



Consolidated Financial Statements
As at September 23, 2012 and September 25, 2011
(unaudited)

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RONA inc.**Consolidated Income Statements and Other Comprehensive Income**

Thirteen and thirty-nine-week periods ended September 23, 2012 and September 25, 2011
(unaudited and in thousands of Canadian dollars, except per share amounts)

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Revenues	\$ 1,336,560	\$ 1,347,135	\$ 3,688,631	\$ 3,635,392
Operating profit before restructuring costs, impairment of non financial assets and other charges (Note 3.1)	40,527	76,983	96,205	119,863
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)	(25,713)	-	(38,699)	-
Operating profit	14,814	76,983	57,506	119,863
Finance income	1,481	1,486	3,954	4,197
Finance costs	(5,101)	(6,519)	(14,718)	(19,557)
	(3,620)	(5,033)	(10,764)	(15,360)
Income before income tax expense	11,194	71,950	46,742	104,503
Income tax expense (Note 5)	(2,994)	(20,145)	(12,503)	(29,260)
Net income	\$ 8,200	\$ 51,805	\$ 34,239	\$ 75,243
Net income attributable to:				
Owners of RONA inc.	\$ 7,265	\$ 50,113	\$ 32,742	\$ 72,848
Non-controlling interests	935	1,692	1,497	2,395
	\$ 8,200	\$ 51,805	\$ 34,239	\$ 75,243
Net earnings per share attributable to owners of RONA inc. (Note 13)				
Basic	\$ 0.04	\$ 0.37	\$ 0.21	\$ 0.52
Diluted	\$ 0.04	\$ 0.36	\$ 0.21	\$ 0.51
Consolidated Statements of Other Comprehensive Income				
Net income	\$ 8,200	\$ 51,805	\$ 34,239	\$ 75,243
Other comprehensive income (loss), net of taxes:				
Cash flow hedges				
– income (loss) for the period	(1,999)	2,341	(1,971)	1,655
– reclassification to income	(84)	39	786	2,391
Actuarial losses (Note 15)	(1,421)	(1,437)	(3,856)	(2,381)
Total other comprehensive income	(3,504)	943	(5,041)	1,665
Total comprehensive income	\$ 4,696	\$ 52,748	\$ 29,198	\$ 76,908
Total comprehensive income attributable to:				
Owners of RONA inc.	3,761	51,056	27,701	74,513
Non-controlling interests	935	1,692	1,497	2,395
	\$ 4,696	\$ 52,748	\$ 29,198	\$ 76,908

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

RONA inc.**Consolidated Statements of Changes in Equity**

As at September 23, 2012 and September 25, 2011

(unaudited and in thousands of Canadian dollars)

	Share Capital ^(a)	Retained earnings	Contributed surplus	Cash flow hedge reserve	Total attributable to owners of RONA inc.	Non- controlling interests	Total equity
Balance, December 25, 2011	\$ 793,416	\$ 1,115,801	\$ 11,386	\$ (505)	\$ 1,920,098	\$ 35,526	\$ 1,955,624
Transactions with owners							
Issuance in exchange for cash	55	-	-	-	55	-	55
Issuance under stock option plans	3,480	-	(35)	-	3,445	-	3,445
Repurchase of common shares (Note 10)	(34,257)	(32,510)	-	-	(66,767)	-	(66,767)
Dividends declared on common shares	-	(17,191)	-	-	(17,191)	-	(17,191)
Dividends declared on preferred shares, including related taxes	-	(6,779)	-	-	(6,779)	-	(6,779)
Compensation cost relating to stock option plans	-	-	669	-	669	-	669
Deposits on common share subscriptions received	1,581	-	-	-	1,581	-	1,581
Deposits on common share subscriptions refunded	(27)	-	-	-	(27)	-	(27)
Other	-	-	-	-	-	32	32
Total transactions with owners	(29,168)	(56,480)	634	-	(85,014)	32	(84,982)
Net income for the period	-	32,742	-	-	32,742	1,497	34,239
Other comprehensive income (loss):							
Cash flow hedges							
– loss for the period	-	-	-	(1,971)	(1,971)	-	(1,971)
– reclassification to income	-	-	-	786	786	-	786
Actuarial losses	-	(3,856)	-	-	(3,856)	-	(3,856)
Total other comprehensive loss for the period	-	(3,856)	-	(1,185)	(5,041)	-	(5,041)
Balance, September 23, 2012	\$ 764,248	\$ 1,088,207	\$ 12,020	\$ (1,690)	\$ 1,862,785	\$ 37,055	\$ 1,899,840

(a) Additional detail of share capital is provided in Note 10.

