GEARED FOR GROWTH

BE A PART OF IT.

COVERING ALL OF NORTH AMERICA

Uni-Select distributes more than **2 million replacement parts** for domestic and foreign nameplate vehicles, equipment, tools and accessories. It also distributes over **30,000 automotive paint and related products**.

Uni-Select is a leader in Canada automotive parts distribution and **the fifth-largest in North America**. Uni-Select is also North America's largest independent paint distributor. It serves a continent-wide network of independent wholesalers as well as tens of thousands of installers and collision repair shops. Our banner programs support the growth of more than **1,200 independent wholesalers** and over **5,400 repair shops**.

Uni-Select's **5,500 employees** work each and every day to deliver first-rate customer service and advanced solutions to our customers in **54 distribution centres** and **412 corporate stores**.

A large-scale corporation. Be a part of it!

CANADA
- Distribution centres and corporate stores
- Independent wholesalers

UNITED STATES
- Distribution centres and corporate stores
- Independent wholesalers

CANADA 28% OF SALES

UNITED STATES 72% OF SALES

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* Trademarks and registered trademarks of Uni-Select are identified throughout this Annual Report by the use of italic fonts.

Financial Highlights

Years Ended December 31 (in M of US$, except for per share amounts and percentages)

	2013	2012 [3]	2011	2010 [2]	2009 [3] [4]
Operating results					
Sales	**1,788.1**	1,797.6	1,780.6	1,285.4	1,236.6
Adjusted EBITDA from continuing operations [1][2]	**101.2**	94.8	105.8	80.6	83.9
EBITDA from continuing operations	**92.4**	87.0	101.1	75.1	77.3
Restructuring charges, write-off of assets and others	**35.2**	18.5	3.3	–	–
Adjusted earnings from continuing operations [2]	**50.7**	45.9	57.8	48.5	41.9
Earnings from continuing operations	**21.3**	29.4	53.9	45.1	37.9
Net earnings	**21.3**	29.4	53.9	44.2	33.7
Free cash flow	**65.6**	57.3	66.6	43.7	54.8
Return on average shareholders' equity	**9.8 %**	8.7 %	12.3 %	12.2 %	10.2 %
Financial position					
Working Capital	**415.4**	436.0	491.1	371.9	377.8
Total assets	**1,205.9**	1,202.7	1,239.2	805.5	741.1
Total net debt	**277.7**	309.3	351.7	182.0	156.2
Shareholders' equity	**488.8**	484.2	464.6	382.0	356.3
Long-term debt to total shareholders' equity ratio	**51.9 %**	58.0 %	68.9 %	46.8 %	50.0 %
Total net debt to total net debt and shareholders' equity ratio	**34.1 %**	36.7 %	40.7 %	32.3 %	30.5 %
Common share data					
Book value	**22.99**	22.47	21.47	19.38	18.07
Adjusted earnings related to continuing operations	**2.37**	2.12	2.67	2.46	2.13
Earnings related to continuing operations	**1.00**	1.36	2.49	2.29	1.92
Net earnings	**1.00**	1.36	2.49	2.24	1.71
Dividend (C$)	**0.52**	0.52	0.48	0.47	0.46
Number of shares issued at year end	**21,263,669**	21,551,170	21,636,767	19,707,637	19,716,357
Weighted average number of outstanding shares	**21,411,277**	21,623,300	21,645,664	19,716,731	19,709,642

(1) EBITDA represents operating profit before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, equity income, net gain on disposal of property and equipment, income taxes and net earnings attributable to non-controlling interests. For more details, see the section on «Non-IFRS financial measures».

(2) EBITDA, earnings from continuing operations and net earnings have been adjusted for costs that the Corporation views as uncharacteristic of normal operations. These costs are excluded to provide comparable measurements. (For further details, see the sections on "Analysis of consolidated results" and "Non-IFRS financial measures").

(3) 2012 has been restated to take into account the changes in accounting policies as per IFRS 11 - "Joints Arrangements" and as per the amended IAS 19- "Employee Benefits". However, as the obligation to restate the financial statement bearing only to the preceding comparative year, 2011 and prior years have not been restated. (For further details, see note 4 of the Consolidated Financial Statements.)

(4) The result of the year 2009 was not restated under IFRS. (The obligation to restate the financial statement bearing only to the preceding comparative year). However, following the analysis of 2010, adjustments to earnings related to the IFRS conversion should be negligible, and therefore should not mislead the reader. (For further details, see note 30 in the Consolidated Financial Statements fot the year ended December 31, 2011).

WHEN STRATEGY AND COMMITMENT PRODUCE RESULTS

Robert Chevrier, Chair of the Board and **Richard G. Roy,** President and CEO.

2013 marked an important step forward in the implementation of Uni-Select's long-term growth strategy. The year began under less-than-favourable market conditions and we faced a number of challenges related to the deployment of the enterprise resource planning system. However, the end of 2013 saw a return to robust operations on both sides of the border, paving the way for promising growth opportunities.

"Our optimized distribution network will confirm our status as a distribution leader and strengthen our position as a partner of choice among our customers and suppliers."

Richard G. Roy
President and CEO

In 2013, sales reached $1,788 million, compared with $1,798 million in 2012. The adjusted EBITDA grew by 6.7%, reaching $101 million compared with $95 million the previous year. The adjusted earnings totalled $51 million, compared with $46 million in 2012, an increase of 10.4%.

Over the past few quarters, our team has produced positive organic sales growth of 4.1% in the second half of the year and 1.9% for the overall fiscal year. During this same period, the performance of our US and Canadian operations showed steady improvement as we recruited new customers, helped our existing customers grow their businesses, and signed new paint product distribution agreements with collision centres and repair chains.

We have diligently controlled operating costs, tightly managed our working capital, and used our cash flow judiciously. This has allowed us to reduce our debt levels and proceed with share buybacks to increase the value of our shareholders' equity. Last year, our debt decreased by 10.2%, or a total of $32 million.

Our accelerated growth in the second half of the year underscore the soundness of our initiatives to increase organic sales, boost efficiency and improve service rates all the while carefully managing operating costs.

GEARED FOR GROWTH

As a leading Canadian distributor of parts for imported and domestic light vehicles and the fifth largest distributor in North America, Uni-Select occupies an enviable position with independent wholesalers. Thanks to our business solutions, banner programs and technical support programs, we are a partner of choice for entrepreneurs eager to tap into the strength of a network. In 2013, we continued to deploy these value-added programs and expand direct shipping from the manufacturer–a service that gives our customers a competitive advantage in the market.

We also continued to offer our banner programs and training courses to independent installers, helping them manage their shops and grow their businesses. At the start of 2014, we launched an attractive new banner program in Canada that offers solutions that can adapt to shop specific needs.

Improved service levels also played an important role in our stronger results. We achieved better fill rates by establishing new processes that improve the way we handle orders and increase our ability to meet the needs of our customers. At the same time, we kept a tight rein on operating costs and stayed focused on managing inventory efficiently. Everywhere we do business, Uni-Select is determined to consistently offer the right products at the right price and within the time frame required by customers.

In the paint and related products sector, our FinishMaster subsidiary continued to grow and increase its market share by recruiting more than 400 new customers. FinishMaster sets itself apart with its high-quality distribution service and the value-added information it provides to its partners.

We have diligently controlled operating costs, tightly managed our working capital, and used our cash flow judiciously. This has allowed us to reduce our debt levels for a second year.

The subsidiary has secured its position as an industry leader and enjoys healthy organic growth. Its profitability is attributable to excellent management and rigorous cost control. When Uni-Select acquired FinishMaster in January 2011, we anticipated the achievement of $10 million in synergies. We have now far surpassed that number, and this does not take into account profits generated through improved management of the subsidiary's working capital.

In 2013, Uni-Select set the stage for getting back on the road to sustainable growth. This is primarily due to the solid foundations on which the Corporation's operations rest which have allowed us to stand out in a constantly growing market. We also kept our eyes out for new business opportunities and were able to seize them with the use of new tools. But without question, the biggest force driving our vision for the future has been the Corporation's 5,500 employees, who work day in and day out to achieve tangible results for our customers, suppliers and shareholders.

AN OPTIMIZED NETWORK

In the spring of 2013, we embarked on a detailed strategic review of our operations. This led us to adopt a strategic and operational action plan ("Action Plan") which is forecast to generate annualized savings of approximately $30 million by 2015. This Action Plan has already yielded some positive outcomes. Although we began its implementation only a few months ago, we have already achieved close to half of the Plan's projected recurring annual savings. This confirms the strength and value of this initiative as a long-term engine of growth.

Under this Plan, we undertook a detailed review of our distribution network to pinpoint any and all ways it could be optimized and enhanced. We made the decision to refine our processes in order to improve our fill rates and pricing strategy. We targeted markets with the biggest capacity for growth and we withdrew from regions with lower potential. This led us to close, sell or consolidate 40 stores in low-performing markets.

We are now proceeding with the rationalization of our warehouse network, focusing on the implementation of a few major regional distribution centres that will carry our entire product line. These centres will support a network of local warehouses to meet our customers' more urgent needs. We will be making some major investments to optimize 12 existing distribution centres and to establish two new regional distribution centres, including the new facility in Washington D.C. which opened in early 2014. Once the Action Plan has been fully implemented, we will close 12 other warehouses after having consolidated their operations elsewhere within our network.

The changes made to the Management team of our parts distribution activities in the United States also had a positive impact. Our team's motivation and their commitment to excellence reached new heights which made a big difference in the success of our Action Plan's execution. Among their notable achievements, our team members maintained higher-than-anticipated sales volumes following our various site closures and they achieved savings that exceeded expectations.

We are confident that our optimized distribution network will confirm our status as a distribution leader and strengthen our position as a partner of choice among our customers and suppliers.

AN EFFICIENT AND PRODUCTIVE SYSTEM

Last December, we successfully completed the deployment of our enterprise resource planning system with our sixth and final wave of implementation. This marked an important milestone as this software will greatly enhance our present and future operations.

The new system will help us manage every facet of our organization, from taking orders to receiving payments as well as warehouse and inventory management.

“The past quarters results underscore the soundness of our initiatives to create value for our shareholders, customers and suppliers.”

Robert Chevrier
Chair of the Board

Our goal was to implement a single-platform system that would simplify business processes, increase our distribution centres' productivity and efficiency and facilitate the integration of future acquisitions by establishing and standardizing best practices. We only recently began using this new system for our parts distribution activities and it has already yielded positive results.

We now have real-time access to comprehensive data on our products, logistics and finances. This gives us more flexibility in setting prices and lets us account for fluctuations in regional markets. The system has also improved inventory management: we can now minimize duplication and make sure we always have the right product in the right location. In addition, our customers now have quick and easy access to all of the products offered throughout our network, which facilitates the ordering process. Our customers will also benefit from our warehouses' increased productivity and greater accuracy in deliveries.

Our ability to access information in real time speeds up the decision-making process and helps us improve service levels and boost our results.

AN EXTENSIVE RANGE OF PRODUCTS

Last year, we also reviewed and adapted our product offering to better meet the needs of our customers and consumers. We continued to maintain a wide range of national brand products in our inventory while ramping up promotional activities for our *Auto Extra* parts, making them more accessible. We also introduced *Worldparts*, a new high-end, competitively priced private label.

Our *Beck/Arnley* product line for foreign nameplate vehicles continues to enjoy growing success. Beck/Arnley had a remarkable year, boosting its profitability through increased sales and tighter cost management. We improved access to our network's products through the BeckSelect sales program for US independent wholesalers, and the success of this program has inspired us to launch a similar campaign in Canada in 2014.

A PROMISING FUTURE

The Do It For Me (DIFM) aftermarket sector will offer considerable opportunities in the coming years, with annual growth projections of 3.6% favouring sustainable growth for Uni Select. As the supplier to the largest network of independent wholesalers, we enjoy a unique position. We stand to benefit significantly from the aftermarket sector's growth with our ability to meet the needs of tens of thousands of repair and collision repair shops.

Uni-Select is in a healthy financial state. We are ready to take advantage of acquisition opportunities in the parts and paint distribution sectors. We will continue to rigorously assess all potential acquisitions to make sure each transaction contributes rapidly to our results and complements our current offering. In accordance with these principles, we completed two paint sector acquisitions in early 2014 that will allow FinishMaster to expand its service offering within the related markets.

Our industry continues to consolidate and we plan to capitalize on this trend while delivering solid results. Certain events over the past few months have generated growth opportunities for Uni-Select which we are now poised to seize. The new ERP software deployed in 2013 will allow for more efficient integration which means that future acquisitions will yield positive impacts and synergies more rapidly.

In 2014, we will pursue the objectives outlined in the 2012-2015 strategic plan and finish implementing the Action Plan we announced this past July. We will continue to improve our parts offering and pricing strategy, aiming for a competitive pricing policy that takes purchase prices into account and to make sure they meet the real needs of the markets we serve to attract more customers while also improving our margins.

In 2014, we will pursue the objectives outlined in the 2012-2015 strategic plan and finish implementing the Action Plan announced this past July.

Optimizing our network also remains one of our top priorities. As we implement our Action Plan we also intend to refine our product offering and further streamline our inventory in order to achieve higher service levels.

We are confident our margins will improve thanks to our recent and ongoing initiatives. In 2014, we also expect returns from the launch of new products tailored to the specific needs of the market and we will take advantage of the leverage gained from the increased sales of products shipped directly to our wholesalers.

Lastly, we will continue to focus on engaging and mobilizing our employees. They are the engine driving our success and we are committed to providing them with a stimulating work environment that fosters communication and recognizes their talents.

THANK YOU TO EVERYONE WHO CONTRIBUTES TO UNI-SELECT'S SUCCESS

We would first like to thank our employees, whom we acknowledge once again for their dedication and commitment. We are grateful for their ongoing efforts and daily collaboration and look forward to working closely with them as we continue to build on our success.

We would also like to thank our customers, suppliers and partners for their support and loyalty throughout the year. Uni-Select will continue to do everything in its power to offer them the best services and tools to foster their growth.

To our shareholders, once again we express our sincere gratitude. We are proud to work each and every day to earn the trust you place this Corporation.

Lastly, we wish to thank the members of our Board of Directors. The returning directors and three new members are all making remarkable contributions toward achieving our goals and we are grateful for their generous participation and valued advice. We also wish to extend our sincere thanks to those directors who are stepping down in 2014 for their many years of outstanding service.

Chair of the Board

Robert Chevrier, FCPA, FCA

President and CEO

Richard G. Roy, FCPA, FCA

A CULTURE OF SUCCESS ACROSS ALL LEVELS

OUR VALUES REST ON A COMMITMENT TO PROVIDE EFFECTIVE BUSINESS SOLUTIONS FOR ALL OUR PARTNERS.

VISION

Uni-Select aims to be the preferred distributor in the automotive aftermarket and to create value for customers, employees, suppliers and shareholders.

Uni-Select's corporate values guide our day-to-day activities and help define our strategies to ensure the satisfaction and support the development of our customers, employees, suppliers and shareholders, as well as the communities in which we operate.

Our values support the following objectives:

- Provide competitive solutions for our customers
- Establish winning relationships with suppliers
- Provide employees with a stimulating work environment
- Create value for our shareholders
- Be a respectful corporate citizen

OUR ADDED VALUE

Financial strength

- 45 years of profitability
- Good cash flow
- 26 years of continuous dividends

Stong network

- North American
- Serving a large clientele of independent wholesaler
- Wide range of products

Sound management

- Entrepreneurial culture
- Expertise in logistics, acquisitions and their integration

A Corporation guided by its values. Be a part of it!

Our distribution network

FOCUSED ON EFFICIENCY

We are constantly enhancing our network to better serve our customers. Uni-Select is committed to delivering excellent fill rates by managing product supply and inventory as efficiently as possible. We strive to improve logistics in our warehouses by making sure their layout is optimal and our new systems efficiently put to contribution..

CLOSE TO CUSTOMERS

Our network of warehouses is well positioned to support our corporate stores and independent wholesalers which offer a fast and efficient service to repair and collision repair shops.

THE ACTION PLAN

Term: December 2014

The execution of the 2013 Action Plan will bolster Uni-Select's distribution network, allowing us to provide customers with the right products, at the right place, at the right price and at the right time.

ANNOUNCED In July 2013	COMPLETED TO DATE	COMING In 2014
Closure of 12 warehouses	7 warehouses	5 warehouses
Opening of 2 distribution centres	1 regional distribution centre in Washington, D.C.	1 distribution centre
Reconfiguration and optimization of 12 warehouses	–	12 warehouses
Relocation of US national distribution centre	Distribution centre relocated to Smyrna, TN	–
Closure of 48 corporate stores*	34 stores closed 6 stores sold to certain customers	3 stores to be sold or closed
Inventory reduction of $40 millions in 2015**	$4.2 million	$25.8 million (+ $10 million in 2015)
Cost reduction of $30 million in 2015**	$13.1 million	$15 million

The number of stores and warehouses planned to close in 2014 could be revised upwards or downwards depending on the success of process improvement plans and profitability.

* Total revised to 43 stores because of the marked improvement in the performance of 5 corporate stores.
** Some initiatives will materialize in 2015 which will lead to attaining forecasts.

A TAILORED NORTH-AMERICAN NETWORK

2 **national distribution centres** strategically located to efficiently supply our network's warehouses

22 **regional distribution centres** stocked with all product lines and an inventory of over 350,000 parts

16 **local centres and 14 satellites** to provide same-day response to urgent requests for essential product lines

412 **corporate stores**

3,200 **independent wholesalers**

serving tens thousands of installers and body shops

Uni-Select – the strength of a network! Be a part of it!

SYSTEMS THAT ENABLE GROWTH

2013

COMPLETION OF THE ENTERPRISE RESOURCE PLANNING SYSTEM DEPLOYMENT

This system integrates all aspects of parts distribution operations management on a single platform allowing Uni-Select to streamline its business operations. The system allows management to make more informed decisions in a timelier manner, increase the efficiency and productivity of distribution centres and improve service levels.

SIGNIFICANT MILESTONES

2010 — Finance module implemented

2011 — ERP implemented in 7 distribution centres and 22 stores

2012 — 4 roll-out waves in 23 distribution centres and 168 stores

2013 — Final implementation in 6 warehouses and 111 stores

2014 — Opening of a new regional distribution centre, decommissioning of legacy systems and continuous improvement in our use of available business information

POWERFUL SYSTEMS THAT MAXIMIZE THE SUCCESS OF OUR CUSTOMERS

One single platform

- Information available in real time
- Better customer service
- Improved inventory visibility and management across the network

Management made easier

- Integration of all processes
- Order accuracy
- Better pricing policy

Information quality

- Improved information management
- Faster delivery of business information
- Faster decision making at all levels of the organization

A Corporation built for efficiency. Be a part of it!

Our products

AN EXCEPTIONAL PRODUCT OFFERING IN ITS QUALITY AND SCOPE

Fifth-largest distributor of replacement parts in North America.

Uni-Select provides customers with:

- A wide range of high-quality under-the-hood and under-the-car replacement parts
- A complete offering of tools and equipment for installers

National brand-name products that perform like original equipment and respond to our customers' desire to offer high-quality parts made by the world's leading manufacturers.

Private-label products that meet the needs and budget of customers who want excellent quality at competitive pricing.

WORLDPARTS®

2013 ACHIEVEMENTS

- Launch of *Worldparts*, our competitively-priced high-quality brand
- Improvement of our *Auto Extra* product offering with faster deployment to our customers
- Inventory reduction and improved service levels through consolidation of product lines
- Growth in the crucial brakes sector using an improved product offering
- Introduction of training and support programs wholesalers as well as shop incentives in the complex engine management category

BECK/ARNLEY®

Beck/Arnley for imported vehicles is the brand of choice for repair shops looking for quality, appearance, operation and ease of installation on par with original equipment.

- A wide range of high-quality products including steering and suspension, filters, brakes, engine management, fluids and more
- Over 27,000 available parts that meet original equipment standards
- Strong market positioning of the brand and products

2013 ACHIEVEMENTS

- Launch of the BeckSelect program in the US that gives wholesalers easier access to the complete line of *Beck/Arnley* products
- Introduction of the new *TRUE | Braking* packaging that allows users to scan the back of the box with the *BeckSCAN* application to download videos and brochures. This initiative won the best packaging award in 2013 from the Automotive Communications Council (ACC)
- Large-scale launch of the OE Fluids product offering including antifreeze, coolants, motor oil and automatic transmission and power steering fluids

UNI-SELECT IS THE LARGEST INDEPENDENT DISTRIBUTOR OF AUTOMOTIVE PAINT AND RELATED PRODUCTS IN NORTH AMERICA.

IN THE UNITED STATES, FINISHMASTER'S MARKET SHARE IS ON THE RISE

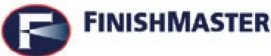
Our paint and related product distribution activities are growing steadily, continuing to be a big part of Uni-Select's success story and securing our position as the country's leading distributor.

FinishMaster sets itself apart:

- Distribution of high-quality products from leading manufacturers
- Offering of services and technology that drive the success of its customers
- High-quality accessories and products at competitive prices under its own *SMART* brand

Uni-Select is working toward a closer integration of its paint and replacement parts products:

- Cross-sales programs already provide independent wholesalers with FinishMaster paint products
- Merged stores offer paint products and parts under one roof



2013 ACHIEVEMENTS

- **Recruited 416 new customers**
- **Grew sales in the National Multi-Shop owners segment**
- **Solidified partnerships with vendors**

IN CANADA, UNI-SELECT IS A LEADER IN PAINT AND RELATED PRODUCTS DISTRIBUTION

Uni-Select is a major supplier of Canada's leading paint products. In 2013, we expanded our range of paint products through a new distribution agreement with a well-known global manufacturer.

Uni-Select serves the largest network of collision repair centres in Canada.

- Alliance of the Pro Color and CSN Collision & Glass network which includes 290 shops specializing in damaged vehicle repair
- Recruitment of new collision repair centres
- Increased visibility through a national advertising campaign featuring *ProColor* shops
- Additional National agreements signed with two leading insurance providers, thanks to its alliance with CSN, for a total of 11 agreements

Carrossier ProColor.

Our independent wholesalers

PARTNERS IN OUR CUSTOMERS' SUCCESS

Uni-Select is the preferred partner of independent wholesalers, because our tools and solutions make it easier to run their businesses.

