THIRD QUARTER

2015

RONA

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

RONA

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

For the 13 and 39-week periods ended September 27, 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 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[1];
- 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)[1];
- Wholesale sales generated by affiliate dealer-owned stores;
- Installation services and delivery of goods.

(1) See Note 6 *Business Combination and event after the reporting period* in the interim consolidated financial statements for more information.

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 39-week periods ended September 27, 2015 and September 28, 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 net 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 third quarters of 2015 and 2014 and for the first nine months of 2015 and 2014.

Reconciliation of net income to EBITDA and adjusted EBITDA

(in thousands of Canadian dollars)	Third quarter 2015	Third quarter 2014	Third quarter Change $	First nine months 2015	First nine months 2014	First nine months Change $
Net income	**8,615**	41,486	(32,871)	**51,344**	72,201	(20,857)
Finance costs	**7,382**	3,800	3,582	**17,002**	12,895	4,107
Depreciation, amortization and impairment of non-financial assets	**21,864**	23,292	(1,428)	**64,208**	68,363	(4,155)
Income tax expense	**6,213**	15,150	(8,937)	**20,723**	26,366	(5,643)
EBITDA	**44,074**	83,728	(39,654)	**153,277**	179,825	(26,548)
Acquisition of franchisees, restructuring costs and other charges (1)	**45,966**	77	45,889	**45,858**	3,057	42,801
Adjusted EBITDA	**90,040**	83,805	6,235	**199,135**	182,882	16,253

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

Most of the adjustments to EBITDA presented in the above table are related to the acquisition of the 20 franchised stores. In accordance with accounting standards, RONA recorded a one-time pre-tax expense in the amount of $48.5 million as part of the overall consideration of $193 million for the acquisition, to account for the settlement of a pre-existing relationship between the Corporation and the sellers.

The tables below summarize the impact of each adjustment on non-IFRS performance measures for the third quarters of 2015 and 2014 as well as the first nine 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 third quarters of 2015 and 2014 as well as the first nine months of 2015 and 2014.

RECONCILIATION OF ADJUSTMENTS – THIRD QUARTER OF 2015

(in thousands of Canadian dollars, unless otherwise indicated)	Quarter ended September 27, 2015	Acquisition of franchisees, restructuring costs, impairment of non-financial assets and other charges (1)	Adjusted quarter ended September 27, 2015
Gross margin	**309,191**	—	**309,191**
Selling, general and administrative expenses	**265,117**	45,966	**219,151**
EBITDA	**44,074**	(45,966)	**90,040**
Depreciation, amortization and impairment of non-financial assets	**21,864**	—	**21,864**
Finance costs	**7,382**	316	**7,066**
Income before income taxes	**14,828**	(46,282)	**61,110**
Income tax expense	**6,213**	(9,576)	**15,789**
Non-controlling interests	**130**	—	**130**
Net income attributable to owners of RONA inc.	**8,485**	(36,706)	**45,191**
Dividends on preferred shares	**2,298**	—	**2,298**
Net income attributable to participating shares	**6,187**	(36,706)	**42,893**
Basic and diluted net income per share (in dollars)	**0.06**	(0.34)	**0.40**
Weighted average number of shares outstanding (in thousands)	**108,247**	108,247	**108,247**

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

RECONCILIATION OF ADJUSTMENTS – THIRD QUARTER OF 2014

(in thousands of Canadian dollars, unless otherwise indicated)	Quarter ended September 28, 2014	Restructuring costs, impairment of non-financial assets and other charges (1)	Adjusted quarter ended September 28, 2014
Gross margin	**294,354**	—	**294,354**
Selling, general and administrative expenses	**210,626**	77	**210,549**
EBITDA	**83,728**	(77)	**83,805**
Depreciation, amortization and impairment of non-financial assets	**23,292**	20	**23,272**
Finance costs	**3,800**	531	**3,269**
Income before income taxes	**56,636**	(628)	**57,264**
Income tax expense	**15,150**	(168)	**15,318**
Non-controlling interests	**1,145**	—	**1,145**
Net income attributable to owners of RONA inc.	**40,341**	(460)	**40,801**
Dividends on preferred shares	**2,317**	—	**2,317**
Net income attributable to participating shares	**38,024**	(460)	**38,484**
Basic and diluted net income per share (in dollars)	**0.32**	(0.01)	**0.33**
Weighted average number of shares outstanding (in thousands)	**117,990**	117,990	**117,990**

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

RECONCILIATION OF ADJUSTMENTS – FIRST NINE MONTHS OF 2015

(in thousands of Canadian dollars, unless otherwise indicated)	Nine months ended September 27, 2015	Acquisition of franchisees, restructuring costs, impairment of non-financial assets and other charges (1)	Adjusted nine months ended September 27, 2015
Gross margin	**846,380**	—	**846,380**
Selling, general and administrative expenses	**693,103**	45,858	**647,245**
EBITDA	**153,277**	(45,858)	**199,135**
Depreciation, amortization and impairment of non-financial assets	**64,208**	—	**64,208**
Finance costs	**17,002**	1,255	**15,747**
Income before income taxes	**72,067**	(47,113)	**119,180**
Income tax expense	**20,723**	(9,787)	**30,510**
Non-controlling interests	**37**	—	**37**
Net income attributable to owners of RONA inc.	**51,307**	(37,326)	**88,633**
Dividends on preferred shares	**6,955**	—	**6,955**
Net income attributable to participating shares	**44,352**	(37,326)	**81,678**
Basic and diluted net income per share (in dollars)	**0.41**	(0.34)	**0.75**
Weighted average number of shares outstanding (in thousands)	**109,043**	109,043	**109,043**

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

RECONCILIATION OF ADJUSTMENTS – FIRST NINE MONTHS OF 2014

(in thousands of Canadian dollars, unless otherwise indicated)	Nine months ended September 28, 2014	Restructuring costs, impairment of non-financial assets and other charges (1)	Adjusted nine months ended September 28, 2014
Gross margin	**804,350**	—	**804,350**
Selling, general and administrative expenses	**624,525**	3,057	**621,468**
EBITDA	**179,825**	(3,057)	**182,882**
Depreciation, amortization and impairment of non-financial assets	**68,363**	(1,363)	**69,726**
Finance costs	**12,895**	1,877	**11,018**
Income before income taxes	**98,567**	(3,571)	**102,138**
Income tax expense	**26,366**	(955)	**27,321**
Non-controlling interests	**1,794**	—	**1,794**
Net income attributable to owners of RONA inc.	**70,407**	(2,616)	**73,023**
Dividends on preferred shares	**6,950**	—	**6,950**
Net income attributable to participating shares	**63,457**	(2,616)	**66,073**
Basic and diluted net income per share (in dollars)	**0.53**	(0.02)	**0.55**
Weighted average number of shares outstanding (in thousands)	**119,329**	119,329	**119,329**

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for 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 do so, RONA has focused on increasing traffic in the stores thereby generating higher sales per store. For five consecutive quarters, RONA has posted growth in same-store sales, despite a slowing economy, ongoing competition and difficult market conditions in some regions. RONA attributes this growth to the successful implementation of initiatives introduced since last year, namely improving its merchandising strategy for contractors and affiliated stores, the introduction of new products, the repositioning of its banners and seasonal products made available earlier in the season.

Following the repositioning of its Réno-Dépôt and TOTEM banners, completed in 2014, RONA is continuing in 2015 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 achieve this. To this end, RONA has:

1. Disposed of most of its truss, trimmings and moldings and stairways manufacturing plants;
2. Repositioned and integrated the Coupal banner into the Marcil banner. The repositioning of the 17 stores provides consumers access to new retail sales points for low-cost home renovation products;
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 to provide customers with a renewed product offering, which requires changes to products in inventory.
5. In the third and fourth quarters, completed the acquisition of all 20 franchised stores in its network, comprising 17 big-box stores and three proximity stores. Consolidating these stores simplifies RONA's business model by placing the focus on sales to our independent dealers who have over 275 affiliate stores across Canada, and to our corporate store network of more than 225 stores. The number of corporate big-box stores in Québec rose from 11 to 26, in addition to the 17 Réno-Dépôt stores. The network of 79 big-box stores across Canada is now wholly owned by RONA.

   The acquired franchised stores, of which 18 are in Québec and two in Ontario, generate more than $500 million in retail sales annually. Before the transaction, these stores generated annual revenues of about $350 million in the distribution segment. The overall consideration, prior to working capital adjustments, for the acquisition is $193 million. In accordance with accounting standards, RONA recorded a one-time pre-tax expense in the amount of $48.5 million as part of the overall consideration for the acquisition to account for the settlement of a pre-existing relationship between the Corporation and the sellers. Simultaneously, RONA will receive $19 million for its economic interest in three legal entities that held the assets purchased. This transaction will increase RONA's EBITDA by $18.0 million per year.

These initiatives grew the return on capital from 4.0% in the first quarter of 2014 to 6.6% in the third quarter of 2015. Furthermore, each of these initiatives are a step further in achieving our return on capital objective. Although the costs of some 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:

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)	Third Quarter 2015 (1)
Same-store sales (Retail)	(3.4 %)	(0.7 %)	**2.0 %**	6.0 %	5.0 %	5.4 %	**1.1 %**
Organic change							
Consolidated revenues	(34,201)	(6,655)	**46,283**	53,364	24,926	75,545	**(6 798)** (2)
Consolidated gross margin	(15,014)	(2,949)	**4,864**	16,141	13,916	17,376	**15,695**
Adjusted selling, general and administrative expenses	(18,086)	(7,971)	**(6,531)**	5,743	8,643	4,458	**7,003**
Adjusted EBITDA	3,072	5,022	**11,395**	10,398	5,273	12,918	**8,692**
Consolidated change							
Adjusted selling, general and administrative expenses (in basis points)	(200)	(140)	**(170)**	(160)	70	(40)	**91**
As a percentage of sales	24.7	18.6	**18.0**	21.6	25.4	18.2	**19.0**
Adjusted EBITDA (in basis points)	110	140	**110**	160	30	21	**61**
As a percentage of sales	1.3	7.5	**7.2**	5.4	1.6	7.7	**7.8**

(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.

(2) Including the slowdown in purchases by the 20 franchised stores during the quarter over the course of the transaction.

Value drivers quarter on quarter (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	Third Quarter 2015
Adjusted net income (loss) per share	(0.12)	0.35	**0.33**	0.15	(0.10)	0.46	**0.40**
Difference in adjusted net income per share (year-over-year change)	0.03	0.07	**0.08**	0.11	0.02	0.11	**0.07**
Change in % (year-over-year)	20.0	25.0	**32.0**	275.0	16.7	31.4	**21.2**
Adjusted net operating income after tax (1)	77	86	**95**	103	106	115	**122**
Average capital	1,917	1,888	**1,854**	1,854	1,869	1,848	**1,846**
Return on capital in %	4.0	4.6	**5.1**	5.6	5.7	6.2	**6.6**
Growth in basis points (year-over-year)	(50)	70	**130**	210	170	160	**150**

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

CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2015

Unless otherwise indicated, the results analyzed in this section are for the 13- and 39-week periods ended September 27, 2015 and, when compared, are compared to the results for the 13- and 39-week periods ended September 28, 2014.

