



MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS  
FIRST QUARTER 2013

BUILDING  
ON OUR  
**STRENGTHS**





## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER OF 2013

### 13-week period ended March 31, 2013

---

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. The Corporation operates a network of over 800 corporate, franchise and affiliate retail stores of various sizes and formats under different banners, and a network of 14 hardware and construction materials distribution centres. RONA is also a leader in the specialized plumbing and HVAC market, primarily serving commercial and professional customers with a network of close to 60 sales outlets and four distribution centres across the country. With close to 28,000 employees, the RONA store network generated consolidated sales of \$4.9 billion in the last fiscal year ended December 30, 2012.

RONA's sales include:

- Retail sales generated by its retail corporate stores
- Royalties on franchise retail sales
- A share of retail sales generated by franchise stores in which RONA holds a majority interest
- Wholesale sales generated by franchise stores (net of RONA's share in these stores)
- Wholesale sales generated by affiliate dealer-owned stores

#### FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and related notes for the 13-week period ended March 31, 2013. These unaudited interim consolidated financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The monetary amounts in these financial statements are expressed in 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 consolidated financial statements with the Canadian Securities Administrators and they can be viewed online at [www.sedar.com](http://www.sedar.com) or on RONA's website at [www.rona.ca](http://www.rona.ca).

#### 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 have 13 weeks. The fiscal year ended December 30, 2012, had 53 weeks of operations, while the year ending December 29, 2013 will have 52 weeks.

#### NON-GAAP PERFORMANCE MEASURES

RONA uses non-GAAP performance measures which are not defined by International Financial Reporting Standards ("IFRS"). Management is of the view that these measures are useful in the analysis of the Corporation's operational performance. These measures must not be considered separately or as a substitute for other performance measures calculated according to IFRS, but rather as additional information.

EBITDA, as defined by the corporation, represents operating profit before finance costs, income taxes 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 our industry. This metric identifies sales growth generated by the existing store network and removes the effect of acquisitions, store closures and openings.

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

As indicated 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.

(Unaudited, in thousands of dollars)	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
<b>Net income (loss)</b>	<b>(39,999)</b>	<b>(12,472)</b>	<b>(27,527)</b>	<b>(220.7%)</b>
Finance costs	5,227	4,344	883	20.3%
Depreciation, amortization and impairment of non-financial assets	25,397	23,247	2,150	9.2%
Income tax recovery	(14,607)	(4,479)	(10,128)	(226.1%)
<b>EBITDA</b>	<b>(23,982)</b>	<b>10,640</b>	<b>(34,622)</b>	<b>(325.4%)</b>
Restructuring costs and other charges (excluding impairment of non-financial assets)	12,786	-	12,786	-
Other costs related to the implementation of strategic priorities	10,592	-	10,592	-
<b>Adjusted EBITDA</b>	<b>(604)</b>	<b>10,640</b>	<b>(11,244)</b>	<b>(105.7%)</b>

The table below summarizes the impact of each adjustment on non-GAAP performance measures. For more details refer to the section "Consolidated results for the first quarter 2013".

(Unaudited, in thousands of dollars except net loss per share)	Quarter ended March 31, 2013	Restructuring costs, impairment of non-financial assets and other charges <sup>(2)</sup>	Other costs related to the implementation of strategic priorities	Total adjustments	Adjusted quarter ended March 31, 2013
Gross margin	251,347	-	1,248	1,248	252,595
Selling, general and administrative expenses <sup>(1)</sup>	(275,329)	12,786	9,344	22,130	(253,199)
EBITDA	(23,982)	12,786	10,592	23,378	(604)
Depreciation, amortization and impairment of non-financial assets	(25,397)	954	-	954	(24,443)
EBIT	(49,379)	13,740	10,592	24,332	(25,047)
Net loss attributable to participating shares	(40,559)	10,065	7,759	17,824	(22,735)
Net loss per diluted share attributable to owners of RONA inc.	(\$0.33)	\$0.08	\$0.06	\$0.14	(\$0.19)

<sup>(1)</sup> Selling, general and administrative expenses includes net gains on disposal of assets, other income, finance income and share of income of joint ventures and an associate.

<sup>(2)</sup> Refer to RONA's unaudited interim consolidated financial statements Note 3.4 (Restructuring costs, impairment of non-financial assets and other charges) for more details.

## UPDATE ON THE CORPORATION'S STRATEGIC ORIENTATION

### Review of progress in each of the three strategic priorities

#### 1. Leveraging the strengths of our core competencies

- Distribution to affiliated and franchised dealers and the operation of small and medium stores were quickly identified as strategic activities, as were the big-box stores in Quebec.
- A major review of big-box stores outside Quebec was also undertaken. After exploring a variety of options, RONA decided to keep this store network and will announce a recovery plan next quarter.
- The Commercial and Professional Market division is still under review. In the next quarter, RONA will be able to announce the path it will take to maximize the value of this division.

#### 2. Growing customer segments through a more compelling value proposition

- This priority has strong mid- and long-term potential, because it will put RONA back on track for profitable sales growth. Over the past several months, RONA has called upon international retail-industry experts to accelerate its analysis.
- An in-depth review of the pricing strategy and product categories offered in the RONA-store network is in progress.
- The Réno-Dépôt banner in Quebec has been redefined to better meet the needs of its core customers: professional contractors and skilled DIYers. The new concept puts more emphasis on the very nature of Réno-Dépôt: a warehouse that offers products in large quantities at better prices.
- Integration of the TOTEM banner in Alberta is continuing. This new proximity store model combines the strong points of both TOTEM and RONA.

### 3. Unlocking the profit potential of a simplified business model

- To date, savings of \$17 million (on an annualized basis) have been achieved through workforce reductions and the renegotiation of major agreements. The Corporation had identified \$35 - \$45 million in potential rationalizations and is confident that it can achieve this objective by the end of 2014.
- Part of the savings will be reinvested to strengthen our competitive position in certain key operations.