The Uni-Select advantage:

- The purchasing power of a North America-wide network
- A service rate that meets expectations
- An offer of customized services that meet each customer's specific needs
- Advantageous delivery options: directly from the manufacturer or from Uni-Select warehouses
- Long-term supply agreements with major accounts, resulting in increased sales volumes
- Advanced technological tools for analyzing and managing inventory
- Marketing programs that raise visibility
- Loyalty programs
- Succession plans for business handover
- Access to news and online catalogues through UniForum and UNIcentralpoint
- Advisory boards that tailor solutions to customers' needs and foster growth strategies
- Assistance in pricing strategy to ensure competitiveness and sustainability

2013 ACHIEVEMENTS

- Improved service level in warehouses
- Recruited 81 customers to our *Auto-Plus*, *Auto Parts Plus* and *Bumper to Bumper* banners
- North American convention for Uni-Select's wholesalers and installers, attracting 1,000 participants
- Improved technology to make wholesalers more competitive in managing inventory and determining pricing strategy
- Increased presence on social media

A comprehensive business solution. Be a part of it!

A CUSTOMIZED SOLUTION FOR REPAIR SHOPS

Uni-Select unveils its new banner strategies in Canada!

Uni-Select tailors its tools and solutions to meet each installer's individual needs.

- A diverse line of private and national brand products
- Fast and effective product distribution
- Flexible banner programs able to respond to specific needs
- Turnkey solutions featuring effective marketing programs to accelerate growth
- Loyalty programs that boost customer retention
- Technology solutions at ASPcentralpoint.com that facilitate ordering and inventory visibility
- A range of diagnostic technologies to facilitate repair
- Telematics solutions program (*SmartLink*) that transmits information to drivers and technicians on the state of their vehicle, building customer loyalty
- Outstanding training programs including coaching on business management
- Support for building a social media presence
- Shop incentive programs

2013 ACHIEVEMENTS

- Prepared Canadian installer banner program repositioning to offer a customized solution tailored to individual needs and creating a direct link with the Uni-Select network for greater visibility and name recognition
- Training of about 7,000 technicians online and in person
- Recruited 379 customers to our programs in the United States and 53 in Canada

Uni-Select helps its customers grow their business. Be a part of it!

EMPLOYEES COMMITTED TO GROWTH

At Uni-Select, our 5,500 dedicated employees are instrumental to our success and we are committed to providing a stimulating workplace so they can reach their full potential.

Our leadership programs are an essential part of our succession planning. Uni-Select identifies employees with outstanding abilities and supports them in developing their skills. Our leadership initiatives allow us to prepare for succession and retain our top talent.

Change management is important to us because the result helps our employees carry out their work more effectively. These programs make it easier for employees to integrate and adapt to new tools and processes.

Our recognition programs encourage employees to excel and contribute to the Corporation's growth.

- The **Value Creators** program highlights the contributions of outstanding employees
- The **President's Awards** honour exceptional managers

We are building new ways to communicate and exchange ideas.

- Our new Uni-Flash newsletter delivers important news items and gives employees a way to share their achievements
- The "Word from the President" informs employees on the Corporation's main focus and communicates our results
- During regular Town Hall meetings, employees in distribution centres get the chance to meet the President and talk with him about the Corporation's objectives and strategies. These meetings foster employee engagement and build good relationships with management

A Corporation of mobilized individuals! Be a part of it!

PART OF THE COMMUNITY

Our employees and leaders participate in a number of charities that make a difference in their communities.

Concern for the environment

Uni-Select cares about sustainable development and environmental issues

- Uni-Select recycles industry materials such as used oil, filters, liquid refrigerant, batteries, cores and packaging
- The very nature of the automotive aftermarket is to supply replacement parts that keep vehicles operating longer and more efficiently, increasing their life cycle

Taking part in local development

Uni-Select contributes to the growth and development of the communities in which it operates. We support local businesses and create numerous jobs in every region we serve.

IN 2013

- Our employees contributed generously to the Calgary and Lac-Mégantic disaster relief funds in partnership with the Canadian Red Cross
- Employees took part in workplace fundraising campaigns for the United Way in Canada and the US as well as Teach for America
- Many of our employees volunteered for causes close to their heart such as the United Way Day of Caring and Christmas Service
- Uni-Select organized golf tournaments in many regions. Our cutomers and suppliers participated in these events, supporting various non-profit organizations
- We also supported the Heart and Stroke Foundation and the Multiple Sclerosis Society of Canada
- The Corporation gave a number of model cars to organizations working with children. More than 100 cars have been donated since the launch of our internal Build-A-Car training program

Uni-Select, a good corporate citizen. Be a part of it!

Management Discussion and Analysis 2013

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HIGHLIGHTS

(in US dollars)

Sales	Adjusted EBITDA	Adjusted Earnings
$1.8 billion	$101.2 million	$50.7 million

- **Consolidated organic growth of 1.9% in 2013 (2.3% for the Canadian operations and 1.7% for the US operations), exceeding sales lost from store closures. However, overall consolidated sales decreased by 0.5% mainly in relation to the declining Canadian dollar.**
- **Adjusted EBITDA increased from $94.8 million (or 5.3% of sales) last year to $101.2 million (or 5.7% of sales), an increase of 6.7%. EBITDA improvements are mainly related to savings generated by the strategic and operational action plan ("Action Plan").**
- **Adjusted earnings increased by 10.4% from $45.9 million last year to $50.7 million in 2013 and benefited from the Action Plan savings.**
- **Net earnings were $21.3 million compared to $29.4 million last year. 2013 included $23.9 million of restructuring charges, write-off of assets and others, net of taxes ($11.5 million in 2012).**
- **Total net debt decreased by $31.6 million to $277.7 million and the Corporation generated cash of $76.8 million from its operations during the year.**
- **Free cash flows were $65.6 million compared to $57.3 million last year, a direct result of the EBITDA growth and lower interests paid.**
- **Deployment of the enterprise resource planning ("ERP") system completed with the final implementation wave in early December 2013.**

PRELIMINARY COMMENTS TO THE MANAGEMENT DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION OF THE MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis discusses the Corporation's operating results and cash flows for the periods ended December 31, 2013 compared with those of the periods ended December 31, 2012, as well as its financial position as at December 31, 2013 compared with its financial position as at December 31, 2012. This report should be read in conjunction with the Audited Consolidated Financial Statements and accompanying notes included in the 2013 Annual Report. The information contained in this management discussion and analysis takes into account all major events that occurred up to February 27, 2014, the date at which the financial statements and management discussion and analysis were approved by the Corporation's Board of Directors. It presents the existing Corporation's status and business as per management's best knowledge as at that date.

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

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

Unless otherwise indicated, the financial data presented in this management discussion and analysis, including tabular information, is expressed in thousands of US dollars. Comparisons are presented in relation to the comparable periods of the prior year.

The financial statements contained in the present management discussion and analysis were prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial reports have been audited by the Corporation's external auditors.

FORWARD-LOOKING STATEMENTS

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

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

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

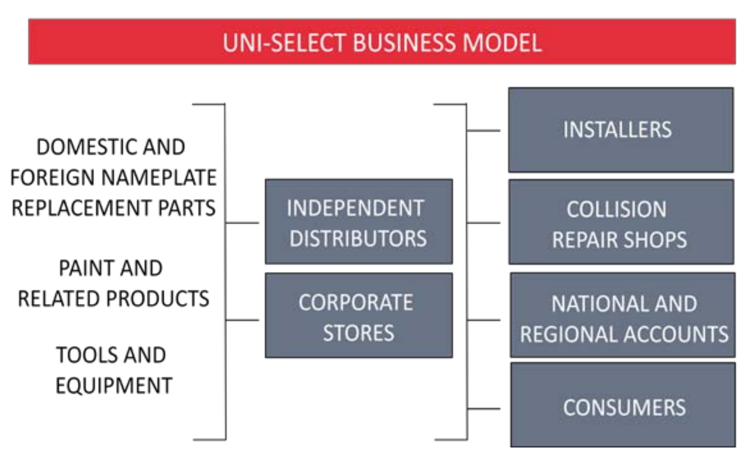
There can be no assurance as to the realization of the results, performance or achievements expressed or implied by forward-looking statements. Unless required to do so pursuant to applicable securities legislation, Management assumes no obligation as to the updating or revision of forward-looking statements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

COMPLIANCE WITH IFRS

The information included in this report contains certain measures that are inconsistent with IFRS. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other entities. The Corporation considers that users of its management discussion and analysis may analyze its results based on these measurements. *(Details in section "Non IFRS financial measures".)*

PROFILE AND DESCRIPTION

A MULTINATIONAL COMPANY IN THE AUTOMOTIVE AFTERMARKET



Founded in 1968, Uni-Select is a major distributor of replacement parts and paint products in the North American automotive aftermarket. With its 5,500 employees, 54 distribution centres and 409 corporate stores, the Corporation serves a large network of independent wholesalers and installers in Canada and the United States.

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

Uni-Select is a leader in Canada and the fifth-largest automotive parts distributor in North America. It is also the largest independent paint distributor in North America. The Corporation generates 72% of its sales in the United States and 28% in Canada.

AN OFFERING TAILORED TO ITS CLIENTELE

Uni-Select has an efficient distribution network that serves all of Canada and 47 US states. The Corporation meets its customers' varied needs by offering a wide range of renowned quality national brand products and a variety of competitively priced private label parts. Customer-driven in both its parts and paint distribution activities, Uni-Select strives to maintain a superior fill rate and a fast and efficient delivery.

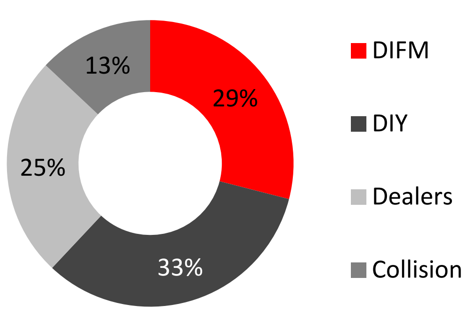
Knowing that its customers are entrepreneurs, Uni-Select offers various business solutions, technological tools and banner programs to help its wholesalers, installers and collision repair shops manage and grow their business. Its extensive market knowledge, procurement expertise and its operational management approach, geared to achieving a high fill rate, make Uni-Select a partner of choice.

ECONOMIC CONTEXT

From an economic standpoint, 2013 was characterized by a certain degree of economic recovery in the U.S., where the Gross Domestic Product growth was substantial, unemployment fell slightly and disposable income grew. However, the distance travelled did not increase, mainly due to the high price of gas and the low employment rate.

THE AUTOMOTIVE AFTERMARKET

Employing upwards of 4 million people in North America, the automotive aftermarket continues to expand, growing an estimated 3.4% in 2013. Forecasts are encouraging, predicting an annualized growth rate of 3.3% until 2016. The average age of vehicles on the road is increasing, clearly indicating improved durability. Consumers are holding onto their cars longer, creating attractive opportunities for the industry.



In 2013, the North American automotive aftermarket was worth roughly $260 billion. Distribution of replacement parts and related products represents $102 billion of the total.

Replacement parts and accessories accounted for 87% of distribution sales volume and are broken down into three segments: professional installers (Do It For Me or "DIFM"), dealerships, and consumers (Do It Yourself or "DIY"). The collision repair market accounts for 13% of sales.

Although the number of independent jobbers serving repair shops is decreasing slightly every year, the decline is offset by sales growth among those remaining. Collision repair shop consolidation is continuing at a slow, steady pace but traffic is growing substantially in service bays.

NUMBER OF VEHICLES ON THE ROAD

There are approximately 271 million vehicles on the road in Canada and the United States. Consumers are holding onto their cars longer, which is good news for the aftermarket. The average vehicle age is now 11.3 years, and those more than 11 years old account for a larger proportion of the on-road fleet, increasing faster than those less than 10 years old. This explains the projected growth for the industry despite high prices at the pump and no change in distance travelled. However, the number of vehicles between 5 and 10 years old that are not covered by a manufacturer's warranty could decline due to weak new car sales between 2008 and 2012. Uni-Select replacement parts meet the need for vehicles of all ages, with a greater focus on vehicles not under manufacturer's warrantee, while its paint and related product offerings target vehicles aged less than 3 years.

The number of foreign nameplate vehicles continues to grow and now accounts for almost 41% of the North American fleet.

The industry predicts that manufacturers will increasingly use global platforms in model design, which should reduce parts proliferation and simplify distributors' operations. Vehicles are also becoming ever more sophisticated and are equipped with several technological components making repairs more complex. Owners will therefore have to turn to professionals for repairs and maintenance. With the arrival of telematics within Uni-Select customers' base, information can now be relayed between car owners and their independent repair shops and could have a positive effect on customer loyalty.

The number of independent or dealer-operated repair shops continues to shrink in the collision repair segment. However, multiple-location networks are growing in popularity and Uni-Select is building a reputation with these large companies due to its wide network presence and quality products. The trend among insurers to favour multi-shop networks also bodes well for business. The industry is still feeling the effects of a challenging economy in which car owners tend to cash their insurance cheques rather than repair their cars. Moreover, technological advances, safety legislation and low mileage are some of the reasons collisions are declining.

A MARKET WITH GROWTH OPPORTUNITIES

The North American automotive aftermarket has reached maturity and should remain solid in the years ahead. Although consolidated in Canada, the market still offers a few acquisition opportunities for independent distribution networks, contrary to the Unites States, where there are abundant opportunities.

Uni-Select is positioning itself as a major player in this market, focusing on serving the commercial independent jobber, repair shop and collision shop segments.

Sources: AAIA Digital Automotive Aftermarket Factbook 2014, IHS Automotive and AIA 2012 Outlook Study.

OPERATIONAL REVIEW OF THE LAST 3 YEARS

Over the past three years, the Corporation geared itself for future growth by introducing various initiatives based on its different plans ensuring its continued growth and increased effectiveness and profitability.

The main initiatives included the following:

- Optimization and rightsizing of the distribution network with the 2013 Action Plan which complemented the optimization plan announced in 2012;
- Introduction of effective systems, with the development and deployment of the ERP system ; and
- Targeted acquisitions and diversification of distribution channels with the acquisition of FinishMaster and certain assets in Florida in 2011.

ELECTED CONSOLIDATED INFORMATION

(in thousands of US dollars, except per share amounts and percentages)	2013	2012[2]	2011[2]
OPERATING RESULTS			
Sales			
United States	1,294,115	1,300,991	1,242,279
Canada	493,970	496,600	538,291
	1,788,085	1,797,591	1,780,570
Adjusted EBITDA[1]	101,185	94,805	105,760
EBITDA	92,379	87,100	101,094
Restructuring charges, write-off of assets and others	35,180	18,458	3,277
Adjusted earnings [1]	50,660	45,876	57,825
Net earnings	21,328	29,438	53,888
Free cash flows	65,618	57,344	66,579
FINANCIAL POSITION			
Working capital	417,465	436,002	491,090
Total assets	1,205,891	1,202,661	1,239,245
Total net debt	277,658	309,267	351,699
Shareholder's equity	488,755	484,205	464,580
COMMON SHARE DATA			
Adjusted earnings [1]	2.37	2.12	2.67
Net earnings	1.00	1.36	2.49
Dividend (C$)	0.52	0.52	0.48
Weighted average number of outstanding shares	21,411,277	21,623,300	21,645,664

(1) EBITDA and earnings have been adjusted for costs that the Corporation views as uncharacteristic of normal operations. These costs are excluded to provide comparable measurements. (For further details, see the sections on "Analysis of consolidated results" and "Non-IFRS financial measures".)

(2) 2012 has been restated to take into account the changes in accounting policies as per IFRS 11 – "Joints Arrangements" and as per the amended IAS 19- "Employee Benefits". However, as the obligation to restate the financial statement bearing only to the preceding comparative year, 2011 has not been restated. (For further details, see note 4 in the Consolidated Financial Statements.)

Detailed analysis of changes in operating results and the consolidated statements of financial position between 2013 and 2012 are provided in the following sections. Detailed analysis of changes in the operating results and the consolidated statements of financial position between 2012 and 2011 are included in the management discussion and analysis in the 2012 Annual Report, available on the SEDAR website sedar.com.

FINANCIAL YEAR 2013

Strategic Alternatives and Restructuration

To unlock additional value for shareholders, the Corporation launched a formal review of strategic alternatives centred on its US automotive operations during the year. As a result, the Board of Directors decided to expand the scope of the optimization plan announced in 2012.

During the second quarter of 2013, the Corporation's Board of Directors approved an Action Plan, which complements the optimization plan announced in 2012. The Action Plan includes the closure and rightsizing of certain stores and warehouses, as well as the addition of two new distribution centres, among other initiatives. The total cost of implementing the Action Plan is expected to be approximately $45,000, of which $13,000 represents cash disbursements net of income tax recoveries. The Action Plan is expected to be completed by the end of 2014.

The Corporation recognized restructuring charges of $31,680 in the second quarter of 2013 related to site closure and consolidation costs, which include initiatives to liquidate redundant inventory of $10,423, site decommissioning costs of $4,966, employee termination benefits of $4,254, the recognition of future lease obligations of $8,422 and write-downs of certain assets to their net realizable value for $3,615. The Corporation also recorded a write-off of $3,500 in the value of certain software which will no longer be used in its operations. The total restructuring charges, write-off of assets and others amounts to $35,180.

The Action Plan is a complement of the optimization plan launched in August 2012 (rationalization and consolidation of the distribution network). The annual savings of $20,000 expected from the optimization plan have been realized; unfortunately, the cost reductions stemming from the these initiatives were largely offset by lower sales in the last 12 months as well as the unfavourable change in the distribution channel mix. These offsetting elements led Uni-Select to implement additional initiatives to improve results.

As reported in July 2013, the Action Plan is expected to generate cost savings of $10,000 in 2013 of which $13,000 was realized as of December 31, 2013. The Action Plan is also expected to generate an additional $15,000 in 2014 and $5,000 in 2015 for cumulative annualized amounts of $25,000 and $30,000 respectively.

The Action Plan is currently progressing as per the plan with the closure of 34 unprofitable stores and 5 warehouses, the sale of 6 other stores and headcount reduction during the year. The following table summarizes the expected and realized impacts of the various initiatives included in the Action Plan as of December 31, 2013:

	Expected				Realized
(in thousands of US dollars)	**2013**	**2014**	**2015**	**Total**	**2013**
Sales erosion	20,000	45,000	5,000	**70,000**	**13,100**
Cost savings	10,000	15,000	5,000	**30,000**	**13,000**
Restructuring charges and write-off of assets [(1)]	40,000	5,000	-	**45,000**	**39,323**
Recorded	36,000	-	-	**36,000**	**35,180**
As incurred	4,000	5,000	-	**9,000**	**4,143**
Inventory reduction	8,000	22,000	10,000	**40,000**	**4,200**
Capital expenditures	7,000	9,000	-	**16,000**	**2,357**

(1) Will represent a cash outlay of $13,000.

As at December 31, 2013, $15,185 of these charges is presented as current liabilities within "Provision for restructuring and others" in the Corporation's Consolidated Statement of Financial Position. *(Refer to Note 7 in the Consolidated Financial Statements for further details.)*

Technology

The year 2013 was marked by the completion of the ERP system deployment with the implementation of 2 final and successful waves. Since 2011, the ERP software has been implemented in 37 distribution centres and more than 300 stores across North America.

The ERP system allows improvement in customer service, accuracy of data information, harmonization and improvement of operational processes and therefore the overall business. The success of the software implementation will support its optimization, benefits and most importantly, the growth strategy of the Corporation and the ongoing enhancement of its operations.

Debt reduction

One of the main 2013 objectives for the Corporation was to generate cash flows from its operations to reduce its debt. The free cash flows generated by the EBITDA, combined with a sound working capital management permitted a reduction of the debt of $31,609, after having repurchased shares of $6,408.

Geared for growth

With its optimized distribution network, its new ERP system, a reduced debt, a return to organic growth and an improved EBITDA, the Corporation is now geared for growth to move forward with its growth strategy.

FINANCIAL YEAR 2012

Restructuration, Integration and Technology

The 2012 year has been marked by challenging economic conditions, mainly in the Northeastern region. The Corporation established a distribution network consolidation plan to counteract the market conditions and to materialize synergies related to past acquisitions.

The plan provided for a reduction of the Corporation's fixed costs by consolidating and optimizing the distribution network while reducing its working capital requirements. As a result, restructuring charges, write-off of assets and other expenses of $18,458 before taxes have been recorded.

Sound working capital management permitted a debt reimbursement of $47,705.

Finally, the Corporation carried on the implementation of its ERP system in 30 warehouses and more than 190 stores.

FINANCIAL YEAR 2011

Acquisitions, Integration and Technology

The acquisition of FinishMaster was a turning point and enabled the Corporation to increase its business, extend its geographical presence and capture market share in the auto body and paints sector.

The Corporation set up a credit facility that included a $450,000 credit agreement, issued $49,700 in convertible debentures and $49,400 in shares. The financing permitted the purchase of FinishMaster and automotive parts distribution assets in Florida. Certain stores were merged with the dual purpose of identifying synergies and offering a more complete range of products to customers.

In Canada, the Corporation completed a restructuring of its distribution network, closing three warehouses while expanding another.

To optimize asset management, the Corporation also disposed of two buildings, one of which was subsequently leased.

Finally, the operational module of the enterprise resource planning system was successfully introduced in 7 warehouses and 21 stores.

ANALYSIS OF CONSOLIDATED RESULTS

(in thousands of US dollars, except per share amounts and percentages)	Fourth quarter			Year to date		
	2013	2012	%	2013	2012	%
Sales						
United States	304,907	298,499	2.1	1,294,115	1,300,991	(0.5)
Canada	120,673	119,741	0.8	493,970	496,600	(0.5)
	425,580	418,240	1.8	1,788,085	1,797,591	(0.5)
EBITDA	19,818	10,398	90.6	92,379	87,100	6.1
EBITDA Margin	*4.7%*	*2.5%*		*5.2%*	*4.8%*	
Expenses related to the development and deployment of the enterprise resource planning system (ERP) (1)	2,226	1,747		4,663	7,540	
Expenses related to the network optimization and to the closure and disposal of stores (2)	2,431	165		4,143	165	
	4,657	1,912		8,806	7,705	
Adjusted EBITDA	24,475	12,310	98.8	101,185	94,805	6.7
Adjusted EBITDA Margin	*5.8%*	*2.9%*		*5.7%*	*5.3%*	

Mainly include costs related to data conversion, employee training and deployment to various sites.
Primarily consist of expenses required to relocate inventory.

SALES

FOURTH QUARTER:

Sales increased by 1.8% compared to the same period last year and were driven by an overall organic growth of 5.5%. The Canadian and US operations posted organic growth of 6.5% and 5.1% respectively.