ECONOMIC ENVIRONMENT

Key statistics on the renovation and construction industry

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

	Third quarter			First nine 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	(25.5%)	(0.1%)	8.6%	(16.4%)	0.4%	10.2%
British-Columbia	*0.2%*	*17.6%*	*9.0%*	*8.2%*	*21.1%*	*10.4%*
Alberta	*(35.2%)*	*(19.0%)*	*(2.2%)*	*(23.6%)*	*(20.7%)*	*(1.5%)*
Saskatchewan / Manitoba	*(33.8%)*	*(5.4%)*	*0.9%*	*(31.3%)*	*(5.5%)*	*0.5%*
Ontario	10.0%	5.4%	8.2%	5.1%	9.7%	8.0%
Québec	(7.3%)	1.9%	2.7%	(13.0%)	4.9%	1.8%
Atlantic provinces	5.1%	(0.8%)	2.0%	(9.2%)	(0.1%)	1.1%
Total – Canada	(9.4%)	2.5%	8.0%	(7.8%)	5.0%	8.3%

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 third quarter of 2015, the only negative Canadian indicator was single-family housing starts, which was down 9.4% compared to the same period of 2014. Québec was down 7.3% and Western Canada 25.5%. For the third consecutive quarter, housing starts in Alberta were down sharply (35.2%) in the third quarter due to a weaker economy as a result of the worldwide decline in crude oil prices. Ontario's monthly housing starts indicator has been climbing since April, with 10.0% growth in the third quarter on the strength of its manufacturing sector, which has benefited from the depreciation of the Canadian dollar, falling oil prices and favourable interest rates. Data from the Atlantic provinces, Saskatchewan and Manitoba is not discussed in this section given its marginal impact on RONA's results.

The trend was the same over the first nine months of the fiscal year, with housing starts down 7.8% in Canada, 13.0% in Québec and 16.4% in Western Canada. The latter decline was primarily due to the slowdown in Alberta (23.6%), partially offset by an 8.2% increase in British Columbia. In Ontario, housing starts were up 5.1% for the first nine months.

The number of home resales in Canada rose 2.5% in the third quarter of 2015. Québec and Ontario benefited more from the current economic conditions, posting increases of 1.9% and 5.4% respectively. Western Canada remained stable compared to the same period in 2014 (-0.1%), despite a significant slowdown in the oil-producing regions. Here again, British Columbia led the provinces in Western Canada, where home resales increased 17.6%, compared to a 19.0% decline in Alberta.

The trend was the same in the first nine months of fiscal 2015, with home resales rising 5.0% in Canada and up strongly in Québec (4.9%) and Ontario (9.7%). Western Canada, with 0.4% growth, was led by British Columbia, which was up 21.1%, in contrast to Alberta, which was down 20.7%.

For the country as a whole, the average selling price of homes increased by 8.0% in the third quarter of 2015. The strongest price growth, 8.6%, was recorded in Western Canada, while in Québec and Ontario prices rose 2.7% and 8.2%, respectively. The same trend was noted for the first nine months of the fiscal year, during which the average selling price of Canadian homes rose 8.3%.

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.

	Third quarter						First nine months					
			Change		Weighting				Change		Weighting	
(in thousands of Canadian dollars)	**2015**	2014	$	%	% 2015	% 2014	**2015**	2014	$	%	% 2015	% 2014
Segment revenues												
Retail	**856,286**	847,254	9,032	1.1	58	57	**2,304,838**	2,213,321	91,517	4.1	55	54
Distribution	**626,935**	639,968	(13,033)	(2.0)	42	43	**1,878,435**	1,856,829	21,606	1.2	45	46
Total	**1,483,221**	1,487,222	(4,001)	(0.3)	100	100	**4,183,273**	4,070,150	113,123	2.8	100	100
Intersegment revenues and royalties												
Retail	**126**	(2,106)	2,232	106.0	-	1	**(1,108)**	(7,735)	6,627	85.7	-	1
Distribution	**(327,124)**	(317,855)	(9,269)	(2.9)	100	99	**(983,704)**	(937,319)	(46,385)	(4.9)	100	99
Total	**(326,998)**	(319,961)	(7,037)	(2.2)	100	100	**(984,812)**	(945,054)	(39,758)	(4.2)	100	100
Revenues from external clients												
Retail	**856,412**	845,148	11,264	1.3	74	72	**2,303,730**	2,205,586	98,144	4.4	72	71
Distribution	**299,811**	322,113	(22,302)	(6.9)	26	28	**894,731**	919,510	(24,779)	(2.7)	28	29
Total	**1,156,223**	1,167,261	(11,038)	(0.9)	100	100	**3,198,461**	3,125,096	73,365	2.3	100	100

Variance analysis – Consolidated revenues from external customers

(in thousands of Canadian dollars)	Third quarter		First nine months	
Consolidated revenues – 2014	1,167,261		3,125,096	
New stores and acquisitions, net of disposals	14,009	(11,038)	28,120	73,365
Closed stores	(11,887)		(22,940)	
Recruitment, net of dealer-owner closures and departures	(6,362)		(24,927)	
Organic change	(6,798)		93,112	
Consolidated revenues – 2015	1,156,223		3,198,461	

Third quarter:

Consolidated segment revenues were $1,483.2 million in 2015, down $4.0 million or 0.3% from $1,487.2 million in 2014. After intersegment eliminations of $327.0 million in 2015 and $320.0 million in 2014, which were primarily revenues from distribution to RONA's corporate store network, revenues were $1,156.2 million in 2015 compared to $1,167.3 million in 2014. The decrease of $11.0 million (-0.9%) stems from a decrease of $22.3 million (-6.9%) in the distribution segment, offset by an increase of $11.3 million (+1.3%) in the retail segment. The weighting of the retail segment rose for the fourth consecutive quarter, from 72% to 74%, up 2% from the same quarter of 2014, while the weighting of the distribution segment fell from 28% in 2014 to 26% in 2015. This increase had a positive impact on the Corporation's overall profitability, since the gross margins in the retail segment are higher than in the distribution segment.

The retail network's development activities (i.e. new store openings and acquisitions, net of disposals) added $14.0 million to consolidated revenues in 2015. The increase stems from an addition of $20.0 million for acquisitions and new store openings, which was offset by total disposals of $6.0 million. Closed stores represented an $11.9 million decrease in revenues. Lastly, recruitment, net of dealer-owner closures and departures, represented a $6.4 million decrease in revenues. A significant portion of the decrease results from the acquisition by RONA of a dealer-owner store earlier this year, which had a positive impact on retail segment revenues from acquisitions, accounted for in the above variance analysis under "New stores and acquisitions, net of disposals."

Excluding these items, third-quarter organic revenues were down $6.8 million. This decline stems from a $15.9 million decrease in distribution revenues; over 50% of the decrease is due to a slowdown in purchases by the 20 franchised stores after the execution of the Letter of Intention in July 2015, offset by a $9.1 million, or 1.1%, increase in same-store sales in the retail segment. Given the challenging market and difficult economic conditions in some regions, 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. With the exception of the Atlantic provinces and Alberta, all provinces had positive same-store sales in the retail segment.

First nine months:

Consolidated segment revenues were $4,183.3 million in 2015, up $113.1 million or 2.8% from $4,070.2 million in 2014. After intersegment eliminations of $984.8 million in 2015 ($945.1 million in 2014), which were primarily revenues from distribution to RONA's corporate store network, revenues were $3,198.5 million in 2015 compared to $3,125.1 million in 2014. The increase of $73.4 million (+2.3%) stems from an increase of $98.1 million (+4.4%) in the retail segment and a decrease of $24.8 million (-2.7%) in the distribution segment. The weighting of the retail segment rose 1% from last year, from 71% to 72%, while the weighting of the distribution segment fell by the same amount, from 29% in 2014 to 28% in 2015. This change had a positive impact on the Corporation's overall profitability, since the gross margins in the retail segment are 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 $28.1 million in 2015. This increase is due to a $43.7 million contribution to acquisitions and new store openings, which were offset by total disposals of $15.6 million. Closed stores represented a $22.9 million decrease in revenues. Lastly, recruitment, net of dealer-owner closures and departures, represented a $24.9 million decline in revenues. A portion of the decrease results from the acquisition by RONA of a dealer-owner store earlier this year, which had a positive impact on retail segment revenues from acquisitions, accounted for in the above variance analysis under "New stores and acquisitions, net of disposals."

Excluding all these items, organic revenues grew by $93.1 million in 2015. Almost all of this increase was fueled by higher same-store sales in the retail segment. This increase was due to the success of initiatives taken last year to improve our merchandising strategy for contractors, introduce new products, reposition our banners, and make 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

	Third quarter				First nine months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Gross margin	**309,191**	294,354	14,837	5.0	**846,380**	804,350	42,030	5.2
Gross margin / Revenues (%)	**26.74**	25.22			**26.46**	25.74		

Variance analysis – Gross margin

(in thousands of Canadian dollars)	Third quarter		First nine months	
Gross margin – 2014	294,354		804,350	
New stores and acquisitions, net of disposals	2,483	14,837	2,531	42,030
Closed stores	(2,425)		(5,572)	
Recruitment, net of dealer-owner closures and departures	(916)		(3,741)	
Organic change	15,695		48,812	
Gross margin – 2015	**309,191**		**846,380**	

Third quarter:

Gross margin was $309.2 million in 2015, up $14.8 million or 5.0% from $294.4 million in 2014. The gross margin as a percent of sales rose 152 basis points, from 25.22% in 2014 to 26.74% in 2015. The improved margin stems mainly from the 2% increase in the retail-segment weighting, which has a higher gross margin than distribution in the composition of its consolidated revenues, from higher sales in product categories that generate higher margins, and from better management of contractor programs. These gains were partly counteracted by clearance sales in certain categories as part of efforts to optimize product selection in our store network, as well as banner repositioning.

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 $2.4 million, but also contributed to a decrease in operating costs. Lastly, recruitment, net of dealer-owner closures and departures, represented a decrease of $0.9 million.

Organic gross margin rose $15.7 million in 2015, due to positive same-store sales in the retail segment where margins are higher than those in the distribution segment. The distribution segment contributed positively to organic gross margin in the third quarter, stemming from higher sales of products with higher margins, an increase in overseas procurement through our Hong Kong office and the positive change in the volume discount from suppliers.

First nine months:

Gross margin amounted to $846.4 million in the first nine months of 2015, up $42.0 million or 5.2% from the $804.4 million posted in 2014. Gross margin as a percentage of sales rose 72 basis points, from 25.74% in 2014 to 26.46% in 2015, due to benefits of the merchandising strategy and higher revenues in the retail segment, whose weighting rose from 71% of total sales in 2014 to 72% in 2015, generating higher gross margins.