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

RONA inc.**Consolidated Statements of Changes in Equity**

As at September 23, 2012 and September 25, 2011

(unaudited and in thousands of Canadian dollars)

	Share Capital ^(a)	Retained earnings	Contributed surplus	Cash flow hedge reserve	Total attributable to owners of RONA inc.	Non- controlling interests	Total equity
Balance, December 26, 2010	\$ 632,614	\$ 1,233,454	\$ 11,137	\$ (1,217)	\$ 1,875,988	\$ 35,809	\$ 1,911,797
Transactions with owners							
Issuance in exchange for cash	173,020	-	-	-	173,020	-	173,020
Issuance under stock option plans	1,406	-	(295)	-	1,111	-	1,111
Dividends declared on common shares	-	(9,134)	-	-	(9,134)	-	(9,134)
Dividends declared on preferred shares, including related taxes	-	(5,639)	-	-	(5,639)	-	(5,639)
Fees related to issuance of preferred shares, net of related income tax recovery of \$1,475	-	(4,004)	-	-	(4,004)	-	(4,004)
Compensation cost relating to stock option plans	-	-	775	-	775	-	775
Deposits on common share subscriptions received	1,868	-	-	-	1,868	-	1,868
Deposits on common share subscriptions refunded	(75)	-	-	-	(75)	-	(75)
Repurchase of a non-controlling interest (Note 6)	-	-	(490)	-	(490)	-	(490)
Other	-	-	-	-	-	28	28
Total transactions with owners	176,219	(18,777)	(10)	-	157,432	28	157,460
Net income for the period	-	72,848	-	-	72,848	2,395	75,243
Other comprehensive income (loss):							
Cash flow hedges							
– income for the period	-	-	-	1,655	1,655	-	1,655
– reclassification to income	-	-	-	2,391	2,391	-	2,391
Actuarial losses (Note 15)	-	(2,381)	-	-	(2,381)	-	(2,381)
Total comprehensive income (loss) for the period	-	(2,381)	-	4,046	1,665	-	1,665
Balance, September 25, 2011	\$ 808,833	\$ 1,285,144	\$ 11,127	\$ 2,829	\$ 2,107,933	\$ 38,232	\$ 2,146,165

(a) Additional detail of share capital is provided in Note 10.

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

RONA inc.**Consolidated Statements of Cash Flows**

Thirteen and thirty-nine-week periods ended September 23, 2012 and September 25, 2011
(unaudited and in thousands of Canadian dollars)

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Operating activities				
Income before income tax expense	\$ 11,194	\$ 71,950	\$ 46,742	\$ 104,503
Adjustments:				
Depreciation, amortization and impairment of non-financial assets (Note 3.2)	25,224	26,947	77,752	79,306
Change in provision for restructuring costs	21,349	-	23,027	-
Change in fair value of derivative financial instruments	(257)	38	(16)	(202)
Net gains on disposal of assets	(139)	(134)	(3,184)	(1,262)
Stock-based compensation expense (recovery) (Note 11)	1,021	(73)	2,722	(3,221)
Difference between amounts paid for post-employment benefits and current period expenses	1,639	(678)	3,358	(1,619)
Other	(1,602)	(1,051)	(1,520)	1,359
	58,429	96,999	148,881	178,864
Net change in working capital	92,148	(16,778)	(79,397)	(24,699)
	150,577	80,221	69,484	154,165
Interest received	1,121	1,123	2,969	3,081
Income taxes paid	(2,288)	(4,081)	(23,525)	(30,814)
Cash flow from operating activities	149,410	77,263	48,928	126,432
Investing activities				
Business acquisitions (Note 6)	(446)	(26,610)	(3,997)	(40,805)
Acquisition of property, plant and equipment	(7,914)	(16,967)	(25,492)	(51,165)
Acquisition of intangible assets	(11,370)	(8,781)	(36,544)	(23,689)
Acquisition of other financial assets	(166)	(2,184)	(4,146)	(6,404)
Proceeds on disposal of property, plant and equipment	230	5,222	10,947	9,811
Proceeds on disposal of other financial assets	942	852	2,370	2,744
Interest received	207	583	629	1,082
Cash flow from investing activities	(18,517)	(47,885)	(56,233)	(108,426)
Financing activities				
Bank loans	136	(7,769)	3,824	(3,812)
Net change in credit facilities	(64,284)	-	140,367	-
Other long-term debt	-	86	261	872
Repayment of other long-term debt	(1,508)	(4,969)	(11,727)	(27,172)
Financing costs	-	-	(80)	-
Proceeds from issue of common shares	649	1,079	5,054	3,423
Proceeds from issue of preferred shares	-	-	-	172,500
Fees related to issue of preferred shares	-	-	-	(5,479)
Repurchase of common shares (Note 10)	-	-	(66,767)	-
Dividends on common shares	-	-	(8,692)	(9,121)
Dividends on preferred shares	(2,276)	(3,176)	(6,785)	(3,176)
Interest paid	(6,894)	(11,832)	(14,889)	(25,310)
Cash flow from financing activities	(74,177)	(26,581)	40,566	102,725
Net increase in cash	56,716	2,797	33,261	120,731
Cash (bank overdraft), beginning of period	(6,306)	193,511	17,149	75,577
Cash, end of period	\$ 50,410	\$ 196,308	\$ 50,410	\$ 196,308

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

RONA inc.**Consolidated Statements of Financial Position**

as at September 23, 2012, September 25, 2011 and December 25, 2011
(unaudited and in thousands of Canadian dollars)