Organic growth results from our successful sales initiatives and the recruitment of new customers. It is also attributed to improved service level permitted by a more stable ERP system and improved efficiency.

Sales lost from store closures, in line with the Action Plan, represented a decrease of 2.1% while the declining Canadian dollar corresponded to a decrease of 1.6% and were entirely compensated by the organic growth.

YEAR TO DATE:

Sales for the year 2013 decreased by 0.5% compared to 2012 and were affected by a decrease of 1.5% related to the store closures in line with the Action Plan and the impact of the declining Canadian dollar representing 0.8%.

The decrease was partly compensated by an overall organic growth of 1.9%. The Canadian and USA operations posted an organic growth of 2.3% and 1.7% respectively. Sales were also impacted by certain elements early in the year such as softer demand on seasonal repairs reflecting challenging economic conditions and extended winter weather conditions.

In December 2012, the Corporation experienced business disruptions created by the deployment of its ERP system, impacting customer service. By the end of January 2013, these issues were resolved and the warehouse operations have since been improved, and the Corporation generated an overall organic growth of 4.1% for the second semester.

ADJUSTED EBITDA

FOURTH QUARTER:

The adjusted EBITDA margin was 5.8% of sales compared to 2.9% for the same quarter last year.

The increase was mainly attributable to savings of $8,700 derived from the Action Plan, such as closure of unprofitable locations and headcount reductions, while maintaining the same level of service; the organic growth generating gross profits and tighter control on expenses.

These positive items were partly offset by a negative distribution channel mix resulting in lower gross profits.

YEAR TO DATE:

The adjusted EBITDA margin is 5.7% of sales compared to 5.3% for 2012.

The savings materialized from the Action Plan of $13,000 were partly offset by competitive pricing, negative distribution channel mix combined with lower price protection, impacting gross profits. In addition, unexpected maintenance costs to stabilize the ERP system were incurred during the first quarter.

ANALYSIS OF OTHER ITEMS AND AMOUNTS RELATED TO THE CONSOLIDATED RESULTS

FINANCE COSTS, NET

	Fourth quarter		Year to date	
(in thousands of US dollars)	2013	2012	2013	2012
Finance costs, net	3,604	4,602	15,654	19,541

FOURTH QUARTER:

The decrease in finance costs for the quarter compared to the same quarter of 2012 is due primarily to the following items:

Reduction of interest rates resulting from the termination of swap tranches bearing interest at higher rates; and

Reduction of debt.

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

YEAR TO DATE:

The decrease in finance costs for the year 2013 over 2012 reflects the same factors as those mentioned for the quarter.

DEPRECIATION AND AMORTIZATION

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
Depreciation and amortization	7,490	6,644	29,297	26,873

FOURTH QUARTER:

The increase in depreciation and amortization for the quarter over the same quarter of 2012 is mainly related to the amortization of intangible assets related to the ERP systems combined with the depreciation of the vehicle fleet renewal and is partly compensated by certain property and equipment and other intangible assets that have reached the end of their useful life.

YEAR TO DATE:

The increase in depreciation and amortization for the year 2013 over 2012 reflects the same factors as those mentioned for the quarter.

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

RESTRUCTURING CHARGES, WRITE-OFF OF ASSETS AND OTHERS

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
Restructuring charges, write-off of assets and others	-	-	35,180	18,458

Those charges, recorded in the second quarter of the year (third quarter in 2012), are related to the Optimization and Action Plans as described in the section "Highlights of the last three years" above. *(Refer to Note 7 in the Consolidated Financial Statements for further details.)*

EQUITY INCOME

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
Equity income	580	642	2,652	2,630

As at January 1, 2013, the Corporation applied IFRS 11 "Joint Arrangements" under which the equity method is required, net earnings of joint ventures are now presented as a one-line item on the Consolidated Statement of Earnings. *(Refer to Note 4 in the Consolidated Financial Statements for further details.)*

INCOME TAXES

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
Income taxes	(895)	(4,705)	(6,428)	(4,489)

FOURTH QUARTER:

The income tax variance for the quarter is mainly related to a different geographical distribution of the Corporation's results during the quarter compared to the same quarter last year.

YEAR TO DATE:

The income tax variance, when restructuring charges, write-off of assets and others is excluded, is mainly related to a different geographical distribution of the Corporation's results compared to 2012.

(Refer to Note 11 in the Consolidated Financial Statements for further details.)

EARNINGS AND EARNINGS PER SHARE

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

(in thousands of US dollars, except per share amounts and percentages)	Fourth quarter			Year to date		
	2013	2012	%	2013	2012	%
Net earnings attributable to shareholders, as reported	10,199	4,499	126.7	21,328	29,438	(27.5)
Restructuring charges and others, net of taxes	-	-		23,926	11,543	
Non-recurring items, net of taxes	2,918	1,209		5,406	4,895	
Adjusted earnings	13,117	5,708	129.8	50,660	45,876	10.4
Net earnings per share attributable to shareholders, as reported	0.48	0.21	128.6	1.00	1.36	(26.5)
Restructuring charges and others, net of taxes	-	-		1.12	0.53	
Non-recurring items, net of taxes	0.14	0.06		0.25	0.23	
Adjusted earnings per share	0.62	0.26	138.5	2.37	2.12	11.8

CONSOLIDATED QUARTERLY OPERATING RESULTS

The Corporation records earnings in each quarter; however, the second and third quarters have historically generated higher sales than the first and fourth quarters. It should be noted that the net earnings were negatively impacted during the third quarter of 2012 by restructuring charges and others in the amount of $18,458 ($11,543 net of income taxes), while additional restructuring charges and others impacted the second quarter of 2013 of $35,180 ($23,926 net of income taxes).

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

	2013				2012 (1)			
(in thousands of US dollars, except per share amounts and percentages)	Fourth quarter	Third quarter	Second quarter	First quarter	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Sales								
United States	304,907	334,090	339,530	315,588	298,499	330,095	337,361	335,036
Canada	120,673	130,419	136,646	106,232	119,741	127,248	139,387	110,224
	425,580	464,509	476,176	421,820	418,240	457,343	476,748	445,260
Adjusted EBITDA	24,475	30,079	29,320	17,311	12,310	24,672	31,221	26,602
Adjusted EBITDA margin	*5.8%*	*6.5%*	*6.2%*	4.1%	*2.9%*	*5.4%*	6.5%	*6.0%*
EBITDA	19,818	28,847	27,786	15,928	10,398	23,270	29,524	23,908
Restructuring charges, write-off of assets and others	-	-	35,180	-	-	18,458	-	-
Adjusted earnings	13,117	14,987	15,561	6,995	5,708	11,359	15,998	12,811
Net earnings	10,199	14,280	(9,295)	6,144	4,499	(1,078)	14,936	11,081
Adjusted basic earnings per share	0.62	0.70	0.72	0.33	0.26	0.53	0.74	0.59
Basic earnings per share	0.48	0.67	(0.43)	0.29	0.21	(0.05)	0.69	0.51
Diluted earnings per share	0.48	0.66	(0.43)	0.29	0.21	(0.05)	0.68	0.51
Dividends paid per share (C$)	*0.13*	*0.13*	*0.13*	*0.13*	*0.13*	*0.13*	*0.13*	*0.13*
Average exchange rate for earnings	0.95: $1	0.96: $1	0.98: $1	0.99: $1	1.01: $1	1.00: $1	0.99: $1	1.01: $1

(1) 2012 has been restated to take into account the changes in accounting policies as per IFRS 11 – "Joints Arrangements" and as per the amended IAS 19- "Employee Benefits"

CASH FLOWS

CASH FROM OPERATING ACTIVITIES

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
Cash flows from (used in) operating activities	(11,307)	22,078	76,812	102,397

FOURTH QUARTER:

Increase in net earnings and lower level of special purchases in 2013 were offset by the reduction of accounts payables combined with an increase of receivables in relation to the sales activities during the quarter. For the same quarter last year, the Corporation generated cash flow by taking advantage of longer payment terms.

YEAR TO DATE:

During 2013, the Corporation benefited from longer payment terms that were partly offset by higher receivables due to increase in sales at year end. The Corporation generated cash flows last year mostly due to inventory reduction plan.

CASH FROM INVESTING ACTIVITIES

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
Cash flows used in investing activities	(1,287)	(12,270)	(22,450)	(42,355)

FOURTH QUARTER:

During the fourth quarter of 2013, cash generated from disposals of assets in relation with the Action Plan and repayment of the advances from merchant members offset in part the other investments activities.

YEAR TO DATE:

Compared to last year, the investment in the ERP system has decreased since the transition is now completed. In addition, in 2013, the Corporation disposed of certain assets in relation with the Action Plan.

CASH FROM FINANCING ACTIVITIES

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
Cash flows from (used in) financing activities	12,579	(9,763)	(54,421)	(60,987)

FOURTH QUARTER:

The variance is explained by increased usage of the credit facility during the last quarter of 2013 to support the working capital.

YEAR TO DATE:

During the last two years, the Corporation lower its net debt by $74,000. The current year variance is explained by lower net debt repayments in 2013.

FREE CASH FLOWS

(in thousands of US dollars)	Fourth quarter		Year to date	
	2013	2012	2013	2012
EBITDA	**19,818**	10,398	**92,379**	87,100
Interest paid	(1,376)	(1,116)	(13,098)	(17,139)
Income taxes recovered (paid)	(1,849)	234	899	(1,370)
Acquisitions of property and equipment	(3,980)	(5,148)	(13,897)	(12,900)
Other non-cash items	(1,291)	1,010	(665)	1,653
Free cash flow	**11,322**	5,378	**65,618**	57,344

FOURTH QUARTER:

The increase in free cash flow is mainly due to increase in EBITDA.

YEAR TO DATE:

The increase in free cash flow is mainly explained by the increase in EBITDA combined with lower interest payment due to the lower level of debt.

FINANCING

SOURCES OF FINANCING

The Corporation is diversifying its sources of financing in order to manage and mitigate liquidity risk.

CREDIT FACILITIES

During the first quarter, the Corporation amended the terms of its existing credit facility and extended its maturity by one year to January 7, 2017. The total availability was subsequently reduced to $400,000. *(For more information about the credit facility, see Note 16 of the Consolidated Financial Statements.)*

As at December 31, 2013, the unused portion amounts to $120,000 ($116,000 as at December 31, 2012).

VENDOR FINANCING PROGRAM

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

As at December 31, 2013, Uni-Select deferred payment of account payables in the amount of $122,696 ($76,264 as at December 31, 2012). The authorized limit with the financial institutions is $175,000. These amounts are presented in the trade and other payables in the consolidated statement of financial position. This program is available upon request and may be modified by either party.

CONVERTIBLE DEBENTURES

To finance the FinishMaster acquisition in 2011, the Corporation issued convertible unsecured subordinated debentures bearing interest at a rate of 5.9% per annum. The convertible debentures are convertible at the holder's option into the Corporation's common shares at a conversion rate of C$41.76 per share. *(For more information on convertible debentures, see Note 16 in the Consolidated Financial Statements)*

FUND REQUIREMENTS

The Corporation is able to meet both its operational and contractual fund requirements and support its various strategic initiatives for future growth, by using the various financing tools mentioned above, as well as its capacity to generate cash flows.

OPERATIONAL NEEDS

Operational requirements that the Corporation will face in 2014 are summarized as follows:

- The purchase of various capital assets, primarily the partial renewal of the vehicles fleet through finance leases and hardware equipment for about $33,000;
- The dividend payments of $12,000; and
- The additional working capital to support organic sales' growth will be partially offset by forecasted inventory reduction as per the Action Plan.

CONTRACTUAL OBLIGATIONS

Operating leases

The Corporation has entered into long-term operating lease agreements expiring at various dates until 2024 for the rental of buildings, vehicles and outsourcing of information technology services. Some of these lease agreements contain renewal options for additional periods of one to five years which the Corporation may exercise by giving prior notice.

Finance leases

The Corporation uses finance leases to renew its vehicle fleet. The terms vary from 36 to 96 months depending on the lease. As at December 31, 2013, the carrying values of the leased assets, which are presented under "automotive equipment" along with "property and equipment", were $14,876 ($11,049 as at December 31, 2012).

The following table shows the various contractual obligations due by period:

(in thousands of US dollars)	2014	2015	2016	2017	2018	Thereafter
Long-term debt [(1) (2)]	5	5	46,834	262,751	5	14
Operating leases	39,528	31,999	27,965	19,880	14,340	13,694
Finance leases [(3)]	4,545	4,261	3,454	1,884	691	95
Total	44,078	36,265	78,253	284,515	15,037	13,803

(1) Includes credit facility and convertible debentures
(2) Does not include obligations related to interest on the debt
(3) Include obligations related to interest on finance leases

POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Corporation sponsors both defined benefit and defined contribution pension plans. The defined benefit plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit plans are based on years of service and final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations. The non-registered pension plan is non-funded and the Corporation makes payments under this plan when the amounts become payable to the members.

For the year ended December 31, 2014, the Corporation expects to make contributions of approximately $4,235 for its defined benefit plans. *(For more information see note 20 in the Consolidated Financial Statements.)*

OFF BALANCE SHEET ARRANGEMENTS – GUARANTEES

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to $13,720 as at December 31, 2013 ($13,637 as at December 31, 2012). *(For more information, see note 23 in the Consolidated Financial Statements.)*

CAPITAL STRUCTURE

Flexibility and returns to shareholders

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

LONG-TERM FINANCIAL POLICIES AND GUIDELINES

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

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

(in thousands of US dollars, except percentages)		Dec. 31, 2013	Dec. 31, 2012
Components of debt ratios:			
Long-term debt		277,715	309,389
Total net debt		277,658	309,267
Total shareholders' equity *(including convertible debentures)*		535,584	533,304
	Objectives		
Debt ratios [(1)]:			
Total net debt to total net debt and total shareholders' equity ratio	*Less than 45%*	*34.1%*	*36.7%*
Long-term debt to total shareholders' equity ratio	*Less than 125%*	*51.9%*	*58.0%*
Funded debt to EBITDA ratio	*Maximum 3.50*	*3.01*	*3.54*
Adjusted return on average total shareholders' equity	*At least 9% greater than the risk free interest rate*	*9.8%*	*8.7%*
Dividend payout ratio	*Between 20% and 25% of the adjusted earnings of the previous year*	*24.5%*	*19.5%*

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

The Corporation's management continuously reviews its working capital items to eventually improve the funded debt to EBITDA ratio under the level of 3.00.

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

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

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

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

BANK CONVENANTS

For purposes of compliance, the Corporation regularly monitors the requirements of its bank credit to ensure they are met. As at December 31, 2013, the Corporation met all the requirements. *(For further details, see note 25 in the Consolidated Financial Statements.)*

DIVIDENDS

The Corporation paid quarterly dividends to its shareholders for the 26th consecutive year. The Corporation maintained the dividend at the same level as 2012, declaring C$0.52 per share or C$0.13 per share quarterly. The dividends are eligible for income tax purposes.

On February 27, 2014, the Corporation also declared the first quarterly dividend of 2014 of C$0.13 per share, payable on April 22, 2014 to shareholders of record at March 31, 2014.

Dividends are approved by the Board of Directors, which bases its decision on operating results, cash flows and other relevant factors. There is no guarantee that dividends will be declared in the future.

INFORMATION ON CAPITAL STOCK

	Fourth quarter		Year to date	
(in thousands of shares)	2013	2012	2013	2012
Number of shares issued and outstanding	21,264	21,551	21,264	21,551
Weighted average number of outstanding shares	21,279	21,591	21,411	21,623

At January 31, 2014, 21,263,669 shares of the Corporation were outstanding.

NORMAL COURSE ISSUER BID

During the year 2013, the Corporation repurchased 287,501 common shares (87,366 in 2012) for cash considerations of $6,408 ($2,096 in 2012) including a share repurchase premium of $5,116 ($1,690 in 2012) applied as a reduction of retained earnings. The average purchase price was C$22.87 (C$23.74 in 2012).

ISSUANCE OF SHARES

No shares were issued during the normal course of business in 2013 and in 2012. The last issuance of shares was in 2011 at a price of C$26.10.

STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

In 2012, the Corporation amended and restated its common share stock option plan for management employees and officers (the "Stock Option Plan"). A total of 1,700,000 shares have been reserved for issuance under the amended and restated terms of the Stock Option Plan. The options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted under the amended plan vest over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years. At December 31, 2013, options granted for the issuance of 320,823 common shares (60,000 at December 31, 2012) were outstanding, and 1,377,408 common shares (1,638,231 at December 31, 2012) were reserved for additional options under the Stock Option Plan. For the year ended December 31, 2013, 298,338 stock options (nil for 2012) were granted to management employees and officers of the Corporation, 37,515 of which were subsequently forfeited or expired.

Deferred share unit plan

On February 28, 2013, the Corporation formally adopted its Deferred Share Unit Plan ("DSU Plan") for directors, officers, and management employees. Under the DSU Plan, the directors are required by the Board of Directors to receive a portion of their remuneration in the form of deferred share units ("DSUs") and at their discretion, they can make an election to receive an additional portion of, or all their remuneration in DSUs, subject to the Board of Directors' approval. The officers and management employees are required to make an election to receive a portion of their annual bonus under the short-term incentive plan ("Short-Term Bonus") in the form of DSUs if they do not meet the minimum share ownership guidelines ("SOG") adopted by the Board of Directors. An election to receive an additional portion or all of their Short-Term Bonus in the form of DSUs could be made by the officers and management employees.

A DSU is equal in value to one common share of the Corporation. The DSUs are issued on the basis of the average closing price of Corporation's common shares on the TSX for the five trading days preceding the date of issuance ("DSU Value"). Dividend equivalents accrue on outstanding DSUs on the basis of dividends paid on the Corporation's common shares. DSUs are redeemed by the Corporation after the death, retirement or termination of a participant or in the event of a change in control. The participant is then entitled to receive in cash for each DSU, the DSU Value calculated at the redemption date.

For the year ended December 31, 2013, the Corporation granted 34,976 DSUs (11,456 DSUs for 2012) and redeemed 1,839 DSUs. Compensation expense of $737 ($262 in 2012) was recorded during the year, and 44,593 DSUs were outstanding at December 31, 2013.

Performance share unit plan

On February 28, 2013, the Corporation formally adopted a Performance Share Unit Plan ("PSU plan") as part of its existing long-term incentive plan. Under the amended terms of the Long-Term Incentive Plan, certain management employees receive a portion of their annual incentives under the plan as a combination of common share stock options and performance share units ("PSUs"). The value of each PSU is equal to the average closing price of one common share of the Corporation listed on the TSX for the five consecutive trading days immediately preceding the day on which the value is to be determined ("PSU value"). PSUs vest at the end of a three-year period following the date of issuance, after death, retirement or in the event of a change of control ("redemption event"). The holder is entitled to receive in cash the PSU value for each PSU vested multiplied by a performance factor (which may vary from 0% to 180%) based on the achievement of selected financial targets. The Corporation granted 108,811 PSUs for the year ended December 31, 2013, 12,071 of which were subsequently forfeited or redeemed. Compensation expense of $720 was recorded during the year, and 96,740 PSUs were outstanding at December 31, 2013.

(For more information about stock-based compensation, see Note 19 in the Consolidated Financial Statements.)

FINANCIAL POSITION

During the year, there were no acquisitions that could significantly affect the financial position when compared to December 31, 2012. Furthermore, the exchange rates have remained relatively stable compared to the same period last year. As a result, there were no significant variances in the Corporation's financial position related to these factors.

The following table shows an analysis of the main variances in the consolidated statement of financial position.

(in thousands of US dollars)	Dec. 31, 2013	Dec. 31, 2012	Restructuring	Impact of business acquisitions or disposals	Exchange rate impact	Net variance	Explanations for net variance
Trade and other receivables	220,942	203,186	(2,176)	1,213	(3,750)	22,469	Due to increase in sales during the last quarter of the year.
Inventory	532,045	528,634	(10,422)	(2,999)	(5,777)	22,609	Mainly due to increased purchases for the last wave of the ERP system, new product lines and in preparation to the opening of a new warehouse.
Trade and other payables	(341,429)	(309,104)	-	64	5,280	(37,669)	The Corporation took an increased advantage of better payment terms.
Other working capital items	10,517	32,237	(17,642)	(3)	161	(4,236)	
Working capital excluding cash, and instalments on long-term debt	422,075	454,953	(30,240)	(1,725)	(4,086)	3,173	
Intangibles assets	140,598	153,572	(3,500)	(15)	(1,169)	(8,290)	Amortization exceeded investments.
Long term debt (including short-term portion)	277,715	309,389	-	(3,574)	(85)	(28,015)	Cash generated by operating activities permitted the reimbursement.

RELATED PARTY TRANSACTIONS

For the years ended December 31, 2013 and 2012, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2013 and 2012, the compensation paid or payable to key management personnel was as follows:

(in thousands of US dollars)	2013	2012
Salaries and short-term employee benefits	5,007	3,657
Post-employment benefits (including contributions to defined benefit pension plans)	574	653
Other long-term benefits	-	930
Stock-based benefits	2,153	347
Total compensation paid or payable	7,734	5,587

The 2012 figures were modified to reflect the same number of key management personnel than reported in 2013. Furthermore, the new programs, including the stock-based benefits, are accounted for on an accelerated basis compared with the previous years' programs.

There were no related party transactions with key management personnel for the years ended December 31, 2013 and 2012.

OTHER TRANSACTIONS

For the year ended December 31, 2013, the Corporation incurred rental expenses of $3,429 ($3,592 for 2012) to the benefit of Clarit Realty Ltd., a company controlled by a related party. The associated lease payments were concluded in the Corporation's normal course of business for various terms of no more than five years.

Transactions with subsidiaries are eliminated on the Consolidated Financial Statements. The Corporation's significant ownership interests in subsidiaries of 100% at December 31, 2013 and 2012 are as follows:

Beck/Arnley Worldparts, Inc.	Uni-Sélect Eastern Inc.	Uni-Select Purchases Inc.
FinishMaster, Inc.	Uni-Sélect Lux Holdco Inc.	Uni-Select Purchases, G.P.
North Shore Parts & Industrial Supplies Ltd.	Uni-Select Luxembourg S.à r.l.	Uni-Sélect Québec Inc.
Plastique Royal Inc.	Uni-Select Prairies Inc.	Uni-Select USA Holdings, Inc.
Uni-Sélect Alberta Inc.	Uni-Select Pacific Inc.	Uni-Select USA, Inc.

