR INDEPENDENT JOBBERS AND OTHER CUSTOMERS

AUTOMOTIVE GROUP CANADA:

- Achievement of a record level of parts availability in Quebec, thanks to the optimization of the new distribution structure (central distribution centre in Boucherville and two pickup warehouses in Quebec City and St-Léonard) and of the paperless Warehouse Management System (WMS) in Boucherville
- Successful implementation of WMS at the Edmonton centre
- New proactive product management initiatives: parts for foreign nameplates, value-line parts, bodyshop parts
- Enhancement of succession and partnership programs for merchant members (or jobbers)
- Success of the new SAX loyalty program for installers
- Development of technical training programs outside Quebec (technical skills training offered to 1,908 people across Canada in 2006)
- Expansion of the *cybercommunity* integrating all participants in the distribution chain:
  - Enhancement of the VICTOR portal (Uni-Select–merchant members): 80% of line items now trade electronically
  - Start-up of DAVE (merchants – installers) to be fine-tuned in 2007
  - Development of MARC (manufacturers – Uni-Select) to provide access to timely and reliable sources of management information

AUTOMOTIVE GROUP USA:

- Synchronization of marketing and product management strategies with those of Automotive Group Canada:
  - Introduction of the Auto Plus® banner for merchants in the United States
  - Broader selection of products, especially parts for foreign nameplates
  - Introduction of Uni-Select's Auto Extra® private brand for value-line products
- Ongoing programs to support merchants' growth and succession planning
- Optimization of e-commerce systems

2007-2011 object

To maximize the economic value offered to its independent merchants, customers and shareholders, Uni-Select will capitalize on the strength of its NORTH AMERICAN NETWORK by...

- **pursuing its role as an industry consolidator in North America and an efficient business integrator,**
- **strengthening and constantly adapting its business model in order to meet evolving market needs and stimulate organic growth, and**
- **further integrating its strategies and computer systems to maximize synergies among its groups and growth opportunities in North America.**

AUTOMOTIVE GROUP USA:

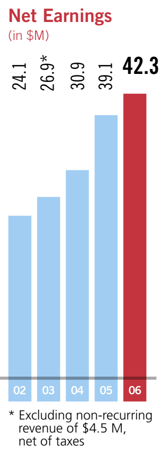
- Complete significant merger, acquisition, strategic alliance, affiliation and partnership (MAAAPs) transactions
- Complete the integration of MAWDI to achieve most of the synergies by the end of 2007
- Complete the integration of the acquisitions made during 2006 and improve procedures to accelerate the integration of future acquisitions
- Foster organic growth and increase profit margins and return on assets by improving its business model, synchronizing its strategies with Automotive Group Canada and implementing Uni-Select's corporate culture
- Key initiatives for 2007:
  - Recruit new independent merchants
  - Strengthen succession planning and partnership programs for merchants
  - Broaden product selection, particularly parts for foreign nameplates and value-line products

PROFITABILITY:

CREATOR OF SHAREHOLDER VALUE

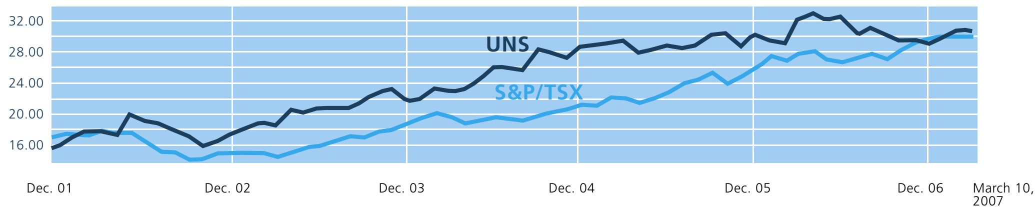
- Net earnings of $42.3 M or $2.14 diluted per share, up 8.2% over 2005 (despite a negative impact of $1.2 M or $0.06 per share attributable to currency fluctuations)
- Return of 15.4% on average shareholders' equity
- Dividend of $0.38 per share
- 10.3% growth in consolidated EBITDA: $81.9 M
- 26.4% increase in **Automotive Group Canada**'s EBITDA ($47.1 M) and significant improvement in its profit margin:
  - 100% contribution of Uni-Select Prairies Inc. during the last 7 months of the year
  - Improvement in purchasing conditions
  - Reduced operating costs and asset base in Quebec as a result of the new distribution strategy based on central distribution centres complemented by regional pickup warehouses
  - Ongoing implementation of the WMS and modernization of technological infrastructure
  - Enhanced expertise in corporate store management
- Despite currency fluctuations, 2.8% increase in **Automotive Group USA**'s EBITDA ($36.8 M) and improved profit margin:
  - Acquisitions made during 2005 and 2006
  - Additional synergies resulting from the integration of MAWDI
  - Benchmarking and improved performance in the management of corporate stores
  - Closure of 10 non-profitable branches
  - Improved return on assets
- Negative EBITDA of ($2.0 M) for **Heavy Duty Group** due to a slowdown in demand, substantial returns of wheels, higher inventory and increased transportation costs
- Main **corporate developments**:
  - 16 acquisitions (12 in the United States, 4 in Canada)
  - Harmonization of marketing programs between Canada and the United States
  - Enhancement of risk management procedures
  - Appointment of a Chief Operating Officer and a new Chief Financial Officer
  - Appointment of a new Executive Vice President for Heavy Duty Group, with a mandate to turn around its profitability and grow its business
  - Reinforcement of management teams, particularly in Automotive Group Canada and Heavy Duty Group
  - Maintenance of a flexible capital structure and a reasonable debt load (total net debt to invested capital ratio of 23.4% as at December 31, 2006)

Net Earnings
(in $M)



* Excluding non-recurring revenue of $4.5 M, net of taxes

UNS Share Price
(in relation to S&P/TSX)



For fiscal 2007, Uni-Select expects that growth in its sales and net earnings will be driven primarily by the following factors:

- **improved demand in the North American automotive market,**
- **strengthened business models for the three groups,**
- **full contribution by Uni-Select Prairies Inc.,**
- **expected turnaround in the performance of Heavy Duty Group**
- **slight price inflation anticipated in Automotive Group Canada's products, as a result of the recent decline of the Canadian dollar, and**
- **further acquisitions.**

tives

- Open new corporate stores in urban markets and improve their performance
- Develop national accounts (e.g.: fleet owners)
- Continue the benchmarking process
- Improve controls
- Roll out Uni-Select's corporate image

AUTOMOTIVE GROUP CANADA:

- Integrate the 2006 acquisitions to maximize synergies, carry out other MAAAPs and stimulate organic growth. Key initiatives for 2007:
  - Recruit new merchant members, improve loyalty of existing customers and strengthen succession planning and partnership programs for jobbers
  - Strengthen procurement and marketing strategies in growing product categories (parts for foreign nameplates, value-line products, tools, bodyshop parts and temperature control systems)
  - Upgrade and develop banners, marketing and training programs for installers
  - Develop market niches that are complementary to its core business, including the optimization of agreements with existing national accounts and the signing of new agreements
- Improve productivity, quality of service and profitability. Key initiatives for 2007:
  - Implement the distribution strategy in Ontario (Toronto and London)
  - Optimize the WMS system in Edmonton and implement this technology in Burnaby, British Columbia
  - Expand global procurement strategies
  - Continue to structure and reinforce the management of corporate stores
  - Further expand the *cybercommunity*
- Pursue the upgrading and integration of computer technologies and intra-network communications:
  - Update the IT master plan
  - Consult and advise merchant members with a view to further integrate the computer platforms used within the network

HEAVY DUTY GROUP:

- Restore profitability in 2007 through the following key initiatives:
  - Increase customer loyalty
  - Conduct a re-engineering of business processes and asset management
  - Diversify international procurement sources
  - Improve purchasing management
  - Reduce inventories and operating expenses
  - Rationalize non-profitable stores and modernize the network
- Stimulate sales growth. Key initiatives for 2007:
  - Implement a sales strategy for members of Uni-Select's automotive sector
  - Increase sales of wheels, including in the dynamic Western Canadian market
  - Increase market penetration of tools and integrate other value-added product lines offering attractive profit margins
- Consolidate the management team
- Seek out MAAAPs

financial highlights

(in $M, except for per-share amounts and percentages)

Years Ended December 31, [1]	**2006**	2005	2004	2003	2002
OPERATING RESULTS					
Sales	**1,123,9**	1,140.0	779.3	713.1	662.9
Variation	***(1.4)%***	*46.3%*	*9.3%*	*7.6%*	*10.3%*
Operating income (EBITDA) [2]	**81.9**	74.2	50.9	46.4	41.2
Variation	***10.3%***	*45.6%*	*9.7%*	*12.5%*	*2.4%*
Operating profit margin (EBITDA) [2]	**7.3%**	6.5%	6.5%	6.5%	6.2%
Net earnings	**42.3**	39.1	30.9	26.9 [3]	24.1
Variation	***8.2%***	*26.3%*	*14.9%*	*11.8%*	*18.5%*
Net profit margin	**3.8%**	3.4%	4.0%	3.8% [3]	3.6%
Return on average shareholders' equity	**15.4%**	16.3%	16.3%	16.4% [3]	16.7%
Return on average net assets	**12.8%**	13.6%	15.4%	15.0% [3]	13.7%
FINANCIAL POSITION					
Working capital	**301.9**	294.2	258.4	148.3	130.0
Shareholders' equity	**291.9**	255.6	223.9	173.8	153.9
Total assets	**572.5**	494.0	482.4	317.7	259.6
Long-term debt/equity	**24.5%**	28.2%	31.8%	4.7%	5.5%
Total net debt/invested capital	**23.9%**	16.3%	22.3%	n.a.	16.1%
COMMON SHARE DATA					
Book value	**14.82**	13.04	11.53	9.47	8.47
Net earnings					
• basic	**2.15**	2.00	1.67	1.47 [3]	1.33
• diluted	**2.14**	1.99	1.65	1.46 [3]	1.32
Dividend	**0.38**	0.31	0.34 [4]	0.26	0.22
Number of shares issued at year-end	**19,699,334**	19,599,716	19,423,289 [5]	18,347,758	18,169,513
Weighted average number of outstanding shares	**19,674,768**	19,516,512	18,539,196 [5]	18,273,595	18,082,491

(1) Certain figures relating to years prior to 2006 have been reclassified to reflect the application of new accounting policies, including EIC-156 in 2006.

(2) EBITDA represents operating income before interest, income taxes, depreciation and amortization. As EBITDA is not a measurement defined by Canadian generally accepted accounting principles ("GAAP"), it may not be comparable to similarly titled measurements used by other companies.

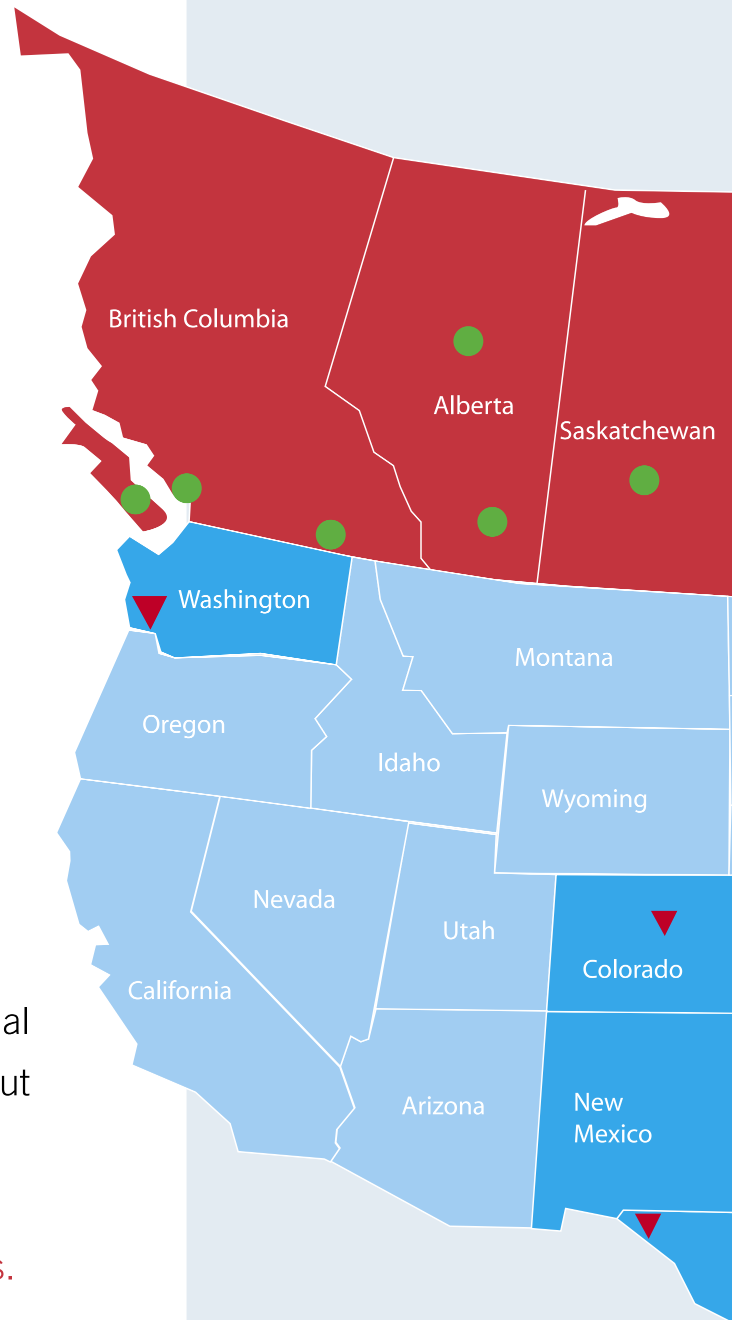
(3) In 2003, Uni-Select collected non-recurring income of $6.6 million before taxes ($4.5 million after related taxes) following the favourable settlement of a legal dispute. To facilitate comparison of the Company's results between the various reporting periods, this non-recurring amount has been excluded from the 2003 financial data regarding total and per-share net earnings, net profit margin, and rates of return on average shareholders' equity and on average net assets.

(4) Including a special dividend of $0.05.

(5) In November 2004, Uni-Select issued 1,000,000 common shares as partial consideration of the acquisition price of MAWDI.

UNI-SELECT
in numbers

3,755 employees. 2,000,000 ft^2 of warehouse space. 54 distribution centres in the automotive sector across Canada and the United States. 2 distribution centres and 22 corporate stores in the heavy-duty sector. 2,033 independent jobbers in the North American automotive market. 3,063 stores served (including 16 corporate stores in Canada and 207 in the United States) supplying an extensive base of installers, 3,043 of which operate under Uni-Select's banners. A total business solution offered under optimal cost and efficiency conditions, including about 350,000 different products for automobiles and heavy-duty vehicles and a range of support services for merchants and installers.



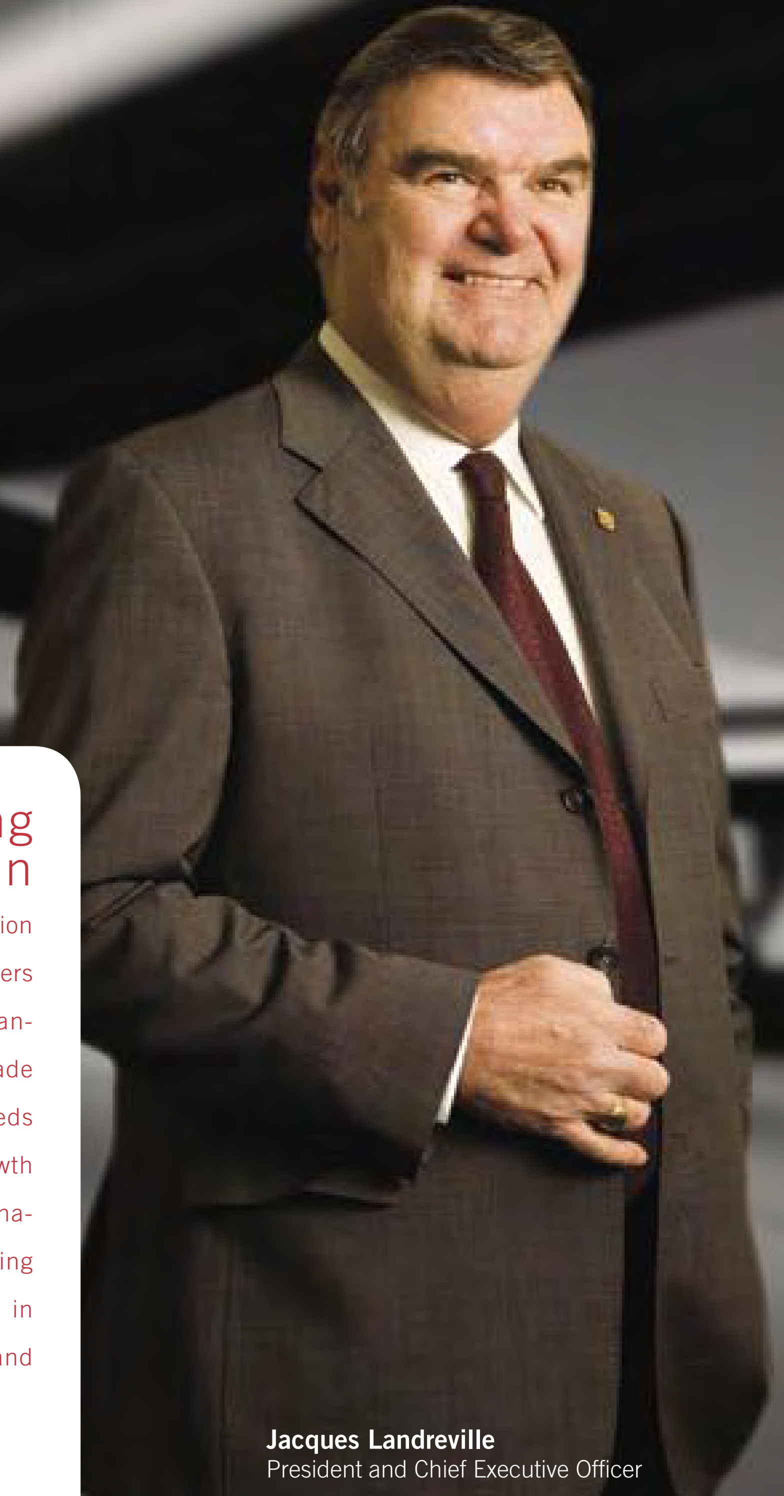
Newfoundland
Prince Edward Island
Manitoba
Quebec
Ontario
Nova Scotia
New Brunswick
Maine
Vermont
New Hampshire
Massachusetts
Rhode Island
Connecticut
New Jersey
Delaware
Maryland
West Virginia
North Dakota
Minnesota
South Dakota
Wisconsin
Michigan
New-York
Pennsylvania
Iowa
Nebraska
Illinois
Indiana
Ohio
Virginia
Kansas
Kentucky
Missouri
North Carolina
Tennessee
South Carolina
Oklahoma
Arkansas
Alabama
Georgia
Texas
Louisiana
Mississippi
Florida

AUTOMOTIVE CANADA Distribution Centres

AUTOMOTIVE USA Distribution Centres

HEAVY DUTY Distribution Centres

EVOLVE



Jacques Landreville
President and Chief Executive Officer

It is by banking on a strong and efficient North American network that Uni-Select will maximize the creation of economic value for its shareholders, merchant members and customers. Accordingly, while pursuing our expansion by acquisitions in 2006, we continued to upgrade our business model in order to meet the evolving needs in our markets and stimulate our organic sales growth without losing sight of Uni-Select's fundamental management principles: exert stringent control over operating expenses, maintain an optimal asset base operated in a way to maximize its return and preserve a sound and flexible financial structure.

message to shareholders

In 2006, we also undertook to further integrate our technology platforms and better synchronize our growth strategies in Canada and the United States so as to fully leverage our North American positioning, maximize synergies among our groups and increase our capacity to seize the most promising growth opportunities. In addition, 2006 and early 2007 brought about changes in our management team, consistent with the succession plan established during the past few years. In particular, as of April 2, 2007, Richard G. Roy will be appointed to the newly created position of Chief Operating Officer, whereas his current position of Chief Financial Officer will be held by Denis Mathieu.