	2012 September 23	2011 September 25	2011 December 25
Assets			
Current			
Cash	\$ 50,410	\$ 196,308	\$ 17,149
Trade and other receivables	428,761	391,193	370,094
Other financial assets	3,344	2,041	1,468
Current tax assets	15,286	419	7,616
Inventory (Note 4)	1,000,102	954,932	840,287
Prepaid expenses	30,169	29,222	20,836
Derivative financial instruments	-	3,871	-
Current assets	1,528,072	1,577,986	1,257,450
Non-current			
Other financial assets	14,287	14,846	13,617
Property, plant and equipment	824,025	899,968	874,246
Non-current assets held for sale (Note 7)	25,734	14,158	10,455
Goodwill	428,317	545,085	426,968
Intangible assets	143,529	129,739	126,968
Other non-current assets	3,901	1,545	5,435
Deferred tax assets	55,878	51,679	65,239
Total assets	\$ 3,023,743	\$ 3,235,006	\$ 2,780,378
Liabilities			
Current			
Bank loans	\$ 12,298	\$ 892	\$ 4,377
Trade and other payables	625,479	540,214	487,864
Dividends payable	10,589	11,414	2,527
Derivative financial instruments	2,312	-	691
Provisions (Note 8)	16,412	5,588	6,947
Instalments on long-term debt	13,382	25,675	20,257
Current liabilities	680,472	583,783	522,663
Non-current			
Long-term debt	369,769	429,308	232,073
Other non-current liabilities	35,612	33,200	33,653
Provisions (Note 8)	17,672	3,275	3,606
Deferred tax liabilities	20,378	39,275	32,759
Total liabilities	1,123,903	1,088,841	824,754
Equity			
Share capital (Note 10)	764,248	808,833	793,416
Retained earnings	1,088,207	1,285,144	1,115,801
Contributed surplus	12,020	11,127	11,386
Accumulated other comprehensive income (loss)	(1,690)	2,829	(505)
Total equity attributable to owners of RONA inc.	1,862,785	2,107,933	1,920,098
Non-controlling interests	37,055	38,232	35,526
Total equity	1,899,840	2,146,165	1,955,624
Total liabilities and equity	\$ 3,023,743	\$ 3,235,006	\$ 2,780,378

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

RONA inc.

Notes to Interim Consolidated Financial Statements

as at September 23, 2012 and September 25, 2011

(unaudited and in thousands of Canadian dollars)

1. Reporting entity

RONA inc., a corporation headquartered at 220 Chemin du Tremblay, Boucherville, Quebec, Canada is regulated by the *Business Corporations Act* (Quebec) (formerly Part 1A of the Companies Act (Quebec)). The common shares are listed on the Toronto Stock Exchange.

The Corporation's consolidated financial statements for the thirteen and thirty-nine-week periods ended September 23, 2012 and September 25, 2011 include financial data for the Corporation and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's entities") and the Corporation's share of the jointly controlled entities.

The Corporation is a distributor and a retailer of hardware, home improvement and gardening products in Canada.

2. Basis of presentation

(a) General information and declaration of conformity

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

The unaudited interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Corporation's consolidated financial statements for the year ended December 25, 2011, unless otherwise indicated.

The preparation of financial statements in accordance 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 of the Corporation's consolidated financial statements for the year ended December 25, 2011. There has not been any significant change in judgments, estimates or assumptions disclosed in prior fiscal years. These interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 25, 2011, which are included in the Corporation's 2011 annual report.

The interim consolidated financial statements for the thirteen and thirty-nine-week periods ended September 23, 2012 (including comparative figures) were approved by the Board of Directors on November 6, 2012.

(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, home improvement and gardening products industry. Since the seasonal fluctuations result in significant variances for certain assets and liabilities, a Statement of Financial Position as at September 25, 2011 is also presented for comparative purposes.

(c) Comparative figures

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

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

In November 2009, the IASB issued new IFRS 9, *Financial Instruments*, that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides guidance on the classification and measurement of financial assets. In October 2010, the IASB amended IFRS 9 to add guidance on the classification and measurement of financial liabilities, and requirements for the derecognition of financial assets and financial liabilities.

In December 2011, the IASB amended the transition date of IFRS 9, which requires the application of IFRS 9 for periods beginning on or after January 1, 2015. The previous transition date was January 1, 2013.

In May 2011, the IASB issued the following new standards:

IFRS 10, *Consolidated financial statements*, replacing parts of IAS 27, *Consolidated and separate financial statements*, and SIC-12, *Consolidation – special purpose entities*, presents a new definition of control based on principles applicable to all issuers for determining the basis for consolidation. The standard provides a framework for the preparation of consolidated financial statements based on the principle of control.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at September 23, 2012 and September 25, 2011
(unaudited and in thousands of Canadian dollars)

2. Basis of presentation (continued)

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

IFRS 11, *Joint arrangements*, replaces IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities – non-monetary contributions by venturers*. IFRS 11 differs from prior standards in certain respects, among them, that the proportional method for accounting for interests in jointly controlled entities is no longer permitted.

IFRS 12, *Disclosure of interest in other entities*, is a new standard providing guidance on minimum disclosure requirements for interests in other entities held by a reporting entity. Disclosure requirements for interests in subsidiaries, joint arrangements, associates and special purpose entities excluded from the consolidation, currently found in separate applicable standards are combined into one comprehensive standard.

In June 2011, the IASB issued the following new standards:

An amended version of IAS 1, *Presentation of financial statements*, requires entities to group together items within other comprehensive income that may be reclassified to the income or loss section of the income statement. This amendment is effective for periods beginning on or after July 1, 2012.

An amended version of IAS 19, *Employee benefits*, eliminates the corridor method that defers the recognition of actuarial gains and losses, replaces the expected rate of return on assets used to determine the defined benefit cost by the obligation discount rate, streamlines the presentation of changes in assets and obligations arising from defined benefit plans and enhances the disclosure requirements for defined benefit plans.