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 $5.6 million, but also reduced operating costs. Lastly, recruitment, net of dealer-owner closures and departures, represented a decrease of $3.7 million.

Excluding all these items, the organic adjusted gross margin increased $48.8 million in 2015. This increase was mainly due to a $93.1 million increase in organic sales, almost all of it in the retail segment, resulting in higher margins than those in the distribution segment.

CONSOLIDATED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses	Third quarter				First nine months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Selling, general and administrative expenses	**265,117**	210,626	54,491	25.9	**693,103**	624,525	68,578	11.0
Acquisition of franchisees, restructuring costs and other charges (1)	**45,966**	77	45,889	-	**45,858**	3,057	42,801	-
Adjusted selling, general and administrative expenses	**219,151**	210,549	8,602	4.1	**647,245**	621,468	25,777	4.1
Adjusted selling, general and administrative expenses / Revenues	**18.95**	18.04			**20.24**	19.89		

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

Variance analysis – Adjusted selling, general and administrative expenses

(in thousands of Canadian dollars)	Third quarter		First nine months	
Adjusted selling, general and administrative expenses - 2014	210,549		621,468	
New stores and acquisitions, net of disposals	3,577		9,096	
Closed stores	(2,651)		(4,834)	
Recruitment, net of dealer-owner closures and departures	(542)	8,602	(2,360)	25,777
Change in net gains on disposal of assets and business acquisition	1,215		2,219	
Organic change	7,003		21,656	
Adjusted selling, general and administrative expenses – 2015	**219,151**		**647,245**	

Third quarter:

Selling, general and administrative expenses amounted to $265.1 million in the third quarter of 2015, up $54.5 million over $210.6 million for the same period in 2014. In the third quarter of 2015, the Corporation recorded adjustments of $46.0 million mainly related to the acquisition of the 20 franchised stores. Excluding these adjustments, selling, general and administrative expenses for the third quarter of 2015 rose $8.6 million, or 4.1%, compared to the same period of 2014.

Retail network development activities (i.e. new store openings and acquisitions, net of disposals) added $3.6 million to adjusted selling, general and administrative expenses in 2015. The stores closed last year and this year represented a $2.7 million reduction in adjusted selling, general and administrative expenses. Recruitment, net of dealer-owner closures and departures, represented a $0.5 million decrease in operating expenses, while the change in net gains on disposal of assets and business acquisition had a $1.2 million impact on operating expenses. Lastly, the organic change in adjusted selling, general and administrative expenses grew $7.0 million in 2015. Management of in-store operating expenses remains tightly controlled, with almost the entire increase arising from marketing and other expenses.

First nine months:

Selling, general and administrative expenses amounted to $693.1 million in the first nine months of 2015, up $68.6 million over the $624.5 million for the same period in 2014. In the first nine months of 2015, the Corporation recorded adjustments of $45.9 million basically related to the acquisition of the franchisees, while in the same period in 2014, adjustments represented $3.1 million. Excluding these adjustments, selling, general and administrative expenses for the first nine months of 2015 rose $25.8 million, or 4.1%, compared to the same period in 2014.

Retail network development activities (i.e. new store openings and acquisitions, net of disposals) added $9.1 million to adjusted selling, general and administrative expenses in 2015. The stores closed last year and this year represented a $4.8 million reduction in adjusted selling, general and administrative expenses. Recruitment, net of dealer-owner closures and departures, represented a $2.4 million decrease in operating expenses, while the change in net gains on disposal of assets and business acquisition had a $2.2 million negative impact on operating expenses. Lastly, the organic change in adjusted selling, general and administrative expenses was up $21.7 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.

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

Reconciliation of EBITDA and adjusted EBITDA

	Third quarter				First nine months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
EBITDA	**44,074**	83,728	(39,654)	(47.4)	**153,277**	179,825	(26,548)	(14.8)
EBITDA margin (%)	**3.81**	7.17			**4.79**	5.75		
Acquisition of franchisees, restructuring costs and other charges [1]	**(45,966)**	(77)	(45,889)	-	**(45,858)**	(3,057)	(42,801)	-
Adjusted EBITDA	**90,040**	83,805	6,235	7.4	**199,135**	182,882	16,253	8.9
Adjusted EBITDA margin (%)	**7.79**	7.18			**6.23**	5.85		

[1] See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

Variance analysis – adjusted EBITDA

(in thousands of Canadian dollars)	Third quarter		First nine months	
Adjusted EBITDA - 2014	83,805		182,882	
New stores and acquisitions, net of disposals	(1,094)		(6,565)	
Change in net gains on disposal of assets and business acquisition	(1,215)		(2,219)	
Closed stores	226	6,235	(738)	16,253
Recruitment, net of dealer-owner closures and departures	(374)		(1,381)	
Organic change	8,692		27,156	
Adjusted EBITDA - 2015	**90,040**		**199,135**	

Third quarter:

For the third quarter of 2015, EBITDA amounted to $44.1 million, down $39.7 million from $83.7 million in 2014. In 2015, adjustments amounted to $46.0 million, almost entirely related to the acquisition of the 20 franchised stores. For the same period in fiscal 2014, the Corporation recorded adjustments of $0.1 million. Excluding these adjustments, EBITDA amounted to $90.0 million, up $6.2 million from the $83.8 million recorded for the same period in 2014. The adjusted EBITDA margin rose from 7.18% in 2014 to 7.79% in 2015, an increase of 61 basis points.

Retail segment development activities had a negative impact of $1.1 million on adjusted EBITDA in 2015. Net gains on disposal of assets and business acquisition represented a $1.2 million decrease in adjusted EBITDA in 2015. Closed stores led to an increase of $0.2 million and recruitment, net of dealer-owner closures and departures, reduced adjusted EBITDA by $0.4 million. RONA's organic operations contributed to an $8.7 million increase in adjusted EBITDA in 2015. This organic growth was mainly due to an increase in same-store sales, which raised the organic gross margin by $15.7 million, offset by an increase of $7.0 million in organic selling, general and administrative expenses.

First nine months:

For the first nine months of 2015, EBITDA was $153.3 million, down $26.5 million from the $179.8 million posted in 2014. In 2015, adjustments amounted to $45.9 million, almost entirely related to acquisition of the 20 franchised stores. The Corporation recorded adjustments of $3.1 million for the same period in 2014. Excluding these adjustments, EBITDA amounted to $199.1 million, up $16.3 million from the $182.9 million recorded for the same period in 2014. The adjusted EBITDA margin rose from 5.85% in 2014 to 6.23% in 2015, up 38 basis points.

Retail segment development activities had a negative impact of $6.6 million on adjusted EBITDA in 2015. The change in net gains on disposal of assets and business acquisition represented a $2.2 million decrease in adjusted EBITDA in 2015. Closed stores resulted in a decline of $0.7 million in adjusted EBITDA and recruitment, net of dealer-owner closures and departures, reduced adjusted EBITDA by $1.4 million. RONA's current operations contributed to a $27.2 million increase in adjusted EBITDA in 2015. This organic growth stemmed mainly from the increase in organic sales, which raised the gross margin by $48.8 million, offset by an increase of $21.7 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

	Third quarter				First nine months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Finance costs	**7,382**	3,800	3,582	94.3	**17,002**	12,895	4,107	31.8
Accretion expense on onerous contracts [1]	**316**	531	(215)	(40.5)	**1,255**	1,877	(622)	(33.1)
Adjusted finance costs	**7,066**	3,269	3,797	116.2	**15,747**	11,018	4,729	42.9
Depreciation, amortization and impairment of non-financial assets	**21,864**	23,292	(1,428)	(6.1)	**64,208**	68,363	(4,155)	(6.1)
Impairment of non-financial assets [1]	**—**	20	(20)	(100.0)	**—**	(1,363)	1,363	100.0
Adjusted depreciation, amortization and impairment of non-financial assets	**21,864**	23,272	(1,408)	(6.1)	**64,208**	69,726	(5,518)	(7.9)

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

Third quarter:

Finance costs were $7.4 million in 2015, up $3.6 million from $3.8 million in 2014, mainly due to the variance in the fair value of financial instruments, and, to a lesser extent, greater use of the credit facility following share repurchases in the normal course of business. Accretion expense on onerous contracts raised the finance costs by $0.3 million in 2015. Adjusted finance costs thus amounted to $7.1 million in 2015, up $3.8 million.

Depreciation, amortization and impairment of non-financial assets was $21.9 million in 2015, down $1.4 million from $23.3 million 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.

First nine months:

Finance costs amounted to $17.0 million in 2015, up $4.1 million from $12.9 million in 2014, mainly due to the variance in the fair value of financial instruments, and, to a lesser extent, greater use of the credit facility following share repurchases in the normal course of business. Accretion expense on onerous contracts increased the finance costs by $1.3 million in 2015. Excluding these adjustments, finance costs amounted to $15.7 million in 2015, up $4.7 million from $11.0 million in 2014.

Depreciation, amortization and impairment of non-financial assets was $64.2 million in 2015, down $4.2 million from $68.4 million in 2014. Excluding adjustments related to impairment of non-financial assets, depreciation, amortization and impairment of non-financial assets was down $5.5 million from $69.7 million for the same period in 2014. This difference stems mainly from Réno-Dépôt's repositioning, which required the write-down of certain asset items in 2014.

CONSOLIDATED NET INCOME

Net income attributable to owners of RONA inc.

	Third quarter				First nine months			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Net income	**8,485**	40,341	(31,856)	(79.0)	**51,307**	70,407	(19,100)	(27.1)
Dividends on preferred shares, including taxes	**2,298**	2,317	(19)	(0.8)	**6,955**	6,950	5	0.1
Net income attributable to participating shares	**6,187**	38,024	(31,837)	(83.7)	**44,352**	63,457	(19,105)	(30.1)
Acquisition of franchisees, restructuring costs, impairment of non-financial assets and other charges, net of taxes	**(36,706)**	(460)	(36,246)	-	**(37,326)**	(2,616)	(34,710)	-
Adjusted net income attributable to participating shares	**42,893**	38,484	4,409	11.5	**81,678**	66,073	15,605	23.6

Net income per share attributable to owners of RONA inc.

	Third quarter				First nine months			
			Change				Change	
	2015	2014	$	%	**2015**	2014	$	%
Basic and diluted net income per share (in dollars)	**0.06**	0.32	(0.26)	(81.3)	**0.41**	0.53	(0.12)	(22.6)
Adjusted basic and diluted net income per share (in dollars)	**0.40**	0.33	0.07	21.2	**0.75**	0.55	0.20	36.4

Third quarter:

For the third quarter of 2015, the net income attributable to participating shares was $6.2 million, compared to a net income of $38.0 million in 2014, down $31.8 million. These results were affected by after-tax adjustments of $36.7 million in 2015 related to the acquisition of the 20 franchised stores.