From a financial perspective, Uni-Select faced a number of challenges last year that slowed its growth. Firstly, our three groups experienced organic sales decreases due to a decline in demand in their respective markets. Among other factors, changes in consumers' habits prompted by the high price of oil contributed to a market slowdown in the automotive sector. Secondly, the rise of the Canadian currency affected Uni-Select's performance in more than one way. The translation of Automotive Group USA's results into Canadian dollars had a direct negative impact of $37.3 M on our consolidated sales, and of $1.2 M or $0.06 per share on the year's net earnings. The strong Canadian currency also contributed to a deflation in the price of some products of Automotive Group Canada. Finally, declining exports by Canadian companies to the United States due to an unfavourable exchange rate severely affected Heavy Duty Group's customers operating in the transportation industry which, combined with significant wheel returns during 2006, led to an operating loss for this group in the last fiscal year.

For the year ended December 31, 2006, Uni-Select's sales amounted to $1,124 M, posting a slight decrease of 1,4% over $1,140 M in 2005. Excluding currency fluctuation, however, consolidated sales grew by $21.2 M or 1.9% as a result of the acquisitions made during 2005 and 2006. In the last fiscal year alone, we completed 16 acquisitions, four in Canada and 12 in the United States, adding approximately $86 M to our sales on an annualized basis (at the exchange rate in effect on December 31, 2006). Uni-Select recorded net earnings of $42.3 M or $2.14 diluted per share, up 8.2% over net earnings of $39.1 M or $1.99 diluted per share a year earlier. The Company thereby achieved a 15.4% return on average shareholders' equity, in addition to paying them a total dividend of $0.38 per share.

The increase in net earnings is mostly attributable to Automotive Group Canada. Despite negative organic sales growth, this group significantly improved its profitability: its EBITDA increased by 26.4% over 2005 to reach $47.1 M, while its profit margin as a percentage of sales rose from 7.5% to 9.6%. This performance is largely attributable to the May 31st, 2006 acquisition of the 50% interest held by our former partner in the USI-AGI Prairies Inc. joint venture set up in 2002, whose corporate name was changed to Uni-Select Prairies Inc. Although this acquisition had little impact on sales, it added $3.4 M to the group's EBITDA for 2006.

Jean-Louis Dulac, Chair of the Board
Jacques Landreville, President and Chief Executive Officer

Gary O'Connor
Executive V.P.,
Automotive Group Canada

Jean Rivard
Executive V.P.,
Heavy Duty Group

James E. Buzzard
Executive V.P.,
Automotive Group USA

Automotive Group Canada's improved profitability can also be attributed to the numerous initiatives taken over the past two years as part of its renewed business plan. In particular, its new distribution strategy is now solidly implemented in Quebec, where the services provided by the main distribution centre in Boucherville are complemented by two pickup warehouses in Quebec City and St-Léonard. In addition, we have begun to reap the benefits of the paperless Warehouse Management System (WMS) which has been optimized in Boucherville, and of the major upgrade and technological transition carried out in 2005. Together, these various developments contributed in lowering operating costs and reducing the asset base of Automotive Group Canada's Quebec Division, which also achieved a record level of service in terms of product availability in 2006. Various other initiatives taken by this group during 2006 had a positive effect on its results, including improved purchasing conditions, the development of its expertise in the management of corporate stores, the expansion of the *cybercommunity* through which 80% of all line items are now traded, and the success of the SAX loyalty program for installers launched in 2005.

Martin Labrecque, Controller
Me Pierre Chesnay, V.P., Legal Affairs and Secretary
Jean-Pierre Beaulieu, V.P. and Chief Information Officer
Charles Quesnel, Manager, Corporate Accounting and Taxation
Denis Mathieu, V.P. and Chief Financial Officer
(as of April 2, 2007)

Automotive Group USA's profitability was slightly below our expectations for various reasons, including more difficult market conditions, unfavourable exchange rate fluctuations and the recording of a non-recurring item. The group nonetheless grew its EBITDA by 2.8% to $36.8 M, while its profit margin improved from 6.3% in 2005 to 6.5% in 2006 as a result of its 2005 and 2006 acquisitions and additional synergies – primarily purchasing synergies – resulting from the integration of MAWDI. It should be noted that most of these synergies had been achieved by the end of fiscal 2005 as part of the integration of common product lines, which was finalized during fiscal 2006. Several non-common product lines were also harmonized in 2006. Furthermore, Automotive Group USA undertook the integration of its operational computer systems during 2006, which was completed in February 2007. A significant integration and rationalization operation was also carried out within the corporate store network, resulting in the closure of ten non-profitable branches. The results of these various initiatives will begin to materialize during the new fiscal year and should contribute to improve Automotive Group USA's profit margins in 2007.

With the help of Uni-Select's Head Office, Automotive Group USA and Automotive Group Canada have designed and begun to implement a benchmarking system for the management of corporate stores and distribution centres based on the best performing units. With a total of 233 corporate stores and 54 distribution centres and satellite warehouses throughout the United States and Canada, Uni-Select's network is large enough today to allow us to measure our performance internally. Our goal is not only to have all of our North American distribution operations reflect Uni-Select's extensive track record in this core activity, but to apply similar depth of expertise to the management of our corporate stores as well. Our benchmarking strategy has already started to produce tangible results, mainly in the Northeastern United States where most corporate stores have improved their profitability and return on assets.

Richard G. Roy
Vice President and Chief Operating Officer
(as of April 2, 2007)

We want to ensure that Uni-Select's future development is rooted in an increasingly integrated and synergistic organization across North America, apt to take full advantage of its growing purchasing power and where best management practices, technology sharing and optimal communication are valued. From that perspective, further harmonization of Automotive Group USA's and Automotive Group Canada's product strategies and marketing programs is another major step we undertook in 2006.

Florent Jacques, V.P., Distribution and Integration
Michel Laverdure, V.P., Corporate Purchasing
Luc L'Espérance, V.P., Human Resources

A committee of senior executives from the Head Office and both automotive groups was set up, whose first objective was to standardize the corporate image, the product lines and the positioning of our various merchant banners in North America, all the while respecting the specific features of each local market. Therefore, in order to capitalize on the economic strength and visibility that the Company enjoys in the business community, by the end of 2007, all distribution centres, warehouses and corporate stores in Canada and the United States will display Uni-Select's corporate identification. In 2006, we also implemented a dual-banner strategy for our US merchants similar to the one successfully developed in Canada, as the Auto Plus® banner was introduced to complement the Parts Plus® banner in the United States. This strategy will support the differentiation of our merchants and thereby facilitate our market penetration. In the area of product management, a common strategy was developed for our automotive groups in Canada and the United States in order to increase Uni-Select's market share in growing product categories, especially parts for foreign nameplates and value-line parts. Among other initiatives, several national brands and product lines sold in Canada were introduced in the United States, where we also introduced our Auto Extra® private brand.

We will intensify these initiatives over the coming years and launch new ones. In particular, we will review our purchasing strategies to optimize logistics on both sides of the border and implement standardized management tools. Special emphasis will be placed on modernizing our installer banners as well as improving and harmonizing overall communications within our organization. These mandates are now attached to the newly created position of Vice President, Strategic Planning and Market Development, to which Ms. Michèle Raymond was appointed in January 2007. Finally, we will soon launch an extensive consultation operation among our Canadian merchants in order to improve connectivity within the Uni-Select network by further standardizing the various information management systems currently used.

A number of reasons allow us to be confident about Uni-Select's performance in 2007. Firstly, the growth outlook in the North American automotive market is favourable in the short, medium and long term, and we have noted an improvement in demand in recent months. Secondly, the recent decline in the Canadian dollar should create a slight inflation this year in the selling prices of Automotive Group Canada's products. Thirdly, in 2007, we will also benefit from the full contribution of our 2006 acquisitions and from the enhancement of all groups' business models. Lastly, we intend to intensify our expansion through mergers, acquisitions, strategic alliances, affiliations and partnerships. Taken together, these factors should foster sustained performance for Automotive Group Canada, give new momentum to the growth of Automotive Group USA and enable Heavy Duty Group to restore its profitability.

Michèle Raymond, V.P., Strategic Planning and Market Development

Guy Archambault, V.P., Corporate Development

Automotive Group USA, in particular, is well positioned to carry out medium and large-scale expansion projects. In addition, the synergies resulting from the integration of MAWDI will be almost fully achieved by the end of 2007, as will those arising from the acquisitions made in 2006. Consistent with its new strategic plan for 2006-2010, its key objectives, besides acquisitions, include stronger organic growth, improved profit margins and a higher return on assets. To stimulate organic growth, it will focus on retaining and developing its customer base of independent jobbers, expanding its product offering, opening other corporate stores in urban areas and developing national accounts. To improve its profitability, it will continue to enhance its business model by adapting certain successful components of Automotive Group Canada, continue its benchmarking operation, further implement Uni-Select's corporate culture and image throughout its organization, and strengthen its control mechanisms. Lastly, the group will review its integration procedures in order to accelerate the achievement of the synergies arising from its future acquisitions.

In addition to pursuing various expansion opportunities, Automotive Group Canada will optimize last year's acquisitions and stimulate its organic growth though an increasingly efficient execution of its business plan. With an updated strategic plan for 2007-2011 and a partly renewed management team, this group will notably strive to intensify its growth in Ontario and the Prairies, as well as in the most strategic product categories. Another privileged growth avenue for this group will be to expand its presence in certain market niches that are complementary to its traditional market, including national accounts. Over the past year, Automotive Group Canada successfully integrated the distribution of a new line of mufflers and exhaust system components to MIDAS franchisees, and therefore expects to reap the full benefits of this agreement in 2007. In addition, the recent acquisition of a Quebec distributor of paint and bodyshop products, Plastique Royal, has given it access to new products and customers and a different distribution channel in this market niche, which it plans to extend outside Quebec starting in 2007.

Other projects of Automotive Group Canada for 2007 feature the continuous improvement of services and tools offered to its members, including succession planning, partnership programs, and the *cybercommunity*, the ongoing development of marketing and training programs for installers, the introduction of its distribution strategy in Ontario, the optimization of the WMS in the Edmonton centre and its introduction in Burnaby, British Columbia.

Under the leadership of a new Executive Vice President, Jean Rivard, and a strengthened management team, Heavy Duty Group's key objectives are to restore sales growth and return to profitability as of 2007. To improve its profitability, it has undertaken a comprehensive re-engineering of its business processes, with a particular focus on inventory and cost reduction, enhanced management controls and the development of its international procurement sources. To increase its sales, it is preparing to implement a sales strategy to supply the merchant members of Uni-Select's automotive sector, and also aiming to integrate other value-added product lines with high profit margins.

To continue being recognized as the best business partner of independent jobbers in North America and as a reliable creator of value for its shareholders, Uni-Select will remain a complete, efficient, modern and proactive distributor of replacement parts, enabling its merchant members to benefit from the strength of a high-performing North American network in which each link of the distribution chain is provided with the products, technological tools and services needed to achieve its objectives.

In closing, we wish to express our gratitude to Uni-Select's 3,755 employees and managers for their commitment and devotion, as well as to all our merchants, customers, partners and suppliers. We also want to acknowledge the arrival of the new managers who joined the Company in 2006, and thank the officers who have recently retired after years of excellent service: Michel Maheux, David G. Alderson, and Russell D. Sturgeon.

(Signed) Jean-Louis Dulac
Chairman of the Board

(Signed) Jacques Landreville
President
and Chief Executive Officer

March 2007

Gary O'Connor
Executive Vice President,
Automotive Group Canada

The market for distributors of light vehicle replacement parts is rapidly changing, and **Automotive Group Canada** is evolving with it.

Over the past fiscal years, we have reviewed and renewed several aspects of our business model to deal efficiently with the new issues facing our industry, such as: the increasing consolidation of our traditional customer base – independent jobbers – partly due to the general aging of this group, the proliferation of parts, making inventory management and distribution increasingly complex and new trends in the demand for products resulting, among others, from the growing popularity of foreign nameplates.

review of operations

Combined with low inflation, or even deflation in the price of our products during the past three years and the impact of gasoline price fluctuations on consumers' habits, these challenges prompted us to regularly reassess our strategies and management practices. They also led us to modernize our infrastructures in order to ensure the stability and growth of our network, develop new market niches and maximize our efficiency, profitability and the value offered to our merchant members.

Increasing the loyalty of our existing merchants and recruiting new ones is one of our key priorities. To be recognized as the best business partner for independent jobbers, Automotive Group Canada must be an efficient and proactive distributor, in addition to being a competent marketing organization. We are committed to supporting our members' competitiveness, growth and profitability by offering them the right products at the right time and at the best possible price, along with a high-performance and differentiating line of services and management tools. In addition, we aim to solidify the links within our distribution chain so that members can rely on the strength of a powerful and increasingly integrated network.

Accordingly, a number of initiatives have been taken in recent years to reinforce our member network and foster its organic growth. Our initiatives have focused primarily on improving our product offering and procurement strategies, restructuring and modernizing our distribution services, integrating advanced information, communications and management technologies and developing our succession and partnership programs for merchants, as well as the loyalty and training programs offered to their own customers, the installers.

Above all, our merchants must be able to serve their installer customers with a **complete selection of products adapted to new trends in demand**, including replacement parts for North American, Asian and European nameplates, economical (or value-line) parts, as well as national brand products that compare in quality with original equipment (OE) parts. We are placing a particular emphasis on developing our procurement and marketing strategies in the category of replacement parts for **foreign nameplates**, as this market segment continues to grow: from around 20% in 1985, it is estimated that approximately 37% of the registered fleet in North America will be foreign nameplates by 2010.

Therefore, we intend to increase our presence in this segment as well as in **value-line parts for all vehicle applications**, by strengthening our business relations with existing suppliers, expanding our international procurement sources and seeking out opportunities for acquisitions or strategic alliances with companies established in the import of products. In 2006, we also implemented a new marketing strategy based on two programs: Pro Import®, which provides national brand parts for foreign nameplates of a quality equal or superior to OE parts, and Uni-Select's private brand Auto Extra® offering good-quality, value-line parts.

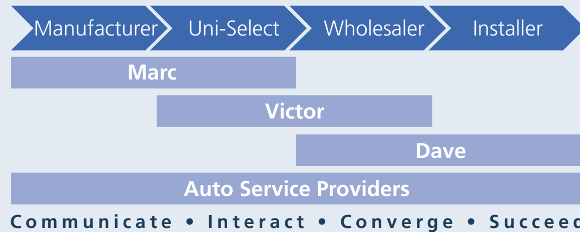
The year 2006 also saw a number of promising developments in the **paint and bodyshop product category**, including greater diversification of our procurement sources, and the December 2006 acquisition of Plastique Royal in Laval, Quebec. This specialized distributor offers paint and bodyshop products that complement our own selection, serves a different type of customer and uses other distribution channels. Consequently, its acquisition will enable Uni-Select to develop a new market niche and at the same time, increase its product offering to merchant members in the automotive sector. Our objectives for Plastique Royal, which continues to be managed as a distinct profit centre, are to improve its business model and expand its reach throughout Canada. Starting in 2007, we also plan to intensify the Canada-wide implementation of our ProColor® and ProColor Prestige® banners, which are well established among body and paint shops in Quebec. Furthermore, we will continue to develop the national scope of our Cooling Depot® banner for automotive **air-conditioning and cooling systems. Tools and specialized equipment** represent another market segment we plan to develop more intensely in the future, notably by working with Uni-Select's Heavy Duty Group.

Michel Charbonneau, V.P., PBE Market Development
Robert Beauchamp, V.P., Marketing
Michèle Raymond, V.P., Strategic Planning and Market Development
Gary O'Connor, Executive V.P., Automotive Group Canada
Sylvette Arseneau, Controller, Automotive Group Canada
Gilles Michaud, V.P., Product Management and Market Development

The **restructuring of our distribution services and modernization of our technological platform** continue. A few years ago, we undertook to equip our distribution centres with the paperless **Warehouse Management System (WMS)**, an efficient means to improve the accuracy and quality of inventory management and distribution activities. This technology was first implemented in our Quebec City warehouse, then in our Boucherville main distribution centre where it was fine-tuned last year, and is now fully operational. In 2005, we also started to roll out our **new distribution concept** according to which the Boucherville facility, as the main distribution centre for Quebec, would offer merchants daily replenishment of parts and accessories to help them maintain their inventory levels and the Quebec City facility, which was converted into a satellite pickup warehouse, would supply merchants with critical and slower-moving parts. In 2005, this transition was carried out concurrently with a major modernization and the partial out-sourcing of our central technology platform, which caused a temporary disruption in service at the Boucherville centre. In 2006, however, not only was this situation corrected, but a **record level of service** was achieved for the Quebec Division as a whole in terms of product availability. During the last fiscal year, a second facility, located in Montreal, was converted into a pickup warehouse coupled with a corporate store.