#### Financial Priorities

Our actions are always dictated by our three financial priorities. This disciplined approach is focused on achieving a medium term return on capital greater than 10%. We have made steady progress in this area during the first two quarters of 2012. This upward trend was interrupted in the last three quarters, as a more competitive environment and a change in our sales mix in favour of lower-margin products affected our operating income. However, the continuation of our capital structure optimization initiatives allowed us to mitigate the impact of the decrease on our return on capital and protect our strong balance sheet. Our disciplined capital management was impacted in the first quarter of 2013 by an increase in inventories in preparation for an expected increase in seasonal demand.

The following table shows quarterly achievements of the Corporation's three financial priorities since the first quarter of 2012.

FINANCIAL PRIORITIES	ACHIEVEMENTS VS PRIORITIES (excluding adjustments)					
	Q1-2012	Q2-2012	Q3-2012	Q4-2012	Q1-2013	
<b>1. IMPROVE EFFICIENCY</b>						
Same-store sales	✓	✓	✗	✓	-0.8%	✗
Increase in gross margin	✓	✓	✗	✗	-\$12.7M	✗
Decrease in comparable SG&A	✓	✓	✗	✗	\$3.5M	✗
Increase in EBITDA	✓	✓	✗	✗	-\$11.2M	✗
<b>2. OPTIMIZE CAPITAL STRUCTURE</b>						
Sale of assets	✓	✓	✗	✓	\$0.6M	✓
CAPEX/Amortization and depreciation	✓	✓	✓	✓	0.6x	✓
Inventory turnover	✓	✓	✓	✓	3.54 vs 3.49	✓
Share repurchase	✓	✓	n/a*	n/a*	n/a*	n/a*
<b>3. INCREASE RETURN ON CAPITAL</b>						
After-tax EBIT	✓	✓	✗	✗	-\$8.4M	✗
Disciplined capital management <sup>(1)</sup>	✓	✓	✓	✓	\$19.3M	✗
Return on capital <sup>(2)</sup>	✓	✓	✗	✗	3.8% vs 4.2%	✗

(1) Capital equals net working capital, plus property, plant and equipment and intangible assets, plus non-current assets held for sale, plus goodwill, plus current projects, plus other financial and non-current assets, plus deferred income tax assets, minus other non-current liabilities and minus deferred tax liabilities.

(2) Average return on capital equals after-tax EBIT, excluding adjustments/average capital.

\* The Corporation was prohibited from trading for the third and fourth quarters of 2012. The program was not renewed in 2013.

#### CONSOLIDATED RESULTS FOR THE FIRST QUARTER 2013

The results analyzed in this section are for the quarter ended March 31, 2013 and, when compared, are compared to the results for the quarter ended March 25, 2012, unless otherwise indicated.

RONA has two reportable segments: (1) distribution and (2) retail and commercial. The retail and commercial segment groups RONA's corporate and franchised stores ("Retail"), and its Commercial and Professional Market division ("Commercial"). Certain analyses have been provided by segment, as presented in the unaudited interim consolidated financial statements of the Corporation.

REVENUES	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
(Unaudited, in thousands of dollars)				
Distribution	285,363	267,134	18,229	6.8%
Retail and commercial	644,035	666,882	(22,847)	(3.4%)
<b>Total</b>	<b>929,398</b>	<b>934,016</b>	<b>(4,618)</b>	<b>(0.5%)</b>
<b>Same-store sales</b>				
Distribution	9.5%	1.9%		
Retail and commercial	(3.0%)	(0.8%)		
<b>Total same-store sales</b>	<b>(0.8%)</b>	<b>(0.3%)</b>		

Consolidated revenues were down \$4.6 million year over year. An increase of \$18.2 million in distribution revenues was not sufficient to offset continued downward pressure on sales in the retail and commercial segment. The industry was affected by a late spring and difficult market conditions, as confirmed by certain economic indicators. According to a report by the Conference Board of Canada, consumer confidence, measured on a comparable basis, is similar to that of 2012, which means that consumers are still being very cautious. The latest published data from the Canada Mortgage and Housing Corporation (CMHC) show housing starts are down 6.5%, and the sale of existing housing stock is 13.1% below that of the first quarter of 2012. These figures are directly related to renovation and building activities. Note also that first quarter 2012 had one extra business day related to the Easter holiday, which had an adverse impact of \$5.8 million on 2013 sales. Moreover, the net result of store openings and closures was a negative impact of \$11.7 million on revenues. Overall, same-store sales were affected by the same factors.

In the distribution segment, revenues were up \$18.2 million compared to the same quarter in 2012, due to a \$14.2 million increase in sales to dealer-owners. Part of this increase stems from early procurement of certain product categories before prices rose sharply. Recruitment of new affiliate dealers also helped grow sales by \$7.7 million.

Revenues in the retail and commercial segment were down \$22.8 million compared to the first quarter of 2012, primarily due to industry factors as noted earlier. Furthermore, the late spring translated directly into a 28% decrease in seasonal sales. There was also an adverse impact related to the disruption caused by the implementation of the Corporation's strategic priorities, that is, repositioning the Réno-Dépôt banner, integrating the TOTEM banner and redeploying sales volume from our big-box stores outside Quebec. However, as noted in the *Update on the Corporation's Strategic Orientation* section, these initiatives will generate benefits in coming quarters. The net result of store openings and closures also had a negative impact of \$11.7 million on revenues in the retail and commercial segment.