These standards, excluding the amended IAS 1 and IFRS 9, are effective for periods beginning on or after January 1, 2013.

The Corporation is currently determining the effect of adopting these new requirements on its consolidated financial statements. Certain other standards were issued but have no significant impact on the Corporation.

3. Supplemental information on income and charges

3.1 Operating profit before restructuring costs, impairment of non-financial assets and other charges

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Revenues	\$ 1,336,560	\$ 1,347,135	\$ 3,688,631	\$ 3,635,392
Cost of sales (Note 4)	(974,152)	(968,696)	(2,675,870)	(2,610,562)
Gross profit	362,408	378,439	1,012,761	1,024,830
Selling, general and administrative expenses	(328,441)	(306,551)	(939,149)	(920,514)
Net gains on disposal of assets	139	134	3,184	1,262
Other income	6,421	4,961	19,409	14,285
Operating profit before restructuring costs, impairment of non-financial assets and other charges	\$ 40,527	\$ 76,983	\$ 96,205	\$ 119,863

3.2 Depreciation, amortization and impairment of non-financial assets

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Depreciation of property, plant and equipment	\$ 17,584	\$ 20,044	\$ 51,594	\$ 59,711
Depreciation of leasehold property included in property, plant and equipment	82	358	306	1,601
Amortization of intangible assets	7,162	6,403	19,769	17,566
Amortization of other non-current assets	353	142	1,054	428
Impairment of non-financial assets (Note 3.4)	43	-	5,029	-
Total depreciation, amortization and impairment of non-financial assets	\$ 25,224	\$ 26,947	\$ 77,752	\$ 79,306

RONA inc.

Notes to Interim Consolidated Financial Statements

as at September 23, 2012 and September 25, 2011
(unaudited and in thousands of Canadian dollars)

3. Supplemental information on income and charges (continued)

3.3 Employee benefits expense

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Salaries	\$ 120,871	\$ 114,762	\$ 366,727	\$ 355,585
Defined benefit expense	85	379	246	1,136
Defined contribution expense	2,950	2,492	9,293	7,656
Stock-based compensation expense (recovery)	1,021	(73)	2,722	(3,221)
Severance (Note 3.4)	4,041	186	6,834	3,114
Other fringe benefits	27,067	26,982	82,478	81,375
Total employee benefits expense	\$ 156,035	\$ 144,728	\$ 468,300	\$ 445,645

3.4 Restructuring costs, impairment of non-financial assets and other charges

During the second half of 2011, the Corporation undertook major initiatives to improve its efficiency, optimize its capital structure and increase its return on equity. In this context, in 2012, the Corporation continues to implement certain aspects of its business plan undertaken in 2011.

Total restructuring costs, impairment of non-financial assets and other charges for the thirteen and thirty-nine-week periods ended September 23, 2012 are as follows :

	2012	
	Third Quarter	Year-to-date
Costs relating to the liquidation of store inventory	\$ 2,680	\$ 8,248
Severance (Note 8)	1,013	3,117
Impairment of non financial assets	43	5,029
Onerous contracts (Note 8)	21,514	21,514
Other charges	463	791
Restructuring costs, impairment of non-financial assets and other charges	\$ 25,713	\$ 38,699

There were no charges related to these restructuring costs recognized in the comparable periods in 2011. Severance, onerous contracts and other restructuring costs required cash outflows of \$3,090 and \$ 3,844 in the thirteen and thirty-nine-week periods ended September 23, 2012.

4. Inventory

For the thirteen and thirty-nine-week periods ended September 23, 2012, amounts of \$ 974,152 and \$2,675,870 in inventory (Note 3.1) were expensed in the consolidated income statement (\$968,696 and \$2,610,562 in 2011).

For the thirteen and thirty-nine-week periods ended September 23, 2012, inventory write-down charges of \$7,148 and \$21,861 (\$9,435 and \$24,114 in 2011), of which \$3,282 recognized in the second quarter of 2012 is included in restructuring costs, were recorded in the consolidated income statement. No reversal of previous write-downs was recognized.

5. Income tax

The consolidated effective tax rates were 26.75% and 28.00%, respectively, for the thirteen and thirty-nine-week periods ended September 23, 2012 and September 25, 2011. The change in the effective tax rate is primarily attributable to the change in the Corporation's combined statutory rate.

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

RONA inc.

Notes to Interim Consolidated Financial Statements

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(unaudited and in thousands of Canadian dollars)

6. Business acquisitions

On April 2, 2012, the Corporation acquired the assets of a dealer located in Québec, operating in the retail and commercial segment.

On January 6, 2012, the Corporation acquired the shares of a dealer located in Québec, operating in the retail and commercial segment.

During the thirty-nine-week period ended September 25, 2011, the Corporation acquired three companies in the retail and commercial segment and one in the distribution segment through share or asset purchases.

Moreover, during the thirty-nine-week period ended September 25, 2011, the Corporation acquired the minority interests in the assets of a store previously held by one of its 51%-owned subsidiaries. This transaction resulted in a \$490 decrease in non-controlling interests with a corresponding change in contributed surplus.

The results of operations of these companies are consolidated from their acquisition date.