We are proud of the significant gains achieved in Quebec, both in terms of merchant satisfaction and reduction in our asset base and operating costs, as a result of the investment program carried out over the past few years, mainly with respect to our new distribution concept and warehouse management system. In late 2006, the WMS technology was efficiently implemented at the main distribution centre in Edmonton, and it will be introduced this year in the Burnaby, British Columbia, facility. We are also rolling out our distribution concept in the Ontario market, which will soon be served by a main distribution centre in Toronto and a pickup warehouse in London.

At the technological level, we are also expanding the connectivity links within our network through our ***cybercommunity***. Our goal is to provide our members with more efficient and differentiating services, while fostering free-flowing communication of strategic information among the various links of the distribution chain. Launched in 2004, the **VICTOR** portal, which electronically links Uni-Select to its merchants, is now used by 372 eligible merchants operating 815 stores. About 80% of our line items in Canada is now traded electronically. This is a valuable vehicle for lowering our costs, improving our service to members and facilitating the management of their business. In 2006, we set up a second portal, **DAVE**, linking merchant members to their installer customers, which will be fine-tuned in 2007. Lastly, we are preparing to launch a third portal, **MARC**, to allow the transfer of strategic information between Uni-Select and its manufacturers.



To foster our members' loyalty and promote their organic growth, we must also aim to improve the loyalty and growth of their own customers: the installers. That is why we are developing and implementing various incentive programs to increase the volume of installers' purchases from Uni-Select members. Introduced in 2005, our **SAX program**, for instance, has met with great success so far by offering installers a series of advantages such as extended warranties, promotions, technical support and rewards based on the volume of their purchases. In addition, Uni-Select is a leader in its industry for the **technical training programs** offered to installers. In 2006, 1,908 people, mostly installers and their employees, attended technical and administrative training sessions in our state-of-the-art training centre in Quebec and recently, we mandated a specialized firm from Western Canada to develop similar technical training programs for Uni-Select's network outside Quebec.

As the consolidation in our industry continues and many merchants, both within and outside the Uni-Select family, are thinking of retiring, our **succession and partnership programs** are becoming increasingly important. We offer professional succession planning services to help merchants approaching retirement achieve their objectives, while ensuring that their business remains in the Uni-Select family. We also provide consulting and financing services to help merchants who want to expand acquire competing businesses or stores put up for sale within the Uni-Select network. In recent years, we significantly improved our succession and partnership programs, which were decentralized on a geographical basis. Specialized training was also provided to regional managers and executives who are better prepared today to identify and quickly respond to opportunities arising in their market. In the past two years, this approach has helped us preserve our member base and led to the conclusion of a number of acquisitions within the network.

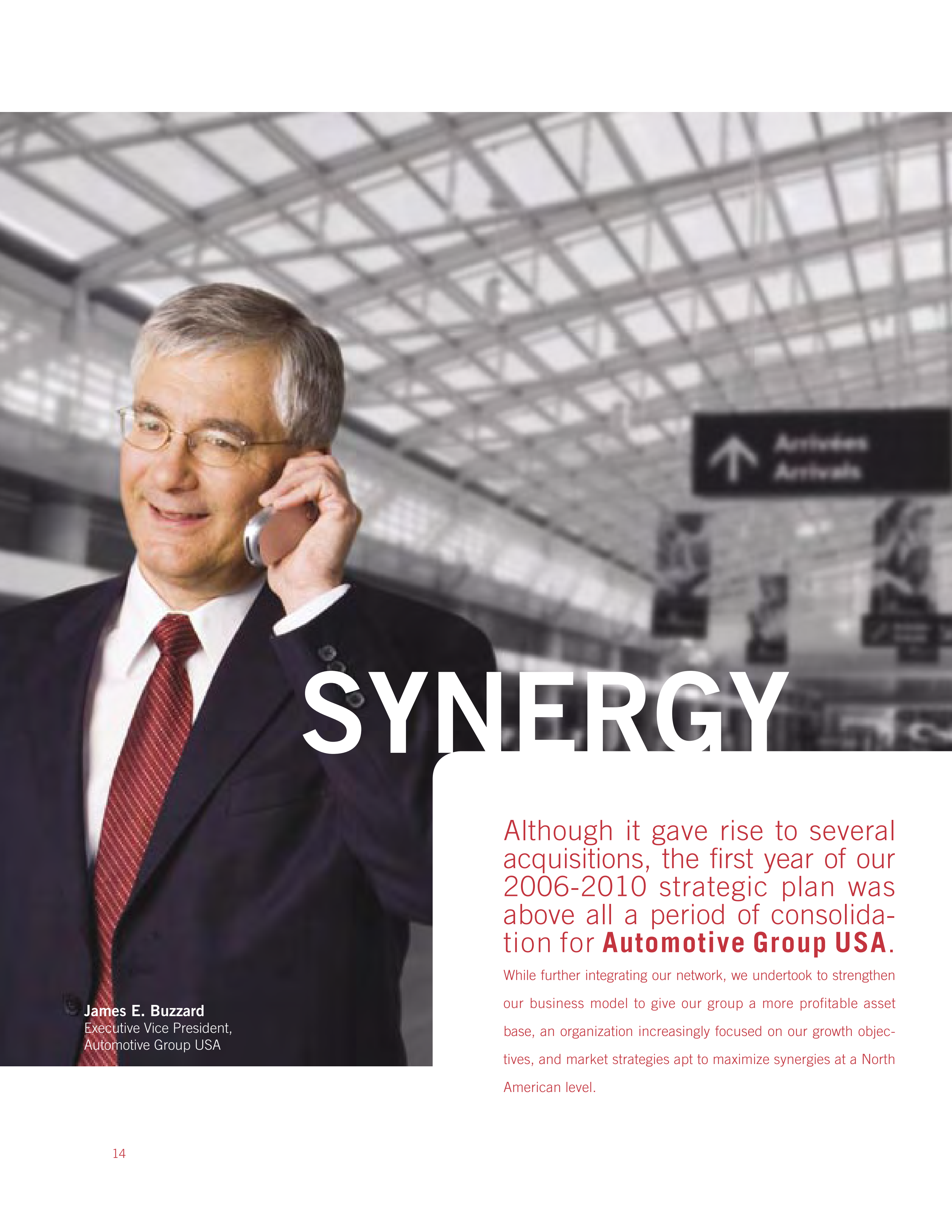
For example, in 2006, Uni-Select acquired a 50% interest in the business of one of its Western Canadian merchants who wanted to retire, whereas certain employees acquired the other 50%. This transaction is a good illustration of the partnership and value-creation links that Uni-Select fosters within its network, as all parties were able to achieve their objectives. For defensive or strategic reasons, we also occasionally acquire merchant stores that we manage as **corporate stores**. Automotive Group Canada currently operates 16 such stores, essentially in large metropolitan regions of Montreal and Toronto. In 2006, for instance, we acquired Albatross Automotive Limited, a jobber operating three stores in Toronto. We plan to install specialized computer systems in all corporate stores during 2007, and further strengthen their operations by the appointment of experienced managers. Although Uni-Select's core mission is that of a distributor dedicated to independent merchants, operating a number of corporate stores in markets not served by our members brings several advantages, such as protecting the network stability, better understanding the needs of our merchants and allowing us to test new marketing and technical initiatives.

Development of national accounts is a particularly important component of our organic growth strategy. We currently serve a number of large accounts, including the network of MIDAS franchisees. In 2005, significant adjustments had to be made to our agreement with MIDAS following its decision to stop manufacturing mufflers and exhaust system components. To continue to serve the MIDAS network, we developed a new line of private-label products with a manufacturer, the distribution of which was undertaken in late 2005. While this transition exerted some pressure on our revenues in fiscal 2005 and 2006, it has been successfully completed and we expect it will generate positive results as of 2007.

Sean Corcelli, Uni-Select Prairies Inc.
Brendan O'Brien, Ontario Division
Mike McQuinn, Atlantic Division
Carol Chartrand, Quebec Division
Terry Pollock, Uni-Select Pacific Inc.

Lastly, seeking out opportunities for **mergers, acquisitions, strategic alliances, affiliations or partnerships (MAAAPs)** remains a key component of Automotive Group Canada's growth strategy. In this regard, the most significant event of 2006 was the exercise of our option to acquire our partner's interest in the joint venture USI-AGI Prairies Inc. created in 2002. After it became a wholly-owned subsidiary of Uni-Select, its corporate name was changed to **Uni-Select Prairies Inc.** This transaction had little impact on sales since we were already in charge of supplying the joint venture. However, it did make a substantial contribution to our operating profit and positions us even more favourably in the very dynamic Prairies market. Potential MAAAPs are currently under study that we hope to carry out in 2007.

Automotive Group Canada undertakes the execution of its **new strategic plan for 2007-2011** with a solid management team and great confidence. Our market outlook is generally favourable, as demand is expected to grow by close to 3% annually until 2010. In addition, we anticipate a slight price inflation for our products in 2007 due to the recent stabilization of the Canadian dollar against the U.S. dollar. We are well positioned to benefit from these favourable market trends given our presence in all major regions of Canada, the scope of our product offering and our proven capacity to adapt efficiently to changes in our industry. In 2007, we will pursue our expansion through **MAAAPs** and finish integrating the acquisitions we made in 2006 in order to maximize their synergies. We will also strive to stimulate our **organic growth** by fostering our network's loyalty and growth, enhancing the efficiency of our product management and distribution activities, modernizing our installer banners and developing targeted market niches which are complementary to our traditional market. Lastly, new initiatives will be taken to promote **greater uniformity and improved connectivity among the information systems** used within our network, in order to take further advantage of the strength of our positioning and of growth opportunities in our market, particularly with respect to large national accounts.



SYNERGY

James E. Buzzard
Executive Vice President,
Automotive Group USA

Although it gave rise to several acquisitions, the first year of our 2006-2010 strategic plan was above all a period of consolidation for **Automotive Group USA**.

While further integrating our network, we undertook to strengthen our business model to give our group a more profitable asset base, an organization increasingly focused on our growth objectives, and market strategies apt to maximize synergies at a North American level.

review of operations

In 2006, Automotive Group USA continued its role as a consolidator in the light vehicle aftermarket industry in the United States. Besides the ongoing integration of MAWDI and that of the eight companies acquired in 2005, we completed **12 new acquisitions in 2006**. The year's largest transactions were the acquisition of two distribution networks for motor vehicle parts, tools and accessories: Auto Craft Automotive Products (Pennsylvania) in May 2006, and Tier Parts Warehouse (New York State) in December 2006, who was a member of the Automotive Distribution Network (ADN) that Uni-Select contributed to set up in 2005. Besides 97 new merchant members, these two acquisitions combined added two distribution centres, five satellite warehouses and 23 corporate stores to our network in northeastern United States. The integration of these companies, whose customers and business models are similar to ours, will be completed by mid-2007. We also made ten smaller acquisitions in 2006, mainly regional wholesalers who added another 12 corporate stores to our network in Texas, Georgia, New York State and Indiana.

Last year's acquisitions should provide Automotive Group USA with **additional sales of $US66 M** on an annualized basis. In addition, we opened eight new corporate stores, mostly in the southern United States. Consequently, at the close of fiscal 2006, Automotive Group USA had a total of **41 distribution centres** and warehouses, and **207 corporate stores** compared with 159 a year earlier.

Fiscal 2006 marked the second phase of the **integration of MAWDI**, consistent with the three-year plan implemented in late 2004 following this major acquisition. During the last fiscal year, we realized additional purchasing synergies by completing the integration of **product lines common** to MAWDI and Uni-Select USA Inc., most of which had been achieved during the previous year. Several **non-common product lines** were also harmonized. Furthermore, by the end of December 2006, the integration of **information systems supporting operations** was almost complete, with the exception of the distribution centre in Mason City and the Central Division's network of corporate stores, which was finalized in the first quarter of 2007. Lastly, we have almost completed the integration of **human resources, management, and accounting systems**. For the current year, our integration efforts will focus primarily on the logistical aspect of distribution activities, non-common product lines and the ongoing harmonization of American and Canadian programs.

In this regard, led by an executive committee comprised of officers from Automotive Group USA, Automotive Group Canada and Uni-Select's Head Office, we have begun to **harmonize our branding, marketing and product management strategies** with those of Automotive Group Canada, while respecting the particularities of our local markets. One of the first initiatives was to implement Uni-Select's corporate image throughout our network in order to establish a strong **national identity** in our markets and to foster, within our organization, a sense of belonging to a major North American group. In fact, implementing Uni-Select's entrepreneurial culture and corporate values among our managers and employees is one of the main objectives of Automotive Group USA's strategic plan.

We have also begun to **broaden the selection of products** made available to our merchant members in the United States by integrating into our distribution centres and markets some of the product lines sold by Automotive Group Canada, mainly in the growth categories of **replacement parts for foreign nameplates** and **value-line products**. In addition to our offering of various national-brand replacement parts, we have introduced value-line products designed for Asian and European nameplates as well as applications for domestic nameplates, marketed under Uni-Select's Auto Extra® private label. Significant efforts have also been invested to match our **marketing programs** with those in Canada in order to create additional synergies. Already serving more than 120 merchants in Canada, the Auto Plus® banner was introduced in the United States where it is now offered to jobbers as an alternative to our Parts Plus® banner. This dual-banner strategy, which has proven very successful in Canada, will provide our merchants with stronger differentiation in their respective territory and also enable us to better structure and differentiate our marketing programs for installers gathered under our CarCareCenter and ASP banners.

Consistent with our strategic plan, we are working to improve other significant aspects of our business model in order to foster organic growth and increase profit margins and return on assets. One of our main objectives is to **increase customer loyalty**. Therefore, in addition to broadening our product lines in response to the changing needs of our merchants and enhancing our marketing programs, we are developing our range of value-added services, including the continuous improvement of our **e-commerce platform**. This highly efficient, user-friendly and advanced connectivity tool enables the exchange of information and transactions between our distribution centres, merchants and installers. Moreover, we have expanded our team in the field and better structured our efforts to **recruit new merchants and support the expansion of existing merchants**, two key components of our growth strategy.

In early 2006, we implemented an **elaborate benchmarking system** for our 207 corporate stores. Based on the best practices of our most successful stores, this system allows us to identify management areas that need to be improved and quickly implement the appropriate corrective measures. Our benchmarking process has already produced significant results in 2006, mostly in the Northeast Division where more than 70% of the 118 corporate stores have increased their profitability and return on assets thanks to improved inventory management. As part of the process, ten non-profitable stores offering limited turn-around potential were also closed in 2006, mostly in the Northeast Division. During 2007, we will continue to improve the performance of our corporate stores and implement a similar benchmarking process in our 41 distribution centres and satellite warehouses.

We are confident that the numerous measures implemented in 2006 will contribute to the improvement of the organic performance of Automotive Group USA in 2007, notably in regards to customer retention, the recruiting of new merchants, profitability and return on assets. Our **Northeast Division**, where most of last year's acquisitions were made and where further expansion projects are being studied, is currently experiencing a solid performance and is expected to significantly increase its contribution to the group's results in 2007.

Daniel Buzzard, V.P., Southeast Division
John Rutland, V.P., Corporate Development, USA
John Evanoka, V.P., Northeast Division
Carman Capriotto, Senior Manager, Northeast Group
Richard Buzzard, V.P., Southwest Division

For its part, the **Northwest Division** has posted steady improvement in its performance over the past quarters. Our **other divisions** increased their sales during the last fiscal year, mainly through small acquisitions and the opening of new corporate stores. In addition to pursuing opportunities for expansion through acquisitions, they aim to restore organic growth in 2007 and to continue improving their profitability and the management of their corporate stores.

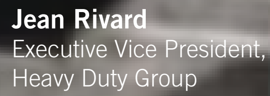
Our industry can look forward to several more years of growth, as the number of vehicles on the road, mileage and average age of the fleet continue to rise. Automotive Group USA is well positioned to benefit from these favourable trends, particularly in view of its extensive geographical presence, which includes 16 of the 25 most populated centres in the United States and covers approximately 70% of the total fleet of registered vehicles in the country. Our diversified expertise in distribution and the management of corporate stores is another asset on which we intend to capitalize to continue our development through acquisitions and organic growth.

The primary objective of our **2006-2010 strategic plan** is to accelerate our growth, including through the completion of significant **MAAAPs**. The companies we are targeting are those that will either reinforce our positioning in our existing territories and product categories or enable us to establish a presence in new territories and broaden our offering in growing product categories. Our action plan for the next fiscal year also includes the final **integration of MAWDI** in order to achieve most of the synergies by the end of 2007, and that of our 2006 acquisitions. We are currently working to improve our processes to shorten the delays to integrate our future business acquisitions.

We will intensify our **organic sales growth** and raise our **profit margins** and return on assets by continuously improving our business model and further synchronizing our strategies with those of Automotive Group Canada. Therefore, in addition to MAAAPs, our objectives for 2007 are the following: recruit new independent merchants, strengthen merchant succession and partnership programs, broaden our product offering (especially parts for foreign nameplates, value-line products, tools and equipment), open other corporate stores in urban areas and improve their performance by means of our benchmarking system, develop national accounts such as fleet owners, and improve control mechanisms.

Special emphasis will be placed on **reinforcing Uni-Select's brand image and corporate culture** in our group: a dynamic culture that encourages the development of our employees' potential and our capacity, as an organization, to quickly seize and optimize growth opportunities.

Brent Windom, V.P., Marketing
James E. Buzzard, Executive V.P.
Ruth McManus, Director, Human Resources
Scott Terhaar, Group Controller
Robert Buzzard, V.P., Administration



Heavy Duty Group underwent significant changes in fiscal 2006,

including the partial renewal of its management team and the beginning of a complete re-engineering of its business processes that should enable it to restore its profitability and sales growth in 2007.

RENEWAL

review of operations

In 2006, two series of events negatively impacted the financial performance of Heavy Duty Group's core entity, **Palmar Inc.** On the one hand, many of our customers suffered from **a difficult economic situation** due to the strength of the Canadian dollar and the rise in fuel prices. Decreasing exports to the United States resulting from an unfavourable exchange rate, among others, strongly affected the transportation industry in the second half of the year, considerably reducing truck fleet utilization. On the other hand, our performance was affected by a **massive return of wheels** in early 2006, as a major customer had built excess inventory in late 2005. Our operations in the wheel segment were also penalized by the fact that a large number of multi-application wheels imported from Asia proved to be incompatible with certain models of vehicles. These factors caused a significant shortfall in sales in 2006, in addition to increasing our operating costs. However, it should be noted that the returned wheels, and the multi-application products that fit many other vehicle models, are expected to be sold in 2007. In addition, last year's events have prompted us to adopt a certain number of **corrective measures**, including hiring a new manager for this product category, improving our purchasing strategies and implementing more rigourous product testing and validation procedures.