EBITDA	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
(Unaudited, in thousands of dollars)				
Distribution	11,482	16,142	(4,660)	(28.9%)
Retail and commercial	(35,464)	(5,502)	(29,962)	(544.6%)
Total EBITDA	(23,982)	10,640	(34,622)	(325.4%)
<b>Adjustments</b>				
Distribution				
Restructuring costs and other charges	1,136	-	1,136	-
Other costs related to the implementation of strategic priorities	2,716	-	2,716	-
Total adjustments distribution	3,852	-	3,852	-
Retail and commercial				
Restructuring costs and other charges	11,650	-	11,650	-
Other costs related to the implementation of strategic priorities	7,876	-	7,876	-
Total adjustments retail and commercial	19,526	-	19,526	-
Total adjustments	23,378	-	23,378	-
<b>Adjusted EBITDA</b>				
Distribution	15,334	16,142	(808)	(5.0%)
Retail and commercial	(15,938)	(5,502)	(10,436)	(189.7%)
Total adjusted EBITDA	(604)	10,640	(11,244)	(105.7%)

As mentioned in the section *Non-GAAP Performance Measures*, certain non-representative adjustments were excluded in the measurement of the Corporation's financial performance in order to better compare operating results from quarter to quarter. Such adjustments amounted to \$23.4 million in the first quarter of 2013, that is, \$3.9 million in the distribution segment and \$19.5 million in the retail and commercial segment. Restructuring costs and other charges amounted to \$12.8 million, consisting of \$3.6 million for severance, \$8.9 million in provisions for onerous contracts and \$0.3 million for other costs. Other costs of \$10.6 million related to implementing the strategic priorities include transformational plan-related fees, integration of the TOTEM banner cost and costs relating to the liquidation of inventory.

In the distribution segment, the \$0.8 million decrease in adjusted EBITDA compared to the same quarter in 2012 stems from the altered mix of distributed products and higher shipping costs. However, higher sales helped offset these impacts.

Adjusted EBITDA in the retail and commercial segment decreased \$10.4 million compared to the first quarter of 2012. The decrease stems from stiffer competition, which exerted downward price pressure in several product categories, as well as a more rapid increase in the cost, versus the selling price, of products such as lumber and building materials. The decrease stems also from sales of lower margin items such as building materials, to the detriment of higher-margin items such as hardware products. The net result of store openings and closures also had a positive impact of \$2.1 million on EBITDA.

GROSS MARGIN	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
(Unaudited, in thousands of dollars)				
Gross margin	251,347	265,309	(13,962)	(5.3 %)
Other costs related to the implementation of strategic priorities	1,248	-	1,248	-
Adjusted gross margin	252,595	265,309	(12,714)	(4.8 %)

Adjustments amounting to \$1.2 million were excluded from gross margin to allow for a better comparison between quarters. The adjusted gross margin was down \$12.7 million versus the first quarter of 2012, due to the altered product mix and difficult market conditions. The net result of store openings and closures had a negative impact of \$3.4 million on gross margin.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
(Unaudited, in thousands of dollars)				
Selling, general and administrative expenses	(275,329)	(254,669)	(20,660)	(8.1%)
Restructuring costs and other charges	12,786	-	12,786	-
Other costs related to the implementation of strategic priorities	9,344	-	9,344	-
Adjusted selling, general and administrative expenses	(253,199)	(254,669)	1,470	0.6%

To allow for a better comparison between quarters, adjustments amounting to \$22.1 million were excluded from selling, general and administrative expenses. In the first quarter, consolidated adjusted selling, general and administrative expenses were \$1.5 million lower than in the first quarter of 2012. The decrease stems from the positive impact of store closures net of store openings. The Corporation continues to strictly control its adjusted selling, general and administrative expenses.

INTEREST, DEPRECIATION, AMORTIZATION AND IMPAIRMENT	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
(Unaudited, in thousands of dollars)				
Finance costs	(5,227)	(4,344)	(883)	(20.3%)
Depreciation, amortization and impairment of non-financial assets	(25,397)	(23,247)	(2,150)	(9.2%)
Restructuring costs, impairment of non-financial assets and other charges	954	-	954	-
Adjusted depreciation, amortization and impairment of non-financial assets	(24,443)	(23,247)	(1,196)	(5.1%)

In the first quarter, finance costs rose \$0.9 million compared to the first quarter of 2012. The change is mainly due to the increase in our average debt, stemming from the financing of share purchases in the normal course of business through our credit facility.

To allow for a better comparison between quarters, certain non-representative adjustments amounting to \$1 million were excluded from the amortization, depreciation and impairment of non-financial assets; these adjustments stem directly from the implementation of the strategic priorities. The adjusted amortization, depreciation and impairment of non-financial assets expense rose by \$1.2 million in the first quarter, due to the investments to upgrade information systems which were completed in the first quarter of 2013. The Corporation will continue to strictly monitor its investments in property, plant and equipment, which are below the level of amortization and depreciation expense.

NET INCOME	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
(Unaudited, in thousands of dollars except net loss per share)				
Net loss attributable to owners of RONA inc.	(38,253)	(11,138)	(27,115)	(243.4%)
Dividends on preferred shares, including related income taxes	(2,306)	(2,322)	16	0.7%
Net loss attributable to participating shares	(40,559)	(13,460)	(27,099)	(201.3%)
Restructuring costs, impairment of non-financial assets and other charges, net of taxes	10,065	-	10,065	-
Other costs related to the implementation of strategic priorities, net of taxes	7,759	-	7,759	-
Adjusted net loss attributable to participating shares	(22,735)	(13,460)	(9,275)	(68.9%)
Net loss per diluted share attributable to owners of RONA inc.	(\$0.33)	(\$0.11)	(\$0.22)	(200.0%)
Adjusted net loss per diluted share attributable to owners of RONA inc.	(\$0.19)	(\$0.11)	(\$0.08)	(72.7%)

For the purpose of comparing quarters, certain non-representative adjustments in the measurement of the Corporation's financial performance were excluded. The net total after-tax amount of these adjustments, as part of the implementation of the Corporation's strategic priorities, was \$17.8 million for the first quarter of 2013, or \$0.14 per diluted share.

The adjusted net loss applicable to participating shares went from \$13.5 million, or a loss of \$ 0.11 per diluted share to \$22.7 million, or a loss of \$0.19 per diluted share in the first quarter of 2013, representing \$9.3 million, or a loss of \$0.08 per diluted share variation, primarily due to the decrease in adjusted gross margin. Note that the average number of shares outstanding used to calculate the adjusted net loss per share attributable to owners of

RONA inc. fell from 126.7 million shares in the first quarter of 2012 to 121.6 million shares in the first quarter 2013, following the program to repurchase shares in the normal course of business set up by the Corporation in November 2011.