RISK MANAGEMENT

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

RISKS ASSOCIATED WITH THE ECONOMY

Economic climate

The economic climate has a moderate impact on sales of automotive replacement parts and on the Corporation's operations. Although the automotive aftermarket industry is to some extent dependent on the sale of new cars, it is not nearly as affected by the current economic situation, since deciding to make car repairs is less discretionary and less expensive than the decision to buy a new vehicle.

Inflation

Management believes that inflation has little impact on the Corporation's financial results, as any price increase 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 the profitability of its distribution centres. To reduce the risk of deflation in the value of inventoried parts, the Corporation has compensation agreements with most of its suppliers.

Distance travelled

There is a direct link between unemployment, fuel prices and distance travelled and also between distance travelled and the rate of vehicle wear and tear and repairs. Fuel prices are also affecting the Corporation's delivery costs in the United States. Uni-Select regularly reviews delivery routes in the United States to ensure that they are optimal and thus keep delivery costs under control.

RISKS ASSOCIATED WITH THE BUSINESS CONTEXT

Growth in the vehicle fleet

Although growth in the number of registered vehicles in North America is relatively modest, the decline in sales for new vehicles in 2008 and 2009 has resulted in an aging vehicle fleet, leading to an increase in demand for replacement parts.

The growing number of car models over the last few years, coupled with their longer lifespan, is resulting in a proliferation of replacement parts, imposing financial constraints on distributors and merchants that must carry a greater selection of parts to ensure adequate availability. This factor is partly offset by manufacturers putting increasingly sophisticated technological components into their vehicles, resulting in each part serving more purposes and costing more to repair, which is favourable to the replacement parts industry.

The rise in the number of foreign vehicle brands in North America is also responsible for the growing number of car models and the proliferation of replacement parts. This situation, together with the use of this complex technology and the greater number of electronic components being used in cars, are factors that tend to favour dealers when consumers are deciding on a service supplier to perform their vehicle maintenance. On the other hand, any potential downsizing of automobile dealers' network could result in a move toward the aftermarket network for vehicle maintenance and repairs.

Products

Uni-Select primarily distributes parts and products from well-known and well-established North American manufacturers. These manufacturers generally take responsibility for products that are defective, poorly designed or non-compliant with their intended use.

Uni-Select imports various parts and products from foreign sources; the success of an eventual appeal against a supplier or manufacturer is uncertain. The Corporation protects itself with liability insurance. In addition, transport logistics between the country of origin and the markets supplied increase the risk of stock outages.

To ensure a continuous supply of its products, the Corporation examines the financial results of its main suppliers and regularly reviews the diversification of its sources of supply.

Technology

Ongoing technological developments in recent years is requiring distributors and wholesalers to provide continuing training programs to their employees and customers, along with access to new diagnostic tools. Uni-Select manages the potential impact of these trends through the scope and quality of the training and support programs it provides to independent wholesalers, their employees and their customers. It provides its customers with access to efficient and modern technologies in the areas of data management, warehouse management and telecommunications.

Environmental risks

The industry of paint distribution involves a certain level of environmental risk. The damages or destruction by fire to warehouses, specialised in the storage of such products, resulting in the discharge of paint, can cause environmental consequences such as soil or air pollution. These specialised warehouses are generally well-equipped to reduce such risks. This includes up-to-date sprinkler systems and retention basins in the event of an accidental discharge.

RISKS ASSOCIATED WITH THE OPERATIONAL CONTEXT

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 servicing independent jobbers (rather than a network of corporate stores and independent installers), requires the Corporation to take special measures to promote its merchant members' loyalty and long-term survival. This is why Uni-Select's fundamental approach is to drive the growth, competitiveness and profitability of its customers by means of a total business solution that incorporates 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 industry consolidation, which is also occurring at the wholesale level, the Corporation has developed programs designed to facilitate its merchants' expansion through acquisitions.

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

The Corporation's growth-by-acquisition strategy, especially in the United States, carries its share of risks. Uni-Select has developed solid know-how in this regard having successfully acquired and integrated several businesses in the last years. To limit its risk, the Corporation has adopted a targeted and selective acquisition strategy, conducts strict due diligence and develops detailed integration plans. Finally, Uni-Select relies on a multidisciplinary team that is able to accurately assess and manage the risks specific to the markets where it does business, particularly in the United States.

Competition

The aftermarket industry in which the Corporation does business is highly competitive. Availability of parts, prices, quality and customer service are critical factors. Uni-Select competes primarily in the DIFM (Do It For Me) segment of the industry with national and regional retail chains, distributors and independent wholesalers as well as online suppliers. Competition varies from market to market and some competitors may have superior advantages to Uni-Select, which may result in a reduction in selling prices and an increase in marketing and promotional expenses, which would drive down the Corporation's profitability. To reduce that risk, the Corporation regularly reviews its product and service offering to meet the needs of its customer base as effectively as possible. In addition, the proliferation of parts in itself is a barrier to entry into the market for new competitors.

Business and financial systems
In December 2013, the Corporation completed the deployment of its enterprise resource planning system started in 2010 and has therefore eliminated the risk of integration and change management related to this deployment.

The Corporation relies extensively on its computer systems and the systems of its business partners to manage inventory, process transactions and report results. These systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches and catastrophic events. If its computer systems or those of its business partners fail to function properly, the Corporation may experience loss of critical data and interruptions or delays in its ability to manage inventories or process transactions, potentially impacting revenue and results of the operations.

To mitigate that risk, the Corporation implemented a comprehensive disaster recovery plans (DRP), which includes daily backups, dual telecommunication lines, hardware redundancy and external hosting of equipment in specialized sites.

Human resources
During this period of active change, Uni-Select must attract, train and retain a large number of competent employees, while controlling payroll. Labour costs are subject to numerous external factors, such as wage rates, fringe benefits and the availability of timely local skilled resources. The inability to attract, train and retain employees could affect the Corporation's growth capacity as well as its financial performance. Over the years, the Corporation has introduced a number of employee incentive programs and tools, including the following:

- The Build-A-Car workshops for change management;
- Leadership training and accelerated talent development programs;
- The "Value Creator" and "Performance" recognition prizes and the President's Award.

Distribution network optimization plan
The Action Plan, announced in July 2013, encompasses a major optimization of the US distribution network and includes a number of operational improvements which together are expected to improve profitability by approximately $30,000 on an annualized basis (approximately $10,000 in 2013, an additional $15,000 in 2014 with full impact in 2015).

The plan includes store closures, divestitures or consolidations involving 43 stores to exit areas with less potential; rightsizing of the distribution network with focus on select large distribution centres (closure of 12 warehouses and opening of two regional distribution centres) and operational improvements (such as investment of $8,000 in a dozen distribution centres to improve efficiency; process improvements focused on increasing fill rates and enhancing pricing strategy and headcount and expense reductions.

Restructuring charges, write-off of assets and other actions related to the Action Plan is expected at approximately one-time cost of $45,000 of which, $36,000 have been recorded during 2013, and the balance to be recorded as incurred. The cash outlay after taxes is estimated at $13,000 and is expected to be fully offset by a $40,000 reduction in inventory.

Delays in execution, unfavourable changes in economic and/or market conditions could reduce the benefits or increase the cash outlay stemming from the plan. To mitigate that risk, the Corporation dedicated resources and implemented processes to closely monitor its realization. As at December 31, 2013, the implementation of the Action Plan was progressing as expected and completion is scheduled for late 2014. (*For further details, see note 7 in the Consolidated Financial Statements.)*

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Fair value

The fair value of cash, trade receivables, trade and other payables, bank indebtedness and dividends payable approximate their carrying amount given that they will mature shortly.

The fair value of long-term debt has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the actual economic conditions.

Liquidity risk

This risk is dealt with in the section on "Sources of financing and fund requirements".

Credit risk

Credit risk stems primarily from the potential inability of customers to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash and trade and other receivables and investments and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specified credit limits are determined for certain accounts and reviewed regularly by the Corporation.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly and monthly analysis are reviewed to ensure that past due amounts are collectible and, if necessary, that measures are taken to limit credit risk.

Allowance for doubtful accounts and past due accounts receivable are reviewed at least quarterly and a bad-debt expense is recognized only for accounts receivable for which collection is uncertain.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments mainly due to purchases in currencies other than the respective functional currencies of the Corporation and its subsidiaries. Management considers that fluctuations in the relative values of the US dollar and the Canadian dollar will not have a material impact on net earnings.

The most recent analysis of the Corporation shows that a $0.01 variation in the value of the Canadian dollar versus the US dollar would have an impact of $0.01 per share on the Corporation’s results. This impact is purely on the books and does not affect cash flows.

The Corporation has certain investments in foreign operations (United States of America) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar denominated debt instruments. (*For further details, see note 16 in the Consolidated Financial Statements.)*

Interest rates

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. To mitigate those fluctuations, the Corporation uses derivative financial instrument, i.e. swap contract designed to exchange variable rates for fixed rates. The Corporation does not use financial instruments for trading or speculative purposes. This $80,000 contract matures in 2016.

All things being equal, a favourable or unfavourable variation of 0.25% in the base rate would have an impact on results of approximately $0.013 per share. *(For more information on financial instruments, refer to Note 26 in the Consolidated Financial Statements.)*

ACCOUNTING POLICIES

ADOPTED IN 2013

EMPLOYEE BENEFITS

In June 2011, the International Accounting Standards Board ("IASB") issued an amendment to IAS 19 "Employee Benefits" relating to the accounting for defined benefit pension plans and termination benefits. This amendment eliminates certain recognition and presentation choices previously permitted under IAS 19 and requires additional disclosures concerning the risks stemming from defined benefit plans. The Corporation has applied this amendment as of January 1, 2013, on a retrospective basis in accordance with its transitional provisions. The retrospective application of this amendment increased employee benefits expense by $824 for the year ended December 31, 2012. Net earnings for the year ended December 31, 2012 decreased by $603, net of income taxes of $221. Basic and diluted earnings per share decreased by $0.03 for the year ended December 31, 2012. The actuarial gain on defined benefit pension plans increased by $603 for the year ended December 31, 2012.

In November 2013, the IASB also issued an amendment to IAS 19 "Employee Benefits", providing relief so that entities are allowed to deduct contributions that are not related to the number of years of service from the service cost in the period in which the service is rendered. The amendment is effective for annual periods beginning on or after July 1, 2014, with earlier adoption permitted. The Corporation has applied this amendment as of January 1, 2013 and this change had no impact on the Corporation's Consolidated Financial Statements.

JOINT ARRANGEMENTS

In May 2011, the IASB issued IFRS 11 "Joint Arrangements" which supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as was the case under IAS 31. The standard requires the use of the equity method to account for interests in jointly controlled entities. Prior to the adoption of this standard, the Corporation used the proportionate consolidation method to account for its interests in joint ventures, but now applies the equity method under IFRS 11. Under the equity method, the Corporation's share of net assets, net income and other comprehensive income of joint ventures are presented as single line items in the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively. The Corporation has applied this standard as of January 1, 2013, on a retrospective basis in accordance with its transitional provisions. The Corporation's consolidated revenues, expenses and geographic information now exclude the financial information of the joint ventures. The retrospective application had no impact on net earnings or earnings per share and the disclosure requirements have been incorporated into the Corporation's Consolidated Financial Statements.

FINANCIAL INSTRUMENTS – PRESENTATION

In May 2012, the IASB issued an amendment to IAS 32 "Financial instruments: Presentation". The amendment requires entities to account for income taxes relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction in accordance with IAS 12 "Income Taxes". The Corporation has applied this amendment as of January 1, 2013, on a retrospective basis in accordance with its transitional provisions. There was no impact on the Corporation's Consolidated Financial Statements.

FINANCIAL INSTRUMENTS – DISCLOSURES

In December 2011, the IASB issued an amendment to IFRS 7 "Financial instruments: Disclosures", requiring disclosures about all recognized financial instruments that are offset in accordance with IAS 32 or that are subject to enforceable netting arrangements. The Corporation has applied this amendment as of January 1, 2013, on a retrospective basis. There was no impact on the Corporation's Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

In May 2011, the IASB issued IFRS 10 "Consolidated Financial Statements". IFRS 10 requires an entity to consolidate an investee when it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and reporting policies of an entity as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation – Special Purpose Entities", and parts of IAS 27 "Consolidated and Separate Financial Statements". The Corporation has applied this amendment as of January 1, 2013. There was no impact on the Corporation's Consolidated Financial Statements.

DISCLOSURE OF INTERESTS IN OTHER ENTITIES

In May 2011, the IASB issued IFRS 12 "Disclosure of Interests in Other Entities". IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard confirms existing disclosures and introduces additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation has applied this standard as of January 1, 2013. The disclosure requirements have been incorporated into the Corporation's Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

In May 2011, the IASB issued IFRS 13 "Fair Value Measurement". IFRS 13 is a comprehensive standard for fair value measurements and disclosure requirements for use across all IFRS standards. The standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, and the measurement date. It also establishes disclosure requirements about fair value measurements. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Corporation has applied this standard as of January 1, 2013, on a prospective basis.

IMPAIRMENT OF ASSETS

In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets", requiring additional disclosures about the recoverable amount of impaired non-financial assets if that amount is based on fair value less costs to sell. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has incorporated the disclosure requirements into its Consolidated Financing Statements.

FUTURE ACCOUNTING POLICIES

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

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

FINANCIAL INSTRUMENTS – PRESENTATION

In December 2011, the IASB issued an amendment to IAS 32 "Financial Instruments: Presentation", focusing on the meaning of "currently has a legally enforceable right of set-off" and the application of simultaneous realisation and settlement for applying the offsetting requirements. This amendment is effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect the application of this amendment to have a significant impact on its 2014 Consolidated Financial Statements.

FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

In June 2013, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement", permitting the continuation of hedge accounting in specific cases where a derivative instrument designed as a hedging instrument is novated to a derivative instrument cleared through a central counterparty in order to comply with local laws or regulations. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has not yet assessed the impact of this amendment.

FINANCIAL INSTRUMENTS

In November 2009, the IASB issued IFRS 9 "Financial Instruments". It addresses classification and measurement of financial assets and replaces measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through net earnings.

IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through net earnings or at fair value through other comprehensive income. Where such equity instruments are either recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in net earnings; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

In November 2013, the IASB issued amendments to IFRS 9 "Financial Instruments", including a new chapter on hedge accounting replacing IAS 39 and improvements to the reporting of changes in the fair value of an entity's own debt. The mandatory effective date of January 1, 2015 was also removed and has yet to be determined, but earlier adoption is still permitted.

The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

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

Information about the Corporation's accounting policies is provided in Note 3 to the Consolidated Financial Statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

ESTIMATES

Business combinations

Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their fair values based on estimated future cash flows. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. *(See Note 8 in the Consolidated Financial Statements for details on the business acquisitions completed in the last two periods.)*

Sales recognition

Estimates are used in determining the amounts to be recorded for rights of return, guarantees, and trade and volume discounts. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation

The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and selling costs, product demand and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Allowance for surplus or obsolete inventory

The Corporation records an allowance for estimated 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 inventory to its net realizable value, is then entered as a reduction of inventory in the Consolidated Statement of Financial Position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets

Assumptions are required in determining the useful lives of property and equipment and intangible assets with finite useful lives. (*Refer to Note 3 in the Consolidated Financial Statements for further details.)*

Impairments of non-financial assets

The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variations between the estimated amounts and actual results may have a significant impact on the assets recorded in the Consolidated Statement of Financial Position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2013 and 2012, with the exception of the impairment losses recorded as part of the Corporation's distribution network consolidation plan described in Note 7, no impairment losses or reversals of previous losses have been recorded on the Corporation's long-term assets. *(Refer to Notes 7 and 15 in the Consolidated Financial Statements for further details.)*

Deferred taxes

The Corporation estimates its deferred income tax assets and liabilities based on 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 temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized which would affect net earnings in a subsequent period.

Post-employment benefit obligations

Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its defined benefit obligations are based on inflation rates, discount rates and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related defined benefit obligations. Estimation uncertainties exist, which may vary significantly in future appraisals of the Corporation's defined benefit obligations. *(Refer to Note 20 in the Consolidated Financial Statements for details on the assumptions and estimates used for the years ended December 31, 2013 and 2012.)*

Hedge effectiveness

The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions

The Corporation makes estimates of projected costs and timelines and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. *(Refer to Note 3 in the Consolidated Financial Statements for further details.)*

JUDGMENTS

Leases

The Corporation uses judgment in determining the classification of its leased assets at inception of the lease. *(Refer to Note 3 for further details.)*

Evidence of asset impairment

The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Hedge accounting

At the inception of a hedging relationship, the Corporation uses judgment in determining the probability that a forecast transaction will occur.

NON-IFRS FINANCIAL MEASURES

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

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

Organic Growth	This measure consists of quantifying the increase in pro forma consolidated sales between two given periods, excluding the impact of acquisitions, sales and disposals of stores, exchange-rate fluctuations and, when necessary, the variance in the number of billing days. This measure enables Uni-Select to evaluate the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market. Determining the rate of organic growth, based on findings that Management regards as reasonable, may differ from the actual rate of organic growth.
EBITDA	This measure represents operating profit before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, equity income, income taxes and net earnings attributable to non-controlling interests. This measure is a financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measure of liquidity, but as additional information.
EBITDA margin	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.

Adjusted EBITDA, adjusted earnings and adjusted earnings per share	Management uses adjusted EBITDA, adjusted earnings and adjusted earnings per share to assess EBITDA, net earnings and net earnings per share from operating activities, excluding certain adjustments, net of income taxes (for adjusted earnings and adjusted earnings per share), which may affect the comparability of the Corporation's financial results. Management considers that these measures are more representative of the Corporation's operational performance and more appropriate in providing additional information. These adjustments include, amongst others, the non-capitalizable costs related to the development and implementation of the ERP system, costs related to the closure and disposal of stores, as well as restructuring charges, write-off of assets and others. The exclusion of these items does not indicate that they are non-recurring.
Free cash flow	This measure corresponds to EBITDA adjusted for the following items: other non-cash items according to the statement of cash flows, interest paid, income taxes paid and acquisitions of property and equipment. Uni-Select considers free cash flow to be a good indicator of financial strength and of operating performance because it shows how much funds are available to manage growth in working capital, pay dividends, repay debt, reinvest in the Corporation and capitalize on various market opportunities that arise. The free cash flow excludes certain variations in working capital items (such as trade and other receivables, inventory and trade and other payables) and other funds generated and used according to the statement of cash flows. Therefore, it should not be considered as an alternative to the Consolidated Statement of Cash Flows, or as a measure of liquidity, but as additional information.
Total net debt	This measure consists of long-term debt including the portion due within a year *(as shown in note 16 to the Consolidated Financial Statements)* net of cash.
Total net debt to total net debt and total shareholders' equity ratio	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and total shareholders' equity.
Long-term debt to total shareholders' equity ratio	This ratio corresponds to long-term debt including the portion due within a year *(as shown in note 16 to the Consolidated Financial Statements)* divided by the sum of convertible debentures and total shareholders' equity.
Funded debt to EBITDA	This ratio corresponds to total net debt to EBITDA.
Adjusted return on average total shareholders' equity	This ratio corresponds to net earnings adjusted for restructuring charges, write-off of assets and others as well as the non-recurring expenses related to the network optimization and to the closure and disposal of stores, divided by average total shareholders' equity.

EXCHANGE RATE DATA

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

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Average for the period			
For statement of earnings	0.97	1.00	1.01
Period end			
For statement of financial position	0.94	1.00	0.98

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52-109 guidelines. As at December 31, 2013, the President and Chief Executive Officer and the Executive Vice President, Corporate Services and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uni-Select has continued its evaluation of the effectiveness of internal controls over financial reporting as at December 31, 2013, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Executive Vice President, Corporate Services and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Over the years, a number of compensatory controls have been added to the various automated controls over the systems in place to offset the risks that could be caused by interfaces between systems that are being changed.

During the year ended December 31, 2013, no change in the Corporation's internal control over financial reporting has occurred that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

OUTLOOK

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

- Execute its 2013 Action Plan to optimize its operations by reducing its inventory level and achieving its cost reduction objectives. The Action Plan is expected to be completed by the end of 2014;
- Pursue its organic growth by recruiting new customers, intensifying enrolment to its banner programs, leveraging business opportunities in the paint distribution sector and improving its product offering;
- Improve EBITDA margin by taking advantage of the Action Plan and the ongoing cost reduction initiatives, leveraging its enterprise resource planning system and refining its pricing strategy.

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

Richard G. Roy, FCPA, FCA

President and Chief Executive Officer

Denis Mathieu, CPA, CA, MBA

Executive Vice President, Corporate Services and Chief Financial Officer

Approved by the Board of Directors on February 27, 2014.

Consolidated financial statements

as December 31, 2013

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MANAGEMENT'S REPORT

The Consolidated Financial Statements and other financial information included in this Annual Report are the responsibility of the Corporation's Management. The Consolidated Financial Statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and have been approved by the Board of Directors on February 27, 2014.

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

The Board of Directors fulfills its responsibility regarding the Consolidated Financial Statements included in this Annual Report, primarily through its Audit Committee. This Committee, which meets periodically with the Corporation'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 Corporation's external auditors, Raymond Chabot Grant Thornton LLP.

Richard G. Roy, FCPA, FCA
President and Chief Executive Officer

Denis Mathieu, CPA, CA, MBA
Executive Vice President, Corporate Services and
Chief Financial Officer

Boucherville
February 27, 2014

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Uni-Select Inc.

We have audited the accompanying consolidated financial statements of Uni-Select Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uni-Select Inc. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

/s/ Raymond Chabot Grant Thornton LLP[1]

Montréal (Canada)
February 27, 2014

[1] CPA auditor, CA public accountancy permit no. A105359

CONSOLIDATED STATEMENT OF EARNINGS

(In thousands of US dollars, except per share amounts)

	Year ended December 31,	
	2013	2012
Sales	**1,788,085**	1,797,591
Earnings before the following items:	**92,379**	87,100
Finance costs, net (Note 5)	**15,654**	19,541
Depreciation and amortization (Note 6)	**29,297**	26,873
Restructuring charges, write-off of assets and others (Note 7)	**35,180**	18,458
Earnings before equity income and income taxes	**12,248**	22,228
Equity income (Note 13)	**2,652**	2,630
Earnings before income taxes	**14,900**	24,858
Income tax expense (recovery) (Note 11)		
Current	**4,627**	2,772
Deferred	**(11,055)**	(7,261)
	(6,428)	(4,489)
Net earnings	**21,328**	29,347
Attributable to shareholders	**21,328**	29,438
Attributable to non-controlling interests	**-**	(91)
Net earnings	**21,328**	29,347
Earnings per share basic and diluted (Note 9)	**1.00**	1.36
Weighted average number of common shares outstanding (in thousands) (Note 9)		
Basic	**21,411**	21,623
Diluted	**21,411**	21,624

The Consolidated Statement of Earnings by nature is presented in Note 28.

