Second Quarter

2015

RONA

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER OF 2015

For the 13- and 26-week periods ended June 28, 2015

RONA inc. is a major Canadian distributor and retailer of hardware, building materials and home renovation products. The Corporation operates a network of over 500 corporate, franchise and independent affiliate stores of complementary formats. With its nine distribution centres, RONA serves its own network as well as many independent affiliated stores operating under different banners, including Ace, for which RONA owns licensing rights and is the exclusive distributor in Canada. With the help of its nearly 24,000 employees, the Corporation generates annual consolidated sales of $4.1 billion. For more information, visit rona.ca.

RONA's sales include:

- Retail sales generated by its retail corporate stores;
- Royalties on franchise retail sales;
- Retail sales of stores in which RONA has a controlling interest;
- Wholesale sales generated by franchise stores (net of RONA's share in these stores);
- Wholesale sales generated by affiliate dealer-owned stores;
- Installation services and delivery of goods.

INTERIM FINANCIAL STATEMENTS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes for the 13- and 26-week periods ended June 28, 2015 and June 29, 2014. The unaudited interim condensed consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (the "financial statements"). The amounts in these financial statements are expressed in thousands of Canadian dollars, unless otherwise indicated. The terms "RONA," "we," "us," "our" and the "Corporation" mean RONA inc. and its subsidiaries, unless otherwise indicated. RONA has filed its financial statements with the Canadian Securities Administrators and they can be viewed online at the Corporation's website at www.rona.ca or at the SEDAR website at www.sedar.com.

FISCAL YEAR

RONA's fiscal year ends on the last Sunday of each year and usually has 52 weeks. For interim disclosure purposes, quarters end on the last Sunday of March, June, September and December respectively, and usually have 13 weeks.

NON-IFRS PERFORMANCE MEASURES

RONA presents certain performance measures which are not prescribed by IFRS. Management's view is that these measures are useful in the analysis of the Corporation's operational performance. These performance measures must not be considered separately or as a substitute for other performance measures calculated in compliance with IFRS, but rather as additional information.

EBITDA, as defined by the Corporation, represents operating income before finance costs, income tax expense and depreciation, amortization and impairment of non-financial assets. This measure is widely used in financial circles to measure the profitability of operations.

Same-store sales is a metric used by management and is common throughout the retail industry. This metric identifies sales growth generated by the existing corporate and franchisee store network and is adjusted to reflect the effect of acquisitions, store closures and openings.

The term "organic" is a metric used by management to illustrate the change in items on the consolidated statement of income that can be attributed to the existing store network, in both the distribution and retail segments. This metric excludes the impact of closed stores, acquisitions and new stores.

Management also uses the following non-IFRS performance measures: adjusted EBITDA; adjusted EBITDA margin; gross margin; adjusted selling, general and administrative expenses; adjusted depreciation, amortization and impairment of non-financial assets; adjusted finance costs; adjusted net income attributable to participating shares; adjusted basic and diluted net income per share attributable to owners of RONA inc. and debt net of cash. These measures reflect the inclusion or exclusion of certain amounts that are viewed as not representative of the Corporation's sustainable financial performance.

As noted above, EBITDA and adjusted EBITDA are measures that have no standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. In this context, the following table presents a reconciliation of net income to EBITDA and adjusted EBITDA from operations in the second quarters of 2015 and 2014 and for the first six months of 2015 and 2014.

Reconciliation of net income to EBITDA and adjusted EBITDA

(in thousands of Canadian dollars)	Second quarter 2015	2014	Change $	First six months 2015	2014	Change $
Net income	**52,436**	45,334	7,102	**42,729**	30,715	12,014
Finance costs	**5,524**	4,638	886	**9,620**	9,095	525
Depreciation, amortization and impairment of non-financial assets	**21,097**	21,697	(600)	**42,344**	45,071	(2,727)
Income tax expense	**18,025**	16,555	1,470	**14,510**	11,216	3,294
EBITDA	**97,082**	88,224	8,858	**109,203**	96,097	13,106
Restructuring costs and other charges [(1)]	**(182)**	849	(1,031)	**(108)**	2,980	(3,088)
Adjusted EBITDA	**96,900**	89,073	7,827	**109,095**	99,077	10,018

(1) See Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

The tables below summarize the impact of each adjustment on non-IFRS performance measures for the second quarters of 2015 and 2014 and for the first six months of 2015 and 2014. The "Consolidated results" section and the "Segment results" section provide more detailed information on each adjustment by non-IFRS performance measures for the second quarters of 2015 and 2014 and for the first six months of 2015 and 2014.

RECONCILIATION OF ADJUSTMENTS – SECOND QUARTER OF 2015

(in thousands of Canadian dollars, unless otherwise indicated)	**Quarter ended June 28, 2015**	**Restructuring costs, impairment of non-financial assets and other charges [(1)]**	**Adjusted quarter ended June 28, 2015**
Gross margin	**327,333**	—	**327,333**
Selling, general and administrative expenses	**230,251**	(182)	**230,433**
EBITDA	**97,082**	182	**96,900**
Depreciation, amortization and impairment of non-financial assets	**21,097**	—	**21,097**
Finance costs	**5,524**	299	**5,225**
Income before income taxes	**70,461**	(117)	**70,578**
Income tax expense	**18,025**	(21)	**18,046**
Non-controlling interests	**226**	—	**226**
Net income attributable to owners of RONA inc.	**52,210**	(96)	**52,306**
Dividends on preferred shares	**2,340**	—	**2,340**
Net income attributable to participating shares	**49,870**	(96)	**49,966**
Basic and diluted net income per share (in dollars)	**0.46**	—	**0.46**
Weighted average number of shares outstanding (in thousands)	**108,471**	108,471	**108,471**

(1) See Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

RECONCILIATION OF ADJUSTMENTS – SECOND QUARTER OF 2014

(in thousands of Canadian dollars, unless otherwise indicated)	**Quarter ended June 29, 2014**	**Restructuring costs, impairment of non-financial assets and other charges [(1)]**	**Adjusted quarter ended June 29, 2014**
Gross margin	**311,540**	—	**311,540**
Selling, general and administrative expenses	**223,316**	849	**222,467**
EBITDA	**88,224**	(849)	**89,073**
Depreciation, amortization and impairment of non-financial assets	**21,697**	(1,419)	**23,116**
Finance costs	**4,638**	578	**4,060**
Income before income taxes	**61,889**	(8)	**61,897**
Income tax expense	**16,555**	(2)	**16,557**
Non-controlling interests	**1,003**	—	**1,003**
Net income attributable to owners of RONA inc.	**44,331**	(6)	**44,337**
Dividends on preferred shares	**2,369**	—	**2,369**
Net income attributable to participating shares	**41,962**	(6)	**41,968**
Basic and diluted net income per share (in dollars)	**0.35**	—	**0.35**
Weighted average number of shares outstanding (in thousands)	**119,538**	119,538	**119,538**

(1) See Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

RECONCILIATION OF ADJUSTMENTS – FIRST SIX MONTHS OF 2015

(in thousands of Canadian dollars, unless otherwise indicated)	Six months ended June 28, 2015	Restructuring costs, impairment of non-financial assets and other charges (1)	Adjusted six months ended June 28, 2015
Gross margin	**537,189**	—	**537,189**
Selling, general and administrative expenses	**427,986**	(108)	**428,094**
EBITDA	**109,203**	108	**109,095**
Depreciation, amortization and impairment of non-financial assets	**42,344**	—	**42,344**
Finance costs	**9,620**	939	**8,681**
Income before income taxes	**57,239**	(831)	**58,070**
Income tax expense	**14,510**	(211)	**14,721**
Non-controlling interests	**(93)**	—	**(93)**
Net income attributable to owners of RONA inc.	**42,822**	(620)	**43,442**
Dividends on preferred shares	**4,657**	—	**4,657**
Net income attributable to participating shares	**38,165**	(620)	**38,785**
Basic and diluted net income per share (in dollars)	**0.35**	—	**0.35**
Weighted average number of shares outstanding (in thousands)	**109,441**	109,441	**109,441**

(1) See Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

RECONCILIATION OF ADJUSTMENTS – FIRST SIX MONTHS OF 2014

(in thousands of Canadian dollars, unless otherwise indicated)	Six months ended June 29, 2014	Restructuring costs, impairment of non-financial assets and other charges (1)	Adjusted six months ended June 29, 2014
Gross margin	**509,996**	—	**509,996**
Selling, general and administrative expenses	**413,899**	2,980	**410,919**
EBITDA	**96,097**	(2,980)	**99,077**
Depreciation, amortization and impairment of non-financial assets	**45,071**	(1,383)	**46,454**
Finance costs	**9,095**	1,346	**7,749**
Income before income taxes	**41,931**	(2,943)	**44,874**
Income tax expense	**11,216**	(787)	**12,003**
Non-controlling interests	**649**	—	**649**
Net income attributable to owners of RONA inc.	**30,066**	(2,156)	**32,222**
Dividends on preferred shares	**4,633**	—	**4,633**
Net income attributable to participating shares	**25,433**	(2,156)	**27,589**
Basic and diluted net income per share (in dollars)	**0.21**	0.02	**0.23**
Weighted average number of shares outstanding (in thousands)	**120,025**	120,025	**120,025**

(1) See Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

UPDATE ON THE CORPORATION'S STRATEGIC ORIENTATION

The Corporation's strategy is still based on the financial priorities set just over three years ago. In the medium term, the goal is to achieve a higher than 10% return on capital. To achieve this, RONA has focused on increasing traffic to stores and generating higher store sales. For four consecutive quarters, RONA has posted growth in same-store sales, despite ongoing competition and difficult market conditions in some regions. RONA attributes this growth to successful implementation of the initiatives introduced last year, namely improving its merchandising strategy for contractors and affiliated stores, introduction of new products, repositioning its banners and making seasonal products available earlier in the season.

Following the repositioning of its Réno-Dépôt and TOTEM banners, completed in 2014, RONA continues to implement its recovery plan and reposition its banners. The objective is to simplify our business model and improve the product offering for our customers. Since the beginning of 2015, many initiatives have been put forward in order to meet these objectives. To this end, RONA has:

1. Disposed of most of its truss, trimmings and moldings and stairways manufacturing plants;
2. Begun repositioning its Coupal banner by integrating it into the Marcil banner. The goal of this 17 stores repositioning is to provide consumers access to new retail sales points for low-cost home renovation products. As at today, most of the Coupal stores have been renovated and converted under Marcil banner and all of the stores will be converted by the end of August 2015;
3. Opened six stores: 3 in Western Canada, 1 in Ontario, 1 in Québec and 1 in the Atlantic provinces;
4. Reviewed certain key product categories. The goal of this merchandising strategy is to provide customers with a renewed product offering. These reviews require changes to products in inventory, and this process will take several quarters to complete;
5. Announced that it had signed a letter of intent to acquire all 20 of the franchise stores in its network, including 18 stores in Québec and 2 in Ontario. Consolidating these stores would simplify RONA's business model by placing the focus on sales to our independent dealers, which comprises over 275 affiliate stores across Canada, and to our corporate store network, which comprises over 225 stores. The number of corporate big-box stores in Québec would grow from 11 to 26, in addition to the 17 Réno-Dépôt stores. The network of 79 big-box stores across Canada would then be wholly owned by RONA.

Each of these initiatives will contribute to attaining our return on investment objective. Although the costs of these initiatives are greater than their short-term benefits, they will contribute to RONA's growth in years to come.

The following tables show the steady changes in certain key indicators and value items since the start of fiscal 2014:

Changes in key indicators quarter on quarter (considering adjustments)

(in thousands of Canadian dollars, unless otherwise indicated)	First Quarter 2014 (1)	Second Quarter 2014 (1)	Third Quarter 2014 (1)	Fourth Quarter 2014 (1)	First Quarter 2015 (1)	Second Quarter 2015 (1)
Same-store sales (Retail)	(3.4%)	**(0.7%)**	2.0%	6.0%	5.0%	**5.4%**
Organic change						
Consolidated revenues	(34,201)	**(6,655)**	46,283	53,364	24,926	**75,545**
Consolidated gross margin	(15,014)	**(2,949)**	4,864	16,141	13,916	**17,376**
Adjusted selling, general and administrative expenses	(18,086)	**(7,971)**	(6,531)	5,743	8,643	**4,458**
Adjusted EBITDA	3,072	**5,022**	11,395	10,398	5,273	**12,918**
Consolidated change						
Adjusted selling, general and administrative expenses (in basis points)	(200)	**(140)**	(170)	(160)	70	**(40)**
As a percentage of sales	24.7	**18.6**	18	21.6	25.4	**18.2**
Adjusted EBITDA (in basis points)	110	**140**	110	160	30	**21**
As a percentage of sales	1.3	**7.5**	7.2	5.4	1.6	**7.7**

(1) Quarterly analyses are based on each store's status at the time the analysis is prepared. If a store's status changes during the year, then the year-to-date data will take the store's new status into account.