During fiscal 2006, Heavy Duty Group nonetheless achieved significant **progress in several areas**, especially in the tools category. Sales of these value-added products offering attractive profit margins exceeded expectations, thanks to the launch of an aggressive marketing program in late 2005, backed with efficient training activities for representatives. Working with our supplier-partners, we also improved the training of sales representatives in Heavy Duty Group's traditional product category.

In addition, Heavy Duty Group has started to benefit from the **network upgrading program** undertaken in 2005, especially in Montreal where three former warehouses were merged and relocated to a more functional facility, which had positive effects on productivity. The modernization program for its stores continued in 2006.

We began fiscal 2007 with a **comprehensive engineering and optimization program** targeting every aspect of our operation. Our goal is to return to profitability in 2007, primarily through enhanced procurement strategies and purchasing management, lower inventories and reduced operating expenses. We also aim to restore organic sales growth in each of our product categories.

To **increase profitability**, we will review our price structure, further diversify our international procurement sources and improve product quality controls. In addition, we are currently evaluating the positioning, management and general performance of our 22 corporate stores in Quebec, the Maritimes and Ontario and our Edmonton center, with a view to optimizing the business model of under-performing units and reduce operating costs throughout the network without compromising the quality of customer service.

We are implementing several initiatives to **stimulate sales growth**, including rolling out a sales program for heavy-duty parts, wheels and tools designed specifically to meet merchants' needs in **Uni-Select's automotive sector**. We also aim to increase wheel sales in each territory, including the dynamic Western Canadian market, increase our market penetration in the tools product category in all our markets and integrate other value-added product lines with high profit margins.

Lastly, we are considering the possibility of strengthening our presence in certain key markets including Montreal, Toronto and Western Canada by seeking opportunities for MAAAPs.

2006 management report

(Discussion and Analysis of Operating Results and Financial Position for the Year Ended December 31, 2006)

DESCRIPTION OF BUSINESS

Founded in 1968, Uni-Select Inc. ("Uni-Select" or the "Company") is the second largest distributor of automotive replacement parts and accessories in Canada, and the eighth largest in the United States. Uni-Select's business is segmented into three distinct reportable sectors:

- **Automotive Group Canada**, comprised of various subsidiaries, joint ventures and divisions, specializes in the distribution of automotive replacement parts, tools and accessories across Canada. Its customer base consists primarily of 548 independent jobbers serving mechanics and body shops, as well as large national chains of installers. Through its 13 distribution centres located in all of Canada's major regions, Automotive Group Canada manages some 350,000 different products, mainly national brands, which it sources from a pool of North American and international manufacturers. Besides distribution services, the group provides merchant members with a broad selection of services on a menu basis, including several differentiating marketing programs under distinctive banners, training activities, IT management tools, financing and various programs aimed at supporting its customers' operations and expansion. Automotive Group Canada also operates 16 corporate stores in urban areas.

- **Automotive Group USA**, of which Uni-Select USA, Inc. is a subsidiary owned 85.9% by the Company, conducts similar operations in the United States. This group, which made a major acquisition toward the end of 2004, currently operates 41 distribution centres and 207 corporate stores in 22 different states. This network provides it with coverage of approximately 70% of the U.S. registered vehicle fleet. Automotive Group USA serves some 1,485 independent merchants to whom it offers a large selection of products and services.

- **Heavy Duty Group**, of which Uni-Select's wholly-owned subsidiary Palmar Inc. is a part of, is involved in the distribution and sale of replacement parts and accessories for heavy duty trucks, trailers and buses, as well as specialty tools and wheels for all types of vehicles. It operates two distribution centres, one in Quebec and the other in Alberta, along with 22 corporate stores in Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Ontario.

During the year ended December 31, 2006, Uni-Select's three sectors respectively accounted for 43.6%, 50.5% and 5.9% of consolidated sales.

The Canadian automotive replacement parts distribution industry has experienced a significant consolidation over the past 20 years, at both the distributor and wholesaler levels. Uni-Select has played a key role in this movement by making 58 acquisitions and strategic alliances in Canada and the United States, while also implementing financing programs to support its merchant members in their expansion-by-acquisition projects. While currently more fragmented than the Canadian industry, the U.S. industry has also undertaken a consolidation movement in recent years, to which Uni-Select has participated by acquiring several small and medium-sized distributors since 1998, and a large-scale distributor in 2004 *(see "Major Events of the Past Three Years" section of this Management Report)*.

Although some differences exist between the structure and evolution of the Canadian and U.S. automotive replacement parts industry, the major supply and demand trends are basically the same on both sides of the border. This similarity enables Uni-Select to implement joint strategies and programs for its Automotive Group Canada and its Automotive Group USA, in order to maximize the synergies provided by its size and growing purchasing power in North America.

The Canadian and U.S. automotive replacement parts and accessories distribution industry is subject to certain risk factors of circumstantial, competitive and other nature, which are described in the *"Risk Management"* section of this Management Report.

PRELIMINARY COMMENTS TO MANAGEMENT REPORT

Basis of Presentation

This Management Report discusses the Company's operating results and cash flows for the years ended December 31, 2006 and 2005, as well as its financial position at those dates. It should be read in conjunction with the consolidated financial statements and accompanying notes included in the Annual Report. For further information, some supplementary documents, including those prepared for the May 10, 2007 Annual and Special Meeting of Shareholders, the Annual Information Form, Management Information Circular, previous annual reports, interim reports and press releases, are available on SEDAR's website (www.sedar.com).

The financial statements contained in this Annual Report have been audited by the Company's auditors.

In this Management Report, "Uni-Select" or the "Company" designates, as the case may be, Uni-Select Inc. and its subsidiaries, divisions and joint ventures, or Uni-Select Inc. or one of its subsidiaries, divisions or joint ventures. The terms "year" and "fiscal year" refer to the 12-month financial period ended December 31 of the year designated by the context. Unless otherwise indicated, all financial amounts appearing in this Management Report, including tabular amounts, are expressed in Canadian currency, and all comparisons are made with the previous year. In the Management Report and tables, the symbol "$M" means "million(s) of dollars".

The information contained in this Management Report takes into account any major events that occurred prior to March 16, 2007, on which date the financial statements and Management Report were approved by the Company's Board of Directors. It presents the Company's status and business context as they were, to management's best knowledge, at the time these lines were written.

Compliance with Canadian Generally Accepted Accounting Principles

Unless otherwise indicated, the financial information presented in this Management Report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in this report also includes some figures that are not performance measures consistent with Canadian GAAP.

For instance, the Company uses the "organic growth" measure, which consists in quantifying the increase in consolidated and segmented sales between two given periods, excluding the impact of acquisitions, strategic alliances and exchange rate fluctuations and, if applicable, the different number of billing days between the periods. Uni-Select uses this measure because it enables the Company to judge the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. The determination of the organic growth rate, which is based on reasonable findings according to management, could differ from actual organic growth rates. This measure may also not correspond to similarly titled measures used by other companies.

Uni-Select also uses "EBITDA", which represents operating income before depreciation, amortization, interest, loss on disposal of property, plant and equipment, income taxes and non-controlling interest, because this measure is a widely accepted financial indicator of a company's ability to service and incur debt. It should not be considered by an investor as an alternative to operating income or net earnings, as an indicator of operating performance or cash flows, nor as a measure of liquidity. As EBITDA is not a measurement defined by Canadian GAAP, it may not be comparable to the EBITDA of other companies. In the Company's statement of earnings, EBITDA corresponds to *"Earnings before the following items"*. The EBITDA margin corresponds to the percentage of EBITDA divided by sales.

Furthermore, to measure the return on its assets, the Company uses the "return on average net assets" measure. This measure consists of earnings before interest, less related taxes, divided by average net assets at the end of the year, which corresponds to total assets less non-interest-bearing debt such as accounts payable, dividends payable, future income taxes and deferred government subsidies.

Finally, the Company uses "total net indebtedness", which consists of long-term debt and merchant members' deposits in a guarantee fund (including current portions), net of cash and cash equivalents and temporary investments. It also uses the total net debt to total invested capital ratio, which corresponds to the percentage of total net debt divided by the sum of total net debt and shareholders' equity. These measurements are not defined by Canadian GAAP and may therefore not be comparable to similarly titled measures used by other companies. They are used by Uni-Select because they are widely accepted indicators of a company's short and long-term financial health.

Forward-Looking Statement

The Management Report is designed to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with Uni-Select's operations and financial position. Certain sections of this Management Report and other sections of the 2006 Annual Report contain forward-looking statements within the meaning of securities legislation concerning the Company's objectives, projections, estimates, expectations or forecasts. These forward-looking statements are subject to a number of risks and uncertainties, such that actual results could differ materially from those indicated or underlying these forward-looking statements. The major factors that may lead to a material difference between the Company's actual results and the projections or expectations expressed in these forward-looking statements are described in the *"Risk Management"* section of this Management Report. Besides these major factors, the Company's results are dependent on the competition, consumers' purchasing habits, car population trends, general economic conditions and the Company's financing capabilities.

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

Effectiveness of Disclosure Procedures and Controls and of Internal Controls in Regard to Financial Reporting

Uni-Select has established and maintains disclosure procedures and controls in order to provide reasonable assurance that material information related to the Company and its consolidated subsidiaries is passed on to management, that the financial information is reliable and that the financial statements for the disclosure of financial information are prepared in accordance with Canadian GAAP. Management assessed the disclosure procedures and controls at the end of 2006 and concluded that they are effective and, to the best of its knowledge, the financial statements and the other information appearing in the annual documents provide, in all material regards, an accurate picture of the Company's financial position, financial results and cash flows for the reporting period.

Management is also responsible for designing internal controls in regard to financial reporting within the Company in order to provide reasonable assurance as to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management assessed the design of internal controls and procedures in regard to financial reporting at the end of 2006 and concluded that they provide such degree of reasonable assurance.

Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires the Company's management to make estimates and assumptions which affect the amounts reported in the financial statements and accompanying notes. Such estimates are based on management's best knowledge of current events and actions that the Company might take in the future. Actual results could differ from such estimates. The main estimates are described below.

Goodwill:

Goodwill is not amortized but tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. The Company compares the reporting unit's carrying value to its market value determined through a discounted cash flow analysis. In preparing discounted cash flows, Management uses its judgment in estimating future profitability, growth, capital spending and discount rate. As management uses its judgment to estimate the market value of the reporting units, changes to those estimates could modify the value of goodwill presented. If the carrying value of the reporting unit exceeds the market value, the Company would then evaluate the impairment loss by comparing the fair value of the goodwill to its carrying amount. Based on the impairment tests performed as at December 31, 2006, the Company concluded that no additional goodwill impairment charge was required. In the event that actual results differ from the assumptions and estimates used, an impairment could be necessary.

Allowance for Surplus or Obsolete Inventories:

Inventories are valued at the lower of net realizable value or cost calculated using the first in, first out method. The Company records an allowance for obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventories to their net realizable value, is then entered as a reduction of inventories in the consolidated balance sheet. Management must make estimates and judgments when establishing such allowances. In the event that actual market conditions are less favourable than the Company's assumptions, additional allowances could prove necessary.

Income Taxes:

The Company uses its best judgment in determining its effective tax rate. There are many factors in the normal course of business that affect the effective tax rate, since the ultimate tax outcome of some transactions and calculations is uncertain. The Company could, at any time, be subject to an audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the most probable outcome of known tax contingencies, although the final results are difficult to predict. If the outcome of a tax audit were to result in a different treatment than the one used by management, the reserve may have to be adjusted.

Volume Discounts:

Uni-Select negotiates purchasing agreements with suppliers that provide for the payment of volume discounts. Moreover, the purchasing agreements between Uni-Select and its Canadian merchants as well as some of its U.S. merchants provide for the payment of discounts based on those merchants' purchasing volume. Purchasing agreements with suppliers are periodically reviewed and discount levels are adjusted on the basis of prevailing market conditions. The Company also periodically adjusts the discounts granted to merchants on the basis of market conditions for the targeted products. Uni-Select records merchant discounts as a reduction of revenues. The discounts earned from suppliers are recorded as a reduction of cost of sales. The net discount applicable to a targeted product is deducted from the year-end inventory valuation. The impact from one year to another of the net fluctuations in discounts, both those granted to merchants and those earned from suppliers, is considered immaterial.

Changes in Accounting Policies

Since the publication of the 2005 Annual Report, the following change has been made in the Company's accounting policies. At the beginning of 2006, the Company adopted EIC-156 of the CICA Handbook, "Accounting by a Vendor for Consideration to a Customer (Including a Reseller of the Vendor's Product)", which provides guidance on circumstances under which the consideration must be contemplated, either as an adjustment in selling prices for products or services, or as a cost incurred by the vendor to sell its products. EIC-156 was applied retroactively with restatement of prior years. Cash discounts given to customers previously presented as a reduction of earnings before interest, depreciation, amortization, loss on disposal of property, plant and equipment, income taxes and non-controlling interest, are now presented as a reduction of sales. As a result of the application of EIC-156, sales were reduced by $13.5 M for the year ended December 31, 2006 ($13.3 M in 2005).

New Accounting Standards in Effect in 2007

In 2005, the Canadian Institute of Chartered Accountants (CICA) released three new CICA Handbook Sections: Section 3855 titled "Financial Instruments – Recognition and Measurement", Section 3865 titled "Hedges", and Section 1530 titled "Comprehensive Income". These new sections came into effect for all interim and annual financial statements for years beginning on or after October 1, 2006. They provide a series of instructions on the recognition and measurement of financial instruments as well as standards on when and how hedge accounting may be applied.

Section 1530 requires companies to disclose comprehensive income. In addition to net earnings, comprehensive income consists primarily of unrealized gains and losses that do not appear in the traditional earnings statement and are directly recorded in shareholders' equity. Other components of comprehensive income include unrealized gains and losses related to the translation of foreign currency financial statements, certain deferred gains and losses arising from hedging transactions, and unrealized gains and losses on certain holdings in investment securities.

The Company is currently assessing the impact of these recommendations and will implement them prospectively in the first quarter of 2007.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Years ended December 31 [(1)]

	2006	2005	2004
	$	$	$
Sales			
• Automotive Group Canada	489,573	497,620	498,025
• Automotive Group USA	567,402	568,356	206,109
• Heavy Duty Group	66,928	73,980	75,188
Total	**1,123,903**	1,139,956	779,322
EBITDA			
• Automotive Group Canada	47,078	37,245	38,187
• Automotive Group USA	36,779	35,762	9,028
• Heavy Duty Group	(1,963)	1,224	3,691
Total	**81,894**	74,231	50,906
Net earnings	**42,264**	39,061	30,935
• basic per common share	**2.15**	2.00	1.67
• diluted per common share	**2.14**	1.99	1.65
Cash dividends paid on common shares	**7,473**	6,114	6,181
• per common share	**0.38**	0.31	0.34 [(2)]
Weighted average number of common shares outstanding	**19,674,768**	19,516,512	18,539,196
Weighted average number of diluted common shares outstanding	**19,735,667**	19,658,327	18,729,762

Balance Sheet Data (as at December 31)

	2006	2005	2004
	$	$	$
Total assets	**572,535**	494,024	482,450
Shareholders' equity	**291,933**	255,617	223,866
Long-term financial liabilities [(3)]	**71,618**	72,056	71,159

(1) Certain figures for 2005 and 2004 have been reclassified in accordance with the application of EIC-156 in 2006.
(2) Includes a special dividend of $0.05 per share.
(3) Consists of long-term debt and merchant members' deposits in guarantee fund (including current portions).

MAJOR EVENTS OF THE PAST THREE YEARS

Most of the variations in the Company's earnings statement and balance sheet items between 2004, 2005 and 2006 reflect its ongoing strategy of expansion through acquisitions and strategic alliances, as well as the impact of fluctuations in the Canadian dollar in relation to the U.S. currency.

Fiscal 2004

On November 1, 2004, Uni-Select completed the largest acquisition in its recent history by purchasing all of the common shares of Middle Atlantic Warehouse Distributor, Inc. ("MAWDI"), a large automotive replacement parts and accessories distributor operating in 18 U.S. states and achieving annual sales in the range of US$350 M (approximately CDN$430 M at the effective exchange rate at the acquisition date). The $113 M transaction was financed partly in cash, partly by a share issue and partly by the Company's credit facility. MAWDI contributed to consolidated results for the last two months of 2004.

In 2004, Uni-Select also acquired two distributors in Canada: one in the Calgary, Alberta area which was integrated into Automotive Group Canada, and the other in the Montreal, Quebec region whose operations were later integrated into Automotive Group Canada.

Fiscal 2005

The addition of MAWDI, which contributed to consolidated results for the entire year in 2005 as opposed to only two months in 2004, as well as its financing costs for most of the variations in earnings, balance sheet items and the weighted average number of outstanding shares between 2004 and 2005. During fiscal 2005, Uni-Select completed the first phase of the integration of MAWDI pursuant to a three-year integration plan.

In addition, Uni-Select made nine smaller-sized acquisitions during 2005, including eight distributors in the United States that strengthened Automotive Group USA's positioning in Washington State, Texas, Oklahoma, Missouri, Minnesota and New England. The acquired distribution operations were integrated with Automotive Group USA's existing distribution centres in these regions, whereas a warehouse and five additional corporate stores were incorporated into its network which included 159 branches as at December 31, 2005. Finally, Automotive Group Canada acquired an Ontario-based distributor in 2005 whose business was converted into a corporate store.

Fiscal 2006

During the last fiscal year, Uni-Select exercised its option to acquire, on May 31, 2006, its partner's 50% interest in the USI-AGI Prairies Inc. joint venture set up in 2002 to pursue and grow Automotive Group Canada's operations in Alberta, Saskatchewan and Manitoba. Although it had a relatively small effect on sales (approximately $10 M on an annualized basis) since Automotive Group Canada was already responsible for supplying the joint venture, this transaction had a material favourable impact on this group's profitability in the last seven months of the year. Now a wholly-owned subsidiary of the Company, this unit changed its name to Uni-Select Prairies Inc.