Excluding the above mentioned adjustments, net income attributable to participating shares was $42.9 million in 2015, compared to $38.5 million for the same period in 2014. As noted in the EBITDA analysis section, this increase stems mainly from the higher gross margin due to the increase in organic sales and the higher weighting of retail segment sales. This increase had a positive impact on the Corporation's overall profitability because gross margins in the retail segment are higher than those in the distribution segment.

The adjusted basic and diluted net income per share attributable to the owners of RONA inc. was $0.40 compared to $0.33 in 2014, up 21.2%. The weighted average number of shares outstanding used to calculate the net income per share attributable to owners of RONA inc. decreased from 118.0 million shares in the third quarter of 2014 to 108.2 million shares in the third quarter of 2015, following share repurchases under the normal course issuer bids set up by the Corporation in November 2013 and 2014.

During the third quarter, the effective tax rate has been impacted by the acquisition of franchisees. The accounting for this transaction is based on the management best estimates and will be reviewed during the fourth quarter, including the tax impacts. The consolidated effective tax rate was 41.90% for the third quarter of 2015 compared to 26.75% in 2014.

First nine months:

For the first nine months of 2015, the net income attributable to participating shares was $44.4 million compared to $63.5 million in 2014, down $19.1 million. These results were affected by after-tax adjustments of $37.3 million in 2015 related to the acquisition of the 20 franchised stores and other adjustments of $2.6 million in 2014.

Excluding the above mentioned adjustments, the net income attributable to participating shares was $81.7 million in 2015, compared to $66.1 million for the same period in 2014, up $15.6 million or 23.6%. As noted in the EBITDA analysis above, this increase stems mainly from the higher gross margin due to the increase in organic sales and the higher weighting of retail segment sales. This increase had a positive impact on the Corporation's overall profitability because gross margins in the retail segment are higher than those in the distribution segment.

The basic and diluted net income per share attributable to owners of RONA inc. was $0.41, compared to $0.53 in 2014. The adjusted basic and diluted net income per share attributable to owners of RONA inc. was $0.75 in 2015, compared to $0.55 in 2014, up 36.4%. The weighted average number of shares outstanding used to calculate the net income per share attributable to owners of RONA inc. decreased from 119.3 million shares in the first nine months of 2014 to 109.0 million shares in the first nine months of 2015, following share repurchases 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 13- and 39-week periods ended September 27, 2015, which are compared to the 13- and 39-week periods ended September 28, 2014, unless otherwise indicated. RONA has two reportable segments: retail and distribution.

RETAIL SEGMENT

Retail segment results	**Third quarter**				**First nine months**			
			Change				Change	
(in thousands of Canadian dollars)	**2015**	2014	$	%	**2015**	2014	$	%
Revenues	**856,412**	845,148	11,264	1.3	**2,303,730**	2,205,586	98,144	4.4
EBITDA	**28,824**	72,372	(43,548)	(60.2)	**114,782**	144,414	(29,632)	(20.5)
EBITDA / Revenues (%)	**3.37**	8.56			**4.98**	6.55		
Acquisition of franchisees, restructuring costs and other charges [(1)]	**(45,966)**	(77)	(45,889)	-	**(45,858)**	(3,057)	(42,801)	-
Adjusted EBITDA	**74,790**	72,449	2,341	3.2	**160,640**	147,471	13,169	8.9
Adjusted EBITDA / Revenues (%)	**8.73**	8.57			**6.97**	6.69		

(1) See Note 3.4 *Acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs* to RONA's financial statements for details.

Variance analysis – Retail segment

(in thousands of Canadian dollars)	Third quarter				First nine months			
	Revenues		Adjusted EBITDA		Revenues		Adjusted EBITDA	
Results - 2014	845,148		72,449		2,205,586		147,471	
New stores and acquisitions, net of disposals	14,009		(1,094)		28,120		(6,565)	
Change in net gains on disposal of assets and business acquisition	—	11,264	(1,215)	2,341	—	98,144	(2,219)	13,169
Closed stores	(11,887)		226		(22,940)		(738)	
Comparable change	9,142		4,424		92,964		22,691	
Results - 2015	**856,412**		**74,790**		**2,303,730**		**160,640**	

Third quarter:

Retail segment revenues rose from $845.1 million in 2014 to $856.4 million in 2015, up $11.3 million or 1.3%, stemming from retail network development activities and to a 1.1% increase in same-store sales. Retail network development activities contributed $14.0 million to segment revenues, derived from $6.7 million for store acquisitions and $13.3 million from five store openings (three Réno-Dépôt stores, two of which opened outside Québec, in Alberta and Ontario, as well as two other stores, one in British Columbia and one in Nova Scotia), offset by disposals of $6.0 million, mainly the manufacturing plants. Closed stores reduced revenues by $11.9 million.

Same-store sales grew 1.1%, contributing $9.1 million to third-quarter results. As noted in the analysis of consolidated results, market conditions in Alberta were difficult, which had a direct impact on sales. In the other provinces, network revenues for same-store sales were all up over 2014 in the third quarter of 2015. The increase in same-store sales in British Columbia stems mainly from the successful retail merchandising and contractor strategies, combined with favourable economic conditions. The increase in Ontario is due to higher sales to contractors following improvements to the merchandising strategy designed specifically for them. Retail sales were also up in the third quarter, following our focus on operational improvements and promotional initiatives. In Québec, the increase in sales is largely due to the good performance of Réno-Dépôt. With the exception of the Atlantic region and the province of Alberta, the average basket has also risen throughout the network.

Retail segment EBITDA fell $43.5 million due to pre-tax adjustments of $45.9 million, primarily related to the acquisition of the 20 franchised stores. Considering the adjustments, segment adjusted EBITDA rose from $72.4 million in 2014 to $74.8 million in 2015, an increase of $2.3 million. The adjusted EBITDA margin grew 16 basis points, from 8.57% in 2014 to 8.73% in 2015.

Retail segment development activities had a negative impact of $1.1 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 $1.2 million and closed stores had a $0.2 million positive impact on EBITDA. Same-store growth in RONA's operations raised adjusted EBITDA by $4.4 million in 2015.

First nine months:

Segment revenues rose from $2,205.6 million in 2014 to $2,303.7 million in 2015, up $98.1 million or 4.4% mainly due to a 3.7% increase in same-store sales. More specifically, retail network development activities contributed $28.1 million to segment revenues in 2015, derived from $14.7 million for store acquisitions and $29.0 million for new store openings, offset by the impact on disposals of $15.6 million. Closed stores had a negative impact of $22.9 million. The segment's same-store sales increased revenues by $93.0 million.

EBITDA fell from $144.4 million to $114.8 million, down $29.6 million. In fiscal 2015, the Corporation recorded total adjustments of $45.9 million almost entirely related to the acquisition of the 20 franchised stores. For the same period in 2014, the Corporation recorded adjustments of $3.1 million. Excluding these adjustments, segment adjusted EBITDA rose from $147.5 million in 2014 to $160.6 million in 2015, an increase of 8.9%, which improved the adjusted EBITDA margin by 28 basis points, from 6.69% in 2014 to 6.97% in 2015.

Retail segment development activities had a negative impact of $6.6 million on adjusted EBITDA in 2015. Change in net gains on disposal of assets and business acquisition had a negative impact of $2.2 million on EBITDA in 2015 and closed stores represented a $0.7 million decrease in EBITDA. RONA's ongoing operations thus contributed $22.7 million to adjusted EBITDA in 2015.

DISTRIBUTION SEGMENT

Distribution segment results

(in thousands of Canadian dollars)	Third quarter 2015	2014	Change $	Change %	First nine months 2015	2014	Change $	Change %
Revenues	**299,811**	322,113	(22,302)	(6.9)	**894,731**	919,510	(24,779)	(2.7)
EBITDA	**15,250**	11,356	3,894	34.3	**38,495**	35,411	3,084	8.7
EBITDA / Revenues (%)	**5.09**	3.53			**4.30**	3.85		

Variance analysis – Distribution segment

(in thousands of Canadian dollars)	Third quarter Revenues		Third quarter EBITDA		First nine months Revenues		First nine months EBITDA	
Results - 2014	322,113		11,356		919,510		35,411	
Recruitment, net of dealer-owner closures and departures	(6,362)	(22,302)	(374)	3,894	(24,927)	(24,779)	(1,381)	3,084
Organic change	(15,940)		4,268		148		4,465	
Results - 2015	**299,811**		**15,250**		**894,731**		**38,495**	

Third quarter :

Distribution segment revenues fell from $322.1 million in 2014 to $299.8 million in 2015, down $22.3 million or 6.9%. The recruitment of new dealer-owners, net of closures and departures of existing dealer-owners, reduced revenues by $6.4 million; organic sales for the affiliated dealer network as a whole were down $15.9 million. The sales decrease stems mainly from the slowdown in purchases by the 20 franchised stores after the Letter of Intention was signed in July 2015.

Distribution segment EBITDA rose from $11.4 million in 2014 to $15.3 million in 2015. The EBITDA margin was up 156 basis points, from 3.53% in 2014 to 5.09% in 2015, driven by a higher volume of sales in products with higher margins, an increase in overseas procurement through our Hong Kong office and the positive change in volume discounts from suppliers.

First nine months :

As noted in the analysis of consolidated revenues, RONA acquired a dealer-owner in the first quarter of 2015; the financial impact of this acquisition was to decrease distribution sales and increase retail sales. Distribution segment revenues thus fell from $919.5 million in 2014 to $894.7 million in 2015, down $24.8 million. The decrease stems mainly from recruitment, existing dealer-owner closures and departures, which caused a decline of $24.9 million, offset by an increase of $0.1 million in organic sales. The organic change in the first nine months was also affected by the slowdown in purchases by the 20 franchised stores during the third quarter.

Distribution segment EBITDA rose from $35.4 million in 2014 to $38.5 million in 2015. Recruitment, net of dealer-owner closures and departures, lowered EBITDA by $1.4 million, and organic change increased segment EBITDA by $4.5 million. EBITDA margin was up 45 basis points, from 3.85% in 2014 to 4.30% in 2015. The increase stems from a higher volume of sales in products with higher margins, an increase in overseas procurement and the positive change in volume discounts from suppliers.

CASH FLOWS AND FINANCIAL POSITION
Main cash flows

(in thousands of Canadian dollars)	Third quarter 2015	2014	Change $	Change %	First nine months 2015	2014	Change $	Change %
Cash flows from operating activities excluding net change in working capital	**17,063**	71,514	(54,451)	(76.1)	**92,809**	137,135	(44,326)	(32.3)
Net change in working capital	**51,079**	(20,036)	71,115	354.9	**(2,975)**	(61,826)	58,851	95.2
Cash flows from operating activities	**68,142**	51,478	16,664	32.4	**89,834**	75,309	14,525	19.3
Maintenance investments in property, plant and equipment and intangible assets	**(11,510)**	(8,775)	(2,735)	(31.2)	**(24,492)**	(18,093)	(6,399)	(35.4)
Dividends on preferred shares	**(2,264)**	(2,264)	0	0.0	**(6,793)**	(6,811)	18	0.3
Free cash flow (1)	**54,368**	40,439	13,929	34.4	**58,549**	50,405	8,144	16.2
Growth investments in property, plant and equipment and intangible assets	**(5,632)**	(4,548)	(1,084)	(23.8)	**(25,212)**	(24,008)	(1,204)	(5.0)
Dividends on common shares	**(4,318)**	(8,215)	3,897	47.4	**(11,880)**	(16,644)	4,764	28.6
Share repurchase in the normal course of business	**(16,007)**	(35,177)	19,170	54.5	**(93,440)**	(61,385)	(32,055)	(52.2)
Debt change	**28,411**	(7,501)	35,912	478.8	**(71,983)**	(51,632)	(20,351)	(39.4)

(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.