Changes in value items (considering adjustments)

(in thousands of Canadian dollars, unless otherwise indicated)	First Quarter 2014	Second Quarter 2014	Third Quarter 2014	Fourth Quarter 2014	First Quarter 2015	Second Quarter 2015
Adjusted net income (loss) per share	(0.12)	**0.35**	0.33	0.15	(0.10)	**0.46**
Difference in adjusted net income per share (year-over-year)	0.03	**0.07**	0.08	0.11	0.02	**0.11**
Change in % (year-over-year change)	20.0	**25.0**	32.0	275.0	16.7	**31.4**
Net operating income after tax (1)	77	**86**	95	103	106	**115**
Average capital	1,917	**1,888**	1,854	1,854	1,869	**1,848**
Return on capital in %	4.0	**4.6**	5.1	5.6	5.7	**6.2**
Growth in basis points (year-over-year)	(50)	**70**	130	210	170	**160**

(1) Net operating income after tax is defined as the EBITDA less depreciation and amortization less tax.

CONSOLIDATED RESULTS FOR THE SECOND QUARTER OF 2015 AND THE FIRST SIX MONTHS OF 2015

Unless otherwise indicated, the results analyzed in this section are for the 13- and 26-week periods ended June 28, 2015 and, when compared, are compared to the results for the 13- and 26-week periods ended June 29, 2014.

ECONOMIC ENVIRONMENT

Key statistics on the renovation and construction industry

(Change ending June 30, 2015 compared to the same period in 2014)

	Second quarter			First six months		
	Single-family housing starts	Home resales	Average selling price of homes	Single-family housing starts	Home resales	Average selling price of homes
Western Canada	(17.0%)	1.5%	12.0%	(10.6%)	0.7%	11.1%
Ontario	9.6%	13.1%	8.4%	1.6%	12.0%	7.8%
Québec	(15.1%)	8.5%	1.2%	(16.3%)	6.1%	1.4%
Atlantic provinces	(29.5%)	1.4%	8.2%	(21.1%)	0.5%	4.1%
Total – Canada	(8.0%)	7.6%	9.2%	(7.8%)	6.4%	8.4%

Sources: Canada Mortgage and Housing Corporation (CMHC) and Canadian Real Estate Corporation.

In terms of key statistics for the renovation and construction industry for the second quarter of 2015, the only negative Canadian indicator was single-family housing starts, which was down 8.0% compared to the same period of 2014. This decline was particularly observable in Western Canada (-17.0%) and Québec (-15.1%). The strong slowdown in Western Canada was led by Alberta, which experienced a steep drop in the second quarter (-24.7%) due to a weaker economy as a result of the worldwide decline in crude oil prices. The Prairies also experienced a pronounced decline (-27.3%) with only British Columbia registering an increase, with single unit housing starts up 11.8%. Ontario's monthly housing starts indicator has been climbing since April, with a 9.6% growth in the second quarter on the strength of its manufacturing sector, which has benefited from a lower exchange rate, falling oil prices and favourable interest rates. Given the marginal impact on RONA's results, Atlantic provinces data is not only commented in this section.

The trend was the same for the first six months of the fiscal year, with housing starts down 16.3% in Québec and 10.6% in Western Canada. The latter decline was primarily due to the slowdown in Alberta (-16.2%), offset by a 13.3% increase in British Columbia. Ontario was the only region to post an increase in housing starts in the first six months at 1.6%.

The number of home resales in Canada rose 7.6% in the second quarter of 2015. All regions recorded increased home resales compared to the same period last year. Québec and Ontario benefited more from the current economic conditions, posting increases of 8.5% and 13.1%, respectively. Home resales grew 1.5% in Western Canada despite a significant slowdown in the oil-producing regions. Here again, British Columbia led the provinces of Western Canada, posting a 22.5% increase compared to a 24.4% drop in Alberta. The same trend was observed for the first six months, with Québec and Ontario recording the strongest increases (6.1% and 12.0%, respectively) and Western Canada was led by British Columbia, where home resales increased 10.2% compared to an 8.7% decline in Alberta.

For the country as a whole, the average selling price of homes was up 9.2% in the second quarter of 2015. The strongest price growth, 12.0%, was recorded in Western Canada, while in Québec and Ontario prices rose 1.2% and 8.4%, respectively. The same trend was noted for the first six months of the fiscal year, during which the average selling price of Canadian homes rose 8.4%.

CONSOLIDATED REVENUES

A detailed analysis of segment variances is provided in the Segment results section of this document. The following table provides a detailed variance analysis of consolidated revenues.

	Second quarter						First six months					
			Change		Weighting				Change		Weighting	
(in thousands of Canadian dollars)	**2015**	2014	$	%	% 2015	% 2014	**2015**	2014	$	%	% 2015	% 2014
Segment revenues												
Retail	**919,591**	865,023	54,568	6.3	56	56	**1,448,552**	1,366,067	82,485	6.0	54	53
Distribution	**722,087**	685,011	37,076	5.4	44	44	**1,251,500**	1,216,861	34,639	2.8	46	47
Total	**1,641,678**	1,550,034	91,644	5.9	100	100	**2,700,052**	2,582,928	117,124	4.5	100	100
Intersegment revenues and royalties												
Retail	**(84)**	(3,111)	3,027	97.3	0	1	**(1,234)**	(5,629)	4,395	78.1	0	1
Distribution	**(378,126)**	(353,380)	(24,746)	(7.0)	100	99	**(656,580)**	(619,464)	(37,116)	(6.0)	100	99
Total	**(378,210)**	(356,491)	(21,719)	(6.1)	100	100	**(657,814)**	(625,093)	(32,721)	(5.2)	100	100
Revenues from external clients												
Retail	**919,507**	861,912	57,595	6.7	73	72	**1,447,318**	1,360,438	86,880	6.4	71	69
Distribution	**343,961**	331,631	12,330	3.7	27	28	**594,920**	597,397	(2,477)	(0.4)	29	31
Total	**1,263,468**	1,193,543	69,925	5.9	100	100	**2,042,238**	1,957,835	84,403	4.3	100	100

Variance analysis – Consolidated revenues from external customers

(in thousands of Canadian dollars)	**Second quarter**		**First six months**	
Consolidated revenues – 2014	1,193,543		1,957,835	
New stores and acquisitions, net of disposals	11,714	69,925	14,113	84,403
Closed stores	(8,357)		(11,053)	
Recruitment, net of dealer-owner closures and departures	(8,977)		(18,563)	
Organic change	75,545		99,906	
Consolidated revenues – 2015	**1,263,468**		**2,042,238**	

<u>Second quarter</u>:

Consolidated segment revenues were $1,641.7 million in 2015, up $91.6 million or 5.9% from $1,550.0 million in 2014. After intersegment eliminations of $378.2 million in 2015 and $356.5 million in 2014, which were primarily revenues from distribution to RONA's corporate store network, revenues were $1,263.5 million in 2015 compared to $1,193.5 million in 2014. The increase of $69.9 million (+5.9%) stems from increases of $57.6 million (+6.7%) in the retail segment and $12.3 million (+3.7%) in the distribution segment. The weighting of the retail segment rose for a third consecutive quarter, from 72% to 73%, up 1% from the same quarter of 2014, while the weighting of the distribution segment fell from 28% in 2014 to 27% in 2015. This increase had a positive impact on the Corporation's overall profitability, since the gross margins in the retail segment are significantly higher than in the distribution segment.

The retail network's development activities (i.e. new store openings and acquisitions, net of disposals) added $11.7 million to consolidated revenues in 2015. The increase stems from an addition of $19.0 million for acquisitions and new store openings, which was offset by total disposals of $7.3 million. Closed stores represented an $8.4 million decrease in revenues. Lastly, recruitment, net of dealer-owner closures and departures, represented a $9.0 million decrease in revenues. From this amount, an important portion of the reduction results from the acquisition by RONA, earlier this year, of a dealer-owner store, thereby positively impacting revenues from acquisitions.

Excluding these items, revenues grew by $75.5 million in the second quarter. This growth stems from a $54.2 million or 5.4% increase in same-store sales in the retail segment and a $21.3 million increase in organic sales in the distribution segment. The initiatives undertaken in the last year continue to yield results, including an improved merchandising strategy for contractors and independent dealers and the repositioning of our banners. We have also observed that sales by some of our independent dealers have shifted from the first quarter to the second quarter, which has further driven sales growth in the distribution segment. With the exception of the Atlantic provinces, all the regions of Canada had positive same-store sales in the retail segment.

First six months:

Consolidated segment revenues were $2,700.1 million in 2015, up $117.1 million or 4.5% from $2,582.9 million in 2014. After intersegment eliminations of $657.8 million in 2015 and $625.1 million in 2014, which were primarily revenues from distribution to RONA's corporate store network, revenues were $2,042.2 million in 2015 compared to $1,957.8 million in 2014. The increase of $84.4 million (+4.3%) stems from an increase of $86.9 million (+6.4%) in the retail segment and a slight decrease of $2.5 million (-0.4%) in the distribution segment. The weighting of the retail segment rose 2% from last year, from 69% to 71%, while the weighting of the distribution segment fell by the same amount, from 31% in 2014 to 29% in 2015. This change had a positive impact on the Corporation's overall profitability, since the gross margins in the retail segment are significantly higher than in the distribution segment.

The retail network's development activities (i.e. new store openings and acquisitions, net of disposals) represented growth of $14.1 million in 2015. This increase is due to a $23.7 million contribution to acquisitions and new store openings, which were offset by total disposals of $9.6 million. Closed stores represented a $11.1 million decrease in revenues. Lastly, recruitment, net of dealer-owner closures and departures, represented a $18.6 million decline in revenues. From this amount, a portion of the reduction results from the acquisition by RONA, earlier this year, of a dealer-owner store, thereby positively impacting revenues from acquisitions.

Excluding all these items, revenues grew by $99.9 million in 2015. This increase was fueled by an $83.8 million or 5.2% increase in same-store sales in the retail segment and a $16.1 million rise in organic sales in the distribution segment. This increase was due to the success of initiatives taken last year to improve our merchandising strategy for contractors, introduce new products and reposition our banners, and making seasonal products available earlier in the season. Except for the Atlantic provinces, all regions of Canada had positive same-store sales in the retail segment.

CONSOLIDATED GROSS MARGIN

	Second quarter				First six months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Gross margin	**327,333**	311,540	15,793	5.1	**537,189**	509,996	27,193	5.3
Gross margin / Revenues (%)	**25.91**	26.10			**26.30**	26.05		

Variance analysis – Gross margin

(in thousands of Canadian dollars)	Second quarter		First six months	
Gross margin – 2014	311,540		509,996	
New stores and acquisitions, net of disposals	2,500	15,793	3,104	27,193
Closed stores	(2,791)		(4,210)	
Recruitment, net of dealer-owner closures and departures	(1,292)		(2,825)	
Organic change	17,376		31,124	
Gross margin – 2015	**327,333**		**537,189**	

Second quarter:

Gross margin was $327.3 million in 2015, up $15.8 million or 5.1% from $311.5 million in 2014. The gross margin as a percent of sales remained relatively stable with a slight decrease of 19 basis points, from 26.10% in 2014 to 25.91% in 2015. The narrower margin was mainly due to an increase in clearance sales in certain categories as part of efforts to optimize product selection in our store network combined with the repositioning of our banners.

The retail network's development activities (i.e. new store openings and acquisitions, net of disposals) added $2.5 million to the gross margin in 2015. The stores closed in the normal course of business reduced the margin by $2.8 million, but also reduced operating costs. Lastly, recruitment, net of dealer-owner closures and departures, represented a decrease of $1.3 million.

Organic gross margin rose $17.4 million in 2015, due to the $75.5 million increase in same-store sales, including an increase of $54.2 million in the retail segment where margins are higher than those in the distribution segment. The $19.7 million impact of increasing the volume of organic sales on the organic gross margin was partially offset by the $2.3 million negative impact of product selection optimization strategies, combined with a larger weighting in lumber and building materials sales and to sales to our contractor customers.

First six months:

Gross margin amounted to $537.2 million in the first six months of 2015, up $27.2 million or 5.3% from the $510.0 million posted in 2014. Gross margin as a percent of sales rose 25 basis points, from 26.05% in 2014 to 26.30% in 2015, due to an improved merchandising strategy and higher revenues in the retail segment, whose weighting rose from 69% of total sales in 2014 to 71% in 2015, generating higher gross margins.

The retail network's development activities (i.e. new store openings and acquisitions, net of disposals) added $3.1 million to the gross margin in 2015. The stores closed in the normal course of business reduced the margin by $4.2 million, but also reduced operating costs. Lastly, recruitment, net of dealer-owner closures and departures, represented a decrease of $2.8 million.

Excluding all these items, the organic adjusted gross margin increased $31.1 million in 2015. This increase was mainly due to a $99.9 million increase in same-store sales, including an increase of $83.8 million in the retail segment, creating higher margins than those in the distribution segment. The higher volume of organic sales accounted for $26.0 million of the impact on the organic gross margin, while the product selection optimization had a $5.1 million favourable effect.