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of US dollars)

	Year ended December 31,	
	2013	2012
Net earnings	**21,328**	29,347
Other comprehensive income		
Items that will subsequently be reclassified to net earnings:		
Effective portion of changes in the fair value of cash flow hedges (net of income tax recoveries of $57 ($496 in 2012))	**(155)**	(1,330)
Net change in the fair value of derivative financial instruments designated as cash flow hedges transferred to earnings (net of income tax expenses of $341 ($650 in 2012))	**873**	1,790
Unrealized exchange gains (losses) on the translation of financial statements to the presentation currency	**11,920**	(4,916)
Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	**(17,550)**	6,888
	(4,912)	2,432
Items that will not subsequently be reclassified to net earnings:		
Remeasurements of long-term employee benefit obligations (net of income tax expenses of $1,617 ($422 in 2012)) (Note 20)	**4,283**	1,151
Total other comprehensive income (loss)	**(629)**	3,583
Comprehensive income	**20,699**	32,930
Attributable to shareholders	**20,699**	33,021
Attributable to non-controlling interests	**-**	(91)
Comprehensive income	**20,699**	32,930

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of US dollars)

	Attributable to shareholders							
	Share capital	Contributed surplus	Equity component of the convertible debentures	Retained earnings	Accumulated other comprehensive income (Note 21)	**Total**	**Attributable to non-controlling interests**	**Total equity**
Balance, December 31, 2011	**88,940**	**452**	**1,687**	**367,272**	**6,229**	**464,580**	**1,033**	**465,613**
Net earnings	-	-	-	29,438	-	29,438	(91)	29,347
Other comprehensive income	-	-	-	1,151	2,432	3,583	-	3,583
Comprehensive income	-	-	-	30,589	2,432	33,021	(91)	32,930
Contributions by and distributions to shareholders:								
Share issuances (Note 18)	29	-	-	-	-	29	-	29
Share repurchases (Note 18)	(406)	-	-	(1,690)	-	(2,096)	-	(2,096)
Dividends	-	-	-	(11,269)	-	(11,269)	-	(11,269)
Stock-based compensation (Note 19)	-	38	-	-	-	38	-	38
	(377)	38	-	(12,959)	-	(13,298)	-	(13,298)
Changes in ownership interests in subsidiaries that do not result in a loss of control:								
Repurchase of non-controlling interests	-	(98)	-	-	-	(98)	(955)	(1,053)
Foreign exchange translation adjustment on non-controlling interests	-	-	-	-	-	-	13	13
Balance, December 31, 2012	**88,563**	**392**	**1,687**	**384,902**	**8,661**	**484,205**	**-**	**484,205**
Net earnings	-	-	-	21,328	-	21,328	-	21,328
Other comprehensive income (loss)	-	-	-	4,283	(4,912)	(629)	-	(629)
Comprehensive income (loss)	-	-	-	25,611	(4,912)	20,699	-	20,699
Contributions by and distributions to shareholders:								
Share repurchases (Note 18)	(1,292)	-	-	(5,116)	-	(6,408)	-	(6,408)
Dividends	-	-	-	(10,681)	-	(10,681)	-	(10,681)
Stock-based compensation (Note 19)	-	940	-	-	-	940	-	940
	(1,292)	940	-	(15,797)	-	(16,149)	-	(16,149)
Balance, December 31, 2013	**87,271**	**1,332**	**1,687**	**394,716**	**3,749**	**488,755**	**-**	**488,755**

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of US dollars)

	Year ended December 31,	
	2013	2012
OPERATING ACTIVITIES		
Net earnings	**21,328**	29,347
Non-cash items:		
Finance costs, net (Note 5)	**15,654**	19,541
Depreciation and amortization (Note 6)	**29,297**	26,873
Restructuring charges, write-off of assets and others (Note 7)	**35,180**	15,037
Difference between amount paid for post-employment benefits and current year expenses	**(982)**	(584)
Income tax recovery (Note 11)	**(6,428)**	(4,489)
Other non-cash items	**(665)**	1,653
Changes in working capital items (Note 10)	**(4,373)**	33,528
Interest paid	**(13,098)**	(17,139)
Income taxes recovered (paid)	**899**	(1,370)
Cash flows from operating activities	**76,812**	102,397
INVESTING ACTIVITIES		
Business acquisitions (Note 8)	**(1,467)**	(6,346)
Repurchase of non-controlling interests (Note 8)	-	(1,053)
Proceeds from business disposals (Notes 7, 13)	**5,040**	522
Balances of purchase price	**(508)**	(596)
Advances to merchant members	**(15,278)**	(12,840)
Receipts on investments and advances to merchant members	**9,838**	4,659
Dividends received from equity investments	**916**	943
Acquisitions of property and equipment	**(13,897)**	(12,900)
Disposals of property and equipment	**1,828**	680
Acquisitions and development of intangible assets	**(8,922)**	(15,424)
Cash flows used in investing activities	**(22,450)**	(42,355)
FINANCING ACTIVITIES		
Increase in long-term debt	**236,669**	54,949
Repayment of long-term debt	**(273,616)**	(102,654)
Merchant members' deposits in the guarantee fund	**(329)**	(152)
Share issuances (Note 18)	**-**	29
Share repurchases (Note 18)	**(6,408)**	(2,096)
Dividends paid	**(10,737)**	(11,063)
Cash flows used in financing activities	**(54,421)**	(60,987)
Effects of fluctuations in exchange rates on cash	**(6)**	12
Net decrease in cash	**(65)**	(933)
Cash, beginning of period	**122**	1,055
Cash, end of period	**57**	122

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of US dollars)

	December 31,	
	2013	2012
ASSETS		
Current assets:		
Cash	**57**	122
Trade and other receivables (Note 12)	**220,942**	203,186
Income taxes receivable	**16,883**	27,917
Inventory	**532,045**	528,634
Prepaid expenses	**11,417**	11,527
Total current assets	**781,344**	771,386
Equity investments and advances to merchant members (Note 13)	**36,855**	36,249
Property and equipment (Note 14)	**49,494**	49,731
Intangible assets (Note 15)	**140,598**	153,572
Goodwill (Note 15)	**184,449**	187,081
Deferred tax assets (Note 11)	**13,151**	4,642
TOTAL ASSETS	**1,205,891**	1,202,661
LIABILITIES		
Current liabilities:		
Trade and other payables	**341,429**	309,104
Provision for restructuring charges and others (Note 7)	**15,185**	4,392
Dividends payable	**2,598**	2,815
Current portion of long-term debt and merchant members' deposits in the guarantee fund	**4,667**	19,073
Total current liabilities	**363,879**	335,384
Long-term employee benefit obligations (Notes 19 and 20)	**19,561**	26,903
Long-term debt (Note 16)	**273,165**	290,476
Convertible debentures (Note 16)	**46,829**	49,099
Merchant members' deposits in the guarantee fund (Note 17)	**6,988**	7,768
Derivative financial instruments (Note 26)	**890**	1,891
Deferred tax liabilities (Note 11)	**5,824**	6,935
TOTAL LIABILITIES	**717,136**	718,456
EQUITY		
Share capital (Note 18)	**87,271**	88,563
Contributed surplus	**1,332**	392
Equity component of the convertible debentures (Note 16)	**1,687**	1,687
Retained earnings	**394,716**	384,902
Accumulated other comprehensive income (Note 21)	**3,749**	8,661
TOTAL EQUITY	**488,755**	484,205
TOTAL LIABILITIES AND EQUITY	**1,205,891**	1,202,661

The accompanying notes are an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors,

Robert Chevrier, FCPA, FCA
Director

John A. Hanna, FCPA, FCGA
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1 - GOVERNING STATUTE AND NATURE OF OPERATIONS

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

These Consolidated Financial Statements present the operations and financial position of the Corporation and all of its subsidiaries as well as the Corporation's interests in jointly controlled entities.

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

2 - BASIS OF PRESENTATION

Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These Consolidated Financial Statements were approved and authorized for issuance by the Corporation's Board of Directors on February 27, 2014.

Basis of measurement

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

Functional and presentation currency

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

Use of accounting estimates and judgments

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

Information about the Corporation's accounting policies is provided in Note 3 to the Consolidated Financial Statements, and the most significant uses of judgment, estimates and assumptions relate to the following:

Estimates

Business combinations: Upon the recognition of a business combination, the Corporation records the assets acquired and liabilities assumed at their fair values based on estimated future cash flows. The value of goodwill recognized is directly affected by the estimated values of the assets and liabilities. Any change in the estimates used would result in an increase or decrease in the value of goodwill at the date of acquisition, or in net earnings in subsequent years. See Note 8 for details on the business acquisitions completed in the last two periods.

Sales recognition: Estimates are used in determining the amounts to be recorded for rights of return, guarantees, and trade and volume discounts. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

Inventory valuation: The Corporation uses estimates in determining the net realizable value of its inventory, taking into consideration the quantity, age and condition of the inventory at the time the estimates are made. These estimates also include assumptions about future selling prices and selling costs, product demand and return fees. The Corporation also uses estimates in determining the value of trade discounts, rebates and other similar items receivable from vendors. These estimates are based on the Corporation's historical experience and Management's assumptions about future events, and are reviewed on a regular basis throughout the year.

2 - BASIS OF PRESENTATION (CONTINUED)

Allowance for surplus or obsolete inventory: The Corporation records an allowance for estimated 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 inventory to its net realizable value, is then entered as a reduction of inventory in the Consolidated Statement of Financial Position. Management must make estimates when establishing such allowances. In the event that actual market conditions are less favorable than the Corporation's assumptions, additional allowances could prove necessary.

Property and equipment and intangible assets: Assumptions are required in determining the useful lives of property and equipment and intangible assets with finite useful lives. Refer to Note 3 for further details.

Impairments of non-financial assets: The Corporation uses estimates and assumptions based on historical experience and Management's best estimates to estimate future cash flows in the determination of the recoverable amounts of assets and the fair value of cash generating units ("CGUs"). Impairment tests require Management to make significant assumptions about future events and operating results. Significant estimates are also required in the determination of appropriate discount rates to apply the future cash flows in order to adjust current market rates for assets and entity-specific risk factors. Revisions of these assumptions and estimates, or variations between the estimated amounts and actual results may have a significant impact on the assets recorded in the Consolidated Statement of Financial Position, and on the Corporation's net earnings in future periods. For the years ended December 31, 2013 and 2012, with the exception of the impairment losses recorded as part of the Corporation's distribution network consolidation plan described in Note 7, no impairment losses or reversals of previous losses have been recorded on the Corporation's non-current assets. Refer to Notes 7 and 15 for further details.

Deferred taxes: The Corporation estimates its deferred income tax assets and liabilities based on 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 temporary differences are expected to reverse. Changes in the timing of the reversals or the income tax rates applicable in future years could result in significant differences between these estimates and the actual amounts realized which would affect net earnings in a subsequent period.

Post-employment benefit obligations: Significant assumptions and estimates are required in the measurement of the Corporation's obligations under defined benefit pension plans. Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its defined benefit obligations are based on inflation rates, discount rates and mortality rates that Management considers to be reasonable. It also takes into account the Corporation's specific anticipation of future salary increases and retirement ages of employees. Discount rates are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related defined benefit obligations. Estimation uncertainties exist, which may vary significantly in future appraisals of the Corporation's defined benefit obligations. Refer to Note 20 for details on the assumptions and estimates used for the years ended December 31, 2013 and 2012.

Hedge effectiveness: The Corporation uses estimates and assumptions, based on external market trends and Management's best estimates of entity-specific risks, in assessing the hedge effectiveness prospectively throughout the hedging relationship. Hedge accounting is terminated when a hedging relationship is no longer highly effective, or when a forecast transaction is no longer probable. Differences in actual results may have an impact on the Corporation's net earnings in subsequent periods. The Corporation does not use derivative financial instruments for speculative purposes.

Provisions: The Corporation makes estimates of projected costs and timelines and the probability of occurrence of the obligations in determining the amount for provisions. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates. Refer to Note 3 for further details.

Judgments

Leases: The Corporation uses judgment in determining the classification of its leased assets at inception of the lease. Refer to Note 3 for further details.

Evidence of asset impairment: The Corporation uses significant judgment in determining the existence of an event which indicates a negative effect on the estimated future cash flows associated with an asset. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by Management are used in the impairment tests.

Hedge accounting: At the inception of a hedging relationship, the Corporation uses judgment in determining the probability that a forecast transaction will occur.

3 - ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, unless otherwise indicated.

Basis of consolidation

(i) Business combinations

The Corporation applies the acquisition method in accounting for business acquisitions. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values, at the acquisition date, of the assets transferred, liabilities incurred and equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

The Corporation measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets acquired and liabilities assumed. When the net result is negative, a bargain purchase gain is recognized immediately in net earnings.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issuance of debt or equity securities that the Corporation incurs in connection with business acquisition efforts are expensed as incurred.

Contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the Consolidated Statement of Earnings.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Consolidated Financial Statements include the accounts of the subsidiaries from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been modified where necessary to align them with the policies adopted by the Corporation.

(iii) Equity investments (joint ventures)

Joint ventures are entities over whose activities the Corporation has joint control, established by contractual agreement. The Corporation's pro-rata shares of the net assets of joint ventures in which the Corporation holds an interest are recognized from the date that joint control commences until the date that joint control ceases. Joint ventures are accounted for using the equity method. Dividends received from a joint venture are recognized as a reduction of the investment. The Corporation's pro-rata share of the joint ventures' net earnings is recorded under "Equity income" in the Consolidated Statement of Earnings.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized revenue and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Sales recognition

The Corporation recognizes sales upon shipment of goods at the fair value of the consideration received or receivable, net of right of return provisions and guarantees and other trade and volume discounts, when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the goods, recovery of the consideration is probable and the amount of revenue can be measured reliably.

The Corporation offers its customers a right of return on the sale of goods and certain guarantees. At the time of sales recognition, the Corporation records provisions for the right of return and guarantees which are based on the Corporation's historical experience and Management's assumptions.

Inventory

Inventory consists of finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method and includes expenditures incurred in acquiring the inventory, net of trade discounts, rebates and other similar items received or receivable from vendors. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Investments in customers

The Corporation makes cash, inventory and equipment investments in certain customers as consideration for multi-year purchase commitments. These investments are recorded at their net realizable value and are amortized as a reduction of sales on a straight-line basis over the duration of the purchase commitment.

In the event that a customer breaches the commitment, the remaining unamortized investment net of liquidated damages received, is immediately recorded as other expenses in net earnings.

3 - ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring the asset and preparing the asset of its intended use. The cost less residual value of property and equipment is depreciated over the estimated useful lives in accordance with the following methods and periods:

	Methods	Periods
Paving	Diminishing balance	12 years
Buildings	Straight-line and diminishing balance	20 to 40 years
Furniture and equipment	Straight-line and diminishing balance	5 to 10 years
System software and automotive equipment	Diminishing balance	3 to 5 years
Computer equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Lease term
Vehicles under finance leases	Straight-line	Lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Intangible assets

The Corporation records as internally-generated intangible asset the costs directly attributable to the acquisition and development of an enterprise resource planning software ("ERP") and the corresponding borrowing costs. Any capitalized internally-generated intangible asset that is not yet complete is subject to impairment testing as described in section "impairment of non financial assets" of the Note 2.

In order to accurately reflect the pattern of consumption of the expected benefits, the Corporation amortizes its software and related costs on a straight-line basis over a 10-year period. The amortization period begins when the asset is available for its intended use and ceases when the asset is classified as held for sale or is derecognized.

Trademarks, which were all acquired as a result of business acquisitions, are determined as having indefinite useful lives based on the prospects for long-term profitability and the overall positioning of the trademarks on the market in terms of notoriety and sales volume. They are measured at cost less accumulated impairment losses. They are not amortized but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Other intangible assets, including those acquired as a result of business acquisitions, are measured at cost less accumulated amortization and accumulated impairment losses, and are amortized over their estimated useful lives according to the following methods and periods:

	Methods	Periods
Customer relationships	Straight-line	4 to 20 years
Other software	Straight-line and diminishing balance	3 to 8 years

Amortization methods, useful lives and residual values are reviewed at each reporting date. All depreciation and amortization charges are included within the Depreciation and amortization caption in the Corporation's Consolidated Statement of Earnings.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Refer to business combinations (Note 3(i)) for information on how goodwill is initially determined. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

Impairment of goodwill and other non-current assets

Property and equipment and intangible assets with finite lives are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related CGU may not be recoverable. If any such indication exists, then the asset's or CGU's recoverable amount is estimated. Goodwill, capitalized internally-generated intangible assets that are not yet complete and intangible assets with indefinite lives are tested for impairment annually or more frequently if events or circumstances indicate that they are impaired.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the groups of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

3 - ACCOUNTING POLICIES (CONTINUED)

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by Management.

Impairment losses are recognized in net earnings. Impairment losses recognized with respect to a CGU are allocated first to reduce the carrying amount of any goodwill, and then to reduce the carrying amounts of the other assets of a CGU on a pro-rata basis.

An impairment loss with respect to goodwill is not reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss with respect to other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss with respect to other assets is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, assets acquired under finance leases are recorded in “Property and equipment” at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability is recorded as a finance lease obligation within “Long-term debt”. In subsequent periods, the asset is depreciated over the lease term and interest on the obligation is recorded in “Finance costs, net” in the Consolidated Statement of Earnings.

Other leases are classified as operating leases and the leased assets are not recognized in the Corporation's Consolidated Statement of Financial Position. Payments made under operating leases are recognized in net earnings on a straight-line basis over the term of the lease.

Income taxes

Income tax expense comprises current and deferred tax. Current taxes and deferred taxes are recognized in net earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred tax assets and liabilities for financial reporting purposes 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 reporting date for the years in which the temporary differences are expected to reverse.

However, deferred taxes are not recognized on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred taxes on temporary differences associated with investments in subsidiaries and joint ventures is not recognized if the reversal of these temporary differences can be controlled by the Corporation and it is improbable that reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities that intend to settle current tax liabilities and assets on a net basis, and their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date. They are reduced to the extent that it is no longer probable that the related tax benefit will be realized and previously unrecognized deferred tax assets are recognized to the extent that it becomes probable that they will be recovered.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in net earnings, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3 - ACCOUNTING POLICIES (CONTINUED)

Foreign currency

(i) Foreign currency transactions and translation of financial statements

The financial statements of each of the Corporation's subsidiaries are measured using the entity's functional currency as described in Note 2. Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the remeasurement of monetary assets and liabilities denominated in currencies other than the functional currency of the entity at year-end exchange rates are recognized in the Consolidated Statement of Earnings, with the exception of foreign exchange gains or losses on debt designated as a hedging instrument of a net investment in foreign operations which are included in other comprehensive income and are transferred to net earnings only when a reduction in the net investment in these foreign subsidiaries is realized. A foreign operation is an entity that is a subsidiary, associate or joint venture of the reporting entity with a functional currency differing from the reporting entity's functional currency.

The assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rate prevailing at the reporting date upon consolidation. The revenues and expenses of Canadian operations are translated into the presentation currency at the average exchange rates at the reporting date.

	Year ended December 31,	
	2013	2012
Exchange rate	C$1.064 for US$1	C$0.997 for US$1
Average exchange rate	C$1.030 for US$1	C$1.000 for US$1

Foreign currency translation differences are recognized and presented in other comprehensive income and in the foreign currency translation reserve in equity. For a non-wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

(ii) Hedge of net investments in foreign operations

The Corporation applies hedge accounting to foreign currency translation differences arising between the functional currency of the foreign operation and the parent entity's functional currency. Foreign currency differences arising on the translation of the debt designated as a hedge of net investments in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the cumulative translation account balance. To the extent that the hedge is ineffective, such differences are recognized in net earnings. When the hedged portion of a net investment is reduced, the relevant amount in the cumulative translation account is transferred to net earnings as part of the profit or loss on disposal.

Foreign exchange gains or losses arising on a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

Long-term employee benefit obligations

Long-term employee benefit obligations include post-employment benefit obligations, stock-based compensation obligations and other obligations related to long-term employee remuneration or benefits.

(i) Post-employment benefit obligations

A defined contribution plan is a post-employment benefit plan under which an entity pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Corporation contributes to various plans that are accounted for as defined contribution plans. Contributions to the plans are recognized as an expense in the period that employee services are rendered.

3 - ACCOUNTING POLICIES (CONTINUED)

The Corporation has adopted the following policies for defined benefit plans:

- The Corporation's net obligation with respect to defined benefit pension plans is calculated by estimating the value of future benefits that employees have earned in return for their service in the current and prior periods less the fair value of any plan assets;
- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method. The calculations reflect Management's best estimates of salary increases, retirement ages and mortality rates of members and discount rate;
- When the benefits of a plan are improved, the benefit relating to past service by employees is recognized immediately in net earnings;
- Actuarial gains or losses arise from the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation.
- Remeasurements comprising of actuarial gains and losses, the effect of the limit of the asset, the effect of minimum funding requirements and the return on plan assets in excess of interest income are recognized immediately in other comprehensive income and retained earnings in the Consolidated Financial Statements.

The current and past service costs related to the defined benefit pension plans is recorded within "Employee benefits" in the Consolidated Financial Statements. The net interest income or expense on the net surplus or obligation is recorded within "Finance costs, net".

(ii) Stock-based compensation

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

The compensation expense for equity-settled plans is measured as the fair value at the grant date using the binomial option pricing model, and is recognized over the vesting period, with a corresponding increase to contributed surplus within equity. Forfeitures and cancellations are estimated at the grant date, and subsequently reviewed at each reporting date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that are expected to meet the related service conditions at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

For cash-settled stock-based compensation, the fair value of the expense is measured as the number of units expected to vest multiplied by the fair value of one unit, which is based on the market price of the Corporation's common shares. The compensation expense and corresponding liability are recognized over the vesting period, if any, and are revalued at each reporting date until settlement, with any changes in the fair value recognized in the Consolidated Statement of Earnings.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. The Corporation's provisions consist of restructuring charges including the initiatives to liquidate redundant inventory, site decommissioning costs, employee termination benefits and recognition of future lease obligations.