Uni-Select completed 15 other acquisitions or partnerships in 2006 – three in Canada and 12 in the United States – that should bring an additional contribution of approximately $76 M to the Company's consolidated sales on an annualized basis (at the effective exchange rate between the Canadian and U.S. dollars in effect on December 31, 2006). Automotive Group Canada notably acquired a wholesaler operating three stores in the Toronto-area that were converted into corporate stores, as well as an interest in the business of another Western Canadian jobber. In addition, the Company acquired a Quebec-based distributor specializing in paint and bodyshop products, which enables it to broaden its product mix, customer base and distribution channels.

In the United States, Automotive Group USA made two medium-sized acquisitions, specifically two distributors based in Pennsylvania and New York State that added two distribution centres, five satellite warehouses and 23 corporate stores to its network in the Northeastern United States. The integration of these businesses will be finalized in mid-2007. Automotive Group USA also acquired 12 additional corporate stores in Texas, Georgia, New York State and Indiana. *(For further information regarding the acquisitions of the past two years, the reader is referred to Note 9 to the consolidated financial statements in this Annual Report.)*

Fiscal 2006 marked the second year of the MAWDI three-year integration program, the results of which have been mostly consistent with management's expectations to date. In order to maximize the synergies provided by the size of its network and by its North American positioning, the Company has also undertaken to further harmonize its corporate image as well as the product management and marketing strategies deployed in the automotive markets in Canada and the United States.

Finally, the Company's results over the past two years, and especially in 2006, were adversely affected by the relative strength of the Canadian dollar.

Excluding the impact of the past three years' acquisitions and currency fluctuations, the Company achieved organic growth rates of 1.0% in 2004 and 1.4% in 2005, whereas it sustained an organic sales decrease of approximately 2.4% in 2006, due notably to a slowdown in demand in some of its markets, structural changes in demand, events having a non-recurring impact on demand and the loss of some customers. Conversely, Uni-Select's profitability posted significant and steady growth over the past three years, as a result primarily of MAWDI's contribution, the acquisition of all the outstanding share capital of Uni-Select Prairies Inc. and the investments made in recent years to upgrade and improve Automotive Group Canada's infrastructures and business model. However, other than the unfavourable impact of currency fluctuations, net earnings growth was partially impeded by the weak inflation in the value of replacement parts in 2004, 2005 and 2006, a phenomenon affecting the entire North American industry, and by the difficulties encountered by Heavy Duty Group.

A detailed analysis of the variations in operating results and balance sheet items between 2006 and 2005 is provided in the following sections. A detailed analysis of the variations in operating results and balance sheet items between 2005 and 2004 is provided in the Management Report contained in the 2005 Annual Report, available on SEDAR's website at www.sedar.com.

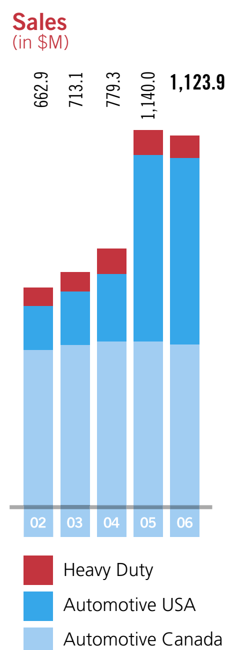
CONSOLIDATED AND SEGMENTED OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2006

Sales

During the year ended December 31, 2006, Uni-Select's consolidated sales totalled $1.124 billion, down by $16.1 M or 1.4% from $1.140 billion in 2005. The appreciation in the Canadian dollar in relation to the U.S. dollar had a negative impact of $37.3 M on 2006 sales, without which they would have posted growth of $21.2 M or 1.9%, attributable to the acquisitions made in 2005 and 2006. Excluding currency fluctuations as well as the contribution of the past two years' acquisitions, Uni-Select recorded a 2.4% organic sales decrease in 2006, which affected all three groups for various reasons. Among them, rising fuel prices changed consumers' habits in terms of mileage driven in both Canada and the United States, leading to a slight slowdown in demand during the summer of 2006. In addition, there is currently a certain shift in demand in the automotive aftermarket in favour of dealers due to the strong sales of new cars in recent years and the increase in vehicles' technological components. This trend is expected to stabilize in the coming years.

The segmented breakdown of sales was as follows:

- **Automotive Group Canada**'s sales declined by $8.0 M or 1.6% to $489.6 M, compared with $497.6 M in 2005. Excluding acquisitions, it registered an organic sales decrease of 3.7%. Besides market conditions, this decrease is largely attributable to a deflation of approximately 0.4% in the price of this group's products due mainly to the strength of the Canadian dollar, as well as to the significant transition effected at the beginning of the year to supply the MIDAS franchisee network with a new line of mufflers and exhaust system components. Furthermore, particularly mild weather conditions in the winter of 2005-2006 and the rather cool summer of 2006 slowed sales of certain product categories, including automotive air-conditioning and cooling systems marketed under the Cooling Depot® banner. Finally, sales of paint and bodyshop products were down from last year due mainly to the fact that some important merchants had built substantial inventories of these products in late 2005. It should be noted that the sales decrease in 2006 was particularly pronounced in Ontario, where a large proportion of MIDAS franchisees are based. Conversely, Automotive Group Canada achieved significant sales growth in the Prairies. The group's operations in the Maritimes, Quebec and British Columbia continued to be affected by the economic slowdown in these regions. Overall, despite the loss of a few customers, Automotive Group Canada posted a good customer retention rate in 2006 and preserved its base of over 1,100 stores served by its distribution centres across Canada.



- **Automotive Group USA**'s sales were relatively stable, amounting to $567.4 M in 2006, versus $568.4 M in 2005. The revenue shortfall of approximately $37.3 M attributable to currency fluctuations almost cancelled out the additional sales of $44.9 M contributed by the businesses acquired in 2005 and 2006. Excluding exchange rate variations and acquisitions, this group posted a 0.7% organic sales decrease. In addition to a weaker demand, this decline is mostly attributable to the closure of ten non-profitable corporate stores whose market positioning offered little potential, and to a major shift in the product strategy of a large customer in Southwestern United States. The year's acquisitions added 97 merchant members and 120 stores (including corporate stores) to this group's network. Its expansion was particularly strong in Northeastern United States where the main acquisitions of 2006 were made.

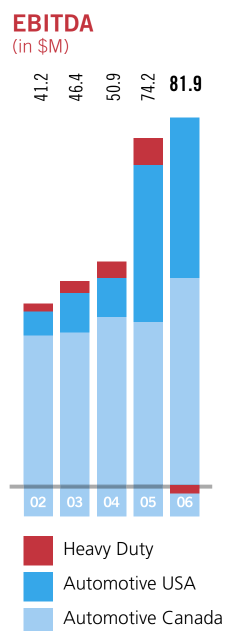
- **Heavy Duty Group** sustained a $7.1 M or 9.5% decline in its sales which amounted to $66.9 M in 2006, compared with $74.0 M in 2005. Part of this decrease can be explained by the transfer to Automotive Group Canada, in September 2006, of certain Montreal-area distribution operations related more to light vehicles than to heavy duty vehicles. Transferred sales amounted to approximately $2.0 M in 2006. Notwithstanding this transfer, Heavy Duty Group posted an organic sales decrease of 6.3% due to two main factors. First, some of its target customers were faced with difficult economic conditions, especially the transportation industry which is being affected by high fuel prices and the reduction in Canadian exports to the United States due to the strong Canadian dollar. Second, this group sustained a massive return of merchandise in the wheel segment at the beginning of 2006 due to overstocking in late 2005 by a large customer, and a problem with product compatibility with certain vehicle brands. These last events should not recur in 2007.

EBITDA

Despite lower sales, Uni-Select's consolidated EBITDA grew by $7.7 M or 10.3% to $81.9 M (7.3% EBITDA margin as a percentage of sales), compared with $74.2 M in 2005 (6.5% margin). Currency fluctuations had a negative impact of $2.6 M on 2006 consolidated EBITDA. Results for the second quarter of 2006 include revenues of $1.6 M relating to an estimate revaluation of certain volume rebates receivable from the prior-year, whereas those for the fourth quarter include an unfavourable non-recurring adjustment of $0.8 M in certain reserves in the United States. Results for 2005 included non-recurring costs of $1.3 M relating primarily to the implementation of Automotive Group Canada's new distribution concept in Quebec and the relocation of Heavy Duty Group's principal warehouse in the Montreal area. Excluding non-recurring items for both 2005 and 2006, Uni-Select's consolidated EBITDA margin would have reached 7.2% in 2006, compared with 6.7% in 2005.

The segmented breakdown of EBITDA was as follows:

- **Automotive Group Canada**'s EBITDA rose by $9.8 M or 26.4% to reach $47.1 M in 2006 (representing a 9.6% EBITDA margin as a percentage of sales), compared with $37.2 M the previous year (7.5% EBITDA margin). Excluding the impact of the aforementioned non-recurring items for 2005 and 2006, the EBITDA margin would have been 9.3% in 2006, compared with 8.0% in 2005. This performance is largely attributable to the May 31, 2006 purchase of the 50% interest of the Company's former partner in Uni-Select Prairies Inc. This entity's full contribution for the last seven months of the year brought an additional contribution of approximately $3.4 M to the group's EBITDA.



The improvement in Automotive Group Canada's profitability is also partly attributable to a higher gross margin due to enhanced purchasing conditions and certain changes in the product mix and the type of customers served. Finally, the benefits resulting from the initiatives taken over the past two years to upgrade its infrastructures and fine-tune its business model, especially the ongoing implementation of its new distribution strategy and the paperless Warehouse Management System (WMS), mitigated the increase in operating expenses associated with the growth of its base of installer customers. All these factors combined largely compensated for the pressures exerted on Automotive Group Canada's profit margins by the deflation in some product prices.

- **Automotive Group USA**'s contribution to the 2006 consolidated EBITDA amounted to $36.8 M, up by $1.0 M over the $35.8 M EBITDA recorded in 2005. Automotive Group USA's EBITDA margin as a percentage of sales therefore improved from 6.3% in 2005 to 6.5%. This growth is due to an increase in the gross margin, mainly attributable to the synergies achieved as a result of actions implemented in 2005 and 2006 and to the larger proportion of sales to installers, for which the margin is higher. Conversely, the group registered an increase in its operating expenses due notably to the higher distribution costs incurred to serve installer customers and rising energy costs, in addition to the aforementioned unfavourable non-recurring impact of $0.8 M on EBITDA and of 0.1% on the EBITDA margin in 2006.

- **Heavy Duty Group** recorded an operating loss of $2.0 M, as opposed to positive EBITDA of $1.2 M in 2005. Besides the transfer of some of its sales to Automotive Group Canada, this decline is primarily attributable to the aforementioned problems that affected its performance in the wheel segment. In addition to reducing its sales, these events contributed to significantly increase handling costs. The necessary corrective measures have been implemented to avoid the recurrence of such events. These measures, combined with other actions recently implemented, including the strengthening of its international procurement strategy and the further streamlining of its store network, allow Heavy Duty Group to expect a return to profitability in 2007.

Interest and Amortization Expenses

Interest on long-term debt and merchant members' deposits in a guarantee fund (net of interest income earned on advances to merchant members) grew by $0.9 M to $3.6 M. This increase can be explained by higher interest rates, since the Company's long-term indebtedness level remained basically the same as in 2005. The Company paid interest of $0.3 M on its short-term bank indebtedness (net of interest income on cash and cash equivalents), whereas in 2005, its interest income had exceeded by $0.1 M the interest paid on its bank indebtedness. In addition to higher interest rates, this variation is due primarily to an increased recourse to bank indebtedness to finance part of the Company's acquisitions and working capital requirements. Consequently, total interest expenses, net of interest income, amounted to $3.9 M in 2006, versus $2.6 M in 2005.

Amortization expenses, primarily the depreciation of property, plant and equipment, increased by $1.3 M to reach $8.0 M in 2006, compared with $6.7 M in 2005. This can be explained primarily by the business acquisitions completed over the past two years, combined with the investments made in 2005 and 2006 to upgrade the Company's technological platform in Canada, fit out the main place of business in the United States and furnish the expanded U.S. corporate store base with automotive equipment.

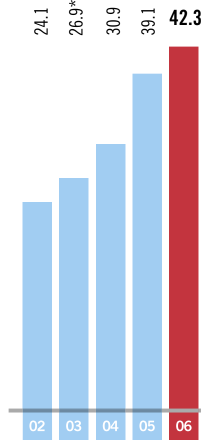
Total interest and amortization expenses therefore posted an aggregate increase of more than $2.6 M, from $9.4 M in 2005 to $12.0 M in 2006.

Earnings and Earnings Per Share

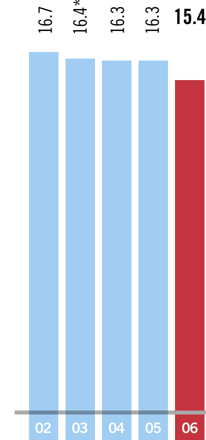
Uni-Select recorded earnings before income taxes and non-controlling interest ("EBT") of $69.9 M, up by $5.0 M or 7.7% over $64.9 M the previous year. The effective tax rate stood at 35.2% in 2006, versus 35.0% in 2005.

Therefore, Uni-Select closed 2006 with net earnings of $42.3 M, up by $3.2 M or 8.2% over the net earnings of $39.1 M posted in 2005. This represents a 15.4% return on average shareholders' equity for fiscal 2006.

Net Earnings
(in $M)



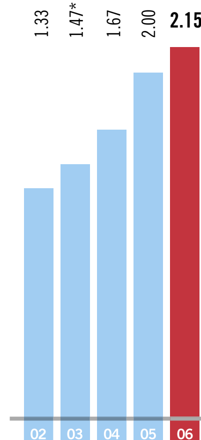
Return on Average Shareholders' Equity
(in %)



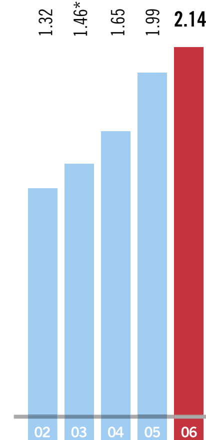
*Excluding non-recurring revenues of $4.5 million (net of taxes)

Basic earnings per share amounted to $2.15 on a weighted average of 19.7 million outstanding shares in 2006, up 7.5% over earnings per share of $2.00 computed on a weighted average of 19.5 million shares in 2005. Diluted earnings per share amounted to $2.14 in 2006 on a diluted basis of 19.7 million shares reflecting the eventual exercise of stock options held by certain officers, compared with $1.99 on a diluted basis of 19.7 million shares the previous year.

Earnings per Common Share
(in $)



Diluted Earnings per Common Share
(in $)



*Excluding non-recurring revenue of $0.26 per share (net of taxes)

FINANCIAL INFORMATION FOR THE PAST EIGHT QUARTERS

(Unaudited)

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

Year Ended December 31, 2006

	First Quarter $	Second Quarter $	Third Quarter $	Fourth Quarter $
Sales				
• Automotive Group Canada	109,825	131,531	127,738	120,479
• Automotive Group USA	134,354	144,123	147,913	141,012
• Heavy Duty Group	15,463	15,359	17,770	18,336
Total	259,642	291,013	293,421	279,827
EBITDA				
• Automotive Group Canada	6,045	11,328	10,187	19,518
• Automotive Group USA	7,057	9,500	9,035	11,187
• Heavy Duty Group	(668)	(802)	(333)	(160)
Total	12,434	20,026	18,889	30,545
Net earnings	5,646	10,539	9,402	16,677
• basic per common share	0.29	0.54	0.48	0.85
• diluted per common share	0.29	0.53	0.48	0.84

Year Ended December 31, 2005 (1)

	First Quarter $	Second Quarter $	Third Quarter $	Fourth Quarter $
Sales				
• Automotive Group Canada	113,917	137,762	127,068	118,873
• Automotive Group USA	133,678	153,839	148,398	132,441
• Heavy Duty Group	15,153	17,697	17,516	23,614
Total	262,748	309,298	292,982	274,928
EBITDA				
• Automotive Group Canada	5,928	9,973	8,502	12,842
• Automotive Group USA	6,208	9,836	8,994	10,724
• Heavy Duty Group	(369)	372	107	1,114
Total	11,767	20,181	17,603	24,680
Net earnings	5,394	10,267	9,214	14,186
• basic per common share	0.28	0.53	0.47	0.72
• diluted per common share	0.28	0.52	0.47	0.72

(1) Certain figures for 2005 have been reclassified in accordance with the application of EIC-156 in 2006.

General Comments on Quarterly Results

After declining in the first half of 2006 compared with the equivalent period of 2005, due primarily to currency fluctuations, Uni-Select's consolidated sales grew slightly in the second half of the year, under the combined impact of the year's acquisitions, an improvement in demand in the automotive sector and the stabilization of the Canadian dollar in relation to the U.S. dollar. The quarterly trends in EBITDA primarily reflect the full contribution of its subsidiary, Uni-Select Prairies Inc., as of May 31, 2006, as well as the favourable variation of volume discount adjustments made by Automotive Group Canada in the fourth quarter of each year. It should be noted that Heavy Duty Group's reduced loss in the second half of 2006 in comparison with the first half of the same year is mostly attributable to the seasonal cycle in its business. As for Uni-Select's operations in the automotive sector, although they are not subject to an important seasonal cycle, they experience a certain slowdown in the first and fourth quarters due to weather conditions.

Comments on Fourth-Quarter 2006 Results

During the three months ended December 31, 2006, Uni-Select's sales amounted to $279.8 M, up by 1.8% over $274.9 M in the same period in 2005. Excluding the negative impact of $4.1 M due to exchange rate fluctuations, fourth-quarter sales would have posted an increase of 3.3%, exclusively attributable to the acquisitions made over the past 12 months. Excluding acquisitions and exchange rate fluctuations, the Company recorded a 3.3% organic sales decrease.

Automotive Group Canada posted a 2.9% organic sales decrease in the fourth quarter. Automotive Group USA's sales declined by 1.3% excluding the impact of acquisitions, exchange rate fluctuations and fewer billing days. Heavy Duty Group sustained a 17% organic sales decrease (excluding the transfer of some of its sales to Automotive Group Canada), due mainly to the exceptionally high volume of wheels shipped to a major customer at the end of 2005, a large number of which were returned at the beginning of 2006, and to the fact that a supply problem encountered during the third quarter of 2005 had pushed some sales back to the fourth quarter.