CASH FLOWS AND FINANCIAL POSITION	Quarters ended			
	March 31, 2013	March 25, 2012	\$ change from 2012	% change from 2012
(Unaudited, in thousands of dollars)				
Cash flow from operating activities before net change in working capital, interest received and income taxes paid	(17,594)	8,911	(26,505)	(297.4%)
Net change in working capital	(104,036)	(139,904)	35,868	25.6%
Cash flow from operating activities	(122,450)	(139,668)	17,218	12.3%
Cash flow from investing activities	(13,302)	(19,831)	6,529	32.9%
Cash flow from financing activities	146,776	128,867	17,909	13.9%
Net increase (decrease) in cash	11,024	(30,632)	41,656	136.0%

For the first quarter of 2013, cash flow used from operating activities before net change in working capital, interest received and income taxes paid was a negative \$17.6 million, compared to a positive \$8.9 million in 2012, a decrease of \$26.5 million. The variation between the two periods stems primarily from an increase in the loss before income tax expense compared to the corresponding period in 2012. This variation was mitigated by an improvement in the net change in working capital in 2013, which amounted to a negative \$104.0 million, compared to a negative variation of \$139.9 million in 2012. The improvement reflects the optimization of certain working capital items.

The cash outflow relating to the restructuring and other charges for the implementation of the strategic priorities was \$5.1 million for the first quarter of 2013.

Cash flow from operating activities used \$122.5 million for the first quarter of 2013, compared to \$139.7 million for the same period in 2012, an improvement of \$17.2 million. A portion of the improvement comes from a positive variation of \$9.4 million from operating activities including the net change in working capital, while the other portion stems from income taxes paid that are \$7.9 million lower than the corresponding period in 2012.

The Corporation continued to exercise disciplined financial management and strictly controlled its investments in property, plant and equipment. For the first quarter of 2013, RONA invested \$14.8 million in property, plant and equipment, intangible assets and other financial assets, which was \$3.7 million or 20.2% less than in 2012. These amounts were invested in continuous improvement of the Corporation's information systems to increase operational efficiency, and in maintenance work. The level of investment in property, plant and equipment, intangible assets and other financial assets remains lower than adjusted amortization, depreciation and impairment of non-financial assets expense. In addition, no acquisitions were made in the first quarter of 2013, compared to a cash outlay of \$3.4 million for the same period in 2012.

For the first quarter of 2013, cash flow from financing activities amounted to \$146.8 million compared to \$128.9 million in 2012. The positive \$17.9 million variation is due to the absence of share repurchases in the first quarter of 2013, compared to an outlay of \$48.9 million for the same period in 2012. This situation was, however, mitigated by a decrease in the net change in credit facilities in 2013 of \$21.7 million and a cash outlay of \$8.5 million in 2013 related to dividends on common shares.

Total assets amounted to \$3,074.2 million at March 31, 2013, compared to \$2,992.0 million at March 25, 2012, an increase of 2.7%. Current assets increased 6.9%, or \$102.5 million compared to March 25, 2012. This increase stems primarily from increases of \$31.6 million in cash, \$26.2 million in trade and receivables and \$41.8 million in inventory.

Total liabilities amounted to \$1,238.8 million at March 31, 2013, compared to \$1,106.9 million at March 25, 2012, an increase of 11.9%. Current liabilities grew 9.8%, or \$62.5 million compared to March 25, 2012. The increase stems from increases of \$72.8 million from trade and other payables, while bank loans and bank overdraft decreased by \$12.8 million.

RONA believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for the financing and investing activities planned for 2013. RONA still has a strong balance sheet. As at March 31, 2013, total debt was \$479.9 million, compared to \$434.2 million in 2012. The Corporation's net debt amounted to \$448.3 million, compared to \$448.6 million at March 25, 2012. The ratio of net debt to total capital is 19.6%, compared to 19.2% in 2012, thus relatively similar for the two periods. The ratio of debt to adjusted EBITDA (past 12 months) was 2.2 at March 31, 2013, compared to 1.7 in 2012.

RONA has a credit facility of \$950 million. At the end of the period, \$335 million had been drawn on this facility. RONA thus has access to \$615 million, subject to certain financial ratios. These conditions were met during the periods ended March 31, 2013 and March 25, 2012. The renewal of this facility and the maturing of the unsecured debentures, which form the major portion of long-term debt, will occur in 2016.

The table below presents a synopsis of the Corporation's contractual obligations as at March 31, 2013, including off-balance-sheet operating lease agreements used in the normal course of business. 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. The loan has an indefinite term and no assets have been given 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 \$46.7 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 but may be cancelled by the Corporation on 30 days' notice. In the opinion of Management, the likelihood that significant payments would be incurred as a result of these commitments is low. Finally, letters of credit for imports totalling \$21.7 million were outstanding as at March 31, 2013 for the purchase of various, mainly seasonal, products.

**Contractual obligations by term  
(as at March 31, 2013)**

Contractual obligations	Payments by term (Unaudited, in thousands of dollars)				
	Total	Less than 1 year	1-2 years	3-4 years	5 or more years
Long-term loans and credit facilities	461,288	3,840	3,111	452,713	1,624
Obligations under finance leases	805	280	403	122	-
Operating leases	938,917	134,960	242,592	195,144	366,221
Other long-term obligations	13,885	7,070	5,645	-	1,170
<b>Total</b>	<b>1,414,895</b>	<b>146,150</b>	<b>251,751</b>	<b>647,979</b>	<b>369,015</b>

**Outstanding shares  
(as at May 2, 2013)**

Common shares	121,853,023
Unexercised options	1,726,860
<b>Total</b>	<b>123,579,883</b>

**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. The strongest period of the year is from spring to fall, and over 80% of the Corporation's net annual earnings are generated in the second and third quarters. Furthermore, sales in the first quarter are always lower than in the other three, due to low activity levels in the renovation and construction sectors during the winter. Poor weather conditions can also have a major impact on sales. With the increase in the proportion of our activities related to the retail sector, the seasonal impact of the first quarter has been more pronounced in 2011, 2012 and 2013 than in previous years. The second quarter is always the strongest of the year, followed by the third quarter.