Restructuring charges are recognized when the Corporation has put in place a detailed restructuring plan which has been communicated in sufficient detail to create an obligation. Restructuring charges include only costs directly related to the restructuring plan, and are measured at the best estimate of the amount required to settle the Corporation's obligations. Subsequent changes in the estimate of the obligation are recognized in the Corporation's Consolidated Statement of Earnings.

Financial instruments

(i) Non derivative financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expires, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

3 - ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities are initially measured at fair value plus transaction costs except for financial assets and liabilities carried at fair value through net earnings, which are initially measured at fair value and their subsequent measurement depends on their classification, as described below. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation.

The Corporation has made the following classifications:

- Loans and receivables and advances to merchant members are financial assets with fixed or determinable payments that are not quoted on an active market. Cash and trade receivables are classified as loans and receivables. After initial recognition, these are measured at amortized cost using the effective interest method, less any impairment.
- Trade and other payables, dividends payable, long-term debt (except finance leases), convertible debentures and merchant members' deposits in the guarantee fund are classified as liabilities measured at amortized cost. Subsequent valuations are recorded at amortized cost using the effective interest method.

(ii) Impairment of financial assets

A financial asset is impaired if objective evidence indicates that an event has occurred after the initial recognition of the asset having a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer may request bankruptcy protection or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss with respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognized in net earnings. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through net earnings.

(iii) Compound financial instruments

Compound financial instruments issued comprise of convertible debentures that can be converted into common shares of the Corporation at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized as the difference, net of income taxes, between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. When and if the conversion option is exercised, the equity component of the convertible debentures will be transferred to share capital. If the conversion option expires without being exercised, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Interest, dividends, gains and losses relating to the financial liability are recognized in net earnings.

(iv) Derivative financial instruments and hedge accounting

A specific accounting treatment is required for derivatives designated as hedge instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through net earnings.

3 - ACCOUNTING POLICIES (CONTINUED)

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes assessments, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80 and 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivative financial instruments are utilized to reduce interest rate risk on the Corporation's debt. The Corporation does not use financial instruments for trading or speculative purposes. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

The Corporation's policy is to formally designate derivative financial instruments as hedging items of cash flow hedges of a highly probable forecast interest expense. The effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the accumulated changes in the fair value of derivative financial instruments designated as cash flow hedges in equity. The amount recognized in other comprehensive income is removed and included in net earnings in the same period as the hedged cash flows affect net earnings, under the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. The Corporation considers that its derivative financial instruments are effective as hedges, both at inception and over the term inception and over the term of the instrument, as for the entire 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 to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. The interest rate swap agreements involve the periodic exchange of interest payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of hedged interest expense on debt. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in accumulated changes in the fair value of derivative financial instrument designated as cash flow hedges remains in equity until the forecast interest expense affects net earnings. If the forecast interest expense is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in net earnings. In other cases, the amount recognized in other comprehensive income is transferred to net earnings in the same period that the hedged item affects net earnings.

(v) Finance income and finance costs

Finance income comprises interest income on cash and on advances from merchant members. Finance income is recognized as it accrues in net earnings, using the effective interest method.

Finance costs comprise interest on bank indebtedness, long-term debt and on merchant members' deposits in the guarantee fund, nominal and accreted interest on convertible debentures, amortization of transaction costs incurred in conjunction with debt transactions, reclassification of realized losses to net earnings on derivative financial instruments, the unwinding of the discount on provisions as well as impairment losses on financial assets. Borrowing costs that are not directly attributable to the acquisition or development of qualifying assets are recognized in net earnings using the effective interest method. Borrowing costs directly attributable to the development of the enterprise resource planning software (i.e. qualifying asset) are capitalized as part of the cost of that intangible asset until it is substantially ready for its intended use.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from share capital, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from share capital and retained earnings. Repurchased shares are classified as treasury shares and are presented as a deduction from share capital. When treasury shares are sold or subsequently reissued, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in retained earnings.

3 - ACCOUNTING POLICIES (CONTINUED)

Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the following separate components of equity:

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of Canadian operations to the Corporation's presentation currency, as well as from the translation of debt designated as a hedge of the Corporation's net investment in a foreign operation.

Accumulated changes in the fair value of derivative financial instrument designated as cash flow hedge

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet been settled.

Retained earnings

Accumulated actuarial gains and losses on defined benefit plans

The net accumulated actuarial gains and losses comprise all actuarial gains and losses, net of income taxes, on the defined benefit plans recorded after the date of transition to IFRS. These gains and losses are applied as a reduction of retained earnings.

Contributed surplus

Contributed surplus includes charges related to stock options not yet exercised and premiums paid on the repurchase of the Corporation's common shares.

Earnings per share and information pertaining to the number of shares outstanding

Earnings per share is calculated by dividing net earnings available for common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date. The Corporation has two categories of dilutive potential common shares: convertible debentures and stock options. If, after applying the treasury stock method, it is determined that the conversion has a dilutive effect, the convertible debentures are assumed to have been converted into common shares and net earnings are adjusted to eliminate the interest charge net of taxes. For the stock options, the number of shares that could have been acquired at fair value (at the average annual market share price of the Corporation's shares) based on the monetary value of the subscription rights attached to outstanding stock options is determined and is compared with the number of shares that would have been issued assuming the exercise of the stock options. The number of dilutive potential common shares is determined independently for each period presented.

4 - CHANGES IN ACCOUNTING POLICIES

ADOPTED IN 2013

(i) Employee benefits

In June 2011, the International Accounting Standards Board ("IASB") issued an amendment to IAS 19 "Employee Benefits" relating to the accounting for defined benefit pension plans and termination benefits. This amendment eliminates certain recognition and presentation choices previously permitted under IAS 19 and requires additional disclosures concerning the risks stemming from defined benefit plans. The Corporation has applied this amendment as of January 1, 2013, on a retrospective basis in accordance with its transitional provisions. The retrospective application of this amendment increased employee benefits expense by $824 for the year ended December 31, 2012. Net earnings for the year ended December 31, 2012 decreased by $603, net of income taxes of $221. Basic and diluted earnings per share decreased by $0.03 for the year ended December 31, 2012. The actuarial gain on defined benefit pension plans increased by $603 for the year ended December 31, 2012.

In November 2013, the IASB also issued an amendment to IAS 19 "Employee Benefits", providing relief so that entities are allowed to deduct contributions that are not related to the number of years of service from the service cost in the period in which the service is rendered. The amendment is effective for annual periods beginning on or after July 1, 2014, with earlier adoption permitted. The Corporation has applied this amendment as of January 1, 2013 and this change had no impact on the Corporation's consolidated financial statements.

(ii) Joint arrangements

In May 2011, the IASB issued IFRS 11 "Joint Arrangements" which supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as was the case under IAS 31. The standard requires the use of the equity method to account for interests in jointly controlled entities. Prior to the adoption of this standard, the Corporation used the proportionate consolidation method to account for its interests in joint ventures, but now applies the equity method under IFRS 11. Under the equity method, the Corporation's share of net assets, net income and other comprehensive income of joint ventures are presented as single line items in the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively. The Corporation has applied this standard as of January 1, 2013, on a retrospective basis in accordance with its transitional provisions. The Corporation's consolidated revenues, expenses and geographic information now exclude the financial information of the joint ventures.

4 - CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The effects on the consolidated statement of earnings are:

	Year ended December 31,
	2012
Sales	(23,582)
Earnings before equity income and income taxes	(3,110)
Equity income	2,630
Income taxes	480
Change in net earnings	-

The effects on the consolidated statement of financial position at December 31, 2012 are:

	December 31, 2012
Impact on current assets	(8,310)
Impact on non-current assets	6,888
Impact on current liabilities	(1,011)
Impact on non-current liabilities	(411)

(iii) Financial instruments: Presentation

In May 2012, the IASB issued an amendment to IAS 32 “Financial instruments: Presentation”. The amendment requires entities to account for income taxes relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction in accordance with IAS 12 “Income Taxes”. The Corporation has applied this amendment as of January 1, 2013, on a retrospective basis in accordance with its transitional provisions. There was no impact on the Corporation’s Consolidated Financial Statements.

(iv) Financial Instruments: Disclosures

In December 2011, the IASB issued an amendment to IFRS 7 “Financial instruments: Disclosures”, requiring disclosures on all recognized financial instruments that are offset in accordance with IAS 32 or that are subject to enforceable netting arrangements. The Corporation has applied this amendment as of January 1, 2013, on a retrospective basis. There was no impact on the Corporation’s Consolidated Financial Statements.

(v) Consolidated financial statements

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements”. IFRS 10 requires an entity to consolidate an investee when it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and reporting policies of an entity as to obtain benefits from its activities. IFRS 10 replaces SIC-12 “Consolidation – Special Purpose Entities”, and parts of IAS 27 “Consolidated and Separate Financial Statements”. The Corporation has applied this amendment as of January 1, 2013. There was no impact on the Corporation’s Consolidated Financial Statements.

(vi) Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12 “Disclosure of Interests in Other Entities”. IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard confirms existing disclosures and introduces additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. The Corporation has applied this standard as of January 1, 2013. The disclosure requirements have been incorporated into the Corporation’s Consolidated Financial Statements.

(vii) Fair value measurement

In May 2011, the IASB issued IFRS 13 “Fair Value Measurement”. IFRS 13 is a comprehensive standard for fair value measurements and disclosure requirements for use across all IFRS standards. The standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, and the measurement date. It also establishes disclosure requirements about fair value measurements. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Corporation has applied this standard as of January 1, 2013, on a prospective basis.

(viii) Impairment of assets

In May 2013, the IASB issued amendments to IAS 36 “Impairment of Assets”, requiring additional disclosures about the recoverable amount of impaired non-financial assets if that amount is based on fair value less costs to sell. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has applied this amendment as of January 1, 2013 and this change had no impact on the Corporation’s consolidated financial statements.

4 - CHANGES IN ACCOUNTING POLICIES (CONTINUED)

FUTURE ACCOUNTING CHANGES

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

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

(i) Financial instruments: Presentation

In December 2011, the IASB issued an amendment to IAS 32 "Financial Instruments: Presentation", focusing on the meaning of "currently has a legally enforceable right of set-off" and the application of simultaneous realisation and settlement for applying the offsetting requirements. This amendment is effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect the application of this amendment to have a significant impact on its 2014 Consolidated Financial Statements.

(ii) Financial instruments: Recognition and measurement

In June 2013, the IASB issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement", permitting the continuation of hedge accounting in specific cases where a derivative instrument designed as a hedging instrument is novated to a derivative instrument cleared through a central counterparty in order to comply with local laws or regulations. These amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted. The Corporation has not yet assessed the impact of this amendment.

(iii) Financial instruments

In November 2009, the IASB issued IFRS 9 "Financial Instruments". It addresses classification and measurement of financial assets and replaces measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through net earnings.

IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through net earnings or at fair value through other comprehensive income. Where such equity instruments are either recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized in net earnings; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

In November 2013, the IASB issued amendments to IFRS 9 "Financial Instruments", including a new chapter on hedge accounting replacing IAS 39 and improvements to the reporting of changes in the fair value of an entity's own debt. The mandatory effective date of January 1, 2015 was also removed and has yet to be determined, but earlier adoption is still permitted.

The Corporation has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

5 - FINANCE COSTS, NET

	Year ended December 31,	
	2013	2012
Interest on long-term debt	**8,381**	11,002
Interest on convertible debentures	**2,964**	3,054
Accreted interest on convertible debentures	**439**	444
Amortization of financing costs	**1,541**	1,502
Interest on the net defined benefit obligation	**1,096**	1,201
Interest on merchant members' deposits in the guarantee fund and others	**342**	204
Reclassification of realized losses to net earnings on derivative financial instruments designated as cash flow hedges	**1,214**	2,440
Total finance costs	**15,977**	19,847
Interest income from merchant members	**(323)**	(306)
Total finance costs, net	**15,654**	19,541

6 - DEPRECIATION AND AMORTIZATION

	Year ended December 31,	
	2013	2012
Depreciation of property and equipment	**12,817**	12,840
Amortization of intangible assets	**16,480**	14,033
Total depreciation and amortization	**29,297**	26,873

7 - RESTRUCTURING CHARGES, WRITE-OFF OF ASSETS AND OTHERS

2013

During the year 2013, the Corporation's Board of Directors approved an internal strategic and operational plan (the "Action Plan"), which will complement the optimization plan announced in 2012. The Action Plan includes the closure and rightsizing of certain stores and warehouses, as well as the addition of two new facilities, among other initiatives. The total cost of implementing the Action Plan is expected to be approximately $45,000, of which $13,000 represents cash disbursements, net of income tax recoveries, and the plan is expected to be completed by the end of 2014.

The Corporation recognized restructuring charges of $31,680 for the year ended December 31, 2013 related to site closure and consolidation costs, which include initiatives to liquidate redundant inventory of $10,423, site decommissioning costs of $4,966, employee termination benefits of $4,254, the recognition of future lease obligations of $8,422 and write-downs of certain assets to their net recoverable amount for $3,615. The Corporation also recorded a write-off of $3,500 in the value of certain software which will no longer be used in its operations.

In regards of the rightsizing portion of the plan, during the year ended December 31, 2013, the Corporation sold certain assets and liabilities of businesses operating in the United States and in Canada. The net assets have been sold for a cash consideration of $6,555 of which $2,970 was receivable at December 31, 2013.

2012

On August 7, 2012, the Corporation's Board of Directors approved an optimization plan which also included a revision of the operating structure and the reduction of administrative expenses. The optimization plan was expected to generate annual cost savings through the consolidation and optimization of the Corporation's distribution network. The implementation of the optimization plan, expected to be completed in phases, began in 2012. For the year ended December 31, 2012, the Corporation recognized restructuring charges of $13,865 related to site closure and consolidation costs, which include initiatives to liquidate redundant inventory, employee termination benefits, the recognition of future lease obligations and write-downs of certain property and equipment to their net realizable value.

For the year ended December 31, 2012, the Corporation also recorded a write-off of $2,185 in the value of certain software which will no longer be used in its operations.

Restructuring charges and others also includes acquisition-related costs stemming from business acquisition efforts undertaken by the Corporation. For the year ended December 31, 2012, the Corporation recorded acquisition-related costs of $2,408 related to these activities.

At December 31, 2013 and 2012, the resulting provision for restructuring charges and others is presented as current liabilities in the Corporation's Consolidated Statement of Financial Position, the details of which are as follows:

	2013	2012
Balance, January 1	**4,392**	-
Restructuring charges and others recognized during the year	**17,642**	7,254
Provision used during the year	**(6,813)**	(2,842)
Effects of fluctuations in exchange rates	**(36)**	(20)
Balance, December 31	**15,185**	4,392

8 - BUSINESS COMBINATIONS AND REPURCHASE OF NON-CONTROLLING INTERESTS

Business acquisitions

2013

In the normal course of business, the Corporation acquires the assets and liabilities of companies. During the year ended December 31, 2013, the Corporation acquired the assets and liabilities of three companies operating in the United States. The total cost of these acquisitions of $1,467, of which no amount was payable at December 31, 2013, was allocated to the assets and liabilities based on their fair values. The Corporation did not incur any acquisition-related costs for these transactions, and the contributions to sales and net earnings were immaterial.

The fair value amounts recognized for the acquirees' assets and liabilities at the acquisition date were $1,214 for the current assets, $210 for the non-current assets, $7 for the current liabilities, and $50 for goodwill, all of which is expected to be deductible for tax purposes. These purchase price allocations are preliminary. The final allocations of the purchase price could result in changes to the amounts recognized.

During the year ended December 31, 2013, the Corporation finalized the purchase price allocation of a company acquired in 2012 in Canada, which resulted in a decrease of $76 in current assets.

2012

In the normal course of business, the Corporation acquires the assets and liabilities of companies. During the year ended December 31, 2012, the Corporation acquired the assets and liabilities of three companies operating in the United States and three companies operating in Canada. The total cost of these acquisitions of $6,152, of which $227 was payable at December 31, 2012, was allocated to the assets and liabilities based on their fair values. The Corporation did not incur any acquisition-related costs for these transactions, and the contributions to sales and net earnings were immaterial.

The fair value amounts recognized for the acquirees' assets and liabilities at the acquisition date were $6,926 for the current assets, $1,334 for the non-current assets, $3,673 for the current liabilities, and $1,565 for goodwill, all of which is expected to be deductible for tax purposes. These purchase price allocations are preliminary. The final allocations of the purchase price could result in changes to the amounts recognized.

During the year ended December 31, 2012, the Corporation finalized the purchase price allocation of a company acquired in 2011 in the United States, which resulted in an increase of $421 in goodwill.

Repurchase of non-controlling interests

2012

During the year ended December 31, 2012, the Corporation repurchased the remaining non-controlling interests in its subsidiary Uni-Select Pacific Inc. The total consideration of $1,053 was based on the carrying amounts in accordance with the shareholders' agreement.

9 - EARNINGS PER SHARE

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

	Year ended December 31,	
	2013	2012
Net earnings attributable to shareholders considered for basic and diluted earnings per share[(1)]	**21,328**	29,438
Weighted average number of common shares outstanding for basic earnings per share	**21,411,277**	21,623,300
Impact of the stock options[(2)]	**-**	256
Weighted average number of common shares outstanding for diluted earnings per share	**21,411,277**	21,623,556
Earnings per share (basic and diluted)	**1.00**	1.36

(1) The conversion impact of the convertible debentures was excluded from net earnings attributable to shareholders for the year ended December 31, 2013 and 2012 as the conversion impact was anti-dilutive.

(2) For the year ended December 31, 2013, 333,110 weighted average common shares issuable on the exercise of stock options (60,000 for the year ended December 31, 2012) were excluded from the calculation of diluted earnings per share as the exercise price of the options was higher than the average market price of the shares.

10 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

a) The changes in working capital are detailed as follows:

	Year ended December 31,	
	2013	2012
Trade and other receivables	**(19,536)**	(1,435)
Inventory	**(23,732)**	28,563
Prepaid expenses	**57**	(189)
Restructuring charges and others	**(6,813)**	(2,842)
Trade and other payables	**45,651**	9,431
Total changes in working capital	**(4,373)**	33,528

b) At December 31, 2013, acquisitions of property and equipment and intangible assets of $296 and nil, respectively, ($1,986 and $732 at December 31, 2012) remained unpaid and did not have an impact on cash.

11 - INCOME TAXES

Income tax recovery

	Year ended December 31,	
	2013	2012
Current tax expense	**4,627**	2,772
Deferred tax recovery		
Origination and reversal of temporal differences	**(10,968)**	(7,031)
Increase in tax rate	**(87)**	-
Change in unrecognized deductible temporary differences	**-**	125
Recognition of previously unrecognized tax losses	**-**	(355)
	(11,055)	(7,261)
Total income tax recovery	**(6,428)**	(4,489)

Reconciliation of the income tax recovery

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

	Year ended December 31,	
	2013	2012
Income taxes at the Corporation's statutory tax rate – 26.9% (26.74% in 2012)	**4,008**	6,647
Effect of tax rates in foreign jurisdictions	**(2,464)**	(800)
Tax benefit from a financing structure	**(9,555)**	(9,410)
Non-deductible expenses	**177**	743
Recognition of previously unrecognized temporary differences	**-**	(669)
Others	**1,406**	(1,000)
Income tax recovery reported in the Consolidated Statement of Earnings	**(6,428)**	(4,489)

11 - INCOME TAXES (CONTINUED)

Recognized deferred tax assets and liabilities

					December 31, 2013
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carryforwards	**16,252**	**1,301**	**-**	**(191)**	**17,362**
Taxable income during the coming year	**(5,405)**	**(299)**	**-**	**349**	**(5,355)**
Allowances deductible during the coming year	**19,008**	**14,445**	**-**	**(32)**	**33,421**
Property and equipment	**(15,368)**	**9,153**	**-**	**276**	**(5,939)**
Pension plan allowance	**6,292**	**254**	**(1,617)**	**(311)**	**4,618**
Financing costs	**(117)**	**124**	**-**	**5**	**12**
Cash flow hedges	**522**	**(341)**	**57**	**17**	**255**
Allowance for performance incentives	**899**	**144**	**-**	**(60)**	**983**
Intangible assets and goodwill	**(23,854)**	**(13,384)**	**-**	**46**	**(37,192)**
Convertible debentures	**(453)**	**434**	**-**	**19**	**-**
Others	**(69)**	**(776)**	**-**	**7**	**(838)**
Income tax assets (liabilities)	**(2,293)**	**11,055**	**(1,560)**	**125**	**7,327**

					December 31, 2012
	Opening balance	Recognized in net earnings	Recognized in other comprehensive income	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss carryforwards	2,454	13,845	-	(47)	**16,252**
Taxable income during the coming year	(7,479)	1,988	-	86	**(5,405)**
Allowances deductible during the coming year	12,269	6,738	-	1	**19,008**
Property and equipment	(5,778)	(9,263)	-	(327)	**(15,368)**
Pension plan allowance	6,357	(161)	(422)	518	**6,292**
Financing costs	(25)	(88)	-	(4)	**(117)**
Cash flow hedges	679	(650)	496	(3)	**522**
Allowance for performance incentives	881	18	-	-	**899**
Intangible assets and goodwill	(18,577)	(5,276)	-	(1)	**(23,854)**
Convertible debentures	(443)	-	-	(10)	**(453)**
Others	(173)	110	-	(6)	**(69)**
Income tax assets (liabilities)	(9,835)	7,261	74	207	**(2,293)**

Consolidated Statement of Financial Position presentation

	December 31,	
	2013	2012
Deferred tax assets	**13,151**	4,642
Deferred tax liabilities	**5,824**	6,935
	7,327	(2,293)

The 2012 classification was amended, as previously reported deferred tax assets were compensated against deferred tax liabilities.

As of December 31, 2013, the Corporation has $6,371 of net capital losses carried forward for which deferred tax assets have not been recognized (nil for 2012). Net capital losses can be carried forward indefinitely and can only be used against future capital gains. The unrecognized deferred tax assets related to capital tax losses carried forward amounted to $1,714 as at December 31, 2013 (nil for 2012).