Uni-Select achieved EBITDA of $30.5 M in the fourth quarter of 2006, an increase of $5.9 M or 23.8% over EBITDA of $24.7 M for the fourth quarter of 2005. The EBITDA margin thus rose from 9.0% in 2005 to 10.9% in 2006. Results for the fourth quarter of 2006 were affected by a non-recurring unfavourable adjustment of $0.8 M in the United States, whereas EBITDA for the fourth quarter of 2005 had been adversely affected by non-recurring costs of $1.0 M related mainly to the implementation of Automotive Group Canada's new distribution concept. Excluding non-recurring items for both 2006 and 2005, the quarterly EBITDA margin would have reached 11.2% in 2006, compared with 9.3% in 2005.

- This performance is attributable primarily to **Automotive Group Canada**, whose EBITDA grew by $6.7 M or 52.0% to $19.5 M, compared with $12.8 M for the same quarter of 2005. Excluding non-recurring costs for 2005, this group nevertheless posted a substantial improvement in its profitability, as its quarterly EBITDA margin as a percentage of sales rose from 10.8% in 2005 to 16.2% in 2006.

- **Automotive Group USA**'s EBITDA grew by 4.3%, from $10.7 M to $11.2 M. Currency fluctuations had an adverse impact of $0.4 M on EBITDA. The fourth-quarter increase in reserves also reduced EBITDA by some $0.8 M compared with 2005. Without this adjustment, this group's fourth-quarter EBITDA margin would have been 8.5% in 2006, compared with 8.1% in 2005.

- Finally, **Heavy Duty Group** incurred a loss of $0.2 M, as opposed to positive EBITDA of $1.1 M in 2005, for the aforementioned reasons.

Interest expenses, net of interest income, amounted to $1.4 M, compared with $0.6 M in the same quarter of the previous year, due to higher interest rates and further recourse to bank indebtedness to finance part of the Company's acquisitions and current operations. Amortization expenses increased from $0.7 M in 2005 to $2.1 M in 2006 as a result of the acquisitions and other investments made over the past two years, and due to the fact that certain favourable year-end adjustments in amortization had been made in the last quarter of 2005. Consequently, Uni-Select recorded a combined increase of $2.0 M in its interest and amortization expenses, which totalled $3.5 M in the last quarter of 2006, compared with $1.5 M in the same period a year earlier.

The effective tax rate stood at 35.3%, versus 34.9% the previous year. Uni-Select therefore posted net earnings of $16.7 M or $0.85 per share ($0.84 diluted) in the fourth quarter of 2006, up 17.6% from $14.2 M or $0.72 per share (basic and diluted) in the same quarter of 2005.

PRINCIPAL CASH FLOWS

Cash Flows from Operating Activities

Consolidated cash flows from operating activities (before changes in working capital items) totalled $50.3 M in 2006, compared with $53.3 M the previous year, this slight decline being attributable to variations in future taxes. Changes in working capital items used cash flows of less than $0.1 M in 2006, as opposed to $9.6 M in 2005. After changes in working capital items, operating activities therefore provided net cash flows of $50.3 M in 2006, compared with $43.7 M in 2005.

Cash Flows Used by Investing Activities

Investing activities used cash flows of $84.7 M in 2006, compared with $25.8 M in 2005. The main investing activities over the last fiscal year were as follows:

- the acquisition of various businesses by Automotive Group USA and Automotive Group Canada and of partners' interests in joint ventures, for a cash consideration of $76.2 M, net of the cash acquired, in addition to a balance of purchase price payable of $1.0 M *(these transactions are summarized in Note 9 to the consolidated financial statements for 2006);*

- the purchase of property, plant and equipment worth a total of $8.9 M, net of asset disposals, compared with $8.7 M in 2005. Investments for 2006 related primarily to the further upgrading of the Company's information systems, the fitting out of the head offices in Canada and the United States, and the purchase of automotive equipment, mostly in the United States; and

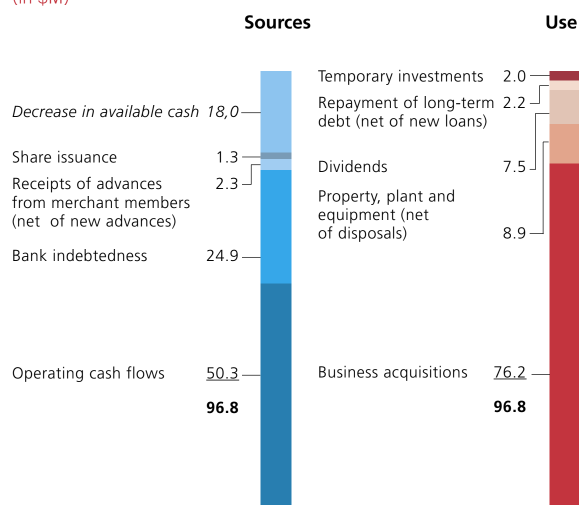
- a net increase of $2.0 M in temporary investments.

Uni-Select also collected a net amount of $2.3 M from variations in advances to merchant members.

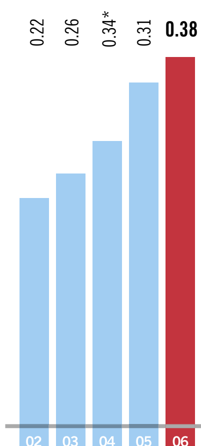
Cash Flows From Financing Activities

Financing activities provided cash flows of $16.5 M. The Company increased its bank indebtedness by a total of $24.9 M, primarily in the fourth quarter in order to finance an acquisition and some of its working capital requirements, notably the payment of accounts payable. It also recorded proceeds of $1.3 M from the issuance of 99,618 common shares, mostly upon the exercise of stock options held by officers. Conversely, the Company reduced its total long-term debt and merchant members' deposits in a guarantee fund by a net consideration of $2.2 M and paid dividends totalling $7.5 M or $0.38 per share to common shareholders.

After accounting for the various cash flows for 2006, especially the significant investments made during the year, the Company's cash and cash equivalents decreased by $18.0 M, from $19.1 M as at December 31, 2005 to $1.1 M as at December 31, 2006. Adding temporary investments, Uni-Select had available cash of $8.0 M at the close of 2006, compared with $24.1 M at the end of 2005.

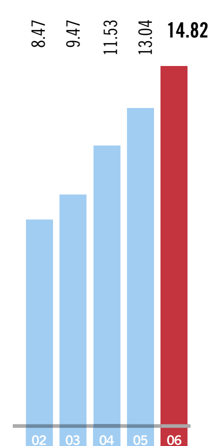


Dividend per Common Share
(in $)



* Including a special dividend of $0.05

Book Value per Common Share
(in $)



FINANCIAL POSITION

Changes in the Company's balance sheet items between December 31, 2005 and 2006 mainly reflect the period's acquisitions.

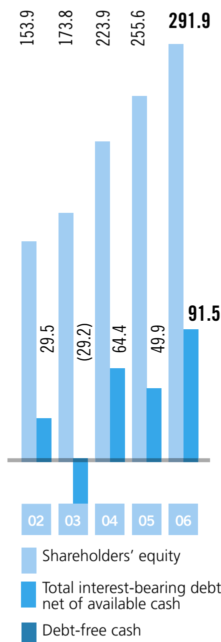
As at December 31, 2006, Uni-Select's total assets amounted to $572.5 M compared with $494.0 M at the same date in 2005. This growth is primarily attributable to the year's acquisitions, which mostly increased inventories and goodwill. To a lesser extent, the growth in the value of property, plant and equipment also reflects the year's acquisitions, less the period's amortization and the effect of exchange rate fluctuations on the value of property, plant and equipment in the United States. In accordance with the Company's strategy of operating with a minimal capital asset base, the latter accounted for only 7.3% of total assets at year-end 2006, consisting primarily of buildings, computer equipment, software and warehousing equipment. It should also be noted that excluding acquisitions, Uni-Select's total asset base was reduced in 2006.

The increase in current liabilities mainly reflects the Company's further recourse to bank indebtedness to finance its acquisitions and current operations. Consequently, working capital stood at $301.8 M for a current ratio of 2.7:1 as at December 31, 2006, compared with $294.2 M and a 3.2:1 ratio at the same date in 2005. Long-term debt (including merchant members' deposits in a guarantee fund and the current portions) was decreased from $72.1 M as at December 31, 2005 to $71.6 M in 2006, whereas shareholders' equity increased by $36.3 M or 14.2% to stand at $291.9 M, or $14.82 per common share, as at December 31, 2006, compared with $255.6 M or $13.04 per share a year earlier. This growth can be explained by the net earnings for 2006 coupled with the issue of new common shares, net of the payment of dividends and cumulative translation adjustments.

Consequently, the long-term debt to shareholders' equity ratio improved from 28.2% at the close of 2005 to 24.5% as at December 31, 2006. Adding bank indebtedness, however, total interest-bearing debt increased from $74.0 M in 2005, representing 24,2% of invested capital, to $99.5 M or 25.9% of invested capital in 2006. Deducting cash and cash equivalents as well as temporary investments, the Company's total net indebtedness amounted to $91.4 M as at December 31, 2006 (for a total net debt to invested capital ratio of 23.9%), compared with total net indebtedness of $49.9 M (16.3% ratio) a year earlier, due primarily to the financing of the 2006 acquisitions.

Uni-Select remains in a solid financial position to pursue its current operations and expansion projects. Furthermore, as at December 31, 2006, the Company benefited from an unused credit facility of approximately $129 M, notably to pursue its expansion strategy by means of acquisitions, strategic alliances and partnerships.

Capital Structure
(in $M)



OUTLOOK, REQUIREMENTS AND SOURCES OF FUNDS IN 2007

Uni-Select's management expects the Company's sales and profitability to grow in 2007, due to a combination of external and internal factors. Despite fierce competition in the automotive replacement parts market, industry dynamics are generally favourable in North America in light, notably, of the steady growth and aging of the registered fleet and the greater use of vehicles. Furthermore, the recent decrease in the Canadian dollar should create a slight inflation in Automotive Group Canada's product prices during 2007.

Internally, in addition to the full contribution of the 2006 acquisitions in 2007, the Company should benefit from the strengthening of each of its groups' business models, especially the ongoing implementation of Automotive Group Canada's new distribution strategy, improved management of Automotive Group USA's corporate stores, and the expected turnaround in Heavy Duty Group's performance. Uni-Select will also seek to maximize the synergies within its North American network through further synchronization of the strategies, product lines and marketing programs carried out by its different groups.

Finally, the Company intends to step up its program of acquisitions, mergers, strategic alliances, affiliations and partnerships. Automotive Group USA is particularly well positioned to carry out various medium or large-sized expansion projects.

In terms of funding requirements, besides the ongoing search for acquisitions, partnerships or strategic alliances in its target markets, capital expenditures of approximately $12 M are planned for 2007, related primarily to the upgrading of the Company's information systems. Uni-Select will also continue to remunerate its shareholders according to its dividend policy and, as it does every year, will assess the relevance of redeeming Uni-Select shares on the secondary market. No shares were redeemed in 2006.

Operating cash flows, combined with the Company's available credit facility, should suffice to cover these various funding requirements. In the event of an expansion opportunity requiring more substantial resources, Uni-Select would assess the various alternatives at its disposal.

CAPITAL STOCK

As at December 31, 2006, Uni-Select's capital stock consisted of 19,699,334 issued and outstanding common shares, versus 19,599,716 as at December 31, 2005. In 2006, Uni-Select issued 99,618 common shares, 98,315 of which were issued upon the exercise of stock options by officers and 1,303 shares were issued to new merchant members. *(Further information on the stock option plan for management employees and officers as at December 31, 2006 is provided in Note 20 to the consolidated financial statements contained in the Annual Report.)*

At the date hereof, being March 16, 2007, Uni-Select's capital stock consists of 19,725,154 issued and outstanding common shares. In addition, pursuant to the Company's stock option plan, options to purchase 63,332 common shares are issued and not yet exercised.

CONTRACTUAL OBLIGATIONS

The following table summarizes, as at December 31, 2006, the payments due by period under the Company's contractual and other obligations:

(in thousands of dollars)

	2007	2008	2009	2010	2011 and following	**Total**
Long-term debt	68	64	62,990	56	124	**63,302**
Capital lease obligations	35	23	10	4	5	**77**
Contractual obligations	20,735	17,726	14,877	12,254	26,844	**92,436**
	20,838	**17,813**	**77,877**	**12,314**	**26,973**	**155,815**

FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized to reduce the interest rate risk on the Company's debt. The Company does not enter into financial instruments for trading or speculative purposes. For instance, interest rate swap agreements are used as part of the Company's program to manage the floating interest rate of the Company's total debt portfolio and related overall cost of borrowing. Various swaps for an amount of $11.7 M expire on October 31, 2007.

(Further information on financial instruments is provided in Notes 3 and 25 to the consolidated financial statements contained in the Annual Report.)

RISK MANAGEMENT

Industry and Economy Related Risks

The automotive and heavy-duty replacement parts and accessories distribution sector partly depends on economic conditions, the size, structure and utilization of the car and heavy-duty truck population, and advances in technology. In its core business – automotive replacement parts – the economic climate has little impact on the Company's operations. In fact, although the automotive aftermarket industry is to some extent dependent on the sale of new cars, it is not nearly as cyclical, since car repairs are far less discretionary than buying a new vehicle. However, Heavy Duty Group is somewhat more sensitive to external factors.

Although the growth of the North American car population is relatively modest, the useful life of cars and the intensity of utilization are trending upwards, leading to an increase in the demand for replacement parts.

The growing number of car models, coupled with their longer useful life, translates into a proliferation of replacement parts, imposing financial constraints on distributors and merchants who must carry a greater selection of parts to ensure an adequate availability of parts. This factor is partially offset by the fact that manufacturers integrate increasingly sophisticated technological components into their vehicles, so each part serves several purposes and costs more to repair, which is favourable to the replacement parts industry.

Within the last few years, the industry has seen a rising proportion of foreign branded vehicles in the North American car population and increasingly complex technology due to cars' larger number of electronic components – two aspects that tend to favour dealers for vehicle maintenance.

This growing importance of technology requires that distributors and merchants invest in ongoing programs to upgrade their employees' skills and give them access to new diagnostic tools. Uni-Select manages the potential impact of such trends through the scope and quality of the training and support programs offered to independent merchants, their employees and their customers. It also integrates cutting-edge high-performance technologies in the areas of warehouse management and telecommunications.

In general, management estimates that inflation has little impact on the Company's financial results as any increase in price imposed by manufacturers is passed on to consumers. Nevertheless, low inflation or deflation in the value of replacement parts on the market can have a negative impact on its distribution centres' profitability.

Exchange rate fluctuations between the U.S. and Canadian dollars can affect the value of the Company's consolidated sales in Canadian dollars and its profitability. The potential impact on its profitability is reduced by the fact that the breakdown of its sales and purchases between the two currencies naturally protects it against such fluctuations. However, management believes the decline in the relative value of the U.S. dollar in recent years could have contributed to the weak inflation, or even deflation, in the value of replacement parts sold in Canada, which had a negative impact on the Company's profit margins.

Finally, despite its increased indebtedness since 2004 to finance its expansion in the United States, Uni-Select remains in solid financial health, characterized by a reasonable debt to equity ratio. Combined with its significant cash flows from operations, the Company is hence relatively sheltered from the risks associated with a sharp rise in interest rates.

Risks Related to Uni-Select's Business Model and Strategy

In the automotive replacement parts market, Uni-Select's business model, which is primarily focused on serving independent jobbers (rather than a network of corporate stores), requires that the Company take special measures to ensure its merchant members' loyalty and long-term survival. Uni-Select's basic approach is to drive its members' and customers' growth, competitiveness and profitability by means of a total business solution incorporating good purchasing conditions, proactive management of product selection, highly efficient distribution services, innovative marketing programs and various support services such as training and financing. In the context of the industry consolidation, which is also occurring at the jobber level, the Company has developed programs designed to facilitate its merchants' expansion-by-acquisitions.

Furthermore, considering that the owners of replacement parts stores are generally aging, the Company has also implemented succession programs enabling merchants who wish to retire to sell their business to a family member, an employee or another member of Uni-Select's network. If applicable, the Company may decide to purchase this merchant's business in order to protect its distribution network.

The Company's growth-by-acquisition strategy, especially in the United States, carries its share of contingencies. Uni-Select has developed solid know-how in this regard, having successfully acquired and integrated some 33 organizations within the past five years alone, including a major acquisition in 2004 whose integration is currently proceeding on schedule. To limit its risk, the Company notably applies a targeted and selective acquisition strategy, conducts extensive due diligence and designs detailed integration plans. Finally, Uni-Select's multidisciplinary team is able to accurately assess and manage the risks specific to the markets where it does business, particularly in the United States.

As recommended by regulatory authorities, Uni-Select has set up an operational, strategic and financial risk analysis and control system for which the Board of Directors is directly responsible.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR's website at www.sedar.com.

(Signed) Jacques Landreville
President and Chief Executive Officer

(Signed) Richard G. Roy, CA *
Vice President, Administration and Chief Financial Officer

* As of April 2, 2007, Richard G. Roy will hold the position of Vice President and Chief Operating Officer.

March 16, 2007

MANAGEMENT'S REPORT

Relating to the consolidated financial statements

The consolidated financial statements and other financial information included in this annual report are the responsability of the Company's management. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and approved by the Board of Directors.

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

The Board of Directors fulfills its responsability regarding the consolidated financial statements included in the annual report, primarily through its audit committee. This committee which meets periodically with the Company's directors and external auditors, has reviewed the consolidated financial statements of Uni-Select Inc. and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Company's external auditors, Raymond Chabot Grant Thornton LLP chartered accountants.

(Signed) Jacques Landreville
President and Chief Executive Officer

(Signed) Richard G. Roy, CA*
Vice President, Administration
and Chief Financial Officer

** As of April 2, 2007, Richard G. Roy will hold the position of Vice President and Chief Operating Officer*

Boucherville
February 23, 2007

AUDITORS' REPORT

To the Shareholders of Uni-Sélect Inc.