**Consolidated quarterly financial results  
(Unaudited and in millions of dollars, except income (loss) per share)**

	2013	2012 <sup>(2)</sup>				2011			
	Q1	Q4 <sup>(1)</sup>	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	929.4	1,191.6	1,333.5	1,413.9	934.0	1,169.2	1,347.1	1,370.0	918.2
EBITDA	(24.0)	22.5	40.9	85.9	10.6	37.2	105.4	89.9	8.1
Adjusted EBITDA	(0.6)	43.4	79.1	93.9	10.6	65.9	105.4	89.9	8.1
Net income (loss) attributable to participating shares	(40.6)	(18.1)	4.9	33.9	(13.5)	(153.6)	47.8	37.0	(17.6)
Adjusted net income (loss) attributable to participating shares	(22.7)	6.4	32.9	43.4	(13.5)	19.7	47.8	37.0	(17.6)
Net loss per diluted share attributable to owners of RONA inc.	(0.33)	(0.15)	0.04	0.28	(0.11)	(1.19)	0.36	0.28	(0.13)
Adjusted net loss per diluted share attributable to owners of RONA inc.	(0.19)	0.05	0.27	0.35	(0.11)	0.15	0.36	0.28	(0.13)

**Annual variation in same-store sales  
Last nine quarters**

	Q1 2013	Q4 2012 <sup>(1)</sup>	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
<b>Retail and Commercial Segment</b>	-3.0%	2.4%	-1.8%	-0.9%	-0.8%	-2.3%	-5.1%	-9.6%	-12.6%
<b>Total RONA Network</b>	-0.8%	2.9%	-1.0%	+1.0%	-0.3%	-1.2%	-4.2%	-9.3%	-11.5%

(1) Q4 2012 had 14 weeks versus 13 for the other quarters. Excluding the 14th week in the fourth quarter of 2012, the annual variation in same-store sales was -0.7% for the retail and commercial sector and 0.2% for the total RONA network.

(2) Results for 2012 only have been restated to reflect the application of IFRS 11, "Joint arrangements" and the amendments to IAS 19 "Employee benefits".

## DIVIDENDS ON PREFERRED SHARES

At its meeting on May 14, 2013, RONA's Board of Directors declared a quarterly dividend of \$0.3272 per share on cumulative 5-year rate reset Class A preferred shares, series 6. The dividend will be paid on July 2, 2013 to holders of record on June 14, 2013.

## RISKS AND UNCERTAINTIES

There has been no major change since the publication of the annual Management's Discussion and Analysis for the fiscal year ended December 30, 2012.

## CHANGES IN ACCOUNTING POLICIES

Effective December 31, 2012, the Corporation adopted IFRS 11, *Joint arrangements* which replaces IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities – non-monetary contributions by venturers*. The most significant result from the adoption is the change in the method of accounting for the Corporation's investments in joint ventures. Under the previous standards the joint ventures were proportionally consolidated whereas under IFRS 11, the Corporation is required to account for these investments using the equity method of accounting. As this same date, the Corporation also adopted amendments to IAS 19, *Employee benefits*. The impact of the revised standard results from the requirement to deduct the cost of managing the plans and any tax payable by the plan in determining the return on plan assets and to replace the expected rate of return on plan assets used to determine the defined benefit cost by the obligation discount rate. Refer to RONA's unaudited interim consolidated financial statements note 14 (Impact of adopting the new standards effective December 31, 2012 for more details.

## SIGNIFICANT ACCOUNTING ESTIMATES

There has been no major change since the publication of the annual Management's Discussion and Analysis for the fiscal year ended December 30, 2012.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

RONA has evaluated the design of internal control over financial reporting as at March 31, 2013 in accordance with the MI 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 design of the Corporation's internal control over financial reporting is effective and provides reasonable assurance that the Corporation's financial reporting is reliable and that its consolidated financial statements are prepared in accordance with International Financial Reporting Standards.

## 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 prospects, plans, financial position and business strategy of the Corporation may constitute forward-looking statements within the meaning of the 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 or variations of them or similar terminology. 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 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](http://www.sedar.com) and [www.rona.ca](http://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 and in the "Risk Factors" section of the Corporation's current Annual Information Form.

The forward-looking statements in this MD&A reflect the Corporation's expectations as at May 14, 2013, 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 on May 14, 2013. The reader will find additional information concerning RONA, including the Corporation's Annual Information Form, on the Corporation's website at [www.rona.ca](http://www.rona.ca) or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