12 - TRADE AND OTHER RECEIVABLES

	December 31,	
	2013	2012
Trade receivables	**205,993**	195,188
Current portion of advances to merchant members (Note 13)	**14,949**	7,998
Total trade and other receivables	**220,942**	203,186

13 - EQUITY INVESTMENTS AND ADVANCES TO MERCHANT MEMBERS

	December 31,	
	2013	2012
Preferred shares, interest rate at 3.12% (3.12% in 2012), receivable in quarterly instalments, redeemable at the option of the holder and retractable by the issuer	**477**	502
Shares of companies and advances to merchant members, interest rates varying between 0% and 10.25%, receivable in monthly instalments, maturing on various dates until 2020	**12,382**	6,626
Investments in customers, non-interest bearing	**17,816**	15,545
Total advances to merchant members	**30,675**	22,673
Current portion of advances to merchant members	**14,949**	7,998
Non-current portion of advances to merchant members	**15,726**	14,675
Equity investments	**21,129**	21,574
Non-current portion of the equity investments and advances to merchant members	**36,855**	36,249

Interests in joint ventures

The carrying value amounts of the joint ventures that have been aggregated into the equity investment at January 1, 2012, were $8,165 for the current assets, $1,509 for the non-current assets, $2,488 for the current liabilities and $1,204 for the non-current liabilities.

During the year, the Corporation sold its partnership in a joint venture for a cash consideration of $1,858, of which $403 was receivable as at December 31, 2013.

The Corporation's proportionate shares of its interests in joint ventures were as follows:

	Year ended December 31,	
	2013	2012
Sales	**20,507**	23,582
Earnings before finance costs and depreciation and amortization	**1,844**	1,746
Net earnings	**1,381**	1,569
Current assets	**7,535**	8,310
Non-current assets	**1,913**	1,680
Current liabilities	**3,492**	2,688
Non-current liabilities	**383**	569

14 - PROPERTY AND EQUIPMENT

	Land and paving	Buildings	Furniture and equipment	Computer equipment and system software	Automotive equipment	Leasehold improvements	Total
Cost	1,336	15,854	38,779	26,788	22,425	10,890	116,072
Accumulated depreciation	(262)	(7,473)	(27,374)	(18,940)	(12,822)	(7,020)	(73,891)
Balance, January 1, 2012	1,074	8,381	11,405	7,848	9,603	3,870	42,181
Depreciation	(11)	(502)	(2,571)	(3,642)	(4,586)	(1,528)	(12,840)
Disposals	-	(12)	(96)	(4)	(309)	(18)	(439)
Acquisitions through business combinations	60	200	240	93	150	5	748
Other additions	1,254	130	3,151	4,651	9,566	1,155	19,907
Write-offs	-	-	-	(87)	-	-	(87)
Effects of fluctuations in exchange rates	16	87	97	32	15	14	261
Net changes	1,319	(97)	821	1,043	4,836	(372)	7,550
Cost	2,671	16,375	42,035	27,999	29,777	11,960	130,817
Accumulated depreciation	(278)	(8,091)	(29,809)	(19,108)	(15,338)	(8,462)	(81,086)
Balance, December 31, 2012	2,393	8,284	12,226	8,891	14,439	3,498	49,731
Depreciation	(11)	(470)	(2,521)	(3,261)	(5,348)	(1,206)	(12,817)
Disposals	(142)	(175)	(357)	(364)	(432)	(33)	(1,503)
Acquisitions through business combinations	-	-	-	3	72	-	75
Other additions	163	181	4,290	2,386	8,535	783	16,338
Write-offs	-	(64)	(925)	(267)	-	(184)	(1,440)
Effects of fluctuations in exchange rates	(118)	(255)	(264)	(156)	(49)	(48)	(890)
Net changes	(108)	(783)	223	(1,659)	2,778	(688)	(237)
Cost	2,556	15,427	40,520	27,871	34,572	10,586	131,532
Accumulated depreciation	(271)	(7,926)	(28,071)	(20,639)	(17,355)	(7,776)	(82,038)
Balance, December 31, 2013	**2,285**	**7,501**	**12,449**	**7,232**	**17,217**	**2,810**	**49,494**

At December 31, 2013, the carrying values of leased assets, which are presented under “Automotive equipment” were $14,876 ($11,049 at December 31, 2012).

15 - INTANGIBLE ASSETS AND GOODWILL

	Trademarks	Customer relationships and others	Software	Total (Intangible assets)	Goodwill
Cost	8,650	76,867	99,072	184,589	184,222
Accumulated amortization	-	(7,983)	(19,648)	(27,631)	-
Balance, January 1, 2012	8,650	68,884	79,424	156,958	184,222
Amortization	-	(7,100)	(6,933)	(14,033)	-
Additions from internal development[(1)]	-	-	8,125	8,125	-
Other additions	-	72	3,804	3,876	-
Acquisitions through business combinations	-	325	-	325	1,986
Disposals	-	(4)	(9)	(13)	-
Write-offs	-	-	(2,098)	(2,098)	-
Effect of fluctuations in exchange rates	-	26	406	432	873
Net changes	-	(6,681)	3,295	(3,386)	2,859
Cost	8,650	76,692	99,793	185,135	187,081
Accumulated amortization	-	(14,489)	(17,074)	(31,563)	-
Balance, December 31, 2012	8,650	62,203	82,719	153,572	187,081
Amortization	-	(7,144)	(9,336)	(16,480)	-
Additions from internal development[(1)]	-	-	3,005	3,005	-
Other additions	-	67	5,125	5,192	-
Acquisitions through business combinations	-	135	-	135	50
Disposals	-	(150)	(21)	(171)	-
Write-offs	-	-	(3,500)	(3,500)	-
Effect of fluctuations in exchange rates	-	(75)	(1,080)	(1,155)	(2,682)
Net changes	-	(7,167)	(5,807)	(12,974)	(2,632)
Cost	8,650	76,642	102,654	187,946	184,449
Accumulated amortization	-	(21,606)	(25,742)	(47,348)	-
Balance, December 31, 2013	**8,650**	**55,036**	**76,912**	**140,598**	**184,449**

(1) At December 31, 2013, software includes the capitalized portion of costs, amounting to $80,103 ($79,926 at December 31, 2012), related to the acquisition and internal development of an ERP which was fully implemented and operational during the year.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's two CGUs, Canada and United States, which represent the lowest level within the Corporation at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the Corporation's CGUs were based on their value in use and were determined with the assistance of independent valuation consultants. The carrying amounts of the units were determined to be lower than their recoverable amounts and no impairment losses were recognized.

15 - INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use in 2013 was determined similarly as in 2012. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the five-year business plan in both 2013 and 2012. Cash flows for a further five-year period were extrapolated using constant growth rates of 2.5% (2.2 % in 2012) for the Canadian operations and 3.1% (2.0% in 2012) for the American operations, which do not exceed the long-term average growth rates for the industry.
- Pre-tax discount rates of 13.3% (12.0% in 2012) for the Canadian operations and 16.4% (14.2% in 2012) for the American operations were applied in determining the recoverable amount of the units. The discount rates were estimated based on past experience and the industry's weighted average cost of capital, which was based on a possible range of debt leveraging of 30% at market interest rates of 4.2% (5.3% in 2012) for the Canadian operations and 3.6% (5.5% in 2012) for the American operations.

The values assigned to the key assumptions represent Management's assessment of future trends in the automotive aftermarket and are based on both external and internal sources. The sensitivity analysis indicated that no reasonable possible changes in the assumptions would cause the carrying amount of each CGU to exceed its recoverable amount.

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

Credit facilities

On January 15, 2013, the Corporation amended the terms of its credit facility and extended its maturity by one year to January 7, 2017. The term loan for a remaining amount of $177,500 was converted into an operating loan under the revolving loan portion of the credit facility, which was increased from $427,500 to $435,000, and subsequently reduced to $400,000. The Corporation benefits from reduced interest rate margins under the amended terms of the credit facility.

Subsequent to the amendment, the Corporation's credit facility consists of a long-term revolving facility of $400,000 which is available in Canadian or US dollars and can be repaid at any time without penalty. The variable interest rates are based on the LIBOR in US dollars, bankers' acceptances and prime rates plus the applicable margins.

At December 31, 2013, amounts drawn on the revolving facility and term loan totalled $265,888 ($297,850 at December 31, 2012). The Corporation also issued letters of credit under its long-term revolving facility to guarantee the payment of certain liabilities by its subsidiaries. At December 31, 2013, the outstanding letters of credit totalled $13,720 ($13,637 at December 31, 2012). Refer to Note 23 for further details.

Long-term debt

				December 31,	
	Maturity	Effective interest rate	**Current portion**	**2013**	2012
Revolving facility, variable rates, designated as a hedge of net investments in foreign operations – $265,888 ($116,600 in 2012)	2017	1.92% to 4.50%	-	**262,747**	119,098
Term loan, variable rates, designated as a hedge of net investments in foreign operations [(1)] – nil ($181,250 in 2012)	-	1.97%	-	**-**	179,380
Finance leases, variable rates	-	-	**4,545**	**14,930**	10,864
Others	2021	-	**5**	**38**	47
			4,550	**277,715**	309,389
Instalments due within a year				**4,550**	18,913
Long-term debt				**273,165**	290,476

(1) The interest rates reflect the derivative financial instruments designated as interest rate hedges as described in Note 26.

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

Convertible debentures

The Corporation issued convertible unsecured subordinated debentures which bear interest at a rate of 5.9% per annum, payable semi-annually on January 31 and July 31 of each year. The debentures are convertible at the option of the holder into common shares of the Corporation at a price of C$41.76 per share, representing a conversion rate of 23.9 common shares per C$1,000 principal amount of convertible debentures. The convertible debentures will mature on January 31, 2016 and may be redeemed by the Corporation, in certain circumstances, after January 31, 2014. The equity component of the debentures was determined as the difference between the fair value of the convertible debentures as a whole and the fair value of the liability component.

	2013	2012
Balance, December 31	**49,099**	47,225
Accreted interest	**439**	444
Amortization of financing costs	**431**	434
Effects of fluctuations in exchange rates	**(3,140)**	996
Balance, December 31	**46,829**	49,099

Principal repayments due on long-term debt and convertible debentures, excluding finance leases, are presented as follows:

2014	**2015**	**2016**	**2017**	**2018**	**Thereafter**
5	5	46,834	262,751	5	14

The present value of minimum lease payments for finance leases are as follows:

	December 31, 2013
Less than one year	**4,545**
Between one and five years	**10,290**
More than five years	**95**
Total present value of minimum lease payments	**14,930**

17 - MERCHANT MEMBERS' DEPOSITS IN THE GUARANTEE FUND

	December 31,	
	2013	2012
Total merchant members' deposits in the guarantee fund	**7,105**	7,928
Installments due within one year	**117**	160
Non-current portion of the merchant members' deposits in the guarantee fund	**6,988**	7,768

Merchant members are required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The deposit amounts are based on each merchant member's purchase volume, and bear interest at the prime rate less 1%. At December 31, 2013, the interest rate in effect was 2% (2% at December 31, 2012).

18 - SHARE CAPITAL

Authorized

The Corporation's capital structure includes an unlimited number of common shares, without par value, and an unlimited number of preferred shares, without par value, issuable in series with the following characteristics:

- Common shares:
  Each common share entitles the holder thereof to one vote and to receive dividends in such amounts and payable at such time as the Board of Directors shall determine after the payment of dividends to the preferred shares. In the event of a liquidation, dissolution or winding-up, the holders shall be entitled to participate in the distribution of the assets after payment to the holders of the preferred shares.

- Preferred shares:
  The preferred shares are non-voting shares issuable in series. The Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. The holders of any series of preferred shares are entitled to receive dividends and have priority over common shares in the distribution of the assets in the event of a liquidation, dissolution or winding-up. There are no issued and outstanding preferred shares.

	December 31,	
	2013	2012
Issued and fully paid		
Balance, beginning of period: 21,551,170 common shares (21,636,767 in 2012)	**88,563**	88,940
Issuance of nil common shares on the exercise of stock options (1,769 in 2012) [1]	**-**	29
Repurchase of 287,501 common shares (87,366 in 2012)	**(1,292)**	(406)
Balance, ending of period: 21,263,669 common shares (21,551,170 in 2012)	**87,271**	88,563

[1] The weighted average price of the exercise of stock options was C$16.25 for 2012.

Repurchase of Common Shares

On August 7, 2013, the Corporation announced that TSX approved the Corporation's renewal of its normal course issuer bid ("NCIB") to purchase for cancellation up to 750,000 common shares over the twelve-month period ending on August 8, 2014. Previously, on August 7, 2012 the TSX had approved its initial NCIB to purchase for cancellation up to 200,000 common shares over the twelve-month period ending on August 8, 2013.

During the year 2013, the Corporation repurchased 287,501 common shares (87,366 in 2012) for cash consideration of $6,408 ($2,096 in 2012) including a share repurchase premium of $5,116 ($1,690 in 2012) applied as a reduction of retained earnings.

Dividends

Dividends of C$0.52 per common share were declared by the Corporation for the year ended December 31, 2013 (C$0.52 for 2012).

19 - STOCK-BASED COMPENSATION

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

Common share stock option plan for management employees and officers

In 2012, the Corporation amended and restated its common share stock option plan for management employees and officers (the "Stock Option Plan"). A total of 1,700,000 shares have been reserved for issuance under the amended and restated terms of the Stock Option Plan. The options are granted at the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted under the amended plan vest over a period of three years plus one day following the date of issuance and are exercisable over a period of no greater than seven years. At December 31, 2013, options granted for the issuance of 320,823 common shares (60,000 at December 31, 2012) were outstanding, and 1,377,408 common shares (1,638,231 at December 31, 2012) were reserved for additional options under the Stock Option Plan. For the year ended December 31, 2013, 298,338 stock options (nil for 2012) were granted to management employees and officers of the Corporation, 37,515 of which were subsequently forfeited or expired.

A summary of the Corporation's Stock option plan for the years ended December 31, 2013 and 2012 is presented as follows:

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		C$		C$
Outstanding, beginning of year	**60,000**	**30.63**	61,769	30.22
Granted	**298,338**	**22.90**	-	-
Exercised	**-**	**-**	(1,769)	16.25
Forfeited	**(37,515)**	**22.90**	-	-
Outstanding, end of year	**320,823**	**24.35**	60,000	30.63
Exercisable, end of year	**125,206**	**26.61**	57,500	30.80

The range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of the Corporation's options are as follows:

	December 31, 2013				
	Options outstanding			**Options exercisable**	
Exercisable price	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
C$			**C$**		**C$**
26.70 – 31.42	**60,000**	**4.50**	**30.63**	**60,000**	**30.63**
22.90	**260,823**	**6.01**	**22.90**	**65,206**	**22.90**
	320,823	**5.72**	**24.35**	**125,206**	**26.61**

	December 31, 2012				
	Options outstanding			Options exercisable	
Exercisable price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
C$			C$		C$
26.70 – 31.42	60,000	5.49	30.63	57,500	30.80
	60,000	5.49	30.63	57,500	30.80

Compensation expense of $940 ($38 for 2012) was recorded in the net earnings for the year ended December 31, 2013, with the corresponding amounts recorded in "Contributed surplus".

19 - STOCK-BASED COMPENSATION (CONTINUED)

The fair value of the stock options granted in the period and the assumptions used in the calculation of their fair value at the date of grant using the Trinomial option pricing model were as follows:

Grant Date		January 2, 2013
Grant date fair value	C$	22.90
Dividend yield	%	1.66
Expected volatility	%	25.39
Forfeiture rate	%	5.55
Risk-free interest rate	%	1.61
Expected life	years	6.99
Exercise price	C$	22.90
Share price	C$	22.90

The expected volatility is estimated for each award tranche, taking into account the average historical volatility of the share price over the expected term of the options granted.

Deferred share unit plan

On February 28, 2013, the Corporation formally adopted its Deferred Share Unit Plan ("DSU Plan") for directors, officers, and management employees. Under the DSU Plan, the directors are required by the Board of Directors to receive a portion of their remuneration in the form of deferred share units ("DSUs") and at their discretion, they can make an election to receive an additional portion of, or all their remuneration in DSUs, subject to the Board of Directors' approval. The officers and management employees are required to make an election to receive a portion of their annual bonus under the short-term incentive plan ("Short-Term Bonus") in the form of DSUs if they do not meet the minimum share ownership guidelines ("SOG") adopted by the Board of Directors. An election to receive an additional portion or all their Short-Term Bonus in the form of DSUs could be made by the officers and management employees.

A DSU is equal in value to one common share of the Corporation. The DSUs are issued on the basis of the average closing price of Corporation's common shares on the TSX for the five trading days preceding the date of issuance ("DSU Value"). Dividend equivalents accrue on outstanding DSUs on the basis of dividends paid on the Corporation's common shares. DSUs are redeemed by the Corporation after the death, retirement or termination of a participant or in the event of a change in control. The participant is then entitled to receive in cash for each DSU, the DSU Value calculated at the redemption date.

For the year ended December 31, 2013, the Corporation granted 34,976 DSUs (11,456 DSUs for 2012) and redeemed 1,839 DSUs. Compensation expense of $737 ($262 in 2012) was recorded during the year, and 44,593 DSUs were outstanding at December 31, 2013.

Performance share unit plan

On February 28, 2013, the Corporation formally adopted a Performance Share Unit Plan ("PSU plan") as part of its existing long-term incentive plan. Under the amended terms of the Long-Term Incentive Plan, certain management employees receive a portion of their annual incentives under the plan as a combination of common share stock options and performance share units ("PSUs"). The value of each PSU is equal to the average closing price of one common share of the Corporation listed on the TSX for the five consecutive trading days immediately preceding the day on which the value is to be determined ("PSU value"). PSUs vest at the end of a three-year period following the date of issuance, after death, retirement or in the event of a change of control ("redemption event"). The holder is entitled to receive in cash the PSU value for each PSU vested multiplied by a performance factor (which may vary from 0% to 180%) based on the achievement of selected financial targets. The Corporation granted 108,811 PSUs for the year ended December 31, 2013, 12,071 of which were subsequently forfeited or redeemed. Compensation expense of $720 was recorded during the year, and 96,740 PSUs were outstanding at December 31, 2013.

20 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Corporation sponsors both defined benefit and defined contribution pension plans. The defined benefit plans include a basic registered pension plan, a registered pension plan for senior management and a non-registered supplemental pension plan for certain members of senior management. The benefits under the Corporation's defined benefit plans are based on years of service and final average salary. The two registered pension plans are funded by the Corporation and the members of the plan. Employee contributions are determined according to the members' salaries and cover a portion of the benefit costs. The employer contributions are based on the actuarial evaluation which determines the level of funding necessary to cover the Corporation's obligations. The non-registered pension plan is non-funded and the Corporation makes payments under this plan when the amounts become payable to the members.

The Corporation also contributes to various other plans that are accounted for as defined contribution plans. The total expense for the Corporation's defined contribution plan was $2,230 for the year ended December 31, 2013 ($2,509 for 2012).

Defined benefit pension plans
An actuarial valuation of the defined benefit pension plans is obtained at least every three years.

The defined benefit plans expose the Corporation to actuarial risks such as longevity risk, currency risk, interest rate risk and investment risk. The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan members. Longevity risk exists because an increase in the life expectancy of plan members will increase the plan liability. A change in the valuation of the plans' foreign assets due to changes in foreign exchange rates exposes the plans to currency risk. A decrease in the bond interest rate used to calculate the present value of the defined benefit obligation will increase the plan liability. This interest rate risk will be partially offset by an increase in return on the plans' fixed income funds. Investment risk occurs if the return on plan assets is lower than the corporate bond interest rate used to determine the discount rate. Currently the plans have a balanced investment mix of 59.9% in equity funds, 22.8% in fixed income funds and 17.3% in other funds. Due to the long term nature of plans' defined benefit obligations, the Corporation considers to be appropriate that a reasonable portion of the plans' assets should be invested in equity, fixed income and other funds to generate additional long term return.

Information regarding the status of the obligation and plan assets of the defined benefit plans is as follows:

	2013		2012	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
Defined benefit obligations				
Balance, beginning of year	**44,881**	**9,433**	40,153	8,500
Current service cost	**2,619**	**394**	2,708	433
Employee contributions	**1,025**	**-**	1,090	-
Interest expense	**2,029**	**410**	1,969	401
Benefits paid	**(1,880)**	**(388)**	(1,778)	(362)
Remeasurement – actuarial losses from changes in demographic assumptions	**1,576**	**323**	-	-
Remeasurement – actuarial (gains) losses from changes in financial assumptions	**(4,067)**	**(601)**	229	69
Remeasurement – actuarial (gains) losses from experience adjustments	**(125)**	**155**	(346)	219
Effects of movements in exchange rates	**(2,881)**	**(607)**	856	173
Balance, end of year	**43,177**	**9,119**	44,881	9,433

20 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

	2013		2012	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
Plan assets				
Fair value, beginning of year	**30,143**	**-**	24,063	-
Interest income	**1,343**	**-**	1,169	-
Employer contributions	**3,921**	**-**	3,668	-
Employee contributions	**1,025**	**-**	1,090	-
Benefits paid	**(1,880)**	**-**	(1,778)	-
Administration fees	**(339)**	**-**	(305)	-
Return on plan assets (excluding amounts included in interest income)	**3,161**	**-**	1,744	-
Effects of movements in exchange rates	**(2,141)**	**-**	492	-
Fair value, end of year	**35,233**	**-**	30,143	-

	December 31,	
	2013	2012
	%	%
Components of plan assets		
Investments in equity funds	**59.9**	57.1
Investments in fixed income funds	**22.8**	24.3
Investments in other funds	**17.3**	18.6
	100.0	100.0

The net obligation is presented in "Long-term employee benefit obligations" in the Corporation's Statement of Financial Position.