Third quarter:

For the third quarter ended September 27, 2015, cash flows from operating activities excluding the net change in working capital amounted to $17.1 million in 2015, compared to $71.5 million in the same period of 2014. The net change in working capital was $51.1 million in the third quarter of 2015. This change stems mainly from a $48.6 million dollar decrease in inventory, a $26.6 million decrease in trade and other receivables, and a $4.6 million decrease in prepaid expenses, partly offset by a $30.9 million decrease in trade and other payables. Excluding a one-time pre-tax expense included in the trade and other payables related to the franchisees acquisition, trade and other payables would have been $44.9 million lower than what is presented.

Cash flows from operating activities stood at $68.1 million in the third quarter of 2015, compared to $51.5 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 third quarter of 2015, RONA invested $11.5 million to maintain property, plant and equipment, compared to $8.8 million in 2014, for an increase of $2.7 million or 31.2 %. This increase stems mainly from information technology upgrade projects. Growth investments in property, plant and equipment totaled $5.6 million in 2015, compared to $ $4.5 million in 2014, up $1.1 million, or 23.8 %, mainly due to the expansion of our network.

RONA generated $54.4 million of positive free cash flows in 2015, compared to $40.4 million for the same period in 2014. The increase stems mainly from cash flows from operating activities.

In the third quarter of 2015, RONA repurchased 1,149,581 shares at an average price of $13.92 for a total of $16.0 million under the program to repurchase shares in the normal course of business set up by the Corporation in November 2014. This program, which 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, is now completed.

First nine months:

For the first nine months ended September 27, 2015, cash flows from operating activities excluding the net change in working capital amounted to $92.8 million in 2015, compared to $137.1 million in the same period of 2014. The net change in working capital was a negative $3.0 million in the first nine months of 2015. This change in the first nine months of 2015 stems mainly from a $72.3 million increase in trade and other receivables and an increase of $49.6 million in inventory, partly offset by a $114.0 million increase in trade and other payables. Excluding a one-time pre-tax expense included in the trade and other payables related to the franchisees acquisition, trade and other payables would have been $44.9 million lower than what is presented.

The Corporation continued to exercise disciplined financial management and tightly controlled its investments in property, plant and equipment and intangible assets. For the first nine months of 2015, RONA invested $24.5 million in maintenance on property, plant and equipment and $25.2 million in growth of property, plant and equipment, for a total investment of $49.7 million, up $7.6 million or 18.1% from 2014. In 2015, the increased investment in property, plant and equipment and intangible assets stemmed mainly from a $6.4 million increase in maintenance investments, attributable to information technology upgrade projects, and to a $1.2 million increase in growth investments, primarily to expand our network.

In the first nine months of 2015, the Corporation generated $58.5 million of free cash flows in 2015, compared to $50.4 million for the same period in 2014. In 2015, the credit facility was mainly used to finance working capital, the investment of $25.2 million in growth of property, plant and equipment and intangible assets, the repurchase in the normal course of business of $93.4 million of common shares and the acquisition of the franchised stores.

In the first nine months of 2015, RONA repurchased and cancelled 6,787,681 shares at an average price of $13.77 for a total amount of $93.4 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 third quarter of 2015, $197.9 million had been drawn on this facility, including letters of guarantee, compared to $68.0 million in 2014. The increase stems mainly from common shares repurchased in the normal course of business and from a part of the acquisition of the franchised stores. RONA thus has access to $502.1 million, subject to the maintenance of certain financial ratios. These ratios were met during the quarters ended September 27, 2015 and September 28, 2014. The maturities of this facility and of unsecured debentures, which form the major portion of long-term debt, are expected in 2018 and 2016.

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 September 27, 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	324,667	6,896	314,335	253	3,183
Obligations under finance leases	201	145	56	—	—
Operating leases	732,754	129,630	228,008	160,037	215,079
Other long-term obligations	9,954	8,784	—	—	1,170
Total	**1,067,576**	**145,455**	**542,399**	**160,290**	**219,432**

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 $47.8 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 totaling $1.5 million were outstanding as at September 27, 2015 for the purchase of various, mainly seasonal, products.

CAPITAL STRUCTURE

(in thousands of Canadian dollars)	**As at September 27, 2015**	As at September 28, 2014
(Cash)	**(49,933)**	(1,893)
Credit facility	**196,560**	66,805
Debentures	**116,604**	116,451
Other debt	**15,748**	7,029
Debt	**328,912**	190,285
Debt net of cash	**278,979**	188,392
Equity	**1,554,299**	1,637,849
Total capital (Debt net of cash + Equity)	**1,833,278**	1,826,241
Ratio of net debt to total capital	**0.15x**	0.10x
Ratio of net debt to adjusted EBITDA	**1.11x**	0.86x

RONA continues to maintain a solid financial position. As at September 27, 2015, the total debt amounted to $328.9 million, compared to $190.3 million as at September 28, 2014. The Corporation's debt net of cash was $279.0 million, compared to $188.4 million as at September 28, 2014. The ratio of net debt to total capital, which was 0.10x in 2014 rose to 0.15x in 2015. The ratio of net debt to adjusted EBITDA rose from 0.86x in 2014 to 1.11x 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 September 27, 2015	As at September 28, 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			
	Q3	Q2	Q1	Q4	**Q3**	Q2	Q1	Q4 (1)	**Q3 (1)**	Q2 (1)	Q1 (1)
Revenues	**1,156.2**	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	**44.1**	97.1	12.1	31.9	**83.7**	88.2	7.9	30.0	**70.7**	0.2	(21.8)
Adjusted EBITDA	**90.0**	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	**6.2**	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	**42.9**	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	**0.06**	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	**0.40**	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

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Retail segment	**1.1 %**	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 November 9, 2015, RONA's Board of Directors declared a quarterly dividend of $0.3282 per share on cumulative 5-year Rate Reset Series 6 Class A preferred shares. The dividend will be paid on December 31, 2015 to shareholders of record on December 16, 2015.

DIVIDEND ON COMMON SHARES

At its meeting on November 9, 2015, RONA's Board of Directors declared quarterly dividend of $0.04 per share on the Corporation's common shares. The dividend will be paid on December 29, 2015 to shareholders of record on December 14, 2015.

EVENT AFTER THE REPORTING PERIOD

For information related to the acquisition of franchisees, refer to section Update on the corporation's strategic orientation.

On November 9, 2015, the Board of Directors approved a normal course issuer bid under which it may purchase for cancellation, from November 18, 2015 to November 17, 2016, up to 8,496,028 common shares, representing 10% of its 84,960,285 public float, or 7.95% of its 106,904,501 common shares issued and outstanding as at November 9, 2015. 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. This issuer bid is subject to the approval of the Toronto Stock Exchange. Shareholders may obtain a free copy of the documents filed with the Toronto Stock Exchange concerning this bid by writing to the Corporate Secretary of RONA, at 220 chemin du Tremblay, Boucherville, Quebec, J4B 8H7.

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS

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 September 27, 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 the use 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 November 9, 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 November 9, 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	Third Quarter		Year-to-date	
		2015	2014	**2015**	2014
Revenues		**$ 1,156,223**	$ 1,167,261	**$ 3,198,461**	$ 3,125,096
Earnings before finance costs, taxes, depreciation, amortization, impairment of non-financial assets, acquisition of franchisees, restructuring costs and other charges	*3.1*	**$ 90,040**	$ 83,805	**$ 199,135**	$ 182,882
Acquisition of franchisees, restructuring costs and other charges	*3.4*	**45,966**	77	**45,858**	3,057
Depreciation, amortization and impairment of non-financial assets	*3.2*	**21,864**	23,292	**64,208**	68,363
Operating income		**22,210**	60,436	**89,069**	111,462
Finance costs		**7,382**	3,800	**17,002**	12,895
Income before income taxes		**14,828**	56,636	**72,067**	98,567
Income tax expense	*5*	**6,213**	15,150	**20,723**	26,366
Net income		**$ 8,615**	$ 41,486	**$ 51,344**	$ 72,201
Net income attributable to :					
Owners of RONA inc.		**$ 8,485**	$ 40,341	**$ 51,307**	$ 70,407
Non-controlling interests		**130**	1,145	**37**	1,794
		$ 8,615	$ 41,486	**$ 51,344**	$ 72,201
Basic and diluted net income per share attributable to owners of RONA inc.	*14*	**$ 0.06**	$ 0.32	**$ 0.41**	$ 0.53

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Third Quarter		Year-to-date	
	2015	2014	**2015**	2014
Net income	**$ 8,615**	$ 41,486	**$ 51,344**	$ 72,201
Other comprehensive income (loss), net of taxes :				
Items that will be reclassified subsequently to net income				
Cash flow hedges				
– Gain for the period	**7,608**	1,687	**12,029**	2,271
– Reclassification to net income	**(92)**	236	**(7,580)**	138
Impact of foreign currency translation related to the net investment in an associate	**—**	(93)	**—**	(86)
	7,516	1,830	**4,449**	2,323
Items that will not be reclassified subsequently to net income				
Remeasurements of net defined benefit liability	**(208)**	(3,432)	**291**	(7,503)
Other comprehensive income (loss)	**7,308**	(1,602)	**4,740**	(5,180)
Comprehensive income	**$ 15,923**	$ 39,884	**$ 56,084**	$ 67,021
Comprehensive income attributable to :				
Owners of RONA inc.	**$ 15,793**	$ 38,739	**$ 56,047**	$ 65,227
Non-controlling interests	**130**	1,145	**37**	1,794
	$ 15,923	$ 39,884	**$ 56,084**	$ 67,021