*(s) Dominique Boies*

Dominique Boies  
Executive Vice President and Chief Financial Officer

*(s) Robert Sawyer*

Robert Sawyer  
President and Chief Executive Officer

**RONA inc.**

**Consolidated Income Statements and Other Comprehensive Income**

Thirteen-week periods ended March 31, 2013 and March 25, 2012

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

<b>Consolidated Income Statements</b>	<b>2013</b>	<b>2012</b>
		Restated (Note 14)
Revenues	\$ 929,398	\$ 934,016
Operating loss before the following item:	(37,096)	(13,700)
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)	(13,740)	-
Operating loss (Note 3.1)	(50,836)	(13,700)
Finance income	1,457	1,093
Finance costs	(5,227)	(4,344)
	(3,770)	(3,251)
Loss before income tax expense	(54,606)	(16,951)
Income tax recovery (Note 5)	14,607	4,479
Net loss	\$ (39,999)	\$ (12,472)
<b>Net loss attributable to:</b>		
Owners of RONA inc.	\$ (38,253)	\$ (11,138)
Non-controlling interests	(1,746)	(1,334)
	\$ (39,999)	\$ (12,472)
Net loss per share attributable to owners of RONA inc. (Note 13)		
Basic	\$ (0.33)	\$ (0.11)
Diluted	\$ (0.33)	\$ (0.11)
<b>Consolidated Statements of Other Comprehensive Income</b>		
Net loss	\$ (39,999)	\$ (12,472)
Other comprehensive income (loss) net of taxes :		
Items that will be reclassified to net income		
Cash flow hedges		
– Gain (loss) for the period	849	(1,064)
– Reclassification to income	357	825
Unrealized foreign exchange loss on translation of the net investment in an associate	(21)	(21)
	1,185	(260)
Items that will not be reclassified to net income		
Actuarial loss	(1,042)	(1,243)
Total other comprehensive income (loss)	143	(1,503)
Total comprehensive loss	\$ (39,856)	\$ (13,975)
<b>Total comprehensive loss attributable to:</b>		
Owners of RONA inc.	\$ (38,110)	\$ (12,641)
Non-controlling interests	(1,746)	(1,334)
	\$ (39,856)	\$ (13,975)

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

RONA inc.

Consolidated Statements of Changes in Equity

Thirteen-week periods ended March 31, 2013 and March 25, 2012

(unaudited and in thousands of Canadian dollars)

	Share capital <sup>(a)</sup>	Retained earnings	Contributed surplus	Accumulated other comprehensive income	Total attributable to owners of RONA inc.	Non-controlling Interests	Total equity
Balance, December 30, 2012 (Restated – Note 14)	\$ 765,443	\$ 1,071,426	\$ 12,521	\$ (3,643)	\$ 1,845,747	\$ 37,344	\$ 1,883,091
Transactions with owners							
Issuance of share capital in exchange for cash	10	-	-	-	10	-	10
Issuance of share capital under stock option plans	3,189	-	(709)	-	2,480	-	2,480
Dividends declared on common shares	-	(8,512)	-	-	(8,512)	-	(8,512)
Dividends declared on preferred shares, including income taxes	-	(2,306)	-	-	(2,306)	-	(2,306)
Compensation cost relating to stock option plans	-	-	288	-	288	-	288
Deposits on common share subscriptions received	297	-	-	-	297	-	297
Deposits on common share subscriptions refunded	(95)	-	-	-	(95)	-	(95)
Total transactions with owners	3,401	(10,818)	(421)	-	(7,838)	-	(7,838)
Net loss for the period	-	(38,253)	-	-	(38,253)	(1,746)	(39,999)
Other comprehensive income (loss):							
Cash flow hedges							
- Gain for the period	-	-	-	849	849	-	849
- Reclassification to income	-	-	-	357	357	-	357
Unrealized foreign exchange loss on translation of the net investment in an associate	-	-	-	(21)	(21)	-	(21)
Actuarial loss	-	(1,042)	-	-	(1,042)	-	(1,042)
Total other comprehensive income (loss) for the period	-	(1,042)	-	1,185	143	-	143
Balance, March 31, 2013	\$ 768,844	\$ 1,021,313	\$ 12,100	\$ (2,458)	\$ 1,799,799	\$ 35,598	\$ 1,835,397

(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

Thirteen-week periods ended March 31, 2013 and March 25, 2012

(unaudited and in thousands of Canadian dollars)

	Share capital <sup>(a) (b)</sup>	Retained earnings <sup>(b)</sup>	Contributed surplus	Accumulated other comprehensive income <sup>(b)</sup>	Total attributable to owners of RONA inc <sup>(b)</sup>	Non-controlling interests	Total equity <sup>(b)</sup>
Balance, December 26, 2011	\$ 793,939	\$ 1,115,801	\$ 11,386	\$ (1,431)	\$ 1,919,695	\$ 35,526	\$ 1,955,221
Transactions with owners							
Issuance of share capital in exchange for cash	1	-	-	-	1	-	1
Issuance of share capital under stock option plans	3,331	-	-	-	3,331	-	3,331
Repurchase of common shares (Note 10)	(25,607)	(23,269)	-	-	(48,876)	-	(48,876)
Dividends declared on common shares	-	(8,692)	-	-	(8,692)	-	(8,692)
Dividends declared on preferred shares, including income taxes	-	(2,322)	-	-	(2,322)	-	(2,322)
Compensation cost relating to stock option plans	-	-	215	-	215	-	215
Deposits on common share subscriptions received	180	-	-	-	180	-	180
Deposits on common share subscriptions refunded	(27)	-	-	-	(27)	-	(27)
Other	-	-	-	-	-	40	40
Total transactions with owners	(22,122)	(34,283)	215	-	(56,190)	40	(56,150)
Net loss for the period	-	(11,138)	-	-	(11,138)	(1,334)	(12,472)
Other comprehensive income (loss) :							
Cash flow hedges							
- Loss for the period	-	-	-	(1,064)	(1,064)	-	(1,064)
- Reclassification to income	-	-	-	825	825	-	825
Unrealized foreign exchange loss on translation of the net investment in an associate	-	-	-	(21)	(21)	-	(21)
Actuarial loss	-	(1,243)	-	-	(1,243)	-	(1,243)
Total other comprehensive loss for the period	-	(1,243)	-	(260)	(1,503)	-	(1,503)
Balance, March 25, 2012	\$ 771,817	\$ 1,069,137	\$ 11,601	\$ (1,691)	\$ 1,850,864	\$ 34,232	\$ 1,885,096

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

(b) Restated, see Note 14.

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

RONA inc.