	December 31,			
	2013		2012	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
Fair value of plan assets	**35,233**	**-**	30,143	-
Defined benefit obligations	**(43,177)**	**(9,119)**	(44,881)	(9,433)
Long-term employee benefit obligations	**(7,944)**	**(9,119)**	(14,738)	(9,433)

The expense for defined benefit plans recognized in "Employee benefits" in the Corporation's Consolidated Statement of Earnings is as follows:

	Year ended December 31,			
	2013		2012	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
Current service cost	**2,619**	**394**	2,708	433
Net interest expense	**686**	**410**	800	401
Administration fees	**339**	**-**	305	-
Defined benefit plans expense	**3,644**	**804**	3,813	834

20 - POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Remeasurement of long-term employee benefit obligations recognized in other comprehensive income is as follows:

	Year ended December 31,			
	2013		2012	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
Actuarial losses from changes in demographic assumptions	**1,576**	**323**	-	-
Actuarial (gains) losses from changes in financial assumptions	**(4,067)**	**(601)**	229	69
Actuarial (gains) losses from changes in pension plan experience assumptions	**(125)**	**155**	(346)	219
Return on plan assets (excluding amounts included in interest income)	**(3,161)**	**-**	(1,744)	-
	(5,777)	**(123)**	(1,861)	288

The significant actuarial assumptions at the reporting date are as follows (weighted average assumptions at December 31):

	December 31,			
	2013		2012	
	Funded pension plans	**Non-funded pension plan**	Funded pension plans	Non-funded pension plan
Discount rate	**4.95%**	**4.95%**	**4.40%**	**4.40%**
Rate of compensation increase	**3.50%**	**3.50%**	**3.50%**	**3.50%**
Average life expectancies				
Male, 45 years of age at reporting date	**87.9**	**87.9**	**86.2**	**86.2**
Female, 45 years of age at reporting date	**89.5**	**89.5**	**87.9**	**87.9**
Male, 65 years of age at reporting date	**86.3**	**86.3**	**84.7**	**84.7**
Female, 65 years of age at reporting date	**88.5**	**88.5**	**87.1**	**87.1**

For the year ended December 31, 2014, the Corporation expects to make contributions of approximately $4,235 for its defined benefit pension plans.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the rate of compensation increase and the average life expectancy. The calculation of the net defined benefit obligation is sensitive to these assumptions. The following table summarises the effects of the changes in these actuarial assumptions on the defined benefit obligation at December 31, 2013:

	December 31, 2013	
	Funded pension plans	Non-funded pension plan
	%	**%**
Discount rate		
Increase of 1%	**(14.5)**	**(10.7)**
Decrease of 1%	**18.9**	**13.0**
Rate of compensation		
Increase of 0.5%	**2.3**	**0.6**
Decrease of 0.5%	**(2.2)**	**(0.6)**
Average life expectancies		
Increase of 10%	**1.8**	**1.8**
Decrease of 10%	**(1.6)**	**(1.6)**

21 - ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cumulative translation account	Unrealized exchange gains (losses) on the translation of debt designated as a hedge of net investments in foreign operations	Accumulated changes in fair value of derivative financial instruments designated as cash flow hedges	Total
Balance, December 31, 2011	5,446	2,612	(1,829)	6,229
Other comprehensive income (loss)	(4,916)	6,888	460	2,432
Balance, December 31, 2012	530	9,500	(1,369)	8,661
Other comprehensive income (loss)	11,920	(17,550)	718	(4,912)
Balance, December 31, 2013	**12,450**	**(8,050)**	**(651)**	**3,749**

22 - COMMITMENTS

The Corporation has entered into long-term operating lease agreements expiring at various dates until 2024 for the rental of buildings, vehicles and outsourcing of information technology services. The rent expense recorded in the Consolidated Statement of Earnings was $34,689 for the year ended December 31, 2013 ($36,362 for 2012). The committed minimum lease payments under these agreements are as follows:

	December 31, 2013
Less than one year	**39,528**
Between one and five years	**94,184**
More than five years	**13,694**
Total minimum lease payments	**147,406**

Some of these lease agreements contain renewal options for additional periods of one to five years which the Corporation may exercise by giving prior notice.

23 - GUARANTEES

Under inventory repurchase agreements, the Corporation has made commitments to financial institutions to repurchase inventory from some of its customers at rates varying from 60% to 80% of the cost of the inventory for a maximum of $65,887 at December 31, 2013 ($67,316 at December 31, 2012). In the event of a default by a customer, the inventory would be liquidated in the normal course of the Corporation's operations. These agreements are for undetermined periods of time. In Management's opinion and based on historical experience, the likelihood of significant payments being required under these agreements and losses are being absorbed is low as the value of the assets held in guarantee is greater than the Corporation's financial obligations.

Under the terms of its credit facility, the Corporation has issued letters of credit amounting to $13,720 at December 31, 2013 ($13,637 at December 31, 2012). These letters of credit have been issued to guarantee the payments of certain employee benefits and certain inventory purchases. The letters of credit are not recorded in the Corporation's long-term debt as the related amounts have been recorded directly in the Corporation's Consolidated Statement of Financial Position, if applicable.

24 - RELATED PARTIES

For the years ended December 31, 2013 and 2012, common shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

Transactions with key management personnel

Key management includes directors (executive and non-executive) and members of the Executive Committee. For the years ended December 31, 2013 and 2012, the compensation to key management personnel was as follows:

	Year ended December 31,	
	2013	2012
Salaries and short-term employee benefits	**5,007**	3,657
Post-employment benefits (including contributions to defined benefit pension plans)	**574**	653
Other long-term benefits	**-**	930
Stock-based benefits	**2,153**	347
Total compensation	**7,734**	5,587

The 2012 figures were modified to reflect the same number of key management personnel than reported in 2013.

There were no other related party transactions with key management personnel for the years ended December 31, 2013 and 2012.

Other transactions

For the year ended December 31, 2013, the Corporation incurred rental expenses of $3,429 ($3,592 for 2012) to the benefit of Clarit Realty, Ltd., a company controlled by a related party. The associated lease payments were concluded in the Corporation's normal course of business for various terms of no more than five years.

Transactions with subsidiaries are eliminated on the Consolidated Financial Statements. The Corporation's significant ownership interests in subsidiaries of 100% at December 31, 2013 and 2012 are as follows:

Beck/Arnley Worldparts, Inc.
FinishMaster, Inc.
North Shore Parts & Industrial Supplies Ltd.
Plastique Royal Inc.
Uni-Sélect Alberta Inc.
Uni-Sélect Eastern Inc.
Uni-Sélect Lux Holdco Inc.
Uni-Select Luxembourg S.à r.l.
Uni-Select Prairies Inc.
Uni-Select Pacific Inc.
Uni-Select Purchases Inc.
Uni-Select Purchases, G.P.
Uni-Sélect Québec Inc.
Uni-Select USA Holdings, Inc.
Uni-Select USA, Inc.

25 - CAPITAL MANAGEMENT

Guided by its low-asset-base-high-utilization philosophy, the Corporation's objectives for managing capital are as follows:

- Maintain a total net debt to total net debt and total shareholders' equity of less than 45%;
- Maintain a long-term debt to shareholders' equity ratio of less than 125%;
- Provide shareholders with growth in the value of their shares by maintaining a return on average total shareholders' equity of at least 9% greater than the risk-free interest rate on a long-term basis and paying an annual dividend representing approximately 20% to 25% of the net earnings excluding the non-recurring items of the previous year; and
- Maintain a maximum funded debt on earnings before depreciation and amortization, restructuring charges, write-off of assets and others, finance costs, equity income and income taxes ratio of 3.5.

In the management of capital, the Corporation includes total shareholders' equity, convertible debentures, long-term debt, and bank indebtedness net of cash.

The Corporation manages its capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation has several tools, notably a share repurchase-for-cancellation program pursuant to normal course issuer bids and a flexible credit facility allowing it to react quickly to business opportunities. Also, the Corporation constantly analyzes working capital levels, notably inventory, to ensure that the optimal level is maintained and regularly adjusts quantities to satisfy demand as well as the level of diversification required by customers. In addition, the Corporation has put in place a vendor financing program under which payments to certain suppliers are deferred.

The Corporation assesses its capital management on a number of bases, including: total net debt to total net debt and shareholders' equity, long-term debt to total shareholders' equity ratio, return on average total shareholders' equity ratio and funded debt on earnings before finance costs, depreciation and amortization, restructuring charges, write-off of assets and others, net gain on the disposal of property and equipment, and income tax ratio.

The indicators used by the Corporation are as follows:

	December 31,	
	2013	2012
Total net debt to total net debt and total shareholders' equity ratio	**34.1%**	36.7%
Long-term debt to total shareholders' equity ratio	**51.9%**	58.0%
Return on average total shareholders' equity ratio	**4.4%**	6.2%
Funded debt on earnings before depreciation and amortization, restructuring charges, write-off of assets and others, finance costs, equity income and income tax ratio	**3.01**	3.55

The interest rate applicable on the credit facility is contingent on the achievement of certain financial ratios such as funded debt on earnings before depreciation and amortization, restructuring charges, write-off of assets and others, finance costs, equity income and income tax ratio, and total net debt to total net debt and shareholders' equity, which are the same ratios the Corporation is required to comply with. The Corporation was in compliance with these covenants at December 31, 2013.

The Corporation's overall strategy with respect to capital risk management remains unchanged from the prior year.

26 - FINANCIAL INSTRUMENTS

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

		December 31, 2013			December 31, 2012	
		Carrying amount	Fair value		Carrying amount	Fair value
Financial assets classified as loans and receivables						
Cash	**Level 1**	**57**	**57**	Level 1	122	122
Trade receivables	**Level 1**	**205,993**	**205,993**	Level 1	195,188	195,188
Advances to merchant members [2]	**Level 3**	**30,675**	**30,675**	Level 3	22,673	22,673
		236,725	**236,725**		217,983	217,983
Financial liabilities carried at amortized cost						
Trade and other payables	**Level 2**	**336,120**	**336,120**	Level 2	303,230	303,230
Dividends payable	**Level 1**	**2,598**	**2,598**	Level 1	2,815	2,815
Long-term debt (except finance leases)	**Level 2**	**262,785**	**262,785**	Level 2	298,525	298,525
Convertible debentures [3]	**Level 1**	**46,829**	**49,577**	Level 1	49,099	52,543
Total before merchant members' deposits in the guarantee fund		**648,332**	**651,080**		653,669	657,113
Merchant members' deposits in the guarantee fund	**Level 3**	**7,105**	**[1]**	Level 3	7,928	[1]
		655,437	**-**		661,597	-
Financial liabilities carried at fair value						
Derivative financial instruments [4]	**Level 2**	**890**	**890**	Level 2	1,891	1,891
Other liabilities						
Finance leases	**Level 2**	**14,930**	**14,930**	Level 2	10,864	10,864

[1] The fair value of merchant members' deposits in the guarantee fund could not be determined given that the deposits in the guarantee fund result from transactions with merchant members.

[2] The fair value of advances to merchant members was determined based on discounted cash flows using effective interest rates available to the Corporation at the end of the reporting period for similar instruments.

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

[4] The fair value of the derivative financial instruments was determined using quoted prices for similar assets or liabilities.

The fair value of cash, trade receivables, trade and other payables, and dividends payable approximate their carrying amount given that they will mature shortly.

The fair value of long-term debt has been determined by calculating the present value of the interest rate spread that exists between the actual credit facility and the rate that would be negotiated with the economic conditions at the reporting date. At December 31, 2013, the fair value of long-term debt approximates its carrying value as the effective interest rates applicable to the Corporation's credit facility reflect current market conditions.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
Level 3: unobservable inputs for the asset or liability.

Derivative financial instruments used in cash flow hedges

In 2011, the Corporation entered into swap agreements to hedge the variable interest cash flows related to forecast transactions beginning in 2012 on a portion of the Corporation's revolving credit (Note 16) for a nominal amount at inception and as at December 31, 2013 of $80,000. These interest rate swaps fix the interest cash flows at 0.97% until their maturity in 2016. The cash flows related to the interest rate swaps are expected to occur in the same periods as they are expected to affect the net earnings.

The fair values of the interest rate swaps are calculated using quotes for similar instruments at the reporting date and represent an amount payable by the Corporation of $890 at December 31, 2013 ($1,891 at December 31, 2012).

26 - FINANCIAL INSTRUMENTS (CONTINUED)

Management of risks arising from financial instruments

In the normal course of business, the Corporation is exposed to risks that arise from financial instruments primarily consisting of credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Corporation manages these risk exposures on an ongoing basis.

(i) Credit risk

Credit risk stems primarily from the potential inability of clients to discharge their obligations. The maximum credit risk to which the Corporation is exposed represents the carrying amount of cash and trade and other receivables and advances to merchant members. No account represents more than 5% of total accounts receivable. In order to manage its risk, specified credit limits are determined for certain accounts and reviewed regularly by the Corporation.

The Corporation holds in guarantee some personal property and some assets of certain customers. Those customers are also required to contribute to a fund to guarantee a portion of their amounts due to the Corporation. The financial condition of customers is examined regularly and monthly analysis are reviewed to ensure that past-due amounts are collectible and, if necessary, that measures are taken to limit credit risk. Over the past few years, no significant amounts have had a negative impact on the Corporation's net earnings with the average bad debt on sales rate at 0.1% for the last three years.

At December 31, 2013, past-due accounts receivable represent $17,013 ($13,363 at December 31, 2012) and an allowance for doubtful accounts of $5,059 ($4,732 at December 31, 2012) is provided.

Allowance for doubtful accounts and past-due accounts receivable are reviewed at least quarterly and a bad-debt expense is recognized only for accounts receivable for which collection is uncertain. The variations in the allowance for doubtful accounts are as follows:

	2013	2012
Balance, December 31	**4,732**	5,167
Currency translation adjustment	**(60)**	16
Bad-debt expense	**1,679**	1,267
Write-offs	**(1,292)**	(1,840)
Business combination	**-**	122
Balance, December 31	**5,059**	4,732

Management considers that all of the above financial assets, that are not impaired or past due for each December 31 reporting dates under review, are of good credit quality.

(ii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations on time and at a reasonable cost. The Corporation manages its liquidity risk on a consolidated basis through its use of different capital markets in order to ensure flexibility in its capital structure. The Corporation prepares budget and cash forecasts, taking into account its current and future cash requirements, to ensure that it has sufficient funds to meet its obligations.

At December 31, 2013, the Corporation has a renewable credit facility in the amount of $400,000 ($431,250 at December 31, 2012) (Note 16). At December 31, 2013, the Corporation benefits from available amount on its credit facility of approximately $120,000 ($116,000 at December 31, 2012).

26 - FINANCIAL INSTRUMENTS (CONTINUED)

Management is of the opinion that as a result of the cash flows generated by operations and the financial resources available, the liquidity risk of the Corporation is appropriately mitigated.

The contractual maturities and estimated future interest payments of the Corporation's financial liabilities are as follows:

				December 31, 2013
	Carrying amount	**Maturing under one year**	**One to three years**	**Over three years**
Non-derivative financial instruments				
Trade and other payables	**340,085**	**340,085**	**-**	**-**
Dividends payable	**2,598**	**2,598**	**-**	**-**
Long-term debt (except finance leases)	**262,785**	**5**	**262,780**	**-**
Convertible debentures	**46,829**	**2,869**	**52,937**	**-**
Interest payable	**1,344**	**1,344**	**-**	**-**
Merchant members' deposits in the guarantee fund	**7,105**	**117**	**-**	**6,988**
	660,746	**347,018**	**315,717**	**6,988**
Derivative financial instruments used for hedging	**890**	**-**	**890**	**-**
	661,636	**347,018**	**316,607**	**6,988**

				December 31, 2012
	Carrying amount	Maturing under one year	One to three years	Over three years
Non-derivative financial instruments				
Trade and other payables	307,100	307,100	-	-
Dividends payable	2,815	2,815	-	-
Long-term debt (except finance leases)	298,525	24,285	303,448	-
Convertible debentures	49,099	3,064	59,583	-
Interest payable	2,004	2,004	-	-
Merchant members' deposits in the guarantee fund	7,928	322	158	7,924
	667,471	339,590	363,189	7,924
Derivative financial instruments used for hedging	1,891	497	1,394	-
	669,362	340,087	364,583	7,924

Foreign exchange risk

The Corporation is exposed to foreign exchange risk on its financial instruments mainly due to purchases in currencies other than the respective functional currencies of the Corporation. Management considers that fluctuations in the relative values of the US dollar and the Canadian dollar will not have a material impact on net earnings.

The Corporation has certain investments in foreign operations (United States) whose net assets are exposed to foreign currency translation. The Corporation hedges the foreign exchange risk exposure related to those investments with US dollar denominated debt instruments (Note 16).

Interest rate risk

The Corporation is exposed to interest rate fluctuations, primarily due to its variable rate debts. The Corporation manages its interest rate exposure by maintaining an adequate balance of fixed versus variable rate debt and by concluding swap agreements to exchange variable rates for fixed rates. At December 31, 2013, including the impact of interest rate swap agreements and convertible debentures, the fixed rate portion of financial debt represents approximately 39%.

A 25-basis-point rise or fall in interest rates, assuming that all other variables remain the same, would have resulted in a $422 increase or decrease in the Corporation's net earnings for the year ended December 31, 2013, and a $295 increase or decrease in other comprehensive income. These changes are considered to be reasonably possible based on an observation of current market conditions.

27 - GEOGRAPHIC INFORMATION

The Corporation assesses its performance using earnings before depreciation and amortization, restructuring charges, write-off of assets and others, finance costs, equity income and income taxes.

The Corporation considers its distribution of replacement parts, equipment, tools and accessories and paint and related products for motor vehicles as a single operating segment.

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

	Year ended December 31,	
	2013	2012
Sales		
United States	**1,294,115**	1,300,991
Canada	**493,970**	496,600
Total	**1,788,085**	1,797,591

		December 31, 2013	
	United States	**Canada**	**Total**
Property and equipment	**36,674**	**12,820**	**49,494**
Intangible assets	**124,544**	**16,054**	**140,598**
Goodwill	**144,807**	**39,642**	**184,449**

		December 31, 2012	
	United States	Canada	Total
Property and equipment	35,278	14,453	49,731
Intangible assets	134,323	19,249	153,572
Goodwill	144,756	42,325	187,081

28 - CONSOLIDATED STATEMENT OF EARNINGS BY NATURE

	Year ended December 31,	
	2013	2012
Sales	**1,788,085**	1,797,591
Operating expenses		
Employee benefits	**293,809**	312,914
Purchases, net of changes in inventories	**1,249,891**	1,234,131
Other expenses	**152,006**	163,446
	1,695,706	1,710,491
Earnings before depreciation and amortization, restructuring charges, write-off of assets and others, finance costs, equity income and income taxes	**92,379**	87,100
Depreciation and amortization (Note 6)	**29,297**	26,873
Restructuring charges, write-off of assets and others (Note 7)	**35,180**	18,458
	64,477	45,331
Operating profit	**27,902**	41,769
Finance costs, net (Note 5)	**15,654**	19,541
	12,248	22,228
Equity income (Note 13)	**2,652**	2,630
Income tax expense (recovery) (Note 11)		
Current	**4 627**	2,772
Deferred	**(11 055)**	(7,261)
	(6,428)	(4,489)
Net earnings	**21,328**	29,347
Attributable to shareholders	**21,328**	29,438
Attributable to non-controlling interests	**-**	(91)
Net earnings	**21,328**	29,347
Earnings per share basic and diluted (Note 9)	**1.00**	1.36
Weighted average number of common shares outstanding (in thousands) (Note 9)		
Basic	**21,411**	21,623
Diluted	**21,411**	21,624

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Robert Chevrier, FCPA, FCA[1,2]
Chair of the Board
Corporate Director
Montréal, Québec

James E. Buzzard[2,3]
President
Clarit Realty, Ltd.
East Amherst, New York

Patricia Curadeau-Grou[3]
Strategic Advisor to the President
and Chief Executive Officer
National Bank of Canada
Outremont, Québec

Pierre Desjardins[2,4]
Corporate Director
Austin, Québec

Jean Dulac[4]
President
M&M Nord Ouest Inc.
Amos, Québec

John A. Hanna, FCPA, FCGA[2,3]
Corporate Director
Toronto, Ontario

Richard L. Keister[4]
Corporate Director
Hollywood, Florida

Hubert Marleau[3]
Corporate Director
Cornwall, Ontario

Richard G. Roy, FCPA, FCA
President and Chief Executive Officer
Uni-Select Inc.
Verchères, Québec

Dennis Welvaert[2,4]
Chair of the Board
Uni-Select USA, Inc.
Tulsa, Oklahoma

OFFICERS

Richard G. Roy, FCPA, FCA[5]
President and Chief Executive Officer

Denis Mathieu, CPA, CA, MBA[5]
Executive Vice President, Corporate Services
and Chief Financial Officer

Guy Archambault, P. Eng.
Vice President, Corporate Development

Steven J. Arndt[5]
President and Chief Operating Officer,
FinishMaster, Inc.

Robert Buzzard
Vice President, Information Technology

Annie Hotte[5]
Vice President, Human Resources

Me Louis Juneau[5]
Vice President, Legal Affairs and Secretary

Martin Labrecque, CPA, CMA
Vice President, Finance & Control

Michel Laverdure
Vice President, Corporate Purchasing

Gary O'Connor, MBA[5]
President and Chief Operating Officer,
Automotive Canada

Michel Ravacley, P. Eng., MBA[5]
Senior Vice President,
Supply Chain & Integration

Jean Rivard, MBA
Vice President, Special Projects
and Vice President and General Manager,
Beck/Arnley Worlparts, Inc.

Anthony Brent Windom[5]
President and Chief Operating Officer,
Automotive USA

1 Mr. Chevrier is an ex officio member of the Human Resources and Compensation Committee and of the Audit Committee.
2 Member of the Corporate Governance Committee, chaired by Mr. Chevrier.
3 Member of the Audit Committee, chaired by Mr. Hanna.
4 Member of the Human Resources and Compensation Committee, chaired by Mr. Desjardins.
5 Member of the Executive Management Committee

SHAREHOLDER AND INVESTOR INFORMATION

Uni-Select Shares
Traded on the Toronto Stock Exchange (TSX) under the symbol "UNS".

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1500 University, Suite 700
Montréal, Québec H3A 3S8
514 982.7555 or 1 800 564.6253

service@computershare.com
computershare.com

Filings
The Corporation files all mandatory information with Canadian Securities Commissions.
sedar.com

Auditors
Raymond Chabot Grant Thornton (LLP)

Legal Counsel
McCarthy Tétrault LLP

Bankers
National Bank of Canada
Royal Bank of Canada
Bank of America
Bank of Montreal
Caisse Centrale Desjardins
JPMorgan Chase, N.A.
M&T Bank
Laurentian Bank of Canada

Dividends
On February 27, 2014, the Board of Directors declared a quarterly dividend of C$0.13 per share payable on April 22, 2014 to shareholders of record at March 31, 2014.

In 2012 and 2013, the Corporation declared quarterly dividends of $0.13 per share.

All dividends paid by the Corporation in 2013 and, unless otherwise indicated, all dividends to be paid by the Corporation subsequent to 2013, are designated as eligible dividends for tax purposes. The Corporation does not have a dividend reinvestment plan.

Normal Course Issuer Bid
The Corporation has a normal course issuer bid on the Toronto Stock Exchange.

Annual General and Special Meeting of Shareholders
April 30, 2014 at 1:30 p.m.
Hôtel Mortagne
Conference Room Boucherville C
1228 Nobel Street
Boucherville, Québec J4B 5H1

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Ethics Line
As part of the Audit Committee whistle blower procedures, this hotline allows team members and others to anonymously and confidentially raise accounting, internal controls and ethical inquiries or complaints.

1 855.650.0998

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