The consideration paid for these acquisitions amounted to \$6,138 (\$48,272 in 2011). Direct acquisition costs of \$284 were recognized in selling, general and administrative expenses for the thirty-nine-week period ended September 23, 2012 (\$557 in 2011). The Corporation financed these acquisitions from its available cash and existing credit facilities.

The purchase price allocation of these acquisitions was established as follows:

	2012	2011
Trade and other receivables	\$ 2,312	\$ 6,294
Inventory	4,912	19,947
Other current assets	156	226
Property, plant and equipment	3,862	25,299
Goodwill on acquisition	1,349	17,893
Intangible assets	-	36
Current liabilities	(5,362)	(16,997)
Long-term debt	(872)	(4,145)
Deferred tax liabilities	(219)	(281)
Cost of acquisitions	<u>6,138</u>	<u>48,272</u>
Less: Balances of purchase prices	<u>(2,141)</u>	<u>(7,467)</u>
Cash consideration paid	<u>\$ 3,997</u>	<u>\$ 40,805</u>

The Corporation does not expect the goodwill to be deductible for tax purposes (\$7,222 in 2011).

The excess of the purchase price over the value of net identifiable items of property, plant and equipment and intangible assets acquired less liabilities assumed is recognized as goodwill and represents expected synergies in connection with the acquisitions.

The preliminary purchase price allocation of the 2012 acquisitions may be subject to adjustment pending completion of the final valuations.

RONA inc.

Notes to Interim Consolidated Financial Statements

as at September 23, 2012 and September 25, 2011
(unaudited and in thousands of Canadian dollars)

7. Non-current assets held for sale

The Corporation intends to dispose of non-current assets held for sale within one year. These are primarily land and buildings in the retail and commercial store segment which are no longer used in operations and for which the Corporation has established a detailed plan to sell.

The change in non-current assets held for sale is as follows:

	2012	2011
Balance at beginning	\$ 10,455	\$ 16,474
Additions	25,898	5,632
Disposals	(7,363)	(7,948)
Reclassification to property, plant and equipment	(3,256)	-
Balance at end	\$ 25,734	\$ 14,158

Non-current assets held for sale		
Land and parking lots	\$ 16,513	\$ 13,096
Buildings	9,221	1,062
	\$ 25,734	\$ 14,158

8. Provisions and contingent liabilities

	Litigation	Onerous contrats	Product warranties	Restructuring (a)		Total
				Severance	Onerous contrats	
Balance, December 25, 2011	\$ 3,792	\$ 5,710	\$ 1,051	\$ -	\$ -	\$ 10,553
Provisions created during the period	1,525	1,400	533	3,117	21,514	28,089
Provisions used during the period	(877)	(1,612)	(16)	(1,604)	-	(4,109)
Provisions reversed during the period	(524)	-	-	-	-	(524)
Accretion expense	-	75	-	-	-	75
Balance, September 23, 2012	\$ 3,916	\$ 5,573	\$ 1,568	\$ 1,513	\$ 21,514	\$ 34,084
Current	3,916	1,773	1,568	1,513	7,642	16,412
Non-current	-	3,800	-	-	13,872	17,672
	\$ 3,916	\$ 5,573	\$ 1,568	\$ 1,513	\$ 21,514	\$ 34,084

(a) Refer to Note 3.4 for additional information.

	Litigation	Onerous contrats	Product warranties	Total
Balance, December 26, 2010	\$ 3,222	\$ 5,757	\$ 185	\$ 9,164
Provisions created during the period	1,478	-	336	1,814
Provisions used during the period	(513)	(638)	(59)	(1,210)
Provisions reversed during the period	(916)	-	(212)	(1,128)
Accretion expense	-	223	-	223
Balance, September 25, 2011	\$ 3,271	\$ 5,342	\$ 250	\$ 8,863
Current	\$ 3,271	\$ 2,067	\$ 250	\$ 5,588
Non-current	-	3,275	-	3,275
	\$ 3,271	\$ 5,342	\$ 250	\$ 8,863

RONA inc.

Notes to Interim Consolidated Financial Statements

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8. Provisions and contingent liabilities (continued)

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 negotiation procedures. 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.

Restructuring (onerous contracts)

In the third quarter, following store closures, a provision for onerous contracts was recognized for non-cancellable operating leases for commercial stores which are no longer used at a weighted average discount rate of 4.35%. The provisions were estimated using contractual obligations at the time of initial recognition and sublease revenue assumptions based on market data. The remaining terms of these leases vary from one to 15 years.

9. Guarantees and contingencies

Guarantees

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

The Corporation has guaranteed a bank loan for an amount of \$1,200. This loan has an undetermined period with no asset held as security.

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 \$46,271. In the event of recourse, this inventory would be sold in the ordinary course of the Corporation's operations. These agreements have undetermined periods but may be cancelled by the Corporation with a 30-day advance notice. In the opinion of management, the likelihood that significant payments would be incurred as a result of these commitments is low.

Contingencies

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. In addition, upon the acquisition of Réno-Dépôt Inc., the vendor committed to indemnify the Corporation for litigation which the Corporation assumed in the course of this acquisition.

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.

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 the Corporation's option, at their issuance price. Since 2003, they are redeemable at their issuance price over a maximum period of ten years on the basis of 10% per year and are included in long-term debt

RONA inc.