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

RONA inc.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the thirty-nine-week periods ended September 27, 2015 and September 28, 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	10	**260**	**—**	**—**	**—**	**260**	**—**	**260**
Issuance of share capital under stock option plan	10	**138**	**—**	**(30)**	**—**	**108**	**—**	**108**
Repurchase of common shares for cancellation	10	**(33,324)**	**(60,116)**	**—**	**—**	**(93,440)**	**—**	**(93,440)**
Dividends declared on common shares		**—**	**(11,880)**	**—**	**—**	**(11,880)**	**—**	**(11,880)**
Dividends declared on preferred shares, including taxes		**—**	**(6,955)**	**—**	**—**	**(6,955)**	**—**	**(6,955)**
Compensation cost relating to stock option plan	11	**—**	**—**	**1,274**	**—**	**1,274**	**—**	**1,274**
Deposits on common share subscriptions received	10	**750**	**—**	**—**	**—**	**750**	**—**	**750**
Deposits on common share subscriptions refunded	10	**(60)**	**—**	**—**	**—**	**(60)**	**—**	**(60)**
Purchase of non-controlling interest	15	**—**	**(2,653)**	**—**	**—**	**(2,653)**	**(16,568)**	**(19,221)**
Total transactions with owners		**(32,236)**	**(81,604)**	**1,244**	**—**	**(112,596)**	**(16,568)**	**(129,164)**
Net income		**—**	**51,307**	**—**	**—**	**51,307**	**37**	**51,344**
Other comprehensive income, net of taxes:								
Cash flow hedges								
– Gain for the period		**—**	**—**	**—**	**12,029**	**12,029**	**—**	**12,029**
– Reclassification to net income		**—**	**—**	**—**	**(7,580)**	**(7,580)**	**—**	**(7,580)**
Remeasurements of net defined benefit liability		**—**	**291**	**—**	**—**	**291**	**—**	**291**
Other comprehensive income		**—**	**291**	**—**	**4,449**	**4,740**	**—**	**4,740**
Balance, September 27, 2015		**$ 698,893**	**$ 832,991**	**$ 15,332**	**$ 7,083**	**$ 1,554,299**	**$ (974)**	**$ 1,553,325**

	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	10	20	—	—	—	20	—	20
Issuance of share capital under stock option plan	10	506	—	(123)	—	383	—	383
Repurchase of common shares for cancellation	10	(23,905)	(37,480)	—	—	(61,385)	—	(61,385)
Dividends declared on common shares		—	(16,644)	—	—	(16,644)	—	(16,644)
Dividends declared on preferred shares, including taxes		—	(6,950)	—	—	(6,950)	—	(6,950)
Cash dividends paid by a subsidiary to non-controlling interests		—	—	—	—	—	(2,450)	(2,450)
Compensation cost relating to stock option plan	11	—	—	993	—	993	—	993
Deposits on common share subscriptions received	10	836	—	—	—	836	—	836
Deposits on common share subscriptions refunded	10	(63)	—	—	—	(63)	—	(63)
Total transactions with owners		(22,606)	(61,074)	870	—	(82,810)	(2,450)	(85,260)
Net income		—	70,407	—	—	70,407	1,794	72,201
Other comprehensive income (loss), net of taxes:								
Cash flow hedges								
– Gain for the period		—	—	—	2,271	2,271	—	2,271
– Reclassification to net income		—	—	—	138	138	—	138
Impact of foreign currency translation related to the net investment in an associate		—	—	—	(86)	(86)	—	(86)
Remeasurements of net defined benefit liability		—	(7,503)	—	—	(7,503)	—	(7,503)
Other comprehensive income (loss)		—	(7,503)	—	2,323	(5,180)	—	(5,180)
Balance, September 28, 2014		$ 742,597	$ 881,245	$ 13,842	$ 165	$ 1,637,849	$ 14,914	$ 1,652,763

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirteen and thirty-nine-week periods ended September 27, 2015 and September 28, 2014
(Unaudited and in thousands of Canadian dollars)

	Notes	Third Quarter		Year-to-date	
		2015	2014	**2015**	2014
OPERATING ACTIVITIES					
Income before income taxes		**$ 14,828**	$ 56,636	**$ 72,067**	$ 98,567
Adjustments :					
Depreciation, amortization and impairment of non-financial assets	3.2	**21,864**	23,292	**64,208**	68,363
Net change in provision for restructuring costs	8	**(4,527)**	(10,120)	**(30,332)**	(27,981)
Change in fair value of derivative financial instruments		**(10,777)**	(2,304)	**(16,478)**	(3,098)
Change in fair value of derivative financial instruments that do not qualify for hedge accounting		**6,336**	—	**9,765**	—
Gain on business combination		**—**	—	**(698)**	—
Net gains on disposal of assets	3.1	**(212)**	(1,426)	**(1,914)**	(5,330)
Gain on disposal of an equity-accounted investee	3.4, 6	**(3,152)**	—	**(3,152)**	—
Share of equity-accounted investees		**(304)**	(760)	**(624)**	(1,439)
Share-based payment	11	**(1,321)**	5,225	**8,492**	9,643
Defined benefit plan contributions, net of expense		**(523)**	(723)	**(447)**	(709)
Other		**50**	65	**(157)**	109
		22,262	69,885	**100,730**	138,125
Net change in working capital		**51,079**	(20,036)	**(2,975)**	(61,826)
		73,341	49,849	**97,755**	76,299
Interest received		**997**	279	**2,647**	2,101
Income taxes (paid) received		**(6,196)**	1,350	**(10,568)**	(3,091)
Cash flows from operating activities		**68,142**	51,478	**89,834**	75,309
INVESTING ACTIVITIES					
Business combination	6	**(7,872)**	(283)	**(12,052)**	(4,147)
Purchase of non-controlling interest	15	**—**	—	**(17,351)**	—
Proceeds on disposal of a business		**—**	—	**—**	5,943
Acquisition of property, plant and equipment		**(10,738)**	(10,624)	**(32,444)**	(29,814)
Acquisition of intangible assets		**(6,404)**	(2,699)	**(17,260)**	(12,287)
Proceeds on disposal of property, plant and equipment and non-current assets held for sale		**428**	8,055	**7,036**	35,935
Proceeds on disposal of intangible assets		**—**	29	**3,120**	106
Net change in other financial assets		**(218)**	1,232	**882**	2,216
Dividends received from an associate		**211**	—	**211**	—
Interest received		**84**	90	**267**	394
Cash flows used for investing activities		**(24,509)**	(4,200)	**(67,591)**	(1,654)
FINANCING ACTIVITIES					
Bank loans		**(290)**	(980)	**(70)**	(1,753)
Net change in credit facility		**20,606**	(20,295)	**131,329**	21,845
Other long-term debt		**—**	—	**3,790**	—
Financing costs		**(91)**	(652)	**(246)**	(652)
Repayment of other long-term debt		**(402)**	(347)	**(1,169)**	(1,293)
Proceeds from issuance of common shares		**268**	464	**1,058**	1,175
Repurchase of common shares	10	**(16,007)**	(35,177)	**(93,440)**	(61,385)
Dividends on common shares		**(4,318)**	(8,215)	**(11,880)**	(16,644)
Dividends on preferred shares		**(2,264)**	(2,264)	**(6,793)**	(6,811)
Cash dividends paid by a subsidiary to non-controlling interests		**—**	—	**—**	(2,450)
Interest paid		**(4,689)**	(4,399)	**(11,831)**	(12,039)
Cash flows (used for) from financing activities		**(7,187)**	(71,865)	**10,748**	(80,007)
Net increase (decrease) in cash during the period		**36,446**	(24,587)	**32,991**	(6,352)
Cash, beginning of period		**13,487**	26,480	**16,942**	8,245
Cash, end of period [(a)]		**$ 49,933**	$ 1,893	**$ 49,933**	$ 1,893

[(a)] As at September 27, 2015 an amount of $ 28,937 has been deposited in a trust account.

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

(Unaudited and in thousands of Canadian dollars)

	Notes	**As at September 27, 2015**	As at September 28, 2014	As at December 28, 2014
ASSETS				
Current				
Cash		**$ 49,933**	$ 1,893	$ 16,942
Trade and other receivables		**343,165**	327,329	263,389
Other financial assets		**1,472**	1,791	2,066
Current tax assets		**19,964**	14,493	12,276
Inventory	*4*	**872,730**	804,472	819,677
Prepaid expenses		**25,223**	22,762	17,089
Assets held for sale	*7*	**7,000**	—	—
Derivative financial instruments		**7,307**	1,352	3,602
Current assets		**1,326,794**	1,174,092	1,135,041
Non-current				
Investments in equity-accounted investees		**1,064**	16,556	12,403
Other financial assets		**7,057**	8,373	7,663
Property, plant and equipment		**665,370**	678,368	677,885
Goodwill		**307,926**	298,963	298,963
Intangible assets		**112,337**	121,403	118,884
Other non-current assets		**5,050**	5,986	4,934
Deferred tax assets		**61,645**	79,771	80,336
Total assets		**$ 2,487,243**	$ 2,383,512	$ 2,336,109
LIABILITIES				
Current				
Bank loans		**$ 985**	$ 780	$ 1,055
Trade and other payables		**517,083**	443,933	410,446
Dividends payable		**2,264**	2,264	2,265
Derivative financial instruments		**9**	—	14
Provisions	*8*	**23,860**	28,959	46,596
Instalments on long-term debt		**9,535**	3,615	2,082
Current liabilities		**553,736**	479,551	462,458
Non-current				
Long-term debt		**318,392**	185,890	183,739
Other non-current liabilities		**37,205**	37,156	37,949
Derivative financial instruments		**5,271**	—	—
Provisions	*8*	**17,827**	26,576	25,141
Deferred tax liabilities		**1,487**	1,576	417
Total liabiliites		**933,918**	730,749	709,704
EQUITY				
Share capital	*10*	**698,893**	742,597	731,129
Retained earnings		**832,991**	881,245	862,997
Contributed surplus		**15,332**	13,842	14,088
Accumulated other comprehensive income		**7,083**	165	2,634
Total equity attributable to owners of RONA inc.		**1,554,299**	1,637,849	1,610,848
Non-controlling interests		**(974)**	14,914	15,557
Total equity		**1,553,325**	1,652,763	1,626,405
Total liabilities and equity		**$ 2,487,243**	$ 2,383,512	$ 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 thirty-nine-week periods ended September 27, 2015 and September 28, 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 thirty-nine-week periods ended September 27, 2015 (including comparative figures) were approved by the Board of Directors on November 9, 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 September 28, 2014 is also presented for comparative purposes.