CONSOLIDATED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses	**Second quarter**				**First six months**			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Selling, general and administrative expenses	**230,251**	223,316	6,935	3.1	**427,986**	413,899	14,087	3.4
Restructuring costs and other charges [1]	**(182)**	849	(1,031)	(121.4)	**(108)**	2,980	(3,088)	(103.6)
Adjusted selling, general and administrative expenses	**230,433**	222,467	7,966	3.6	**428,094**	410,919	17,175	4.2
Adjusted selling, general and administrative expenses / Revenues (%)	**18.24**	18.64			**20.96**	20.99		

(1) Refer to Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

Variance analysis – Adjusted selling, general and administrative expenses

(in thousands of Canadian dollars)	**Second quarter**		**First six months**	
Adjusted selling, general and administrative expenses - 2014	222,467		410,919	
New stores and acquisitions, net of disposals	4,222		7,155	
Closed stores	(1,674)		(2,465)	
Recruitment, net of dealer-owner closures and departures	(799)	7,966	(1,818)	17,175
Change in net gains on disposal of assets and business acquisition	1,759		1,006	
Organic change	4,458		13,297	
Adjusted selling, general and administrative expenses – 2015	**230,433**		**428,094**	

Second quarter:

Selling, general and administrative expenses amounted to $230.3 million in the second quarter of 2015, up $6.9 million over the $223.3 million for the same period in 2014. In the second quarter of 2015, the Corporation recorded adjustments of -$0.2 million as restructuring costs and other charges. In the second quarter of 2014, these adjustments were $0.8 million. In line with efforts to maintain tight control over operating expenses, these expenses, as a percentage of sales, fell by 40 basis points, from 18.64% in 2014 to 18.24% in 2015. Excluding all the adjustments, selling, general and administrative expenses for the second quarter of 2015 rose $8.0 million, or 3.6%, compared to the same period of 2014.

Retail network development activities (i.e. new store openings and acquisitions, net of disposals) added $4.2 million to adjusted selling, general and administrative expenses in 2015. The stores closed last year and this year represented a $1.7 million reduction in adjusted selling, general and administrative expenses. Recruitment, net of dealer-owner closures and departures, represented a $0.8 million decrease in operating expenses, while the change in net gains on disposal of assets and business acquisition had a $1.8 million impact on operating expenses. Lastly, the organic change in adjusted selling, general and administrative expenses grew $4.5 million in 2015, with the entire increase arising from head office expenses, including costs to integrate the Marcil and Coupal banners, marketing expenses and expenses related to the long-term compensation plan for officers. Management of in-store operating expenses remains tightly controlled, with even an efficiency gain partially offsetting the cost increase related to sales growth.

First six months:

Selling, general and administrative expenses amounted to $428.0 million in the first six months of 2015, up $14.1 million over the $413.9 million for the same period in 2014. In the first six months of 2015, the Corporation recorded adjustments of -$0.1 million in restructuring costs and other charges, while in the same period in 2014, these adjustments represented $3.0 million. Excluding all adjustments, selling, general and administrative expenses for the first six months of 2015 rose $17.2 million, or 4.2%, compared to the same period in 2014. As a percentage of sales, these expenses were stable, falling from 20.99% to 20.96%.

Retail network development activities (i.e. new store openings and acquisitions, net of disposals) added $7.2 million to adjusted selling, general and administrative expenses in 2015. The stores closed last year and this year represented a $2.5 million reduction in adjusted selling, general and administrative expenses. Recruitment, net of dealer-owner closures and departures, represented a $1.8 million decrease in operating expenses, while the change in net gains on disposal of assets and business acquisition had a $1.0 million negative impact on operating expenses. Lastly, the organic change in adjusted selling, general and administrative expenses was up $13.3 million in 2015. All the store costs remain well controlled, with the main increase representing integration costs for the Marcil and Coupal banners, marketing expenses, and expenses related to the long-term compensation plan for officers.

CONSOLIDATED EARNINGS BEFORE FINANCE COSTS, INCOME TAX EXPENSE, DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS (EBITDA)

Reconciliation of EBITDA and adjusted EBITDA

	Second quarter				First six months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
EBITDA	**97,082**	88,224	8,858	10.0	**109,203**	96,097	13,106	13.6
EBITDA margin (%)	**7.68**	7.39	—	—	**5.35**	4.91	—	—
Restructuring costs and other charges [1]	**182**	(849)	1,031	121.4	**108**	(2,980)	3,088	103.6
Adjusted EBITDA	**96,900**	89,073	7,827	8.8	**109,095**	99,077	10,018	10.1
Adjusted EBITDA margin (%)	**7.67**	7.46			**5.34**	5.06		

(1) Refer to Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

Variance analysis – adjusted EBITDA

(in thousands of Canadian dollars)	Second quarter		First six months	
Adjusted EBITDA - 2014	89,073		99,077	
New stores and acquisitions, net of disposals	(1,722)	7,827	(4,051)	10,018
Change in net gains on disposal of assets and business acquisition	(1,759)		(1,006)	
Closed stores	(1,117)		(1,745)	
Recruitment, net of dealer-owner closures and departures	(493)		(1,007)	
Organic change	12,918		17,827	
Adjusted EBITDA - 2015	**96,900**		**109,095**	

Second quarter:

For the second quarter of 2015, EBITDA amounted to $97.1 million, up $8.9 million from the $88.2 million posted in 2014. In 2015, restructuring costs and other charges amounted to -$0.2 million. For the same period in fiscal 2014, the Corporation recorded adjustments of $0.8 million. Excluding these adjustments, EBITDA amounted to $96.9 million, up 7.8 million from the $89.1 million recorded for the same period in 2014. The adjusted EBITDA margin rose from 7.46% in 2014 to 7.67% in 2015, an increase of 21 basis points.

Retail segment development activities (i.e. new store openings and acquisitions, net of disposals) had a negative impact of $1.7 million on adjusted EBITDA in 2015. Net gains on disposal of assets and business acquisition represented a $1.8 million decrease in adjusted EBITDA in 2015. Closed stores led to a decrease of $1.1 million and recruitment, net of dealer-owner closures and departures, reduced adjusted EBITDA by $0.5 million. RONA's organic operations contributed to a $12.9 million increase in adjusted EBITDA in 2015. This organic growth was mainly due to the increase in organic sales, which raised the organic gross margin by $17.4 million, offset by an increase of $4.5 million in organic selling, general and administrative expenses.

First six months:

For the first six months of 2015, EBITDA was $109.2 million, up $13.1 million on the $96.1 million posted in 2014. In 2015, restructuring costs and other charges stood at -$0.1 million. The Corporation recorded adjustments of $3.0 million for the same period in 2014. Excluding these adjustments, EBITDA amounted to $109.1 million, up $10.0 million from the $99.1 million recorded for the same period in 2014. The adjusted EBITDA margin rose from 5.06% in 2014 to 5.34% in 2015, up 28 basis points.

Retail segment development activities (i.e. acquisitions and new store openings, net of disposals) had a negative impact of $4.1 million on adjusted EBITDA in 2015. The change in net gains on disposal of assets and business acquisition represented a $1.0 million decrease in adjusted EBITDA in 2015. Closed stores resulted in a decline of $1.7 million in adjusted EBITDA and recruitment, net of dealer-owner closures and departures, reduced adjusted EBITDA by $1.0 million. RONA's current operations contributed to a $17.8 million increase in adjusted EBITDA on 2015. This organic growth stemmed mainly from the increase in organic sales, which raised the organic gross margin by $31.1 million, offset by an increase of $13.3 million in organic selling, general and administrative expenses.

CONSOLIDATED FINANCE COSTS, DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS

Finance costs, depreciation, amortization and impairment of non-financial assets

	Second quarter				First six months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Finance costs	**5,524**	4,638	886	19.1	**9,620**	9,095	525	5.8
Accretion expense on onerous contracts [(1)]	**299**	578	(279)	(48.3)	**939**	1,346	(407)	(30.2)
Adjusted finance costs	**5,225**	4,060	1,165	28.7	**8,681**	7,749	932	12.0
Depreciation, amortization and impairment of non-financial assets	**21,097**	21,697	(600)	(2.8)	**42,344**	45,071	(2,727)	(6.1)
Impairment of non-financial assets [(1)]	**—**	(1,419)	1,419	100.0	**—**	(1,383)	1,383	100.0
Adjusted depreciation, amortization and impairment of non-financial assets	**21,097**	23,116	(2,019)	(8.7)	**42,344**	46,454	(4,110)	(8.8)

[(1)] Refer to Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

<u>Second quarter</u>:

Finance costs were $5.5 million in 2015, up $0.9 million from $4.6 million in 2014, mainly due to the higher credit facility utilization. Accretion expense on onerous contracts increased the change in finance costs by $0.3 million in 2015. Adjusted finance costs then amounted to $5.2 million in 2015, up $1.2 million, or 28.7%.

Depreciation, amortization and impairment of non-financial assets was $21.1 million in 2015, down $0.6 million from $21.7 million in 2014. Excluding adjustments related to impairment of non-financial assets, depreciation, amortization and impairment of non-financial assets was down $2.0 million from $23.1 million for the same period in 2014. This difference stems mainly from the banner repositioning strategy, which includes Réno-Dépôt and which required the write-down of certain assets in 2014. The Corporation continues to be highly selective in its investments in property, plant and equipment, which are kept at a level that is lower than amortization and depreciation expenses.

<u>First six months</u>:

Finance costs amounted to $9.6 million in 2015, up $0.5 million from $9.1 million in 2014, mainly due to the higher credit facility utilization. The accretion expense on onerous contracts increased the change in finance costs by $0.4 million in 2015. Excluding this adjustment, finance costs amounted to $8.7 million in 2015, up $0.9 million or 12.0% from $7.7 million in 2014.

Depreciation, amortization and impairment of non-financial assets was $42.3 million in 2015, down $2.7 million from $45.1 million in 2014. Excluding adjustments related to impairment of non-financial assets, depreciation, amortization and impairment of non-financial assets was down $4.1 million from $46.5 million for the same period in 2014. This difference stems mainly from Réno-Dépôt's repositioning.

CONSOLIDATED NET INCOME

Net income attributable to owners of RONA inc.

	Second quarter				First six months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Net income	**52,210**	44,331	7,879	17.8	**42,822**	30,066	12,756	42.4
Dividends on preferred shares, including taxes	**2,340**	2,369	(29)	(1.2)	**4,657**	4,633	24	0.5
Net income attributable to participating shares	**49,870**	41,962	7,908	18.8	**38,165**	25,433	12,732	50.1
Restructuring costs, impairment of non-financial assets and other charges, net of taxes	**(96)**	(6)	(90)	(1,500.0)	**(620)**	(2,156)	1,536	71.2
Adjusted net income attributable to participating shares	**49,966**	41,968	7,998	19.1	**38,785**	27,589	11,196	40.6

Net income per share attributable to owners of RONA inc.	Second quarter				First six months			
			Change				Change	
	2015	2014	$	%	**2015**	2014	$	%
Basic and diluted net income per share (in dollars)	**0.46**	0.35	0.11	31.4	**0.35**	0.21	0.14	66.7
Adjusted basic and diluted net income per share (in dollars)	**0.46**	0.35	0.11	31.4	**0.35**	0.23	0.12	52.2

Second quarter:

For the second quarter of 2015, the net income attributable to the participating shares was $49.9 million, compared to a net income of $42.0 million in 2014, up $7.9 million or 18.8%. These results were affected by after-tax adjustments of $0.1 million in 2015.

Excluding the above adjustments, net income attributable to participating shares was $50.0 million in 2015, compared to $42.0 million for the same period in 2014. As noted in the EBITDA analysis above, this increase stems mainly from the higher gross margin due to the increase in organic sales.

The adjusted basic and diluted net income per share attributable to the owners of RONA inc. was $0.46, compared to $0.35 in 2014, up 31.4%, despite increased costs related to implementation of the Corporation's strategic initiatives. The weighted average number of shares outstanding used to calculate the net income per share attributable to owners of RONA inc. decreased from 119.5 million shares in the second quarter of 2014 to 108.5 million shares in the second quarter of 2015, following the repurchase of 10.7 million shares in the last twelve months under the normal course issuer bids set up by the Corporation in November 2013 and 2014.

First six months:

For the first six months of 2015, the net income attributable to the participating shares was $38.2 million, compared to $25.4 million in 2014, up $12.7 million or 50.1%. These results were affected by after-tax adjustments of $0.6 million in 2015 and $2.2 million in 2014.

Excluding the above adjustments, the net income attributable to participating shares was $38.8 million in 2015, compared to $27.6 million for the same period in 2014. As noted in the EBITDA analysis above, this increase stems mainly from the higher gross margin due to the increase in organic sales.

The diluted net income per share attributable to owners of RONA inc. was $0.35 compared to $0.21 in 2014. The adjusted basic and diluted net income per share attributable to owners of RONA inc. was $0.35 in 2015, compared to $0.23 in 2014, up 52.2%, despite increased costs related to the implementation of the Corporation's strategic and operational initiatives. The weighted average number of shares outstanding used to calculate the net income per share attributable to owners of RONA inc. decreased from 120.0 million shares in the first six months of 2014 to 109.4 million shares in the first six months of 2015, following share repurchases of 10.7 million shares in the last twelve months under the normal course issuer bids set up by the Corporation in November 2013 and 2014.

SEGMENT RESULTS

This section presents an analysis of segment results for the quarter and six-month period ended June 28, 2015, which are compared with the results for the quarter and six-month period ended June 29, 2014, unless otherwise indicated. RONA has two reportable segments: retail and distribution.