Consolidated Statements of Cash Flows

Thirteen-week periods ended March 31, 2013 and March 25, 2012

(unaudited and in thousands of Canadian dollars)

	2013	2012
		Restated (Note 14)
<b>Operating activities</b>		
Loss before income tax expense	\$ (54,606)	\$ (16,951)
Adjustments:		
Depreciation, amortization and impairment of non-financial assets (Note 3.2)	25,397	23,247
Change in provision for restructuring costs	9,234	-
Change in fair value of derivative financial instruments	1,697	205
Net gains on disposal of assets	(619)	(265)
Share of income of joint ventures and an associate	(58)	(48)
Stock-based compensation expense (Note 11)	1,647	499
Difference between amounts paid for post-employment benefits and current period expenses	(16)	1,919
Other	(270)	305
Net change in working capital	(17,594)	8,911
	(104,036)	(139,904)
Interest received	(121,630)	(130,993)
Income taxes paid	879	972
Cash flow from operating activities	(1,699)	(9,647)
	(122,450)	(139,668)
<b>Investing activities</b>		
Business acquisition (Note 6)	-	(3,367)
Acquisition of property, plant and equipment	(6,097)	(7,467)
Acquisition of intangible assets	(8,611)	(9,559)
Acquisition of other financial assets	(122)	(1,552)
Proceeds on disposal of property, plant and equipment	606	1,294
Proceeds on disposal of intangible assets	156	-
Proceeds on disposal of other financial assets	534	186
Dividends received from an associate	-	433
Interest received	232	201
Cash flow from investing activities	(13,302)	(19,831)
<b>Financing activities</b>		
Bank loans	(281)	1,748
Net change in credit facilities	162,812	184,549
Financing costs	-	(78)
Repayment of other long-term debt	(2,840)	(4,546)
Proceeds from issue of common shares	2,693	3,484
Repurchase of common shares (Note 10)	-	(48,876)
Dividends on common shares	(8,512)	-
Dividends on preferred shares	(2,277)	(2,283)
Interest paid	(4,819)	(5,131)
Cash flow from financing activities	146,776	128,867
<b>Net increase (decrease) in cash</b>	11,024	(30,632)
Cash, beginning of period	20,590	16,279
Cash (bank overdraft), end of period	\$ 31,614	\$ (14,353)

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

**RONA inc.**

**Consolidated Statements of Financial Position**

as at March 31, 2013, March 25, 2012, December 30, 2012 and as at December 26, 2011  
(unaudited and in thousands of Canadian dollars)

	2013 March 31	Restated – Note 14		2011 December 26
		2012 March 25	2012 December 30	
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 31,614	\$ –	\$ 20,590	\$ 16,279
Trade and other receivables	443,834	417,650	363,062	370,192
Other financial assets	1,551	1,526	1,440	1,468
Current tax assets	30,330	22,507	15,083	7,412
Inventory (Note 4)	1,062,395	1,020,577	884,180	833,926
Prepaid expenses	20,897	25,837	20,104	20,777
<b>Current assets</b>	<b>1,590,621</b>	<b>1,488,097</b>	<b>1,304,459</b>	<b>1,250,054</b>
<b>Non-current</b>				
Investments in joint ventures and an associate	15,483	14,807	15,450	15,216
Other financial assets	9,789	9,822	10,059	8,771
Property, plant and equipment	780,659	854,485	801,406	861,222
Non-current assets held for sale (Note 7)	31,462	9,475	22,898	10,455
Goodwill	427,964	427,952	427,964	426,752
Intangible assets	145,013	129,773	143,701	126,944
Other non-current assets	5,079	4,742	5,114	5,435
Deferred tax assets	68,120	52,826	66,138	65,152
<b>Total assets</b>	<b>\$ 3,074,190</b>	<b>\$ 2,991,979</b>	<b>\$ 2,797,189</b>	<b>\$ 2,770,001</b>
<b>Liabilities</b>				
<b>Current</b>				
Bank overdraft	\$ –	\$ 14,353	\$ –	\$ –
Bank loans	9,785	8,208	10,066	3,579
Trade and other payables	650,142	579,476	494,857	486,854
Dividends payable	2,234	11,014	2,258	2,527
Derivative financial instruments	1,903	1,016	3,553	691
Provisions (Note 8)	27,059	6,929	16,335	6,947
Instalments on long-term debt	8,482	16,102	10,922	18,519
<b>Current liabilities</b>	<b>699,605</b>	<b>637,098</b>	<b>537,991</b>	<b>519,117</b>
<b>Non-current</b>				
Long-term debt	461,608	409,896	299,491	225,948
Other non-current liabilities	35,928	35,153	34,741	33,653
Provisions (Note 8)	16,880	3,606	17,712	3,606
Deferred tax liabilities	24,772	21,130	24,163	32,456
<b>Total liabilities</b>	<b>1,238,793</b>	<b>1,106,883</b>	<b>914,098</b>	<b>814,780</b>
<b>Equity</b>				
Share capital (Note 10)	768,844	771,817	765,443	793,939
Retained earnings	1,021,313	1,069,137	1,071,426	1,115,801
Contributed surplus	12,100	11,601	12,521	11,386
Accumulated other comprehensive income	(2,458)	(1,691)	(3,643)	(1,431)
<b>Total equity attributable to owners of RONA inc.</b>	<b>1,799,799</b>	<b>1,850,864</b>	<b>1,845,747</b>	<b>1,919,695</b>
Non-controlling interests	35,598	34,232	37,344	35,526
<b>Total equity</b>	<b>1,835,397</b>	<b>1,885,096</b>	<b>1,883,091</b>	<b>1,955,221</b>
<b>Total liabilities and equity</b>	<b>\$ 3,074,190</b>	<b>\$ 2,991,979</b>	<b>\$ 2,797,189</b>	<b>\$ 2,770,001</b>

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

**Notes to interim consolidated financial statements**

as at March 31, 2013 and March 25, 2012

(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-week periods ended March 31, 2013 and March 25, 2012 include financial data for the Corporation and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's 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 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 30, 2012. There has not been any significant change in judgments, estimates or assumptions since then. These interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 30, 2012, which are included in the Corporation's 2012 annual report.