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

At the date of authorization of these interim consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the 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 FINANCE COSTS, TAXES, DEPRECIATION, AMORTIZATION, IMPAIRMENT OF NON-FINANCIAL ASSETS, ACQUISITION OF FRANCHISEES, RESTRUCTURING COSTS AND OTHER CHARGES

		Third Quarter		Year-to-date	
	Notes	**2015**	2014	**2015**	2014
Revenues		**$ 1,156,223**	$ 1,167,261	**$ 3,198,461**	$ 3,125,096
Cost of sales	*4*	**847,032**	872,907	**2,352,081**	2,320,746
Gross margin		**309,191**	294,354	**846,380**	804,350
Selling, general and administrative expenses					
Employee benefits expense	*3.3*	**123,640**	128,692	**372,416**	373,867
Rent and occupancy costs		**54,341**	53,573	**168,277**	169,224 [b]
Net gains on disposal of assets		**(212)**	(1,426)	**(1,914)**	(5,330)
Share of equity-accounted investees		**(304)**	(760)	**(624)**	(1,439)
Finance income		**(1,076)**	(1,127)	**(3,234)**	(4,048)
Other income		**(2,935)**	(3,947)	**(10,071)**	(10,334)
Other [a]		**45,697**	35,544	**122,395**	99,528 [b]
		219,151	210,549	**647,245**	621,468
Earnings before finance costs, taxes, depreciation, amortization, impairment of non-financial assets, acquisition of franchisees, restructuring costs and other charges		**$ 90,040**	$ 83,805	**$ 199,135**	$ 182,882

[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

		Third Quarter		Year-to-date	
	Note	**2015**	2014	**2015**	2014
Depreciation of property, plant and equipment		**$ 13,615**	$ 15,582	**$ 41,538**	$ 46,409
Amortization of intangible assets		**8,070**	7,554	**22,185**	22,920
Amortization of other non-current assets		**179**	136	**485**	397
Depreciation and amortization of non-financial assets		**21,864**	23,272	**64,208**	69,726
Impairment of non-financial assets:	*3.4*				
Impairment		**—**	20	**—**	83
Reversal of impairment		**—**	—	**—**	(1,446)
Total items related to impairment of non-financial assets		**—**	20	**—**	(1,363)
Total depreciation, amortization and impairment of non-financial assets		**$ 21,864**	$ 23,292	**$ 64,208**	$ 68,363

3.3 EMPLOYEE BENEFITS EXPENSE

		Third Quarter		Year-to-date	
	Notes	**2015**	2014	**2015**	2014
Salaries		**$ 117,487**	$ 118,043	**$ 347,824**	$ 342,591
Share-based payment		**3,951**	5,225	**13,764**	9,643
Defined contribution plans expense		**1,950**	1,939	**5,906**	6,121
Defined benefit plans expense		**466**	(112)	**1,455**	664
Other fringe benefits		**25,651**	28,220	**73,940**	78,135
Total employee benefits expense		**$ 149,505**	$ 153,315	**$ 442,889**	$ 437,154
Included in restructuring costs and other charges	*3.4*	**$ (314)**	$ 212	**$ (330)**	$ 34
Included in cost of sales		**26,179**	24,411	**70,803**	63,253
Included in selling, general and administrative expenses	*3.1*	**123,640**	128,692	**372,416**	373,867
Total employee benefits expense		**$ 149,505**	$ 153,315	**$ 442,889**	$ 437,154

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

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

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

Between September 27, 2015 and October 7, 2015, the corporation completed the acquisition of twenty franchised stores in its network.This note reflects the impact on the consolidated Statement of income of the acquisition and of the disposal of one equity-accounted investee (see note 6) as well as the impact of a series of initiatives which were previously approved by the Board of Directors of the Corporation to improve financial performance and to accelerate value creation for the stakeholders.

Total items related to the acquisition of franchisees, restructuring costs and other charges, impairment of non-financial assets and finance costs incurred were as follows:

	Notes	Third Quarter 2015	Third Quarter 2014	Year-to-date 2015	Year-to-date 2014
Acquisition of franchisees					
Settlement of a pre-existing relationship	*6*	**$ 48,500**	$ —	**$ 48,500**	$ —
Gain on disposal of an equity-accounted investee	*6*	**(3,152)**	—	**(3,152)**	—
Direct acquisition costs	*6*	**842**	—	**842**	—
Total items related to the acquisition of franchisees		**46,190**	—	**46,190**	—
Restructuring costs and other charges					
Severance	*3.3*	**(314)**	212	**(330)**	34
Onerous contracts	*8*	**193**	261	**(134)**	1,866
Other charges		**(103)**	(396)	**132**	1,157
Total items related to restructuring costs and other charges		**(224)**	77	**(332)**	3,057
Acquisition of franchisees, restructuring costs and other charges		**45,966**	77	**45,858**	3,057
Impairment of non-financial assets:	*3.2*				
Impairment		**—**	20	**—**	83
Reversal of impairment		**—**	—	**—**	(1,446)
Total items related to impairment of non-financial assets		**—**	20	**—**	(1,363)
Finance costs - Accretion expense on onerous contracts	*8*	**316**	531	**1,255**	1,877
		$ 46,282	$ 628	**$ 47,113**	$ 3,571

4. INVENTORY

For the thirteen and thirty-nine-week periods ended September 27, 2015, amounts of $847,032 and $2,352,081 of purchases, net of changes in inventory, were expensed in the consolidated statements of income ($872,907 and $2,320,746 in 2014).

For the thirteen and thirty-nine-week periods ended September 27, 2015, net inventory write-down charges of $10,523 and $26,805 ($7,829 and $22,316 in 2014), were recognized in the consolidated statements of income.

5. INCOME TAXES

For the thirteen and thirty-nine-week periods ended September 27, 2015, the consolidated effective tax rates were 41.90% and 28.76% (26.75% for both periods in 2014).

During the third quarter, the effective tax rate has been impacted by the acquisition of franchisees. The accounting for this transaction is based on management's best estimates and will be reviewed during the fourth quarter, including the tax impacts. Also, 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 period, based on a full year projections of earnings by jurisdiction. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods.

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

6. BUSINESS COMBINATION AND EVENT AFTER THE REPORTING PERIOD

ACQUISITION OF FRANCHISEES

Between September 27, 2015 and October 7, 2015, the Corporation acquired, through fifteen individual transactions, substantially all of the assets of twenty franchised stores. These franchised stores are operating under the RONA Regional, RONA L'entrepôt and RONA Home and Garden banners and are located in Quebec and Ontario. Two of these transactions were closed on the last day of the third quarter and the remainder were closed in the fourth quarter.

The overall consideration, including currently estimated working capital adjustments, for the acquisition is $193,000. Included in this amount is a one-time pre-tax expense of $48,500 forming part of the overall consideration for the settlement of a pre-existing relationship between the Corporation and the sellers pertaining to the interpretation of a procurement agreement between the parties, which is measured at estimated fair value and accounted for separately from the business combination. Direct acquisition costs of $842 were also recognized in the third quarter. The Corporation financed this acquisition from its available cash and existing credit facility.

The Corporation used the acquisition method to account for the business combination. Consequently, the Corporation determined the fair values of the assets acquired and liabilities assumed based on management's best estimates of their fair values taking into account all relevant information available.

During the fourth quarter, the Corporation will assume other related acquisition costs.

The following table summarizes the consideration paid as well as a preliminary price allocation of the fair values of the assets acquired and liabilities assumed :

	Two stores acquired on September 27, 2015	Eighteen stores acquired in the fourth quarter	Total of the twenty stores acquired
Purchase price			
Consideration [(a)]	$ 17,713	$ 175,287	$ 193,000
Settlement of a pre-existing relationship [(b)]	(3,642)	(44,858)	(48,500)
Net consideration for the business combination	14,071	130,429	144,500
Preliminary purchase price allocation			
Working capital	3,775		
Property, plant and equipment	1,333		
Goodwill and other intangibles [(c)]	8,963		
Net assets acquired	14,071		
Less: Balance of purchase price	6,199		
Cash consideration paid	$ 7,872		

[(a)] As at September 27, 2015 an amount of $ 28,937 related to three transactions was deposited in a trust account.

[(b)] As at September 27, 2015 an amount of $ 44,858 was recorded in trade and other payables for the remaining portion of the settlement payable.

[(c)] The Corporation expects that an amount of $ 6,722 of goodwill recorded in the third quarter will be deductible for tax purposes with respect to the two stores acquired in the period. The final purchase price allocation could change the tax deductibility.

The Corporation held equity investments in three of the twenty franchised stores. In conjunction with the acquisition, the Corporation disposed of these for a consideration of $19,182. One of these transactions was concluded on the last day of the third quarter and the remaining investments were disposed of in the fourth quarter.

The table below summarizes the estimated consideration that will be received following the disposition of the equity investments and the related gains on disposal :

	Investment disposed on September 27, 2015	Investments disposed in the fourth quarter	Total of the investments disposed
Proceeds on disposal of investments in equity-accounted investees [(a)]	$ 7,904	$ 11,278	$ 19,182
Carrying amount of these investments	(4,752)	(7,000)	(11,752)
Preliminary gains on disposal of investments in equity-accounted investees	$ 3,152	$ 4,278	$ 7,430

[(a)] Subsequently received in the fourth quarter.

OTHER ACQUISITION

On January 19, 2015, the Corporation acquired for a cash consideration of $4,180, 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.

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

7. ASSETS HELD FOR SALE

In conjunction with the acquisition of franchisees (note 6), RONA disposed of equity investments. As at September 27, 2015, an amount of $7,000 is classified in assets held for sale for the two transactions that were closed in the fourth quarter.

8. 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	**2,097**	**735**	**156**	**—**	**—**	**2,988**
Provisions used	**(533)**	**(818)**	**—**	**(191)**	**(30,932)**	**(32,474)**
Provisions reversed	**(1,151)**	**—**	**(290)**	**(439)**	**—**	**(1,880)**
Change in estimates	**(831)**	**1,012**	**(106)**	**109**	**(134)**	**50**
Accretion expense	**—**	**11**	**—**	**—**	**1,255**	**1,266**
Balance, September 27, 2015	**$ 5,766**	**$ 1,067**	**$ 1,333**	**$ —**	**$ 33,521**	**$ 41,687**
Current	**$ 5,766**	**$ 993**	**$ 1,333**	**$ —**	**$ 15,768**	**$ 23,860**
Non-current	**—**	**74**	**—**	**—**	**17,753**	**17,827**
Balance, September 27, 2015	**$ 5,766**	**$ 1,067**	**$ 1,333**	**$ —**	**$ 33,521**	**$ 41,687**

[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	1,925	432	345	70	—	2,772
Provisions used	(337)	(773)	(591)	(3,764)	(27,994)	(33,459)
Provisions reversed	(301)	—	—	(196)	—	(497)
Change in estimates	255	(67)	(70)	160	1,866	2,144
Accretion expense	—	7	—	—	1,877	1,884
Balance, September 28, 2014	$ 6,509	$ 166	$ 1,530	$ 621	$ 46,709	$ 55,535
Current	$ 6,509	$ 124	$ 1,530	$ 621	$ 20,175	$ 28,959
Non-current	—	42	—	—	26,534	26,576
Balance, September 28, 2014	$ 6,509	$ 166	$ 1,530	$ 621	$ 46,709	$ 55,535

[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 4.25% (4.05% 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.

9. 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 $47,751. 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)

10. 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	**7,575**	**138**	**—**	**—**	**—**	**—**	**7,575**	**138**
Issuance in exchange of common share subscription deposits	**72,438**	**1,040**	**—**	**—**	**—**	**(1,040)**	**72,438**	**—**
Repurchase of common shares for cancellation	**(6,787,681)**	**(33,324)**	**—**	**—**	**—**		**(6,787,681)**	**(33,324)**
Deposits on common share subscriptions received	**—**	**—**	**—**	**—**	**—**	**750**	**—**	**750**
Deposits on common share subscriptions refunded	**—**	**—**	**—**	**—**	**—**	**(60)**	**—**	**(60)**
Balance, September 27, 2015	**106,904,501**	**$ 525,642**	**6,900,000**	**$ 172,500**	**—**	**$ 751**	**113,804,501**	**$ 698,893**

[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 September 27, 2015, the number of outstanding common shares would have increased by 53,980.