RETAIL SEGMENT

Retail segment results	Second quarter				First six months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Revenues	**919,507**	861,912	57,595	6.7	**1,447,318**	1,360,438	86,880	6.4
EBITDA	**82,285**	76,342	5,943	7.8	**85,958**	72,042	13,916	19.3
EBITDA / Revenues (%)	**8.95**	8.86			**5.94**	5.30		
Restructuring costs and other charges [(1)]	**182**	(849)	1,031	121.4	**108**	(2,980)	3,088	103.6
Adjusted EBITDA	**82,103**	77,191	4,912	6.4	**85,850**	75,022	10,828	14.4
Adjusted EBITDA / Revenues (%)	**8.93**	8.96			**5.93**	5.51		

(1) Refer to Note 3.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's consolidated financial statements for more details.

Variance analysis – Retail segment

(in thousands of Canadian dollars)	Second quarter Revenues		Second quarter Adjusted EBITDA		First six months Revenues		First six months Adjusted EBITDA	
Results - 2014	861,912		77,191		1,360,438		75,022	
New stores and acquisitions, net of disposals	11,714		(1,722)		14,113		(4,051)	
Change in net gains on disposal of assets and business acquisition	—	57,595	(1,759)	4,912	—	86,880	(1,006)	10,828
Closed stores	(8,357)		(1,117)		(11,053)		(1,745)	
Comparable change	54,238		9,510		83,820		17,630	
Results - 2015	**919,507**		**82,103**		**1,447,318**		**85,850**	

Second quarter:

Retail segment revenues rose from $861.9 million in 2014 to $919.5 million in 2015, up $57.6 million or 6.7%, mainly due to a 5.4% increase in same-store sales in 2015. Adjusted EBITDA expressed as a percentage of sales declined by 3 basis points, mainly due to the negative impact on the EBITDA margin of stores that were recently opened.

Retail network development activities contributed $11.7 million to segment revenues in 2015, derived from $6.1 million for store acquisitions and $12.9 million from store openings, offset by disposals of $7.3 million. The impact of closed stores reduced revenues by $8.4 million.

Same-store sales grew 5.4%, contributing $54.2 million to second-quarter results. As noted in the analysis of consolidated results, revenues from our networks in Western Canada, Ontario and Québec all reported higher same-store sales in the second quarter of 2015. This performance is based on continuity and the improved merchandising strategy for contractors as well as banner repositioning. The increase in same-store sales in Western Canada is mainly due to the merchandising strategy for contractors, combined with favourable economic conditions in British Columbia. The increase in Ontario stems mainly from higher sales to contractors following improvements to the merchandising strategy designed specifically for them. In Québec, the increase in sales is largely due to good performance of Réno-Dépôt stores and big-box stores. With the exception of the Atlantic region, the average basket and the number of transactions have also risen throughout the network.

Retail segment EBITDA rose $5.9 million or 7.8%. Considering the adjustments, segment adjusted EBITDA rose from $77.2 million in 2014 to $82.1 million in 2015. Retail segment development activities (i.e. new store acquisitions and openings, net of disposals) had a negative impact of $1.7 million on adjusted EBITDA in 2015. The change in net gains on disposal of assets and business acquisition reduced adjusted EBITDA for the segment by $1.8 million and closed stores had a $1.1 million unfavourable impact on EBITDA. Same-store growth in RONA's operations raised adjusted EBITDA by $9.5 million in 2015.

First six months:

Revenues rose from $1,360.4 million in 2014 to $1,447.3 million in 2015, up $86.9 million or 6.4%, mainly due to a 5.2% increase in same-store sales. More specifically, retail network development activities contributed $14.1 million to segment revenues in 2015, derived from $8.0 million for store acquisitions and $15.7 million to open new stores, offset by impact on disposals of $9.6 million. Closed stores had an unfavourable impact of $11.1 million. The segment's same-store sales increased revenues by $83.8 million.

EBITDA rose from $72.0 million to $86.0 million, an increase of $13.9 million. In fiscal 2015, the Corporation recorded total adjustments of -$0.1 million as restructuring costs and other charges. For the same period in 2014, the Corporation recorded adjustments of $3.0 million. Excluding these adjustments, segment adjusted EBITDA rose from $75.0 million in 2014 to $85.9 million in 2015, which improved the adjusted EBITDA margin by 42 basis points, from 5.51% in 2014 to 5.93% in 2015.

Retail segment development (i.e. new store acquisitions and openings, net of disposals) had a negative impact of $4.1 million on adjusted EBITDA in 2015. Change in net gains on disposal of assets and business acquisition had a negative impact of $1.0 million on EBITDA in 2015 and closed stores represented a $1.7 million decrease in EBITDA. In 2015, RONA's ongoing operations contributed to adjusted EBITDA by $17.6 million in 2015.

DISTRIBUTION SEGMENT

Distribution segment results

	Second quarter				First six months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Revenues	**343,961**	331,631	12,330	3.7	**594,920**	597,397	(2,477)	(0.4)
EBITDA	**14,797**	11,882	2,915	24.5	**23,245**	24,055	(810)	(3.4)
EBITDA / Revenues (%)	**4.30**	3.58			**3.91**	4.03		

Variance analysis – Distribution segment

(in thousands of Canadian dollars)	Second quarter				First six months			
	Revenues		**EBITDA**		**Revenues**		**EBITDA**	
Results - 2014	331,631		11,882		597,397		24,055	
Recruitment, net of dealer-owner closures and departures	(8,977)	12,330	(493)	2,915	(18,563)	(2,477)	(1,007)	(810)
Organic change	21,307		3,408		16,086		197	
Results - 2015	**343,961**		**14,797**		**594,920**		**23,245**	

Second quarter:

Distribution segment revenues rose from $331.6 million in 2014 to $344.0 million in 2015, up $12.3 million or 3.7%. The recruitment of new dealer-owners, net of closures and departures of existing dealer-owners, reduced revenues by $9.0 million; organic sales for the affiliated dealer network as a whole were up $21.3 million. The sales growth was mainly due to the introduction of new programs for affiliate stores in early 2014 combined with a shift in sales by some of our independent dealers from the first quarter to the second quarter.

Distribution segment EBITDA rose from $11.9 million in 2014 to $14.8 million in 2015. The EBITDA margin was up 72 basis points, from 3.58% in 2014 to 4.30% in 2015.

First six months:

Distribution segment revenues declined from $597.4 million in 2014 to $594.9 million in 2015, down $2.5 million. The decrease stems mainly from existing dealer-owner closures and departures, which caused a decline of $18.6 million, offset by an increase in organic sales of $16.1 million.

Distribution segment EBITDA fell from $24.1 million in 2014 to $23.2 million in 2015. Recruitment, net of dealer-owner closures and departures, lowered EBITDA by $1.0 million, and organic change increased segment EBITDA by $0.2 million.

CASH FLOWS AND FINANCIAL POSITION

Main cash flows

	Second quarter				First six months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Cash flows from operating activities excluding net change in working capital	**85,265**	79,512	5,753	7.2	**75,746**	65,621	10,125	15.4
Net change in working capital	**46,240**	56,478	(10,238)	(18.1)	**(54,054)**	(41,790)	(12,264)	(29.3)
Cash flows from operating activities	**131,505**	135,990	(4,485)	(3.3)	**21,692**	23,831	(2,139)	(9.0)
Maintenance investments in property, plant and equipment and intangible assets	**(8,292)**	(6,345)	(1,947)	(30.7)	**(12,982)**	(9,006)	(3,976)	(44.1)
Dividends on preferred shares	**(2,265)**	(2,283)	18	0.8	**(4,529)**	(4,547)	18	0.4
Free cash flow [(1)]	**120,948**	127,362	(6,414)	(5.0)	**4,181**	10,278	(6,097)	(59.3)
Growth investments in property, plant and equipment and intangible assets	**(12,676)**	(11,597)	(1,079)	(9.3)	**(19,580)**	(19,772)	192	1.0
Dividends on common shares	**—**	—	—	—	**(7,562)**	(8,429)	867	10.3
Share repurchase in the normal course of business	**—**	(18,344)	18,344	100.0	**(77,433)**	(26,208)	(51,225)	(195.5)
Debt change	**108,272**	97,421	10,851	11.1	**(100,394)**	(44,131)	(56,263)	(127.5)

(1) Free cash flow = cash flows from operating activities less maintenance investments in property, plant and equipment and intangible assets and dividends on preferred shares.

Second quarter:

For the second quarter ended June 28, 2015, cash flows from operating activities excluding the net change in working capital amounted to $85.3 million compared to $79.5 million in the same period of 2014. The net change in working capital was $46.2 million in the second quarter of 2015. This change stems mainly from a $58.4 million increase in trade and other receivables, a $43.3 million decrease in inventory, a $67.0 million increase in trade and other payables and an $8.4 million increase in prepaid expenses.

The net change in working capital declined $10.2 million from the same period of 2014. This change stems mainly from an increased change in trade and other receivables of $19.2 million, partially offset by an increase in the change in trade and other payables of $5.9 million and a $1.7 million decrease in changes in derivative financial instruments.

Cash flows from operating activities stood at $131.5 million in the second quarter of 2015, compared to $136.0 million for the corresponding period of 2014.

The Corporation continued to exercise disciplined financial management, tightly controlling its investments in property, plant and equipment and intangible assets. In the second quarter of 2015, RONA invested $8.3 million to maintain property, plant and equipment compared to $6.3 million in 2014, for an increase of $1.9 million or 30.7 %. This increase stems mainly from information technology upgrade projects. Growth investments in property, plant and equipment totalled $12.7 million in 2015 compared to $11.6 million in 2014, up $1.1 million or 9.3 %, mainly due to the expansion of our network.

Given the seasonal nature of its operations in the second quarter of 2015, the Corporation generated $120.9 million of positive free cash flows in 2015, compared to $127.4 million for the same period in 2014.

There were no shares repurchased by RONA in the second quarter of 2015 under the program to repurchase shares in the normal course of business set up by the Corporation in November 2014. This program allows the Corporation to repurchase, in the normal course of its activities between November 18, 2014 and November 17, 2015, up to 9.2 million common shares, representing 10% of its 92.1 million public float, or 7.94% of its 116.0 million common shares issued and outstanding as at November 11, 2014. The program is 88% complete, since 8.1 million shares have already been purchased since it began.

First six months:

For the first six months ended June 28, 2015, cash flows from operating activities excluding the net change in working capital amounted to $75.7 million, compared to $65.6 million in the same period of 2014. The net change in working capital was a negative $54.1 million in the first six months of 2015. This change in the first six months of 2015 stems mainly from a $98.9 million increase in trade and other receivables and a $98.2 million increase in inventory, partially offset by a $144.9 million increase in trade and other payables.

The net change in working capital was down $12.3 million compared to the same period in 2014. This decrease stems in part from a $3.9 million decrease in changes in trade and other receivables and a $19.8 million decrease in changes in inventory and a $10.0 million decrease in changes in derivative financial instruments, partially offset by a $43.1 million decrease in changes in trade and other payables.

The Corporation continued to exercise disciplined financial management and tightly controlled its investments in property, plant and equipment and intangible assets. For the first six months of 2015, RONA invested $13.0 million in maintenance on property, plant and equipment and $19.6 million in growth of property, plant and equipment, for a total investment of $32.6 million, up $3.8 million or 13.1% from 2014. In 2015, the increased investment in property, plant and equipment and intangible assets stemmed mainly from a $4.0 million increase in maintenance investments, attributable to information technology upgrade projects, partly offset by a $0.2 million decrease in growth investments.

In the first six months of 2015, the Corporation generated $4.2 million of free cash flows in 2015, compared to free cash flows of $10.3 million for the same period in 2014. In 2015, the credit facility was mainly used to finance the $19.6 million investment in growth of property, plant and equipment and intangible assets and for the repurchase, in the normal course of business, of $77.4 million of common shares.

In the first six months of 2015, RONA repurchased and cancelled 5,638,100 shares at an average price of $13.73 for a total amount of $77.4 million under its normal course issuer bid put in place in November 2014.

LONG-TERM DEBT

RONA has access to a $700.0 million credit facility, which can be extended yearly. At the end of the second quarter of 2015, $177.3 million had been drawn on this facility, including letters of guarantee compared to $88.2 million in 2014. The increase mainly stems from shares repurchased under the normal course issuer bids set up by the Corporation in November 2014 and from the purchase of all the remaining non-controlling interests of a subsidiary, Marcil. RONA thus has access to another $522.7 million, subject to the maintenance of certain financial ratios. These ratios were met during the quarters ended June 28, 2015 and June 29, 2014. The maturing of this facility and the maturing of unsecured debentures, which form the major portion of long-term debt, are expected in 2016 and 2017.

Given the cash flows generated by the Corporation and the funds available from the credit facility, the Corporation deems it has access to sufficient liquidity to pursue its operations and growth.

CONTRACTUAL OBLIGATIONS

The table below presents a synopsis of the Corporation's contractual obligations as at June 28, 2015, including off-balance-sheet operating leases used in the normal course of business.

Contractual obligations	Payment by term				
(in thousands of Canadian dollars)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term loans and credit facility	298,365	1,221	293,674	255	3,215
Obligations under finance leases	242	164	78	—	—
Operating leases	739,296	129,973	228,037	164,078	217,208
Other long-term obligations	3,920	2,750	—	—	1,170
Total	**1,041,823**	**134,108**	**521,789**	**164,333**	**221,593**

The Corporation has also concluded other off-balance-sheet arrangements, such as inventory buyback agreements and guaranteed bank loans, which do not appear in the table. Pursuant to the terms of inventory repurchase agreements, the Corporation has made a commitment to financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories, to a maximum of $48.6 million. In the event of recourse, this inventory would be sold in the normal course of the Corporation's operations. These agreements have undetermined periods. In the opinion of management, the likelihood that significant payments would be incurred as a result of these commitments is low. Lastly, letters of credit for imports totalling $2.0 million were outstanding as at June 28, 2015 for the purchase of various, mainly seasonal, products.