Notes to Interim Consolidated Financial Statements

as at September 23, 2012 and September 25, 2011

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10. Share capital (continued)

Issued and fully paid:

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

	Common shares		Preferred shares		Treasury shares		Deposits on common share subscriptions (a)		Share capital	
	Number of		Number of		Number of		Number of		Number of	
	shares	Amount	shares	Amount	shares	Amount	shares	Amount	shares	Amount
Balance December 25, 2011	127,200,189	\$ 618,934	6,900,000	\$ 172,500	(76,981)	\$ (475)	-	\$ 2,457	134,023,208	\$ 793,416
Issuance in exchange for cash	5,011	55	-	-	-	-	-	-	5,011	55
Issuance under stock option plans	970,725	3,480	-	-	-	-	-	-	970,725	3,480
Issuance in exchange for common share subscription deposits	259,057	2,477	-	-	(3,844)	(48)	-	(2,429)	255,213	-
Repurchase of common shares	(7,032,700)	(34,257)	-	-	-	-	-	-	(7,032,700)	(34,257)
Deposits on common share subscriptions received	-	-	-	-	-	-	-	1,581	-	1,581
Deposits on common share subscriptions refunded	-	-	-	-	-	-	-	(27)	-	(27)
Balance September 23, 2012	121,402,282	\$ 590,689	6,900,000	\$ 172,500	(80,825)	\$ (523)	-	\$ 1,582	128,221,457	\$ 764,248

(a) Deposits on common share subscriptions represent amounts received during the year 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 23, 2012, the number of outstanding common shares would have increased by 134,655.

	Common shares		Preferred shares		Treasury shares		Deposits on common share subscriptions (a)		Share capital	
	Number of		Number of		Number of		Number of		Number of	
	shares	Amount	shares	Amount	shares	Amount	shares	Amount	shares	Amount
Balance December 26, 2010	130,071,782	\$ 630,264	-	\$ -	(73,334)	\$ (424)	-	\$ 2,774	129,998,448	\$ 632,614
Issuance in exchange for cash	46,325	520	6,900,000	172,500	-	-	-	-	6,946,325	173,020
Issuance under stock option plans	150,525	1,406	-	-	-	-	-	-	150,525	1,406
Issuance in exchange for common share subscription deposits	193,683	2,749	-	-	(3,647)	(51)	-	(2,698)	190,036	-
Deposits on common share subscriptions received	-	-	-	-	-	-	-	1,868	-	1,868
Deposits on common share subscriptions refunded	-	-	-	-	-	-	-	(75)	-	(75)
Balance September 25, 2011	130,462,315	\$ 634,939	6,900,000	\$ 172,500	(76,981)	\$ (475)	-	\$ 1,869	137,285,334	\$ 808,833

(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 25, 2011, the number of outstanding common shares would have increased by 184,795.

RONA inc.

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10. Share capital (continued)

On November 8, 2011, the Board of Directors approved a normal course issuer bid to repurchase for cancellation, from November 11, 2011 to November 10, 2012, up to 11,016,854 common shares representing 10% of its 110,168,541 floating shares, i.e. 8.4% of its 130,520,489 issued and outstanding common shares as at October 31, 2011.

Under this issuer bid, the repurchases will be made at market prices through the Toronto Stock Exchange. The Corporation ceases to consider shares as outstanding on the date of the Corporation's repurchase of its shares although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter.

During the thirty-nine-week period ended September 23, 2012, the Corporation redeemed for cancellation a total of 7,032,700 common shares for a total cost of \$66,767. Of the total cost, \$34,257 represents the stated value of common shares. The remaining \$32,510 was recorded in retained earnings.

11. Stock-based compensation

Stock option plans

Stock option plan of May 1, 2002

On May 1, 2002, the Corporation adopted a stock option plan for designated senior executives pursuant to which options for a maximum of 3,740,000 common shares may be granted. Options granted under the plan may be exercised since the Corporation made a public share offering on November 5, 2002. As at September 23, 2012, the exercise price of the 2,920,000 options granted upon adoption of the plan was \$3.47 and all options had been exercised (1,855,000 options in 2011). The fair value of each option granted was estimated at the grant date using the Black-Scholes option pricing model.

No compensation cost was expensed with respect to this plan for the thirty-nine-week periods ended September 23, 2012 and September 25, 2011.

Stock option plan of October 24, 2002

Since October 24, 2002, the Corporation has another stock option plan for designated senior executives of the Corporation and for certain designated directors. The total number of common shares which may be issued pursuant to the plan will not exceed 10% of the common shares issued and outstanding less the number of shares subject to options granted under the stock option plan of May 1, 2002. These options become vested at 25% per year, if the market price of the common share has traded, for at least 20 consecutive trading days during the twelve-month period preceding the grant anniversary date, at a price equal to or higher than the grant price plus a premium of 8% compounded annually.

Modifications were adopted by the Board of Directors on March 8, 2007, whereby the most appropriate terms and conditions relative to each type of grant could be adopted. Since March 8, 2007, the Board has approved option grants with vesting over a 4-year period following the anniversary date of the grants at 25% per year. In addition as a result of these modifications, the plan is no longer applicable to the designated directors of the Corporation.

As at September 23, 2012, the 3,713,452 options granted (3,242,352 options in 2011) have exercise prices ranging from \$9.38 to \$26.87 in 2012 (\$9.97 to \$26.87 in 2011) and of this number, 183,150 options have been exercised (172,425 options in 2011), 619,758 options have expired (619,758 options in 2011) and 1,038,994 options have been forfeited (759,394 options in 2011).