	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	36,125	506	—	—	—	—	36,125	506
Issuance in exchange of common shares subscription deposits	128,394	1,483	—	—	—	(1,483)	128,394	—
Repurchase of common shares for cancellation	(4,874,600)	(23,905)	—	—	—	—	(4,874,600)	(23,905)
Deposits on common share subscriptions received	—	—	—	—	—	836	—	836
Deposits on common share subscriptions refunded	—	—	—	—	—	(63)	—	(63)
Balance, September 28, 2014	116,035,539	$ 569,277	6,900,000	$ 172,500	—	$ 820	122,935,539	$ 742,597

[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 September 28, 2014, the number of outstanding common shares would have increased by 58,298.

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 thirty-nine-week period ended September 27, 2015, the Corporation redeemed for cancellation a total of 6,787,681 common shares (4,874,600 common shares in 2014) at an average price of $13.77, for a total cost of $93,440 ($61,385 in 2014). Of the total cost $33,324 ($23,905 in 2014) represents the stated value of common shares. The remaining $60,116 ($37,480 in 2014) was recorded against retained earnings.

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

11. 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 thirty-nine-week period ended September 27, 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 $425 and $1,274 for the thirteen and thirty-nine-week periods ended September 27, 2015 ($331 and $993 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 September 27, 2015		As at September 28, 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	**(7,575)**	**14.28**	(36,125)	10.58
Forfeited	**(38,225)**	**13.50**	(132,475)	11.98
Outstanding, end of period	**2,112,485**	**12.13**	1,829,360	11.72
Options exercisable, end of period	**1,023,718**	**$ 11.94**	712,534	$ 12.59

The weighted average price of the common shares acquired by option holders having exercised 7,575 options (36,125 in 2014) for the thirty-nine-week period ended September 27, 2015 was $16.45 ($12.42 in 2014) .

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

11. SHARE-BASED PAYMENT (continued)

STOCK OPTION PLAN (continued)

The following table summarizes information relating to stock options outstanding as at September 27, 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**	**60,000**
$ 10.62	March 11, 2019	**102,600**	**102,600**
$ 10.78	August 23, 2023	**165,700**	**82,850**
$ 11.11	March 28, 2023	**443,900**	**221,950**
$ 11.33	November 20, 2022	**128,435**	**64,218**
$ 11.55	March 3, 2024	**405,400**	**101,350**
$ 14.18	March 1, 2018	**47,800**	**47,800**
$ 14.33	March 7, 2021	**102,800**	**102,800**
$ 14.51	February 26, 2025	**369,400**	**—**
$ 15.44	March 9, 2020	**72,325**	**72,325**
$ 23.58	March 8, 2017	**30,850**	**30,850**
		2,112,485	**1,023,718**

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 derivative financial 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 September 27, 2015	As at September 28, 2014
Number of share units :		
Outstanding, beginning of period	**1,681,774**	1,494,823
Granted	**433,560**	492,527
Expired	**(12,703)**	(155,087)
Forfeited	**(54,167)**	(109,163)
Paid	**(283,969)**	(5,743)
Outstanding, end of period	**1,764,495**	1,717,357

The compensation expense recorded in the consolidated statements of income for the thirteen and thirty-nine-week periods ended September 27, 2015 amounted to $792 and $5,920 ($3,591 and $7,091 in 2014) and the compensation liability recorded, as at that date, in the consolidated statements of financial position amounted to $17,691 ($10,282 in 2014). The estimated fair value of the derivative financial instrument as at September 27, 2015 is a liability of $4,375.

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.

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

11. SHARE-BASED PAYMENT (continued)

SHARE UNIT PLAN FOR DIRECTORS (continued)

On April 9, 2015, in the normal course of business, the Corporation entered into derivative financial 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 September 27, 2015	As at September 28, 2014
Number of deferred share units :		
Outstanding, beginning of period	**383,105**	423,285
Granted	**67,586**	95,171
Paid	**(15,059)**	(78,911)
Outstanding, end of period	**435,632**	439,545

The compensation expense (recovery) recorded in the consolidated statements of income for the thirteen and thirty-nine-week periods ended September 27, 2015 amounted to $(189) and $1,298 ($1,303 and $1,559 in 2014) and the compensation liability recorded, as at that date, in the consolidated statements of financial position amounted to $6,654 ($6,094 in 2014). The estimated fair value of the derivative financial instrument as at September 27, 2015 is a liability of $896.

12. FINANCIAL INSTRUMENTS

On May 27, 2015, in the normal course of business, the Corporation entered into derivative financial 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. 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 and amount to $3,414 and $4,494 for the thirteen and thirty-nine-week periods ended September 27, 2015. The estimated fair value of the derivative financial instruments as at September 27, 2015 is an asset of $378.

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).

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

12. FINANCIAL INSTRUMENTS (continued)

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

		As at September 27, 2015		As at September 28, 2014	
	Level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
LOANS AND RECEIVABLES					
Cash	2	**$ 49,933**	**$ 49,933**	$ 1,893	$ 1,893
Trade and other receivables	3	**343,165**	**343,165**	327,329	327,329
Loans and advances	3	**7,440**	**7,440**	10,164	10,164
AVAILABLE FOR SALE					
Investment in common shares	3	**1,089**	**1,089**	—	—
FINANCIAL ASSETS AT FAIR VALUE					
Derivative financial instruments [(a)]	2	**7,307**	**7,307**	1,352	1,352
OTHER FINANCIAL LIABILITIES					
Bank loans	2	**985**	**985**	780	780
Trade and other payables [(b)]	2	**477,794**	**477,794**	412,142	412,142
Dividends payable	2	**2,264**	**2,264**	2,264	2,264
Debentures	2	**116,604**	**119,855**	116,451	120,154
Credit facility	2	**196,560**	**196,560**	66,805	66,805
Mortgage loans and balances of purchase prices	2	**14,562**	**13,439**	5,838	5,580
FINANCIAL LIABILITIES AT FAIR VALUE					
Derivative financial instruments designated as cash flow hedges	2	**9**	**9**	—	—
Derivative financial instruments that do not qualify for hedge accounting	2	**5,271**	**5,271**	—	—
OTHER LIABILITIES					
Obligations under finance leases	2	**$ 201**	**$ 201**	$ 411	$ 411

[(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).

13. SEGMENT INFORMATION

		Third Quarter					
		2015			2014		
	Notes	**Retail**	**Distribution**	**Total**	Retail	Distribution	Total
Segment revenues		**$ 856,286**	**$ 626,935**	**$ 1,483,221**	$ 847,254	$ 639,968	$ 1,487,222
Intersegment revenues and royalties		**(126)**	**327,124**	**326,998**	2,106	317,855	319,961
Revenues from external customers		**856,412**	**299,811**	**1,156,223**	845,148	322,113	1,167,261
Earnings before finance costs, taxes, depreciation, amortization, impairment of non-financial assets, acquisition of franchisees, restructuring costs and other charges		**74,790**	**15,250**	**90,040**	72,449	11,356	83,805
Acquisition of franchisees, restructuring costs and other charges	*3.4*	**45,966**	**—**	**45,966**	77	—	77
Earnings before finance costs, taxes, depreciation, amortization and impairment of non-financial assets		**28,824**	**15,250**	**44,074**	72,372	11,356	83,728
Depreciation, amortization and impairment of non-financial assets	*3.2*			**21,864**			23,292
Operating income				**22,210**			60,436
Finance costs				**7,382**			3,800
Income before income taxes				**$ 14,828**			$ 56,636

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

13. SEGMENT INFORMATION (continued)

		Year-to-date					
		2015			2014		
	Notes	**Retail**	**Distribution**	**Total**	Retail	Distribution	Total
Segment revenues		**$ 2,304,838**	**$ 1,878,435**	**$ 4,183,273**	$ 2,213,321	$ 1,856,829	$ 4,070,150
Intersegment revenues and royalties		**1,108**	**983,704**	**984,812**	7,735	937,319	945,054
Revenues from external customers		**2,303,730**	**894,731**	**3,198,461**	2,205,586	919,510	3,125,096
Earnings before finance costs, taxes, depreciation, amortization, impairment of non-financial assets, acquisition of franchisees, restructuring costs and other charges		**160,640**	**38,495**	**199,135**	147,471	35,411	182,882
Acquisition of franchisees, restructuring costs and other charges	*3.4*	**45,858**	**—**	**45,858**	3,057	—	3,057
Earnings before finance costs, taxes, depreciation, amortization and impairment of non-financial assets		**114,782**	**38,495**	**153,277**	144,414	35,411	179,825
Depreciation, amortization and impairment of non-financial assets	*3.2*			**64,208**			68,363
Operating income				**89,069**			111,462
Finance costs				**17,002**			12,895
Income before income taxes				**$ 72,067**			$ 98,567

14. NET INCOME PER SHARE

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

	Third Quarter		Year-to-date	
	2015	2014	**2015**	2014
Net income attributable to owners of RONA inc.	**$ 8,485**	$ 40,341	**$ 51,307**	$ 70,407
Dividends on preferred shares, including taxes	**(2,298)**	(2,317)	**(6,955)**	(6,950)
Net income attributable to participating shares	**$ 6,187**	$ 38,024	**$ 44,352**	$ 63,457
Number of shares (in units):				
Weighted average number of shares used to compute basic net income per share attributable to owners of RONA inc.	**107,921,444**	117,851,723	**108,707,192**	119,267,389
Dilutive effect [(a)]	**325,992**	138,091	**336,205**	61,197
Weighted average number of shares used to compute diluted net income per share attributable to owners of RONA inc.	**108,247,436**	117,989,814	**109,043,397**	119,328,586
Basic and diluted net income per share attributable to owners of RONA inc.	**$ 0.06**	$ 0.32	**$ 0.41**	$ 0.53

[(a)] As at September 27, 2015, 472,575 stock options (1,457,185 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.

15. RELATED PARTY TRANSACTIONS

On December 29, 2014, the Corporation acquired for a consideration of $19,221 all the remaining non-controlling interest 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.

16. EVENT AFTER THE REPORTING PERIOD

For information related to the acquisition of franchisees, refer to note 6.

On November 9, 2015, the Board of Directors approved a normal course issuer bid under which it may purchase for cancellation, from November 18, 2015 to November 17, 2016, up to 8,496,028 common shares, representing 10% of its 84,960,285 public float, or 7.95% of its 106,904,501 common shares issued and outstanding as at November 9, 2015. 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. This issuer bid is subject to the approval of the Toronto Stock Exchange.