CAPITAL STRUCTURE

(in thousands of Canadian dollars)	As at June 28, 2015	As at June 29, 2014
(Cash)	**(13,487)**	(26,480)
Credit facility	**175,955**	87,100
Debentures	**116,565**	116,414
Other debt	**10,240**	8,552
Debt	**302,760**	212,066
Debt net of cash	**289,273**	185,586
Equity	**1,559,332**	1,657,791
Total capital (Debt net of cash + Equity)	**1,848,605**	1,843,377
Ratio of net debt to total capital	**0.16x**	0.09x
Ratio of net debt to adjusted EBITDA	**1.18x**	0.90x

RONA continues to maintain a solid financial position. As at June 28, 2015, the total debt amounted to $302.8 million, compared to $212.1 million as at June 29, 2014. The Corporation's debt net of cash was $289.3 million, compared to $185.6 million as at June 29, 2014. The ratio of net debt to total capital, which was 0.09x in 2014, rose to 0.16x in 2015. The ratio of net debt to adjusted EBITDA rose from 0.90x in 2014 to 1.18x in 2015.

On November 20, 2014, DBRS confirmed RONA's credit rating at BB (high) and changed the outlook from negative to stable. This change reflects the improvement in the Corporation's operating performance. The positive trend in same-store sales resulting from the improved merchandising strategy, the repositioning of the TOTEM and Réno-Dépôt banners and the closure of underperforming stores, paired with the sustained focus of the recent reorganization and the cost-savings plan, have translated into a marked improvement in EBITDA and played a key role in the improved DBRS outlook.

CREDIT RATING

	As at June 28, 2015	As at June 29, 2014
Senior unsecured medium term notes due in 2016		
DBRS	**BB (high)**	BB (high)
Outlook	**Stable**	Negative
Standard and Poor's	**BB +**	BB +
Outlook	**Stable**	Stable
Series 6 Class A Preferred Shares		
DBRS	**Pfd-4 (high)**	Pfd-4 (high)
Outlook	**Stable**	Negative
Standard and Poor's	**P4 (high)**	P4 (high)

SUMMARY OF QUARTERLY RESULTS

RONA's results fluctuate significantly from one quarter to another due to the highly seasonal nature of renovation and construction activities. This means that over 80% of the Corporation's annual net income is generated in the second and third quarters. Given this distribution, sales in the first quarter are always lower than sales in the other three as a result of low activity levels in the renovation and construction sectors during the winter. Poor weather conditions can also have a major impact on sales.

Consolidated quarterly financial results
(in millions of Canadian dollars, except per-share amounts)

	2015		2014				2013			
	Q2	Q1	Q4	Q3	**Q2**	Q1	Q4 (1)	Q3 (1)	**Q2 (1)**	Q1 (1)
Revenues	**1,263.5**	778.8	971.3	1,167.3	**1,193.5**	764.3	941.1	1,169.2	**1,249.0**	832.9
EBITDA	**97.1**	12.1	31.9	83.7	**88.2**	7.9	30.0	70.7	**0.2**	(21.8)
Adjusted EBITDA	**96.9**	12.2	52.5	83.8	**89.1**	10.0	36.1	70.7	**76.6**	1.6
Net income (loss) attributable to participating shares	**49.9**	(11.7)	1.7	38.0	**42.0**	(16.5)	(1.1)	30.0	**(38.7)**	(36.1)
Adjusted net income (loss) attributable to participating shares	**50.0**	(11.2)	17.3	38.5	**42.0**	(14.4)	4.6	30.0	**33.6**	(18.3)
Basic and diluted net income (loss) per share	**0.46**	(0.11)	0.02	0.32	**0.35**	(0.14)	(0.01)	0.25	**(0.32)**	(0.30)
Adjusted basic and diluted net income (loss) per share	**0.46**	(0.10)	0.15	0.33	**0.35**	(0.12)	0.04	0.25	**0.28**	(0.15)

(1) Results for the Commercial and Professional Market division, presented as "Net loss from discontinued operations," were subtracted from the results for continuing operations.

Annual change in same-store sales

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	**Q2 2014**	Q1 2014	Q4 2013	Q3 2013	**Q2 2013**	Q1 2013
Retail segment	**5.4%**	5.0%	6.0%	2.0%	**-0.7%**	-3.4%	-3.1%	-2.3%	**-0.7%**	-3.7%

RISKS AND UNCERTAINTIES

There has been no material change since the publication of the annual Management's Discussion and Analysis for the fiscal year ended December 28, 2014.

DIVIDEND ON PREFERRED SHARES

At its meeting on August 10, 2015, RONA's Board of Directors declared a quarterly dividend of $0.3281 per share on cumulative 5-year Rate Reset Series 6 Class A preferred shares. The dividend will be paid on September 30, 2015 to shareholders of record on September 15, 2015.

DIVIDEND ON COMMON SHARES

At its meeting on August 10, 2015, RONA's Board of Directors authorized a dividend increase of 14.3% on an annualized basis, from $0.14 per share annually to $0.16 per share, and a change in the payment frequency, from semi-annual payment to a quarterly payment. The Board approved and declared a quarterly dividend of $0.04 per share on the Corporation's common shares. The dividend will be paid on September 25, 2015 to shareholders of record on September 10, 2015.

EVENT AFTER THE REPORTING PERIOD

On July 15, 2015, the Corporation signed a letter of intent for the acquisition of the 20 franchised stores in its network. The closing of this transaction is conditional on the results of a due diligence review of the business of each of the stores, subject to the approval by the Board of Directors as well as customary regulatory approvals.

This transaction is in line with the ongoing recovery and banner repositioning plan launched by the Corporation over a year ago. The consolidation of these stores will also simplify the current business model while allowing the Corporation to focus on the sales of independent dealers and the network of corporate stores. The Corporation will finance this acquisition from its available cash and existing credit facility.

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

There has been no material change since the publication of the annual Management's Discussion and Analysis for the fiscal year ended December 28, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

RONA has evaluated the design of internal control over financial reporting as at June 28, 2015 in accordance with the NI 52-109 guidelines. This evaluation has allowed the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer to conclude that the Corporation's internal control over financial reporting is adequate and provides reasonable assurance that the Corporation's financial reporting is reliable and that its consolidated financial statements are prepared in compliance with IFRS.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts included in this MD&A, including statements regarding the prospects of the industry and the prospects, plans, financial position and business strategy of the Corporation may constitute forward-looking statements within the meaning of Canadian securities legislation and regulations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms, variations of them, similar terminology or th euse of future tenses. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Forward-looking statements do not take into account the impact that transactions or non-recurring or other special items announced or occurring after the statements are made will have on the Corporation's business. For example, they do not include the impact of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that would cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings available at www.sedar.com and www.rona.ca. In particular, further details and descriptions of these and other factors are disclosed in this MD&A under the "Risks and uncertainties" section.

The forward-looking statements in this MD&A reflect the Corporation's expectations as at August 10, 2015, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ADDITIONAL INFORMATION

This MD&A was prepared as at August 10, 2015. The reader will find additional information concerning RONA, including the Corporation's Annual Information Form, on the Corporation's website at www.rona.ca and on the SEDAR website at www.sedar.com.

(s) Dominique Boies

Dominique Boies
Executive Vice President and Chief Financial Officer

(s) Robert Sawyer

Robert Sawyer
President and Chief Financial Officer

(Unaudited and in thousands of Canadian dollars, except per share amounts)

CONSOLIDATED STATEMENTS OF INCOME

	Notes	Second quarter		Year-to-date	
		2015	2014	**2015**	2014
Revenues		**$ 1,263,468**	$ 1,193,543	**$ 2,042,238**	$ 1,957,835
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges	*3.1*	**$ 96,900**	$ 89,073	**$ 109,095**	$ 99,077
Restructuring costs and other charges	*3.4*	**(182)**	849	**(108)**	2,980
Depreciation, amortization and impairment of non-financial assets	*3.2*	**21,097**	21,697	**42,344**	45,071
Operating income		**75,985**	66,527	**66,859**	51,026
Finance costs		**5,524**	4,638	**9,620**	9,095
Income before income taxes		**70,461**	61,889	**57,239**	41,931
Income tax expense	*5*	**18,025**	16,555	**14,510**	11,216
Net income		**$ 52,436**	$ 45,334	**$ 42,729**	$ 30,715
Net income attributable to :					
Owners of RONA inc.		**$ 52,210**	$ 44,331	**$ 42,822**	$ 30,066
Non-controlling interests		**226**	1,003	**(93)**	649
		$ 52,436	$ 45,334	**$ 42,729**	$ 30,715
Basic and diluted net income per share attributable to owners of Rona inc.	*13*	**$ 0.46**	$ 0.35	**$ 0.35**	$ 0.21

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Second quarter		Year-to-date	
	2015	2014	**2015**	2014
Net income	**$ 52,436**	$ 45,334	**$ 42,729**	$ 30,715
Other comprehensive income, net of taxes :				
Items that will be reclassified subsequently to net income				
Cash flow hedges				
– Gain (loss) for the period	**(1,790)**	(1,271)	**4,421**	584
– Reclassification to net income	**(1,580)**	(264)	**(7,488)**	(99)
Impact of foreign currency translation related to the net investment in an associate	**—**	(123)	**—**	7
	(3,370)	(1,658)	**(3,067)**	492
Items that will not be reclassified subsequently to net income				
Remeasurements of net defined benefit liability	**1,839**	(3,584)	**499**	(4,071)
Other comprehensive loss	**(1,531)**	(5,242)	**(2,568)**	(3,579)
Comprehensive income	**$ 50,905**	$ 40,092	**$ 40,161**	$ 27,136
Comprehensive income attributable to :				
Owners of RONA inc.	**$ 50,679**	$ 39,089	**$ 40,254**	$ 26,487
Non-controlling interests	**226**	1,003	**(93)**	649
	$ 50,905	$ 40,092	**$ 40,161**	$ 27,136

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the twenty-six-week periods ended June 28, 2015 and June 29, 2014
(Unaudited and in thousands of Canadian dollars)

	Notes	Share Capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 28, 2014		**$ 731,129**	**$ 862,997**	**$ 14,088**	**$ 2,634**	**$ 1,610,848**	**$ 15,557**	**$ 1,626,405**
Transactions with owners:								
Issuance of share capital in exchange of cash	9	**260**	**—**	**—**	**—**	**260**	**—**	**260**
Issuance of share capital under stock option plan	9	**115**	**—**	**(24)**	**—**	**91**	**—**	**91**
Repurchase of common shares for cancellation	9	**(27,672)**	**(49,761)**	**—**	**—**	**(77,433)**	**—**	**(77,433)**
Dividends declared on common shares		**—**	**(7,562)**	**—**	**—**	**(7,562)**	**—**	**(7,562)**
Dividends declared on preferred shares, including taxes		**—**	**(4,657)**	**—**	**—**	**(4,657)**	**—**	**(4,657)**
Compensation cost relating to stock option plan	10	**—**	**—**	**849**	**—**	**849**	**—**	**849**
Deposits on common share subscriptions received	9	**499**	**—**	**—**	**—**	**499**	**—**	**499**
Deposits on common share subscriptions refunded	9	**(60)**	**—**	**—**	**—**	**(60)**	**—**	**(60)**
Purchase of non-controlling interest	14	**—**	**(2,653)**	**—**	**—**	**(2,653)**	**(16,568)**	**(19,221)**
Total transactions with owners		**(26,858)**	**(64,633)**	**825**	**—**	**(90,666)**	**(16,568)**	**(107,234)**
Net income (loss)		**—**	**42,822**	**—**	**—**	**42,822**	**(93)**	**42,729**
Other comprehensive income (loss), net of taxes:								
Cash flow hedges								
– Gain for the period		**—**	**—**	**—**	**4,421**	**4,421**	**—**	**4,421**
– Reclassification to net income		**—**	**—**	**—**	**(7,488)**	**(7,488)**	**—**	**(7,488)**
Remeasurements of net defined benefit liability		**—**	**499**	**—**	**—**	**499**	**—**	**499**
Other comprehensive income (loss)		**—**	**499**	**—**	**(3,067)**	**(2,568)**	**—**	**(2,568)**
Balance, June 28, 2015		**$ 704,271**	**$ 841,685**	**$ 14,913**	**$ (433)**	**$ 1,560,436**	**$ (1,104)**	**$ 1,559,332**