We have audited the consolidated balance sheets of Uni-Sélect Inc. as at December 31, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Chartered Accountants

Montreal
February 23, 2007

CONSOLIDATED EARNINGS Years ended December 31, 2006 and 2005

(In thousands of dollars, except basic and diluted earnings per share)

	2006	2005
	$	$
Sales	**1,123,903**	1,139,956
Earnings before the following items	**81,894**	74,231
Interest on bank indebtedness	**1,250**	421
Interest on long-term debt	**3,809**	2,957
Interest on merchant members' deposits in guarantee fund	**360**	263
Interest income from cash and cash equivalents	**(991)**	(547)
Interest income from merchant members	**(523)**	(518)
Amortization (Note 5)	**8,045**	6,705
Loss on disposals of property, plant and equipment	**70**	89
	12,020	9,370
Earnings before income taxes and non-controlling interest	**69,874**	64,861
Income taxes (Note 6)		
Current	**27,658**	18,316
Future	**(3,028)**	4,397
	24,630	22,713
Earnings before non-controlling interest	**45,244**	42,148
Non-controlling interest	**2,980**	3,087
Net earnings	**42,264**	39,061
Earnings per share (Note 7)		
Basic earnings per share	**2.15**	2.00
Diluted earnings per share	**2.14**	1.99

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

CONSOLIDATED RETAINED EARNINGS Years ended December 31, 2006 and 2005

(In thousands of dollars)

	2006	2005
	$	$
Balance, beginning of year	**220,966**	188,159
Net earnings	**42,264**	39,061
	263,230	227,220
Dividends	**7,875**	6,254
Balance, end of year	**255,355**	220,966

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

CONSOLIDATED CASH FLOWS Years ended December 31, 2006 and 2005

(In thousands of dollars)

	2006	2005
	$	$
OPERATING ACTIVITIES		
Net earnings	**42,264**	39,061
Non-cash items		
Amortization	**8,045**	6,705
Future income taxes	**(3,028)**	4,397
Loss on disposals of property, plant and equipment	**70**	89
Non-controlling interest	**2,980**	3,087
	50,331	53,339
Changes in working capital items (Note 8)	**(76)**	(9,626)
Cash flows from operating activities	**50,255**	43,713
INVESTING ACTIVITIES		
Temporary investments	**(1,955)**	(4,942)
Business acquisitions (Note 9)	**(76,218)**	(13,034)
Non-controlling interest (Note 9)	**–**	(152)
Advances to merchant members	**(4,737)**	(3,406)
Receipts on advances to merchant members	**7,061**	4,469
Shares of companies and advances	**–**	20
Property, plant and equipment	**(9,510)**	(8,782)
Disposal of property, plant and equipment	**633**	77
Cash flows from investing activities	**(84,726)**	(25,750)
FINANCING ACTIVITIES		
Bank indebtedness	**24,914**	(1,260)
Due to a joint venturer	**–**	(2,500)
Balance of purchase price	**–**	(4,104)
Financing costs	**–**	(288)
Long-term debt	**2,002**	4,289
Repayment of long-term debt	**(4,033)**	(1,226)
Merchant members' deposits in guarantee fund	**(205)**	(28)
Issuance of shares	**1,288**	2,455
Dividends paid	**(7,473)**	(6,114)
Cash flows from financing activities	**16,493**	(8,776)
Net increase (decrease) in cash and cash equivalents	**(17,978)**	9,187
Cash and cash equivalents, beginning of year	**19,108**	9,921
Cash and cash equivalents, end of year	**1,130**	19,108

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

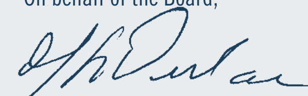
CONSOLIDATED BALANCE SHEETS December 31, 2006 and 2005

(In thousands of dollars)

	2006	2005
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**1,130**	19,108
Temporary investment (Note 10)	**6,897**	4,942
Accounts receivable (Note 11)	**136,834**	132,251
Income taxes receivable	**7,398**	5,352
Inventory	**313,384**	260,156
Prepaid expenses	**4,737**	3,885
Future income taxes (Note 6)	**6,332**	3,093
	476,712	428,787
Investments and volume discounts receivable, at cost (Note 12)	**6,575**	7,798
Property, plant and equipment (Note 13)	**41,714**	36,246
Financing costs	**893**	1,321
Covenants not to compete (Note 14)	**578**	–
Goodwill (Note 15)	**44,257**	17,996
Future income taxes (Note 6)	**1,806**	1,876
	572,535	494,024
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 16)	**27,860**	1,932
Accounts payable (Note 17)	**136,197**	130,687
Income taxes payable	**8,268**	–
Dividends payable	**1,970**	1,568
Instalments on long-term debt and on merchant members' deposits in guarantee fund (Notes 18 and 19)	**529**	373
Future income taxes (Note 6)	**19**	–
	174,843	134,560
Deferred government grants	**–**	395
Long-term debt (Note 18)	**63,275**	64,349
Merchant members' deposits in guarantee fund (Note 19)	**7,814**	7,334
Future income taxes (Note 6)	**5,082**	4,837
Non-controlling interest	**29,588**	26,932
	280,602	238,407
SHAREHOLDERS' EQUITY		
Capital stock (Note 20)	**49,344**	48,056
Retained earnings	**255,355**	220,966
Cumulative translation adjustments (Note 21)	**(12,766)**	(13,405)
	291,933	255,617
	572,535	494,024

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

On behalf of the Board,



(Signed) Jean-Louis Dulac
Director

(Signed) Jean Guénette
Director

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under Part IA of the Companies Act (Québec), is a wholesale distributor and trader of automotive replacement parts.

2 - CHANGES IN ACCOUNTING POLICIES

Accounting by a vendor for consideration given to a customer

At the beginning of fiscal year 2006, the Company adopted EIC-156, *Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)*, which provides guidance as to the circumstances under which a consideration is an adjustment of the selling price of the vendor's products or services and under which it is a cost incurred by the vendor to sell his products. EIC-156 was applied retroactively, with restatement of prior years. Cash discounts given to customers, previously presented as a reduction of earnings before interest, amortization, loss on disposals of property, plant and equipment, income taxes and non-controlling interest are now presented as a reduction of sales. Following application of EIC-156, sales were reduced by $13,471 for the year ended December 31, 2006 ($13,254 in 2005).

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, as well as the pro rata share of the assets, liabilities, revenues and expenses of the joint ventures in which the Company holds an interest. This share is accounted for according to the proportionate consolidation method.

Revenue recognition

The Company recognizes revenues upon shipment of goods when all benefits and risks relating to ownership have been transferred, when the sale has been accepted by the customer and when collection is reasonably assured.

The Company offers its customers a right of return. At the time of revenue recognition, the Company records a provision for the right of return which is based on the Company's historical experience and management's assumptions.

Cash and cash equivalents

Cash and cash equivalents include cash and temporary investments maturing less than three months from the acquisition date.

Self-insurance

In the United States, the Company is self-insured for certain losses related to general liability and workers' compensation. The expected ultimate cost for claims incurred as of the balance sheet date is not discounted and is recognized as a liability. This cost is estimated based upon analysis of the Company's historical data and actuarial estimates.

Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

Vendor rebates

The Company records cash consideration received from vendors as a reduction in the price of vendors' products and reflects it as a reduction to cost of goods sold and related inventory when recognized in the consolidated statements of earnings and consolidated balance sheets.

Amortization

Property, plant and equipment are amortized over their estimated useful lives according to the following methods, annual rates and period:

	Methods	Rates and period
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	2.5% and 5%
Furniture and equipment	Straight-line and diminishing balance	10% and 20%
Software and automotive equipment	Diminishing balance	30%
Computer equipment	Straight-line	14.3% and 20%
Leasehold improvements	Straight-line	Lease term

Covenants not to compete are amortized using the straight-line method over a period of four years.

Financing costs

Costs relating to the new financing structure and the credit facility are amortized using the straight-line method over periods of three and five years.

Impairment of long-lived assets

Property, plant and equipment and covenants not to compete are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

Goodwill

Goodwill is the excess of the cost of acquired enterprises over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it is impaired. The impairment test consists of a comparison of the fair value of the Company's reporting units with their carrying amount. When the carrying amount of a reporting unit exceeds the fair value, the Company compares the fair value of any goodwill related to the reporting unit to its carrying amount.

3 - ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

An impairment loss is recognized in an amount equal to the excess. The fair value of a reporting unit is calculated based on evaluations of discounted cash flows.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

Foreign currency translation

Monetary assets on the balance sheet, excluding those related to the self-sustaining U.S. subsidiaries, are translated at the exchange rate in effect at year-end whereas non-monetary items are translated at the historical rate. Revenues and expenses are translated at the rate in effect on the transaction date or at the average rate in effect during the year. Translation gains or losses are included in earnings for the year.

Assets and liabilities of the U.S. subsidiaries classified as self-sustaining from a financial and operational standpoint are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate in effect during the year. Gains and losses are shown under Cumulative translation adjustments in shareholders' equity.

Employee future benefits

The Company accrues its obligations under employee pension plans and the related costs, net of plan assets. The Company has adopted the following policies for defined benefit plans:

– The cost of pension benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and is applied to earnings as the services are rendered. The calculations reflect management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees;

– For the purpose of calculating the expected return on plans assets, those assets are valued at fair value;

– Past service costs arising from plans amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment;

– Actuarial gains (losses) arise from the difference between actual long-term rate of return on plans assets for a period and the expected long-term rate of return on plans assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plans assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 5 to 16 years.

The pension expense recorded in earnings for the defined contribution plans represents contributions to be made by the Company in exchange for services rendered by employees.

Derivative financial instruments

Derivative financial instruments are utilized to reduce interest rate risk on the Company's debt. The Company does not enter into financial instruments for trading or speculative purposes.

The Company's policy is to formally designate each derivative financial instrument as a hedge of a specifically identified debt instrument. The Company believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term to maturity, the notional principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

Interest rate swap agreements are used as part of the Company's program to manage the floating interest rate of the Company's total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of interest expense on the hedged debt instrument. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

In the event of early extinguishment of the debt obligation, any realized or unrealized gain or loss from the swap would be recognized in the consolidated statement of earnings at the time of extinguishment.

In 2004, the swap, for an initial amount of $30,450, was effected at a rate of 4.27%. It expires on October 31, 2007 and has been reduced to $17,488 for the period from November 1, 2005 to October 31, 2006 and to $11,653 for the period from November 1, 2006 to October 31, 2007.

Stock-based compensation plan

The Company accounts for options issued according to the fair value-based method. Compensation cost should be measured at the grant date and should be recognized over the applicable stock option vesting period. Any consideration received from employees when options are exercised is credited to share capital.

Earnings per share and information regarding the number of shares

Earnings per common share are calculated by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the years.

3 - ACCOUNTING POLICIES (Continued)

Earnings per share and information regarding the number of shares (Continued)

The diluted earnings per share are calculated taking into account the dilution that could result if the securities aimed at issuing common shares were exercised at the beginning of the periods or at the date of issuance, if later. The treasury stock method is used to determine the dilutive effect of the stock options. This method is based on the assumption that the proceeds derived from the exercise of stock options are used to redeem common shares at their average market price during the periods.

Comparative figures

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

4 - INTERESTS IN JOINT VENTURES

The Company's share in the assets, liabilities, earnings and cash flows relating to its interests in joint ventures is as follows:

	2006	2005
	$	$
Current assets	**18,773**	39,182
Long-term assets	**2,448**	2,954
Current liabilities	**9,333**	13,218
Long-term liabilities	**774**	1,418
Sales	**70,549**	107,703
Earnings before interest, amortization, income taxes and non-controlling interest	**3,218**	6,181
Net earnings	**1,865**	3,780
Cash flows from operating activities	**2,746**	2,983
Cash flows from investing activities	**(618)**	129
Cash flows from financing activities	**(195)**	(3,121)

The Company's sales include sales to joint ventures at fair value in the amount of $45,746 in 2006 and $78,344 in 2005.

The Company's share of its joint ventures' commitments represents $3,122 in 2006 and $6,348 in 2005.

5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	2006	2005
	$	$
Amortization of property, plant and equipment	**7,459**	6,373
Amortization of financing costs	**419**	332
Amortization of covenants not to compete	**167**	–
	8,045	6,705

6 - INCOME TAXES

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

	2006	2005
	%	%
Federal statutory rate	**22.12**	22.12
Impact of changes in provinces' tax rates	**9.96**	9.11
Combined federal and provincial statutory rate of the Company	**32.08**	31.23
Various tax rates applied in tax jurisdictions of foreign operations	**1.94**	2.76
Non-deductible expenses for tax purposes	**0.26**	0.24
Other	**0.97**	0.79
	35.25	35.02

The future income tax expense results primarily from changes in temporary differences.

Future income tax assets and liabilities result from differences between the carrying amount and the tax basis of the following:

	2006	2005
	$	$
Future income tax assets		
Current		
Non-capital losses carried forward	**557**	–
Allowance deductible during the coming year	**5,762**	3,048
Other	**13**	45
	6,332	3,093
Long-term		
Property, plant and equipment	**37**	70
Non-capital losses carried forward	**70**	–
Pension plan allowance	**1,147**	1,014
Allowance for performance incentives	**514**	593
Deferred income	–	162
Other	**38**	37
	1,806	1,876
Future income tax liability		
Current		
Other	**19**	–
	19	–
Long-term		
Property, plant and equipment	**3,019**	3,131
Prepaid pension plan contributions	**180**	352
Deferred gain on like-kind exchange	**1,244**	1,246
Other	**639**	108
	5,082	4,837

7 - EARNINGS PER SHARE

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

			2006
	Net earnings	**Weighted average number of shares**	**Earnings per share**
	$		**$**
Basic earnings per share	**42,264**	**19,674,768**	**2.15**
Impact of stock options exercised	**–**	**60,899**	**–**
Diluted earnings per share	**42,264**	**19,735,667**	**2.14**

			2005
	Net earnings	Weighted average number of shares	Earnings per share
	$		$
Basic earnings per share	39,061	19,516,512	2.00
Impact of stock options exercised	–	141,815	–
Diluted earnings per share	39,061	19,658,327	1.99

8 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	2006	2005
	$	$
Accounts receivable	**12,286**	1,064
Income taxes receivable	**(1,988)**	(1,576)
Inventory	**(11,119)**	3,232
Prepaid expenses	**(682)**	(422)
Volume discounts receivable	**366**	(87)
Accounts payable	**(7,207)**	6,267
Income taxes payable	**8,268**	(18,104)
	(76)	(9,626)

Cash flows relating to interest and income taxes on operating activities are detailed as follows:

	2006	2005
	$	$
Interest paid	**5,179**	3,641
Income taxes paid	**21,436**	39,509

9 - BUSINESS ACQUISITIONS

In 2006, the Company acquired the following businesses:

– USI-AGI Prairies Inc. (USI-AGI):
On May 31, 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, 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;

– Asher Management Group Ltd. and Gator Inc. (Asher):
On November 1, the Company acquired the assets and assumed a portion of the liabilities of Asher. This company operates distribution centres and stores in the Automotive USA segment.

In addition, the Company acquired the shares of three companies operating in the Automotive Canada segment, as well as the assets and some liabilities of ten companies operating in the Automotive USA segment.

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

Taking into account acquisition costs of $67, the preliminary purchase prices are allocated as follows:

	USI-AGI	**Auto Craft**	**Asher**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Current assets	**28,345**	**14,919**	**6,867**	**14,880**	**65,011**
Property, plant and equipment	**1,165**	**673**	**336**	**1,934**	**4,108**
Covenants not to compete	**–**	**523**	**–**	**184**	**707**
Other long-term assets	**318**	**–**	**102**	**30**	**450**
Goodwill	**12,016**	**4,209**	**2,605**	**6,996**	**25,826**
	41,844	**20,324**	**9,910**	**24,024**	**96,102**
Current liabilities	**(9,801)**	**(81)**	**(54)**	**(2,379)**	**(12,315)**
Long-term debt	**(1,049)**	**–**	**–**	**(758)**	**(1,807)**
	(10,850)	**(81)**	**(54)**	**(3,137)**	**(14,122)**
Net assets acquired	**30,994**	**20,243**	**9,856**	**20,887**	**81,980**
Cash of company acquired	**(2,047)**	**–**	**(7)**	**(17)**	**(2,071)**
Settlement of accounts receivable of company acquired	**–**	**(134)**	**(113)**	**(2,492)**	**(2,739)**
Net acquisition	**28,947**	**20,109**	**9,736**	**18,378**	**77,170**
Total consideration paid cash less cash acquired	**28,947**	**20,109**	**9,863**	**17,299**	**76,218**
Balance of purchase price payable (receivable)	**–**	**–**	**(127)**	**1,079**	**952**

– Uni-Select USA, Inc.:
The Company acquired a non-controlling interest for a balance of purchase price payable of $391 as of December 31, 2006. Following this acquisition, the Company's interest in its U.S. subsidiary increased by 0.21%, from 85.65% to 85.86%.

In 2005, the Company acquired the following businesses:

– Motor Parts Warehouse, Inc. (MPW):
On March 31, the Company acquired the assets of MPW. The Company did not assume any liabilities under this transaction. This company operates two distribution centres in the Automotive USA segment;

9 - BUSINESS ACQUISITIONS (Continued)

– The Kunz Oil Company (Kunz Oil):
On November 30, the Company acquired the assets and assumed a portion of the liabilities of Kunz Oil. This company operates four stores in the Automotive USA segment;

In addition, the Company acquired the shares of one company operating in the Automotive Canada segment, as well as the assets and some liabilities of six companies operating in the Automotive USA segment.

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

The purchase prices are allocated as follows:

	MPW	Kunz Oil	Other	Total
	$	$	$	$
Current assets	4,285	4,221	4,417	12,923
Property, plant and equipment	73	197	463	733
Other long-term assets	–	–	22	22
Goodwill (a)	–	–	(77)	(77)
	4,358	4,418	4,825	13,601
Current liabilities	–	(62)	(358)	(420)
Long-term debt	–	–	(8)	(8)
	–	(62)	(366)	(428)
Net assets acquired	4,358	4,356	4,459	13,173
Cash of company acquired	–	–	(139)	(139)
Net acquisition	4,358	4,356	4,320	13,034

(a)This amount includes a reimbursement of goodwill in the amount of $250 resulting from the purchase price adjustment for Les Batteries Électriques Gagnon Inc., acquired in 2004.

– Uni-Select USA, Inc.:
The Company acquired a non-controlling interest for a cash consideration of $152. Following this acquisition, the Company's interest in its U.S. subsidiary increased by 0.05%, from 85.60% to 85.65%.

10 - TEMPORARY INVESTMENT

The temporary investment is a commercial paper which expires in April 2007 and which bears interest at a rate of 4.15% (3.39% in 2005).