The weighted average fair value of stock options granted of \$2.64 for the thirty-nine-week period ended September 23, 2012 (\$4.64 in 2011) 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 for the options granted during the period:

	2012	2011
Share price at date of grant	\$ 9.39	\$ 13.61
Risk-free interest rate	1.55 to 1.96 %	1.67 to 3.35 %
Expected share price volatility	27.65 to 27.70 %	27.60 to 28.13 %
Expected dividend rate	1.50 %	1.00 to 1.39%
Expected life	7 to 10 years	7 to 10 years
Exercise price at date of grant	\$ 9.38	\$ 13.65

RONA inc.**Notes to Interim Consolidated Financial Statements**

as at September 23, 2012 and September 25, 2011

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11. Stock-based compensation (continued)**Stock option plans (continued)****Stock option plan of October 24, 2002 (continued)**

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 amounts to \$114 and \$669 for the thirteen and thirty-nine-week periods ended September 23, 2012 (\$258 and \$775 in 2011).

A summary of the situation of the Corporation's stock option plans and the changes that occurred during the thirty-nine-week periods is presented below:

	As at September 23, 2012	
	Options	Weighted average exercise price
Outstanding, beginning of period	2,574,175	\$ 10.32
Granted	471,100	9.38
Exercised	(970,725)	3.55
Forfeited	(203,000)	12.33
Outstanding, end of period	1,871,550	13.38
Options exercisable, end of period	1,073,435	\$ 14.81

	As at September 25, 2011	
	Options	Weighted average exercise price
Outstanding, beginning of period	2,727,794	\$ 9.99
Granted	384,900	13.65
Exercised	(150,525)	7.38
Forfeited	(206,394)	9.66
Outstanding, end of period	2,755,775	10.16
Options exercisable, end of period	1,950,075	\$ 8.80

The weighted average price of the common shares acquired by option holders having exercised 970,725 options (150,525 options in 2011) for the thirty-nine-week period ended September 23, 2012 is \$9.37 (\$12.89 in 2011).

The following table summarizes information relating to stock options outstanding as at September 23, 2012:

Exercise price	Expiration date	Options outstanding	Options exercisable
\$ 9.38	March 5, 2022	393,900	-
\$ 9.97	September 21, 2021	60,000	15,000
\$ 10.62	March 11, 2019	316,750	241,050
\$ 14.18	March 1, 2018	132,975	132,975
\$ 14.29	December 16, 2013	322,200	322,200
\$ 14.33	March 7, 2021	230,700	62,835
\$ 15.44	March 9, 2020	240,925	125,275
\$ 20.27	December 22, 2014	72,750	72,750
\$ 23.58	March 8, 2017	101,350	101,350
		1,871,550	1,073,435

RONA inc.**Notes to Interim Consolidated Financial Statements**

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11. Stock-based compensation (continued)**Share unit plan for officers**

The Corporation offers a share unit plan to officers and key employees of the Corporation and its subsidiaries under which restricted share units (RSUs) are granted. The RSUs are vested over a maximum term of three years based on performance targets and passage of time. The RSUs are recognized as compensation expense on a straight-line basis over the vesting period.

The RSUs 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 accounted for as compensation expense with a corresponding charge to trade and other payables in the consolidated statement of financial position. RSUs 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.

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Number of restricted share units:				
Outstanding, beginning of period	1,186,275	1,125,125	1,117,225	935,325
Granted	2,500	20,000	588,100	410,000
Expired	-	-	-	(113,000)
Forfeited	(52,670)	(28,400)	(201,670)	(115,600)
Units paid	(4,600)	(6,000)	(372,150)	(6,000)
Outstanding, end of period	1,131,505	1,110,725	1,131,505	1,110,725

For the thirteen and thirty-nine-week periods ended September 23, 2012, a charge of \$154 and \$498 was recorded in the consolidated income statement (recovery of \$188 and \$ 3,972 in 2011).

Share unit plan for directors

The Corporation offers a deferred share unit (DSU) plan for external directors. Under this plan, directors may elect to receive in the form of DSUs any percentage up to 100% of their fees payable in respect of serving as director.

When a director elects to participate in this plan, the Corporation credits the director's account for a number of units equal to the deferred compensation divided by the average closing market price of the common shares of the Corporation during the five trading days immediately preceding the last day of each reporting period of the Corporation. Fair market value changes are accounted for as a compensation expense with a corresponding charge to trade and other payables in the consolidated statement of financial position. DSUs granted under this plan will be redeemable and the value of the units will be payable only when the unit holder ceases to be a director.

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Number of deferred share units:				
Outstanding, beginning of period	291,698	202,428	234,968	172,781
Granted	39,955	19,736	96,685	49,383
Units paid	(33,206)	-	(33,206)	-
Outstanding, end of period	298,447	222,164	298,447	222,164

The charge (recovery) recorded in the consolidated income statement for the thirteen and thirty-nine-week periods ended September 23, 2012 amounts to \$753 and \$1,555 ((\$143) and (\$24) in 2011).

RONA inc.**Notes to Interim Consolidated Financial Statements**

as at September 23, 2012 and September 25, 2011
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12. Segment Information

The information presented below is reported regularly to the chief operating decision maker, the President and Chief Executive Officer.