	Notes	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 29, 2013		$ 765,203	$ 879,415	$ 12,972	$ (2,158)	$ 1,655,432	$ 15,570	$ 1,671,002
Transactions with owners :								
Issuance of share capital in exchange of cash	9	20	—	—	—	20	—	20
Issuance of share capital under stock option plan	9	247	—	(55)	—	192	—	192
Repurchase of common shares for cancellation	9	(11,352)	(14,856)	—	—	(26,208)	—	(26,208)
Dividends declared on common shares		—	(8,429)	—	—	(8,429)	—	(8,429)
Dividends declared on preferred shares, including taxes		—	(4,633)	—	—	(4,633)	—	(4,633)
Cash dividends paid by a subsidiary to non-controlling interests		—	—	—	—	—	(2,450)	(2,450)
Compensation cost relating to stock option plan	10	—	—	662	—	662	—	662
Deposits on common share subscriptions received	9	562	—	—	—	562	—	562
Deposits on common share subscriptions refunded	9	(63)	—	—	—	(63)	—	(63)
Total transactions with owners		(10,586)	(27,918)	607	—	(37,897)	(2,450)	(40,347)
Net income		—	30,066	—	—	30,066	649	30,715
Other comprehensive income (loss), net of taxes:								
Cash flow hedges								
– Gain for the period		—	—	—	584	584	—	584
– Reclassification to net income		—	—	—	(99)	(99)	—	(99)
Impact of foreign currency translation related to the net investment in an associate		—	—	—	7	7	—	7
Remeasurements of net defined benefit liability		—	(4,071)	—	—	(4,071)	—	(4,071)
Other comprehensive income (loss)		—	(4,071)	—	492	(3,579)	—	(3,579)
Balance, June 29, 2014		$ 754,617	$ 877,492	$ 13,579	$ (1,666)	$ 1,644,022	$ 13,769	$ 1,657,791

The related notes form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirteen and twenty-six-week periods ended June 28, 2015 and June 29, 2014
(Unaudited and in thousands of Canadian dollars)

	Notes	Second quarter		Year-to-date	
		2015	2014	**2015**	**2014**
OPERATING ACTIVITIES					
Income before income taxes		**$ 70,461**	$ 61,889	**$ 57,239**	$ 41,931
Adjustments :					
Depreciation, amortization and impairment of non-financial assets	*3.2*	**21,097**	21,697	**42,344**	45,071
Net change in provision for restructuring costs	*7*	**(13,000)**	(5,141)	**(25,805)**	(17,861)
Change in fair value of derivative financial instruments		**2,760**	1,743	**(5,701)**	(794)
Change in fair value of derivative financial instruments that do not qualify for hedge accounting		**3,429**	—	**3,429**	—
Gain on business combination	*6*	**(698)**	—	**(698)**	—
Net gains on disposal of assets	*3.1*	**(1,022)**	(3,373)	**(1,702)**	(3,904)
Share of equity-accounted investees		**(541)**	(676)	**(320)**	(679)
Share-based payment	*10*	**4,143**	3,112	**9,813**	4,418
Defined benefit plan contributions, net of expense		**96**	135	**76**	14
Other		**(104)**	(3)	**(207)**	44
		86,621	79,383	**78,468**	68,240
Net change in working capital		**46,240**	56,478	**(54,054)**	(41,790)
		132,861	135,861	**24,414**	26,450
Interest received		**1,156**	746	**1,650**	1,822
Income taxes paid		**(2,512)**	(617)	**(4,372)**	(4,441)
Cash flows from operating activities		**131,505**	135,990	**21,692**	23,831
INVESTING ACTIVITIES					
Business combination	*6*	**—**	(3,864)	**(4,180)**	(3,864)
Purchase of non-controlling interest	*14*	**(17,351)**	—	**(17,351)**	—
Proceeds on disposal of a business		**—**	5,943	**—**	5,943
Acquisition of property, plant and equipment		**(14,679)**	(12,329)	**(21,706)**	(19,190)
Acquisition of intangible assets		**(6,289)**	(5,613)	**(10,856)**	(9,588)
Proceeds on disposal of property, plant and equipment and non-current assets held for sale		**5,661**	27,276	**6,608**	27,880
Proceeds on disposal of intangible assets		**738**	30	**3,120**	77
Net change in other financial assets		**(279)**	(579)	**1,100**	984
Interest received		**86**	96	**183**	304
Cash flows (used for) from investing activities		**(32,113)**	10,960	**(43,082)**	2,546
FINANCING ACTIVITIES					
Bank loans		**95**	(467)	**220**	(773)
Net change in credit facility		**(99,639)**	(120,300)	**110,723**	42,140
Other long-term debt		**3,790**	—	**3,790**	—
Financing costs		**(155)**	—	**(155)**	—
Repayment of other long-term debt		**(698)**	(348)	**(767)**	(946)
Proceeds from issuance of common shares		**666**	397	**790**	711
Repurchase of common shares	*9*	**—**	(18,344)	**(77,433)**	(26,208)
Dividends on common shares		**—**	—	**(7,562)**	(8,429)
Dividends on preferred shares		**(2,265)**	(2,283)	**(4,529)**	(4,547)
Cash dividends paid by a subsidiary to non-controlling interests		**—**	(2,450)	**—**	(2,450)
Interest paid		**(1,927)**	(2,230)	**(7,142)**	(7,640)
Cash flows (used for) from financing activities		**(100,133)**	(146,025)	**17,935**	(8,142)
Net (decrease) increase in cash during the period		**(741)**	925	**(3,455)**	18,235
Cash, beginning of period		**14,228**	25,555	**16,942**	8,245
Cash, end of period		**$ 13,487**	$ 26,480	**$ 13,487**	$ 26,480

The related notes form an integral part of these interim consolidated financial statements.

RONA inc.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 28, 2015, June 29, 2014 and December 28, 2014
(Unaudited and in thousands of Canadian dollars)

	Notes	**As at June 28, 2015**	As at June 29, 2014	As at December 28, 2014
ASSETS				
Current				
Cash		**$ 13,487**	$ 26,480	$ 16,942
Trade and other receivables		**362,941**	356,730	263,389
Other financial assets		**1,575**	3,841	2,066
Current tax assets		**11,564**	16,919	12,276
Inventory	*4*	**921,321**	856,770	819,677
Prepaid expenses		**29,829**	24,545	17,089
Derivative financial instruments		**5,127**	—	3,602
Current assets		**1,345,844**	1,285,285	1,135,041
Non-current				
Investments in equity-accounted investees		**12,511**	16,064	12,403
Other financial assets		**6,834**	7,564	7,663
Property, plant and equipment		**667,069**	689,962	677,885
Goodwill		**298,963**	298,963	298,963
Intangible assets		**113,956**	126,153	118,884
Other non-current assets		**5,496**	6,227	4,934
Deferred tax assets		**69,633**	90,931	80,336
Total assets		**$ 2,520,306**	$ 2,521,149	$ 2,336,109
LIABILITIES				
Current				
Bank loans		**$ 1,275**	$ 1,760	$ 1,055
Trade and other payables		**561,523**	548,104	410,446
Dividends payable		**2,264**	2,264	2,265
Derivative financial instruments		**6,784**	1,275	14
Provisions	*7*	**26,737**	32,272	46,596
Instalments on long-term debt		**3,507**	3,820	2,082
Current liabilities		**602,090**	589,495	462,458
Non-current				
Long-term debt		**297,978**	206,486	183,739
Other non-current liabilities		**37,784**	33,914	37,949
Derivative financial instruments		**2,349**	—	—
Provisions	*7*	**20,226**	33,226	25,141
Deferred tax liabilities		**547**	237	417
Total liabiliites		**960,974**	863,358	709,704
EQUITY				
Share capital	*9*	**704,271**	754,617	731,129
Retained earnings		**841,685**	877,492	862,997
Contributed surplus		**14,913**	13,579	14,088
Accumulated other comprehensive (loss) income		**(433)**	(1,666)	2,634
Total equity attributable to owners of RONA inc.		**1,560,436**	1,644,022	1,610,848
Non-controlling interests		**(1,104)**	13,769	15,557
Total equity		**1,559,332**	1,657,791	1,626,405
Total liabilities and equity		**$ 2,520,306**	$ 2,521,149	$ 2,336,109

The related notes form an integral part of these interim consolidated financial statements.

On behalf of the Board,

(s) Réal Brunet

Réal Brunet
Chairman of the Audit Committee

(s) Robert Chevrier

Robert Chevrier
Executive Chairman of the Board

1. REPORTING ENTITY AND NATURE OF OPERATIONS

RONA inc., a corporation headquartered at 220 Chemin du Tremblay, Boucherville, Québec, Canada was incorporated under the *Business Corporations Act* (Québec). The common shares are listed on the Toronto Stock Exchange under the trading symbol RON.

The Corporation's interim consolidated financial statements for the thirteen and twenty-six-week periods ended June 28, 2015 and June 29, 2014 include financial data for RONA inc. and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's entities").

The Corporation is a major Canadian distributor and retailer of hardware, building materials and home renovation products in Canada.

2. BASIS OF PRESENTATION

(A) General information and declaration of conformity

The unaudited interim condensed consolidated financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Since they are condensed financial statements, certain information and notes disclosures normally included in annual financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"), have been voluntarily omitted or summarized.

The preparation of financial statements in compliance with IAS 34 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2(D) of the Corporation's audited consolidated financial statements for the year ended December 28, 2014. There has not been any major change in significant judgments and estimates or assumptions since then. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 28, 2014, which are included in the Corporation's 2014 annual report.

The unaudited interim condensed consolidated financial statements for the thirteen and twenty-six-week periods ended June 28, 2015 (including comparative figures) were approved by the Board of Directors on August 10, 2015.

(B) Seasonal fluctuations

The interim period results of operations do not necessarily reflect results for the full year because of seasonal fluctuations that characterize the hardware, building materials and home renovation products industry in Canada. Since the seasonal fluctuations result in significant variances for certain assets and liabilities, a consolidated statement of financial position as at June 29, 2014 is also presented for comparative purposes.

(C) Effect of new accounting standards issued but not yet effective

At the date of authorisation of these interim consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been adopted earlier by the Corporation.

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

(I) Financial instruments

In July 2014, the IASB published IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted.

(II) Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers,* which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers.

IFRS 15 supersedes IAS 18, *Revenue,* IAS 11, *Construction Contracts*, and other interpretations related to revenue recognition. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted.

The Corporation has not yet assessed the impact of these new standards, amendments and interpretations of existing standards on its interim consolidated financial statements.

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

3. SUPPLEMENTAL INFORMATION ON CONSOLIDATED STATEMENTS OF INCOME

3.1 EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AMORTIZATION, IMPAIRMENT OF NON-FINANCIAL ASSETS, RESTRUCTURING COSTS AND OTHER CHARGES

		Second quarter		Year-to-date	
	Notes	**2015**	2014	**2015**	2014
Revenues		**$ 1,263,468**	$ 1,193,543	**$ 2,042,238**	$ 1,957,835
Cost of sales	4	**936,135**	882,003	**1,505,049**	1,447,839
Gross margin		**327,333**	311,540	**537,189**	509,996
Selling, general and administrative expenses					
Employee benefits expense	3.3	**127,984**	128,744	**248,776**	245,175
Rent and occupancy costs		**56,741**	56,338	**113,936**	115,651 [b]
Net gains on disposal of assets		**(1,022)**	(3,373)	**(1,702)**	(3,904)
Share of equity-accounted investees		**(541)**	(676)	**(320)**	(679)
Finance income		**(1,305)**	(1,237)	**(2,158)**	(2,921)
Other income		**(2,915)**	(3,048)	**(7,136)**	(6,387)
Other [a]		**51,491**	45,719	**76,698**	63,984 [b]
		230,433	222,467	**428,094**	410,919
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges		**$ 96,900**	$ 89,073	**$ 109,095**	$ 99,077

[a] Includes advertising and selling expenses, information technology expenses, professional fees and doubtful accounts expense.
[b] Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

3.2 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS

		Second quarter		Year-to-date	
	Note	**2015**	2014	**2015**	2014
Depreciation of property, plant and equipment		**$ 13,892**	$ 15,270	**$ 27,924**	$ 30,827
Amortization of intangible assets		**7,049**	7,716	**14,114**	15,366
Amortization of other non-current assets		**156**	130	**306**	261
Depreciation and amortization of non-financial assets		**21,097**	23,116	**42,344**	46,454
Impairment of non-financial assets:	3.4				
Impairment		**—**	27	**—**	63
Reversals of impairment		**—**	(1,446)	**—**	(1,446)
Total items related to impairment of non-financial assets		**—**	(1,419)	**—**	(1,383)
Total depreciation, amortization and impairment of non-financial assets		**$ 21,097**	$ 21,697	**$ 42,344**	$ 45,071

3.3 EMPLOYEE BENEFITS EXPENSE

		Second quarter		Year-to-date	
	Notes	**2015**	2014	**2015**	2014
Salaries		**$ 124,840**	$ 122,840	**$ 230,337**	$ 224,548
Share-based payment		**4,143**	3,112	**9,813**	4,418
Defined contribution plans expense		**1,852**	2,429	**3,956**	4,182
Defined benefit plans expense		**510**	478	**989**	776
Other fringe benefits		**24,649**	24,409	**48,289**	49,915
Total employee benefits expense		**$ 155,994**	$ 153,268	**$ 293,384**	$ 283,839
Included in restructuring costs and other charges	3.4	**$ (70)**	$ 10	**$ (16)**	$ (178)
Included in cost of sales		**28,080**	24,514	**44,624**	38,842
Included in selling, general and administrative expenses	3.1	**127,984**	128,744	**248,776**	245,175
Total employee benefits expense		**$ 155,994**	$ 153,268	**$ 293,384**	$ 283,839

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

3. SUPPLEMENTAL INFORMATION ON CONSOLIDATED STATEMENTS OF INCOME (continued)

3.4 RESTRUCTURING COSTS AND OTHER CHARGES, IMPAIRMENT OF NON-FINANCIAL ASSETS AND FINANCE COSTS

This note reflects the financial impacts of a series of initiatives which were approved by the Board of Directors of the Corporation to improve financial performance and to accelerate value creation for the stakeholders.