11 - ACCOUNTS RECEIVABLE

	2006	2005
	$	$
Trade accounts		
Merchant members	**129,688**	122,076
Joint ventures	**2,046**	4,247
	131,734	126,323
Current portion of investments	**5,100**	5,928
	136,834	132,251

12 - INVESTMENTS AND VOLUME DISCOUNTS RECEIVABLE

	2006	2005
	$	$
Shares of companies and advances, without interest or repayment terms	**631**	691
Advances to merchant members, interest rates varying between prime rate and prime rate plus 1% (rates varying between prime rate less 1% and 9.06% in 2005), receivable in monthly instalments, maturing on various dates until 2016	**9,319**	10,944
Volume discounts, receivable until 2010	**1,725**	2,091
	11,675	13,726
Current portion	**5,100**	5,928
	6,575	7,798

13 - PROPERTY, PLANT AND EQUIPMENT

			2006
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Land and paving	**1,479**	**277**	**1,202**
Buildings	**17,235**	**7,449**	**9,786**
Furniture and equipment	**25,704**	**17,065**	**8,639**
Computer equipment and software	**29,439**	**17,154**	**12,285**
Automotive equipment	**11,038**	**5,282**	**5,756**
Leasehold improvements	**6,376**	**2,330**	**4,046**
	91,271	**49,557**	**41,714**

			2005
	Cost	Accumulated amortization	Net
	$	$	$
Land and paving	1,223	265	958
Buildings	16,106	7,026	9,080
Furniture and equipment	26,166	17,464	8,702
Computer equipment and software	24,785	14,107	10,678
Automotive equipment	6,946	3,071	3,875
Leasehold improvements	5,024	2,071	2,953
	80,250	44,004	36,246

14 - COVENANTS NOT TO COMPETE

			2006
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Covenants not to compete	**749**	**171**	**578**

15 - GOODWILL

				2006
	Automotive Canada	**Automotive USA**	**Heavy Duty**	**Consolidated**
	$	**$**	**$**	**$**
Balance, beginning of year	**8,895**	**6,211**	**2,890**	**17,996**
Business acquisitions (Note 9)	**14,587**	**11,239**	**–**	**25,826**
Intersegment transfer	**2,890**	**–**	**(2,890)**	**–**
Translation adjustment	**–**	**435**	**–**	**435**
Balance, end of year	**26,372**	**17,885**	**–**	**44,257**

				2005
	Automotive Canada	Automotive USA	Heavy Duty	Consolidated
	$	$	$	$
Balance, beginning of year	8,722	6,411	3,140	18,273
Business acquisitions (Note 9)	173	–	(250)	(77)
Translation adjustment	–	(200)	–	(200)
Balance, end of year	8,895	6,211	2,890	17,996

16 - CREDIT FACILITIES

Parent company and certain subsidiaries

The Company has a credit facility in the amount of $225,000. This credit facility is composed of a $165,000 revolving credit expiring in October 2007. Upon expiration, the revolving credit will be converted into a two-year term loan. The balance of the loan is payable in full upon expiry of that term. The credit facility also includes a $60,000 operating credit which is used for the issuance of letters of guarantee and is renewable annually. As at December 31, 2006, the issued letters of guarantee totalled $5,118 ($4,186 in 2005).

The interest rates vary according to the type of loan and the financial ratios achieved by the Company and are set each quarter. As at December 31, 2006, interest rates vary between 5.34% and 8.75% (4.11% and 7.75% in 2005).

The Company is required to comply with certain financial ratios which it has done as at December 31, 2006 and 2005.

Joint ventures

The authorized lines of credit amount to $7,580 ($15,292 in 2005), and are partially secured by the assets of one of the joint ventures. The bank indebtedness bears interest at variable rates and is renewable on various dates annually. As at December 31, 2006, the interest rates vary between 5.34% and 6% (4.11% and 5% in 2005).

17 - ACCOUNTS PAYABLE

	2006	2005
	$	$
Accounts payable and accrued liabilities	**134,829**	130,687
Balance of purchase price, prime rate	**1,368**	–
	136,197	130,687

18 - LONG-TERM DEBT

	Current portion	**2006**	2005
	$	**$**	$
Revolving credit, average rate of 6.12% (4.48% in 2005) (Note 16)	–	**62,926**	64,125
Notes payable, unsecured, rates varying between 0% and 5.9%, payable in monthly instalments, maturing on various dates until 2007	**4**	**4**	193
Mortgage loans, secured by a building, prime rate plus 1% (prime rate plus 1% in 2005), payable in monthly instalments, maturing until 2013	**32**	**175**	103
Bank loan, secured by accounts receivable, inventory and equipment, prime rate plus 1%, payable in monthly instalments, maturing in July 2011	**32**	**148**	9
Due to a joint venturer, without interest or repayment terms	–	**49**	25
Obligations under capital leases, 0% to 1.9%, payable in monthly instalments, maturing on various dates until 2011	**35**	**76**	65
		63,378	64,520
Instalments due within one year	**103**	**103**	171
		63,275	64,349

The instalments on long-term debt for the next years are as follows:

	Obligations under capital leases	Other loans
	$	$
2007	35	68
2008	23	64
2009	10	62,990
2010	4	56
2011	5	40
2012 and following	–	84
Total minimum lease payments	77	
Financing expenses included in minimum lease payments	1	
	76	

19 - MERCHANT MEMBERS' DEPOSITS IN GUARANTEE FUND

	2006	2005
	$	$
Merchant members' deposits in guarantee fund	**8,240**	7,536
Instalments due within one year	**426**	202
	7,814	7,334

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Company. Each merchant member is required to maintain a deposit based on its prior year's purchases. Deposits bear minimum interest which cannot be less than the prime rate less 1%.

20 - CAPITAL STOCK

Authorized

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

	2006	2005
	$	$
Issued and fully paid		
Balance, beginning of year: 19,599,716 common shares (19,423,289 in 2005)	**48,056**	45,601
Issue of 1,303 common shares for cash (1,717 in 2005)	**40**	50
Issue of 98,315 common shares on the exercise of stock options (174,710 in 2005)	**1,248**	2,405
Balance, end of year: 19,699,334 common shares (19,599,716 in 2005)	**49,344**	48,056

Common stock option plan for management employees and officers

The shares under option may be subscribed for over a period of ten years from the date of granting, on the basis of not more than 20% per consecutive twelve-month period and at the common stock closing price on the Toronto Stock Exchange on the day preceding the day the option is granted. A beneficiary who subscribed for less than the maximum permitted in a given year may subscribe for the difference, in addition to 20%, in the years following the date of granting of the option. The option plan provides for the purchase of a maximum of 1,859,400 common shares of the capital stock of the Company. Under this plan, 1,125,531 common shares (1,027,216 in 2005) have already been issued.

The Company has already repurchased 555,591 options. As at December 31, 2006, 178,278 common shares (276,593 in 2005) are reserved for this plan.

A summary of the status of the Company's stock option plan as at December 31, 2006 and 2005 and changes during the years ended on those dates is presented below:

	2006		2005	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**188,011**	**13.46**	366,453	13.69
Exercised	**(98,315)**	**12.50**	(174,710)	13.93
Repurchased			(1,171)	11.95
Forfeited	**(544)**	**15.05**	(2,561)	15.05
Outstanding, end of year	**89,152**	**14.50**	188,011	13.46
Options exercisable, end of year	**89,152**	**14.50**	187,400	13.44

As at December 31, 2006, the outstanding stock options exercisable into a range of exercise prices from $14.00 to $18.66 have a weighted average remaining contractual life of 3.7 years.

21 - CUMULATIVE TRANSLATION ADJUSTMENTS

	2006	2005
	$	$
Balance, beginning of year	**(13,405)**	(9,894)
Effect of exchange rate fluctuations during the years on net investment in self-sustaining subsidiaries	**639**	(3,511)
Balance, end of year	**(12,766)**	(13,405)

22 - EMPLOYEE FUTURE BENEFITS

As at December 31, 2006, the Company has three defined benefit pension plans and three defined contribution plans. Its defined benefit pension plans are based on years of service and final average salary.

The Company's total expense for the defined contribution plans is $898 ($1,093 in 2005).

Total cash payments for employee future benefits for 2006, consisting of cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plan and cash contributed to its defined contribution plans, were $2,245 ($2,286 in 2005).

Defined benefit pension plans

The Company evaluates its accrued benefit obligations and the fair value of plan assets for accounting purposes on December 31 each year. There is an actuarial valuation of the defined benefit pension plans every three years. The pension plans were evaluated on December 31, 2003 and December 31, 2004 respectively and will be reevaluated on December 31, 2006 and December 31, 2007. The accrued benefit obligations of the other pension plan are reevaluated on an annual basis.

22 - EMPLOYEE FUTURE BENEFITS (Continued)

Information regarding the combined defined benefit plans is as follows:

	2006		2005	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Accrued benefit obligations				
Balance, beginning of year	**17,636**	**3,949**	13,275	3,296
Business acquisitions	**902**	**–**	–	–
Current service cost	**2,262**	**209**	1,504	263
Interest cost	**1,066**	**216**	860	202
Benefits paid	**(1,012)**	**(83)**	(699)	(53)
Actuarial losses (actuarial gains)	**–**	**(190)**	2,696	241
Balance, end of year	**20,854**	**4,101**	17,636	3,949
Plan assets				
Fair value, beginning of year	**12,431**	**–**	10,397	–
Business acquisitions	**667**	**–**	–	–
Actual return on plan assets	**1,803**	**–**	1,034	–
Employer's contributions	**1,264**	**–**	1,140	–
Employees' contributions	**782**	**–**	559	–
Benefits paid	**(1,012)**	**–**	(699)	–
Fair value, end of year	**15,935**	**–**	12,431	–

	2006	2005
	Pension plans	Pension plans
	%	%
Components of plan assets		
Equity securities	**73.0**	64.0
Debt securities	**27.0**	36.0
	100.0	100.0

Matching of plan funding status and amounts shown in the financial statements:

	2006		2005	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Funded status - deficit	**(4,919)**	**(4,101)**	(5,205)	(3,949)
Unamortized past service costs	**679**	**(12)**	753	(15)
Unamortized actuarial losses	**4,797**	**454**	5,635	706
Accrued benefit asset (liability)	**557**	**(3,659)**	1,183	(3,258)

The accrued benefit asset is presented in prepaid expenses and the liability is presented in accounts payable.

The net pension expense for defined benefit plans is as follows:

	2006		2005	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Current service cost	**1,480**	**209**	885	263
Interest cost	**1,066**	**216**	860	202
Actual return on plan assets	**(1,803)**	**–**	(1,034)	–
Actuarial losses (actuarial gains)	**–**	**(190)**	2,696	241
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**743**	**235**	3,407	706

22 - EMPLOYEE FUTURE BENEFITS (Continued)

	2006		2005	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	$	**$**	$	$
Adjustments to recognize the long-term nature of employee future benefit costs				
Difference between expected return and actual return on plan assets for the years	**816**	**–**	277	–
Difference between actuarial loss recognized for the years and actual actuarial loss on accrued benefit obligation for the years	**280**	**252**	(2,567)	(241)
Amortization of past service costs	**74**	**(3)**	74	(3)
Defined benefit costs recognized	**1,913**	**484**	1,191	462

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	2006		2005	
	Pension plans	**Other pension plan**	Pension plans	Other pension plan
	%	**%**	%	%
Accrued benefit obligations as of December 31				
Discount rate	**5.25**	**5.25**	5.25	5.25
Rate of compensation increase	**4.00**	**4.00**	4.00	4.00
Benefit costs for years ended December 31				
Discount rate	**5.25**	**5.25**	6.00	6.00
Expected long-term rate of return on plan assets	**7.25**	**–**	7.00	–
Rate of compensation increase	**4.00**	**4.00**	3.75	3.75

23 - COMMITMENTS

The Company has entered into long-term lease agreements expiring at various dates until 2015 which call for lease payments of $92,436 for the rental of buildings, vehicles and outsourcing of information technology services. Minimum lease payments for the next five years are $20,735 in 2007, $17,726 in 2008, $14,877 in 2009, $12,254 in 2010 and $8,130 in 2011. Some of these lease agreements contain renewal options for additional periods of two to five years which the Company may exercise by giving prior notice.

24 - GUARANTEES

As per inventory repurchase agreements, the Company has made a commitment to financial institutions to repurchase inventories from some of its customers at a rate of 60% to 75% of the value of cost of the inventories for a maximum amount of $68,286 ($61,007 in 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, since the value of the assets held in guarantee is significantly higher than the Company's commitments.

25 - FINANCIAL INSTRUMENTS

Fair value of financial instruments
The fair value of cash and cash equivalents, temporary investment, accounts receivable, volume discounts receivable, bank indebtedness, accounts payable and dividends payable approximates their carrying amount given that they will mature shortly.

Substantially all advances and guarantee deposits result from transactions with merchant members. The fair value has not been determined since these transactions are conducted to maintain and develop markets and do not necessarily reflect the terms and conditions that would be negotiated with third parties.

The fair value of long-term debt is equivalent to its carrying amount since substantially all of the debt bears interest at a rate that fluctuates with the market rate.

The fair value of the interest rate swap, as determined by the Company's bank, based on quoted market prices for similar instruments at the balance sheets date, represents an amount receivable by the Company of $220 ($377 in 2005).

25 - FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk due to cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable, deposits in guarantee fund and long-term debt denominated in U.S. dollars. As at December 31, 2006, assets denominated in U.S. dollars consisting of cash and cash equivalents and accounts receivable totalled US$58,802 (US$55,743 in 2005); liabilities denominated in U.S. dollars consisting of accounts payable, deposits in guarantee fund and long-term debt totalled US$134,414 (US$107,006 in 2005).

26 - SEGMENTED INFORMATION

The accounting policies that apply to the following industry segments are the same as those described in the accounting policies note. The Company assesses performance using earnings before interest, amortization, loss on disposals of property, plant and equipment, income taxes and non-controlling interest.

				2006
	Automotive Canada	**Automotive USA**	**Heavy Duty**	**Consolidated**
	$	**$**	**$**	**$**
Sales	**489,573**	**567,402**	**66,928**	**1,123,903**
Earnings before interest, amortization, loss on disposals of property, plant and equipment, income taxes and non-controlling interest	**47,078**	**36,779**	**(1,963)**	**81,894**
Assets	**226,837**	**307,390**	**38,308**	**572,535**
Acquisition of property, plant and equipment	**6,883**	**6,542**	**193**	**13,618**
Acquisition of covenants not to compete	**–**	**707**	**–**	**707**
Acquisition of goodwill	**17,477**	**11,239**	**(2,890)**	**25,826**

				2005
	Automotive Canada	Automotive USA	Heavy Duty	Consolidated
	$	$	$	$
Sales	497,620	568,356	73,980	1,139,956
Earnings before interest, amortization, loss on disposals of property, plant and equipment, income taxes and non-controlling interest	37,245	35,762	1,224	74,231
Assets	193,456	252,466	48,102	494,024
Acquisition of property, plant and equipment	4,318	4,441	756	9,515
Acquisition of goodwill	173	–	–	173

The Automotive USA segment includes property, plant and equipment for an amount of $17,599 ($14,668 in 2005) and goodwill for an amount of $17,885 ($6,211 in 2005).

DIRECTORS AND OFFICERS

Board of Directors, Uni-Select Inc.

Jean-Louis Dulac
Chairman of the Board

Clay E. Buzzard

Pierre Desjardins

Jean Guénette, CA

John A. Hanna

Jacques Landreville

Léo Leblanc

Jacques Maltais

Hubert Marleau

Me Jeanne Wojas

Officers, Uni-Select Inc.

Jacques Landreville
President and Chief Executive Officer

Richard G. Roy, CA
Vice President and
Chief Operating Officer

Denis Mathieu, CA
Vice President and
Chief Financial Officer

James E. Buzzard
Executive Vice President,
Automotive Group USA

Gary O'Connor
Executive Vice President,
Automotive Group Canada

Jean Rivard
Executive Vice President,
Heavy Duty Group

Guy Archambault
Vice President,
Corporate Development

Jean-Pierre Beaulieu
Vice President and
Chief Information Officer

Me Pierre Chesnay, LL.B
Vice President,
Legal Affairs and Secretary

Florent Jacques
Vice President,
Distribution and Integration

Martin Labrecque, CMA
Controller

Michel Laverdure
Vice President,
Corporate Purchasing

Luc L'Espérance
Vice President,
Human Resources

Gilles Michaud
Vice President,
Product Management
and Market Development

Michèle Raymond
Vice President,
Strategic Planning
and Market Development

Officers, Uni-Select USA, Inc.

Jacques Landreville
President

Richard G. Roy, CA
Vice President and
Chief Operating Officer

James E. Buzzard
Executive Vice President

Daniel Buzzard
Vice President,
Southeast Division

Richard Buzzard
Vice President,
Southwest Division

Robert Buzzard
Vice President,
Administration

John Evanoka
Vice President,
Northeast Division

William M. McConnell
Regional Vice President
Central Division

John Rutland
Vice President,
Corporate Development, USA

Scott Terhaar
Group Controller

Brent Windom
Vice President, Marketing

Me Pierre Chesnay, LL.B
Secretary

Officers, Palmar Inc.

Jacques Landreville
President

Richard G. Roy, CA
Vice President
and Chief Operating Officer

Jean Rivard
Executive Vice President

Me Pierre Chesnay, LL.B
Secretary

Key Managers

Automotive Group Canada

Sylvette Arseneau
Controller,
Automotive Group Canada

Robert Beauchamp
Vice President, Marketing

Michel Charbonneau
Vice President,
PBE Market Development

Carol Chartrand
Quebec Division

Sean Corcelli
Uni-Select Prairies Inc.

Brendan O'Brien
Ontario Division

Mike McQuinn
Atlantic Division

Terry Pollock
Uni-Select Pacific Inc.

Automotive Group USA

Carman Capriotto
Senior Manager,
Northeast Group

Ruth McManus
Director,
Human Resources

Scott Roberts
Senior Manager,
Information System

Heavy Duty Group

Aimé Cloutier
Manager, Sales

Steve Dugas
Ontario and Maritimes Divisions

Pierre Labelle
Manager, Finance

Christian Legault
Manager, Marketing

Jean-Claude Léveillé
Manager, Operations

Yves Sanscartier
Quebec Division

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Royal Bank of Canada
Scotia Bank
Caisse de dépôt et placement du Québec
La Caisse centrale Desjardins du Québec

Registrar and Transfer Agent
Computershare Trust
Company of Canada

Annual Information Form
The Annual Information Form for the year ended December 31, 2006 is available on SEDAR (www.sedar.com) or may be obtained upon written request from the Secretary of the Company.

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www.uni-select.com