	Third Quarter					
	2012			2011		
	Retail and commercial	Distribution	Total	Retail and commercial	Distribution	Total
Segment revenues	\$ 1,026,174	\$ 626,191	\$ 1,652,365	\$ 1,045,115	\$ 607,200	\$ 1,652,315
Intersegment revenues and royalties	(4,305)	(311,500)	(315,805)	(7,206)	(297,974)	(305,180)
Revenues from external customers	1,021,869	314,691	1,336,560	1,037,909	309,226	1,347,135
Income before finance costs, amortization, depreciation and impairment of non-financial assets and income tax expense	25,957	15,562	41,519	85,288	20,128	105,416
Finance income			(1,481)			(1,486)
Amortization, depreciation and impairment of non-financial assets			(25,224)			(26,947)
Operating income ^(a)			14,814			76,983
Finance income			1,481			1,486
Finance costs			(5,101)			(6,519)
Income before income tax expense			\$ 11,194			\$ 71,950

	Year-to-date					
	2012			2011		
	Retail and commercial	Distribution	Total	Retail and commercial	Distribution	Total
Segment revenues	\$ 2,763,412	\$ 1,891,805	\$ 4,655,217	\$ 2,753,952	\$ 1,818,432	\$ 4,572,384
Intersegment revenues and royalties	(12,729)	(953,857)	(966,586)	(20,836)	(916,156)	(936,992)
Revenues from external customers	2,750,683	937,948	3,688,631	2,733,116	902,276	3,635,392
Income before finance costs, amortization, depreciation and impairment of non-financial assets and income tax expense	87,186	52,026	139,212	154,677	48,689	203,366
Finance income			(3,954)			(4,197)
Amortization, depreciation and impairment of non-financial assets			(77,752)			(79,306)
Operating income ^(a)			57,506			119,863
Finance income			3,954			4,197
Finance costs			(14,718)			(19,557)
Income before income tax expense			\$ 46,742			\$ 104,503

(a) For the thirteen and thirty-nine week periods ended September 23, 2012, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling \$25,713 and \$38,699 pre-tax, respectively (Note 3.4).

RONA inc.**Notes to Interim Consolidated Financial Statements**

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13. Earnings per share

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

	Third Quarter		Year-to-date	
	2012	2011	2012	2011
Net income attributable to owners of RONA inc. ^(a)	\$ 7,265	\$ 50,113	\$ 32,742	\$ 72,848
Dividends on preferred shares, including related taxes	(2,139)	(2,363)	(6,779)	(5,639)
Net income attributable to participating shares	5,126	47,750	25,963	67,209
Number of shares (in thousands)				
Weighted average number of shares used to compute basic net earnings per share attributable to owners of RONA inc.	121,313	130,368	122,857	130,278
Effect of dilutive stock options ^(b)	43	716	-	861
Weighted average number of shares used to compute diluted net earnings per share attributable to owners of RONA inc.	121,356	131,084	122,857	131,139
Net earnings per share attributable to owners of RONA inc.				
Basic	\$ 0.04	\$ 0.37	\$ 0.21	\$ 0.52
Diluted	\$ 0.04	\$ 0.36	\$ 0.21	\$ 0.51

(a) For the thirteen and thirty-nine-week periods ended September 23, 2012, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling \$25,713 and \$38 699 pre-tax, respectively (Note 3.4).

(b) As at September 23, 2012, 1,494,800 stock options (1,322,825 options in 2011) were excluded from the calculation of diluted net earnings per share attributable to the Corporation's owners since these options have an antidilutive effect.

14. Related party transactions with subsidiaries and joint ventures

RONA inc. is the party that exercises ultimate control of the Corporation.

Transactions between the Corporation and its subsidiaries, that are related parties, are eliminated in consolidation and are not presented in this note.

Transactions between the Corporation and its joint ventures, that are related parties that were not eliminated in consolidation, are summarized below:

	Year-to-date	
	2012	2011
Sales of merchandise	\$ 33,035	\$ 28,758
Leases	1,279	1,268
Trade and other receivables	4,249	4,012

Unless otherwise indicated, none of the transactions contain special characteristics or conditions.

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15. Change in accounting policy

In the last quarter of the prior year, which was the reporting period covered by its first IFRS financial statements, the Corporation changed the accounting method for defined benefit pension plans to recognize all actuarial gains and losses immediately in the consolidated statement of other comprehensive income instead of using the corridor approach. The impact of this change in accounting policy for the comparable periods are as follows:

	2011	
	Third Quarter	Year-to-date
Reconciliation of total comprehensive income		
Total comprehensive income under IFRS, as presented in the quarterly financial statements	\$ 54,185	\$ 79,289
Impact of change in accounting policy regarding actuarial losses and other items relating to the defined benefit pension plans	(1,437)	(2,381)
Total comprehensive income under IFRS, as presented in the quarterly financial statement after the change in accounting policy	\$ 52,748	\$ 76,908
<hr/>		
As at September 25, 2011		
Reconciliation of equity		
Total equity under IFRS, as presented in the quarterly financial statements including the reclassification of comparative figures	\$	2,150,025
Impact of change in accounting policy regarding actuarial losses and other items relating to the defined benefit pension plans		(3,860)
Total comprehensive income under IFRS, as presented in the quarterly financial statement after the change in accounting policy	\$	2,146,165