Total restructuring costs and other charges, impairment of non-financial assets and finance costs incurred were as follows:

		Second quarter		Year-to-date	
	Notes	**2015**	2014	**2015**	2014
Items related to selling, general and administrative expenses:					
Severance	*3.3*	**$ (70)**	$ 10	**$ (16)**	$ (178)
Onerous contracts	*7*	**(282)**	539	**(326)**	1,605
Other charges		**170**	300	**234**	1,553
Restructuring costs and other charges		**(182)**	849	**(108)**	2,980
Impairment of non-financial assets:	*3.2*				
Impairment		**—**	27	**—**	63
Reversals of impairment		**—**	(1,446)	**—**	(1,446)
Total items related to impairment of non-financial assets		**—**	(1,419)	**—**	(1,383)
Finance costs - Accretion expense on onerous contracts	*7*	**299**	578	**939**	1,346
		$ 117	$ 8	**$ 831**	$ 2,943

4. INVENTORY

For the thirteen and twenty-six-week periods ended June 28, 2015, amounts of $936,135 and $1,505,049 of purchases, net of changes in inventory, were expensed in the consolidated statements of income ($882,003 and $1,447,839 in 2014).

For the thirteen and twenty-six-week periods ended June 28, 2015, net inventory write-down charges of $11,743 and $16,281 ($8,955 and $14,487 in 2014), were recognized in the consolidated statements of income.

5. INCOME TAXES

For the thirteen and twenty-six-week periods ended June 28, 2015, the consolidated tax rates were 25.57% and 25.35% (26.75% for both periods in 2014).

In the interim periods, the income tax provision is based on an estimate of the earnings that will be generated in a full year, by jurisdiction. The estimated average annual effective income tax rates are re-estimated at each interim reporting date, based on full year projections of earnings by jurisdiction. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods.

6. BUSINESS COMBINATION

On January 19, 2015, the Corporation acquired the assets of a dealer located in Ontario, operating in the retail segment. The results of operations of this business are consolidated from its acquisition date.

The consideration paid for this acquisition amounted to $4,180. Direct acquisition costs of $350 were also recognized in selling, general and administrative expenses as at June 28, 2015. The Corporation financed this acquisition from its available cash and existing credit facility.

The purchase price allocation of this acquisition, including final adjustments, was established as follows:

	2015
Trade and other receivables	**$ 2,511**
Inventory	**3,430**
Property, plant and equipment and intangible assets	**318**
Favorable price leases	**1,044**
Current liabilities	**(565)**
Assumption of specific assets during the acquisition [(a)]	**(1,860)**
Total of the acquisition	**4,878**
Cash consideration paid	**4,180**
Gain on business combination	**$ 698**

[(a)] As part of the transaction, the Corporation acquired assets on which the fair value has permitted to offset outstanding amounts due by the dealer.

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

7. PROVISIONS AND CONTINGENT LIABILITIES

				Restructuring [a]		
	Litigation	**Onerous contracts**	**Product warranties**	**Severance**	**Onerous contracts**	**Total**
Balance, December 28, 2014	**$ 6,184**	**$ 127**	**$ 1,573**	**$ 521**	**$ 63,332**	**$ 71,737**
Provisions created	**1,655**	**292**	**97**	**—**	**—**	**2,044**
Provisions used	**(458)**	**(566)**	**—**	**(191)**	**(26,211)**	**(27,426)**
Provisions reversed	**(936)**	**—**	**(185)**	**(125)**	**—**	**(1,246)**
Change in estimates	**(72)**	**1,317**	**(115)**	**109**	**(326)**	**913**
Accretion expense	**—**	**2**	**—**	**—**	**939**	**941**
Balance, June 28, 2015	**$ 6,373**	**$ 1,172**	**$ 1,370**	**$ 314**	**$ 37,734**	**$ 46,963**
Current	**$ 6,373**	**$ 1,172**	**$ 1,370**	**$ 314**	**$ 17,508**	**$ 26,737**
Non-current	**—**	**—**	**—**	**—**	**20,226**	**20,226**
Balance, June 28, 2015	**$ 6,373**	**$ 1,172**	**$ 1,370**	**$ 314**	**$ 37,734**	**$ 46,963**

[a] Refer to Note 3.4 for additional information.

				Restructuring [a]		
	Litigation	Onerous contracts	Product warranties	Severance	Onerous contracts	Total
Balance, December 29, 2013	$ 4,967	$ 567	$ 1,846	$ 4,351	$ 70,960	$ 82,691
Provisions created	1,383	432	251	70	—	2,136
Provisions used	(209)	(609)	—	(3,268)	(17,366)	(21,452)
Provisions reversed	(244)	—	(553)	(212)	—	(1,009)
Change in estimates	344	(172)	40	(36)	1,605	1,781
Accretion expense	—	5	—	—	1,346	1,351
Balance, June 29, 2014	$ 6,241	$ 223	$ 1,584	$ 905	$ 56,545	$ 65,498
Current	$ 6,241	$ 164	$ 1,584	$ 905	$ 23,378	$ 32,272
Non-current	—	59	—	—	33,167	33,226
Balance, June 29, 2014	$ 6,241	$ 223	$ 1,584	$ 905	$ 56,545	$ 65,498

[a] Refer to Note 3.4 for additional information.

LITIGATION

Various claims and litigation arise in the course of the Corporation's activities and its insurers have taken up the Corporation's defence in some of these cases. The litigation period depends on the time required to obtain a judgment from the Court. Provisions are recognized based on best estimates of the resolution of the litigation. Management does not expect that the outcome of these claims and litigation will have a material and adverse effect on the Corporation's results and deemed its allowances adequate in this regard.

ONEROUS CONTRACTS

Following store closures in 2012 and in 2013, provisions for onerous contracts were recognized for non-cancellable operating leases for commercial stores which are no longer used or scheduled for closing. The provisions were estimated using contractual obligations at the time of initial recognition and sublease revenue assumptions based on market data and discounted using a weighted average discount rate of 4.20% (4.30% in 2014). For certain sites, the provision was estimated based on termination fees that are expected to be incurred. The remaining terms of these leases vary from one to fifteen years.

8. GUARANTEES

In the ordinary course of business, the Corporation reaches agreements that could meet the definition of "guarantees".

Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories to a maximum of $48,551. In the event of recourse, this inventory would be sold in the ordinary course of the Corporation's operations. These agreements have undetermined periods. In the opinion of management, the likelihood that significant payments would be incurred as a result of these commitments is low.

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

9. SHARE CAPITAL

AUTHORIZED

Unlimited number of shares:

- Common without par value;
- Class A preferred shares, without par value, issuable in series:
  - Series 5, non-cumulative dividend equal to 70% of prime rate, redeemable at the Corporation's option at their issuance price;
  - Series 6, cumulative dividend of 5.25%, subject to approval by the Board of Directors, fixed for the first five years, redeemable at the Corporation's option at their issuance price;
  - Series 7, annual cumulative dividend at variable rate, redeemable at the Corporation's option at their issuance price;
- Class B preferred shares, 6% non-cumulative dividend, redeemable at the Corporation's option at their par value of $1 each;
- Class C preferred shares, issuable in series:
  - Series 1, non-cumulative dividend equal to 70% of prime rate, redeemable at the Corporation's option at their par value of $1,000 each;
- Class D preferred shares, without par value, 4% cumulative dividend, redeemable at their issuance price over a maximum period of ten years from the sixth anniversary of their date of issuance, on the basis of 10% per year.

ISSUED AND FULLY PAID :

The following tables present changes in the number of outstanding shares and their carrying amounts:

	Common shares		**Preferred shares Class A, Series 6**		**Deposits on common share subscriptions [a]**		**Share capital**	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
Balance, December 28, 2014	**113,595,635**	**$ 557,528**	**6,900,000**	**$ 172,500**	**—**	**$ 1,101**	**120,495,635**	**$ 731,129**
Issuance of share capital in exchange of cash	**16,534**	**260**	**—**	**—**	**—**	**—**	**16,534**	**260**
Issuance of share capital under stock option plan	**6,050**	**115**	**—**	**—**	**—**	**—**	**6,050**	**115**
Issuance in exchange of common share subscription deposits	**72,438**	**1,040**	**—**	**—**	**—**	**(1,040)**	**72,438**	**—**
Repurchase of common shares for cancellation	**(5,638,100)**	**(27,672)**	**—**	**—**	**—**	**—**	**(5,638,100)**	**(27,672)**
Deposits on common share subscriptions received	**—**	**—**	**—**	**—**	**—**	**499**	**—**	**499**
Deposits on common share subscriptions refunded	**—**	**—**	**—**	**—**	**—**	**(60)**	**—**	**(60)**
Balance, June 28, 2015	**108,052,557**	**$ 531,271**	**6,900,000**	**$ 172,500**	**—**	**$ 500**	**114,952,557**	**$ 704,271**

[a] Deposits on common share subscriptions represent amounts received during the period from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis. If the subscription deposits had been exchanged for common shares as at June 28, 2015, the number of outstanding common shares would have increased by 32,835.

	Common shares		Preferred shares Class A, Series 6		Deposits on common share subscriptions [a]		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 29, 2013	120,743,836	$ 591,173	6,900,000	$ 172,500	—	$ 1,530	127,643,836	$ 765,203
Issuance of share capital in exchange of cash	1,784	20	—	—	—	—	1,784	20
Issuance of share capital under stock option plan	18,700	247	—	—	—	—	18,700	247
Issuance in exchange of common shares subscription deposits	128,394	1,483	—	—	—	(1,483)	128,394	—
Repurchase of common shares for cancellation	(2,315,500)	(11,352)	—	—	—	—	(2,315,500)	(11,352)
Deposits on common share subscriptions received	—	—	—	—	—	562	—	562
Deposits on common share subscriptions refunded	—	—	—	—	—	(63)	—	(63)
Balance, June 29, 2014	118,577,214	$ 581,571	6,900,000	$ 172,500	—	$ 546	125,477,214	$ 754,617

[a] Deposits on common share subscriptions represent amounts received during the period from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis. If the subscription deposits had been exchanged for common shares as at June 29, 2014, the number of outstanding common shares would have increased by 47,892.

On November 14, 2014, the Board of Directors and the Toronto Stock Exchange authorized the Corporation to purchase for cancellation in the normal course of its activities, from November 18, 2014 to November 17, 2015, up to 9.2 million of its common shares, representing 10% of its 92.1 million public float, or 7.94% of its 116.0 million common shares issued and outstanding on November 11, 2014. Under this issuer bid, the purchases will be made at market prices through the facility of the Toronto Stock Exchange or alternative Canadian trading platforms, in accordance with the requirements of the Toronto Stock Exchange. The common shares thereby purchased will be cancelled.

During the twenty-six-week period ended June 28, 2015, the Corporation redeemed for cancellation a total of 5,638,100 common shares (2,315,500 common shares in 2014) at an average price of $13.73, for a total cost of $77,433 ($26,208 in 2014). Of the total cost $27,672 ($11,352 in 2014) represents the stated value of common shares. The remaining $49,761 ($14,856 in 2014) was recorded against retained earnings.

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

10. SHARE-BASED PAYMENT

STOCK OPTION PLAN

On October 24, 2002, the Board of Directors approved a stock option plan (the “2002 plan”) for designated senior executives of the Corporation. The 2002 plan was approved by the shareholders of the Corporation on May 14, 2003. Limitations were put in place under the 2002 plan, notably that the total number of stock options, each exercisable for one common share which may be issued pursuant to the 2002 plan, will not exceed, without the approval of the shareholders, 10% of the common shares issued and outstanding. Option grants are vested over a four-year period following the anniversary date of the grants at 25% per year.

On March 12, 2015, the Board of Directors approved a new stock option plan (the "2015 plan") for designated senior executives of the Corporation, having essentially the same terms and conditions as the 2002 plan. The 2015 plan was approved by the shareholders of the Corporation on May 12, 2015.

The maximum total number of common shares reserved for issuance under the 2015 plan, subject to certain adjustments is 3,922,940, being the 3,922,940 common shares that remained reserved for issuance under the 2002 plan, as at March 12, 2015, which were transferred to the 2015 plan. The 2002 plan is now terminated following the approval of the 2015 plan.

The weighted average fair value of stock options granted of $4.56 for the twenty-six-week period ended June 28, 2015 ($3.54 in 2014) was estimated for each option tranche at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions:

	2015	2014
Share price at date of grant	**$ 15.01**	$ 11.51
Risk-free interest rate	**1.01 to 1.36 %**	1.92 to 2.40 %
Expected share price volatility [(a)]	**26.99 to 27.76 %**	27.38 to 28.29 %
Expected annual dividend rate	**0.93 %**	1.22 %
Expected term	**7 to 10 years**	7 to 10 years
Exercise price at date of grant	**$ 14.51**	$ 11.55

[(a)] 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.

Compensation cost expensed with respect to this plan amounted to $518 and $849 for the thirteen and twenty-six-week periods ended June 28, 2015 ($331 and $662 in 2014).

A summary of the situation of the Corporation`s stock option plan and the changes that occurred during the period is presented below :

	As at June 28, 2015		As at June 29, 2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	**1,769,685**	**$ 11.64**	1,561,360	$ 11.76
Granted	**388,600**	**14.51**	436,600	11.55
Exercised	**(6,050)**	**14.97**	(18,700)	10.24
Forfeited	**(24,225)**	**12.91**	(119,400)	11.64
Outstanding, end of period	**2,128,010**	**12.14**	1,859,860	11.73
Options exercisable, end of period	**968,818**	**$ 12.02**	686,609	$ 12.76

The weighted average price of the common shares acquired by option holders having exercised 6,050 options (18,700 in 2014) for the twenty-six-week period ended June 28, 2015 was $16.84 ($11.47 in 2014) .

The following table summarizes information relating to stock options outstanding as at June 28, 2015 :

Exercise price	Expiration date	Options outstanding	Options exercisable
$ 9.38	March 5, 2022	**183,275**	**136,975**
$ 9.97	September 21, 2021	**60,000**	**45,000**
$ 10.62	March 11, 2019	**102,600**	**102,600**
$ 10.78	August 23, 2023	**165,700**	**41,425**
$ 11.11	March 28, 2023	**443,900**	**221,950**
$ 11.33	November 20, 2022	**128,435**	**64,218**
$ 11.55	March 3, 2024	**406,925**	**102,875**
$ 14.18	March 1, 2018	**47,800**	**47,800**
$ 14.33	March 7, 2021	**102,800**	**102,800**
$ 14.51	February 26, 2025	**383,400**	**—**
$ 15.44	March 9, 2020	**72,325**	**72,325**
$ 23.58	March 8, 2017	**30,850**	**30,850**
		2,128,010	**968,818**

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

10. SHARE-BASED PAYMENT (continued)

SHARE UNIT PLAN FOR OFFICERS AND KEY EMPLOYEES

The Corporation offers a share unit plan to officers and key employees of the Corporation under which restricted share units ("RSUs") and performance share units ("PSUs") are granted. The RSUs are vested based on passage of time over a maximum term of three years. In addition to such vesting period, the vesting conditions of the PSUs are also linked to the achievement of performance targets. Officers and key employees who hold RSUs and PSUs will be credited with additional units whenever cash dividends are paid on common shares.

The RSUs and PSUs are revalued at fair market value at the end of each reporting period until the vesting date using the market price of the Corporation's common shares. Fair market value changes are recognized as compensation expense with a corresponding amount to trade and other payables in the consolidated statements of financial position. RSUs and PSUs that have been vested will be payable, at the Corporation's option, in cash or common shares, purchased on the secondary market, with an aggregate value equal to the amount that would have been paid in cash.

On March 27, 2015, in the normal course of business, the Corporation entered into financial derivative instruments contracts in order to manage the risk related to the market price of the Corporation's common shares. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value changes are recognized in the consolidated statements of income, and are presented as compensation expense with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position. The Corporation's policy is to not speculate on derivative financial instruments.

	As at June 28, 2015	As at June 29, 2014
Number of share units :		
Outstanding, beginning of period	**1,681,774**	1,494,823
Granted	**428,501**	477,664
Expired	**(12,703)**	—
Forfeited	**(37,034)**	(109,163)
Paid	**(268,903)**	—
Outstanding, end of period	**1,791,635**	1,863,324

The compensation expense recorded in the consolidated statements of income for the thirteen and twenty-six-week periods ended June 28, 2015 amounted to $1,244 and $5,128 ($2,187 and $3,500 in 2014) and the compensation liability recorded, as at that date, in the consolidated statements of financial position amounted to $17,127 ($6,705 in 2014). The estimated fair value of the derivative financial instrument as at June 28, 2015 is a liability of $1,936.

SHARE UNIT PLAN FOR DIRECTORS

The Corporation offers a deferred share unit plan ("DSU") for outside directors. Pursuant to the DSU plan, outside directors may elect to receive in the form of DSUs any percentage, up to one hundred percent (100%), of their fees payable in respect of serving as director. Under the DSU plan, outside directors are granted, as of the last day of each fiscal quarter of the Corporation, a number of DSUs determined on the basis of the amount of deferred remuneration payable to directors in respect of such quarter divided by the value of a DSU, which is the fair market value of the underlying common shares. Directors who hold DSUs will be credited with additional DSUs whenever cash dividends are paid on common shares. DSUs granted under the DSU plan will be redeemable, and the value thereof payable, only after the holder of DSUs ceases to act as a director of the Corporation. Fair value changes are recognized as compensation expense with a corresponding amount to trade and other payables in the consolidated statements of financial position.

On April 9, 2015, in the normal course of business, the Corporation entered into financial derivative instruments contracts in order to manage the risk related to the market price of the Corporation's common shares. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Fair value changes are recognized in the consolidated statements of income, and are presented as compensation expense with a corresponding asset or liability for derivative financial instruments in the consolidated statements of financial position. The Company policy is to not speculate on derivative financial instruments.

	As at June 28, 2015	As at June 29, 2014
Number of deferred share units :		
Outstanding, beginning of period	**383,105**	423,285
Granted	**42,963**	64,491
Paid	—	(78,911)
Outstanding, end of period	**426,068**	408,865

The compensation expense recorded in the consolidated statements of income for the thirteen and twenty-six-week periods ended June 28, 2015 amounted to $32 and $1,487 ($594 and $256 in 2014) and the compensation liability recorded, as at that date, in the consolidated statements of financial position amounted to $7,147 ($4,814 in 2014). The estimated fair value of the derivative financial instrument as at June 28, 2015 is a liability of $413.

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

11. FINANCIAL INSTRUMENTS

On May 27, 2015, in the normal course of business, the Corporation entered into financial derivative instrument contracts in order to manage the risk related to exchange rates. These derivatives are not designated for hedge accounting and are measured at fair value at the end of each period. Gains and losses resulting from the revaluations and exercises of the derivative financial instruments are recorded and presented under " Finance costs " in the consolidated statements of income. The estimated fair value of the derivative financial instruments as at June 28, 2015 is an asset of $4,646.

FAIR VALUE

The following methods and assumptions were used to determine the estimated fair value for each class of financial instruments:

- The fair value of cash, trade and other receivables, trade and other payables and dividends payable approximates their carrying amount, given the short-term maturity of these instruments;
- The fair value of the bank loans, credit facility and obligations under finance leases is equal to their carrying amount since they bear interest at rates comparable to market rates at the end of the reporting period;
- The fair value of debentures is determined using their bid price at the end of the reporting period;
- The fair value of loans and advances, investment in common shares, mortgage loans and balances of purchase prices is determined based on discounted cash flows using effective interest rates available to the Corporation at the end of the reporting period for similar instruments;
- The fair value of derivative financial instruments is determined by comparing the original rates of the derivatives with rates prevailing at the revaluation date for contracts having similar characteristics (observable market data).

The fair value hierarchy, carrying amounts and fair values of financial instruments are as follows :

		As at June 28, 2015		As at June 29, 2014	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
LOANS AND RECEIVABLES					
Cash	2	**$ 13,487**	**$ 13,487**	$ 26,480	$ 26,480
Trade and other receivables	3	**362,941**	**362,941**	356,730	356,730
Loans and advances	3	**7,320**	**7,320**	11,405	11,405
AVAILABLE FOR SALE					
Investment in common shares	3	**1,089**	**1,089**	—	—
FINANCIAL ASSETS AT FAIR VALUE					
Derivative financial instruments [(a)]	2	**5,127**	**5,127**	—	—
OTHER FINANCIAL LIABILITIES					
Bank loans	2	**1,275**	**1,275**	1,760	1,760
Trade and other payables [(b)]	2	**519,279**	**519,279**	513,109	513,109
Dividends payable	2	**2,264**	**2,264**	2,264	2,264
Debentures	2	**116,564**	**120,229**	116,414	120,325
Credit facility	2	**175,955**	**175,955**	87,100	87,100
Mortgage loans and balances of purchase prices	2	**8,724**	**7,823**	6,342	6,045
FINANCIAL LIABILITIES AT FAIR VALUE					
Derivative financial instruments designated as cash flow hedges	2	**6,784**	**6,784**	1,275	1,275
Derivative financial instruments that do not qualify for hedge accounting	2	**2,349**	**2,349**	—	—
OTHER LIABILITIES					
Obligations under finance leases	2	**$ 242**	**$ 242**	$ 450	$ 450

(a) Includes derivative financial instruments designated as cash flow hedges and derivative financial instruments that do not qualify for hedge accounting
(b) Includes trade accounts payable, accrued liabilities and certain payroll-related liabilities

FAIR VALUE HIERARCHY

The Corporation uses primarily the market approach for recurring fair value measurements of its financial instruments recognized at fair value. The three levels of inputs used for fair value measurements are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Unaudited and in thousands of Canadian dollars, except shares and per share amounts)

12. SEGMENT INFORMATION

		Second quarter					
		2015			2014		
	Notes	**Retail**	**Distribution**	**Total**	Retail	Distribution	Total
Segment revenues		**$ 919,591**	**$ 722,087**	**$ 1,641,678**	$ 865,023	$ 685,011	$ 1,550,034
Intersegment revenues and royalties		**84**	**378,126**	**378,210**	3,111	353,380	356,491
Revenues from external customers		**919,507**	**343,961**	**1,263,468**	861,912	331,631	1,193,543
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges		**82,103**	**14,797**	**96,900**	77,191	11,882	89,073
Restructuring costs and other charges	*3.4*	**(182)**	**—**	**(182)**	849	—	849
Earnings before interest, taxes, depreciation, amortization and impairment of non-financial assets		**82,285**	**14,797**	**97,082**	76,342	11,882	88,224
Depreciation, amortization and impairment of non-financial assets	*3.2*			**21,097**			21,697
Operating income				**75,985**			66,527
Finance costs				**5,524**			4,638
Income before income taxes				**$ 70,461**			$ 61,889

		Year-to-date					
		2015			2014		
	Notes	**Retail**	**Distribution**	**Total**	Retail	Distribution	Total
Segment revenues		**$ 1,448,552**	**$ 1,251,500**	**$ 2,700,052**	$ 1,366,067	$ 1,216,861	$ 2,582,928
Intersegment revenues and royalties		**1,234**	**656,580**	**657,814**	5,629	619,464	625,093
Revenues from external customers		**1,447,318**	**594,920**	**2,042,238**	1,360,438	597,397	1,957,835
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges		**85,850**	**23,245**	**109,095**	75,022	24,055	99,077
Restructuring costs and other charges	*3.4*	**(108)**	**—**	**(108)**	2,980	—	2,980
Earnings before interest, taxes, depreciation, amortization and impairment of non-financial assets		**85,958**	**23,245**	**109,203**	72,042	24,055	96,097
Depreciation, amortization and impairment of non-financial assets	*3.2*			**42,344**			45,071
Operating income				**66,859**			51,026
Finance costs				**9,620**			9,095
Income before income taxes				**$ 57,239**			$ 41,931

13. NET INCOME PER SHARE

The table below shows the calculation of basic and diluted net income per share :

	Second quarter		Year-to-date	
	2015	2014	**2015**	2014
Net income attributable to owners of RONA inc.	**$ 52,210**	$ 44,331	**$ 42,822**	$ 30,066
Dividends on preferred shares, including taxes	**(2,340)**	(2,369)	**(4,657)**	(4,633)
Net income attributable to participating shares	**$ 49,870**	$ 41,962	**$ 38,165**	$ 25,433
Number of shares (in units):				
Weighted average number of shares used to compute basic net income per share attributable to owners of RONA inc.	**108,040,219**	119,501,821	**109,100,065**	119,975,251
Dilutive effect [(a)]	**430,919**	36,287	**341,312**	49,539
Weighted average number of shares used to compute diluted net income per share attributable to owners of RONA inc.	**108,471,138**	119,538,108	**109,441,377**	120,024,790
Basic and diluted net income per share attributable to owners of RONA inc.	**$ 0.46**	$ 0.35	**$ 0.35**	$ 0.21

[(a)] As at June 28, 2015, 486,575 stock options (1,485,935 options in 2014) were excluded from the calculation of diluted net income per share attributable to owners of RONA inc. since these options have anti-dilutive effect.

14. RELATED PARTY TRANSACTIONS

On December 29, 2014, the Corporation acquired for a consideration of $19,221 all the remaining non-controlling interests of a subsidiary, which is specialized in the sale of lumber and building materials to contractors operating in the retail segment. This transaction resulted in a $16,568 decrease in non-controlling interests and the excess of purchase price over net book value acquired of $2,653 was recorded against retained earnings. The balance of purchase price of $1,870 is included in installments on long-term debt.

15. EVENT AFTER THE REPORTING PERIOD

On July 15, 2015, the Corporation signed a letter of intent for the acquisition of the 20 franchised stores in its network. The closing of this transaction is conditional on the results of a due diligence review of the business of each of the stores, subject to the approval by the Board of Directors as well as customary regulatory approvals.

This transaction is in line with the ongoing recovery and banner repositioning plan launched by the Corporation over a year ago. The consolidation of these stores will also simplify the current business model while allowing the Corporation to focus on the sales of independent dealers and the network of corporate stores. The Corporation will finance this acquisition from its available cash and existing credit facility.