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 30, 2012 with the exception of the following new accounting standards and amendments which the Corporation adopted and which are effective for the Corporation's interim and annual consolidated financial statements commencing December 31, 2012:

- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interest in other entities*
- IAS 1, *Presentation of financial statements*
- IAS 19, *Employee benefits*

The accounting standards and amendments to standards adopted by the Corporation that had an impact on the financial statements are IFRS 11, *Joint arrangements* and IAS 19, *Employee benefits*, as detailed in Note 14. In addition, the restated opening balance sheet as at December 26, 2011 has been provided.

The interim consolidated financial statements for the thirteen-week period ended March 31, 2013 (including comparative figures) were approved by the Board of Directors on May 14, 2013.

**(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 March 25, 2012 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*, which 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.

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

RONA inc.  
**Notes to interim consolidated financial statements**  
as at March 31, 2013 and March 25, 2012  
(unaudited and in thousands of Canadian dollars)

**3. Supplemental information on income and charges**

**3.1 Operating loss**

	2013	2012
<b>Revenues</b>	<b>\$ 929,398</b>	<b>\$ 934,016</b>
Cost of sales (Note 4)	(678,051)	(668,707)
<b>Gross profit</b>	<b>251,347</b>	<b>265,309</b>
Selling, general and administrative expenses	(307,513)	(284,985)
Net gains on disposal of assets	619	265
Share of income of joint ventures and an associate	58	48
Other income	4,653	5,663
<b>Operating loss</b>	<b>\$ (50,836)</b>	<b>\$ (13,700)</b>

**3.2 Depreciation, amortization and impairment of non-financial assets**

	2013	2012
Depreciation of property, plant and equipment	\$ 16,799	\$ 16,495
Depreciation of leasehold property included in property, plant and equipment	10	114
Amortization of intangible assets	7,504	6,286
Amortization of other non-current assets	130	352
Impairment of non-financial assets (Note 3.4)	954	-
<b>Total depreciation, amortization and impairment of non-financial assets</b>	<b>\$ 25,397</b>	<b>\$ 23,247</b>

**3.3 Employee benefits expense**

	2013	2012
Salaries	\$ 116,137	\$ 120,425
Defined benefit plans expense	285	364
Defined contribution plans expense	3,531	2,530
Stock-based compensation expense	1,647	499
Severance (Note 3.4)	3,555	-
Other fringe benefits	27,689	29,571
<b>Total employee benefits expense</b>	<b>\$ 152,844</b>	<b>\$ 153,389</b>

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

In February 2013 a plan was announced to transform the Corporation and accelerate value creation for its stakeholders. The transformation plan, which has been approved by the Board of Directors, will be deployed over the next twelve months with full benefits expected within twenty-four months. This is further to the major initiatives undertaken by the Corporation in 2011 to improve its efficiency, optimize its capital structure and increase its return on equity. In this context, 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 incurred in relation to the transformation plan were as follows:

	2013
Severance (Note 8)	\$ 3,555
Impairment of non-financial assets	954
Onerous contracts (Note 8)	8,867
Other charges	364
<b>Restructuring costs, impairment of non-financial assets and other charges</b>	<b>\$ 13,740</b>

For the thirteen-week period ended March 25, 2012, there were no restructuring costs, impairment of non-financial assets and other charges.

#### 4. Inventory

For the thirteen-week period ended March 31, 2013, an amount of \$678,051 in inventory was expensed in the Consolidated Income Statement (\$668,707 in 2012).

For the thirteen-week period ended March 31, 2013, an inventory write-down charge of \$4,900 (\$5,502 in 2012) was recognized 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 26.42% for the thirteen-week periods ended March 31, 2013 and March 25, 2012, respectively. 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.

#### 6. Business acquisition

During the thirteen-week period ended March 25, 2012, the Corporation acquired one company in the retail and commercial segment through a share purchase.

The results of operations of this company are consolidated from its acquisition date.

The consideration paid for this acquisition in 2012 amounted to \$4,846. Direct acquisition costs of \$88 were recognized in selling, general and administrative expenses for the thirteen-week period ended March 25, 2012. The Corporation financed this acquisition from its available cash and existing credit facilities.

The purchase price allocation of this acquisition was established as follows:

	2012
Trade and other receivables	\$ 2,111
Inventory	3,326
Other current assets	126
Property, plant and equipment	1,987
Goodwill on acquisition	1,200
Bank loans	(2,881)
Current liabilities	(990)
Long-term debt	(32)
Deferred tax liabilities	(1)
Cost of acquisition	4,846
Less: Balance of purchase price	(1,479)
Cash consideration paid	\$ 3,367

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 this acquisition. The goodwill is not deductible for tax purposes.

RONA inc.  
**Notes to interim consolidated financial statements**  
as at March 31, 2013 and March 25, 2012  
(unaudited and in thousands of Canadian dollars)

**7. Non-current assets held for sale**

The Corporation intends to dispose of non-current assets 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:

	2013 As at March 31	2012 As at March 25
Balance at beginning	\$ 22,898	\$ 10,455
Additions	11,657	-
Disposals	-	(980)
Reclassification to property, plant and equipment	(3,093)	-
Balance at end	<u>31,462</u>	<u>9,475</u>
Non-current assets held for sale		
Land	15,721	8,699
Buildings	15,741	776
Total	<u>\$ 31,462</u>	<u>\$ 9,475</u>

**8. Provisions and contingent liabilities**

	Litigation	Onerous contracts	Product warranties	Restructuring <sup>(a)</sup>		Total
				Severance	Onerous contracts	
Balance, December 30, 2012	\$ 4,036	\$ 5,389	\$ 1,441	\$ 1,426	\$ 21,755	\$ 34,047
Provisions created during the period	1,664	-	291	4,145	8,632	14,732
Provisions used during the period	(773)	(402)	-	(1,684)	(1,504)	(4,363)
Provisions reversed during the period	(188)	-	-	(590)	-	(778)
Change in estimates	-	60	-	-	222	282
Accretion expense	-	6	-	-	13	19
Balance, March 31, 2013	<u>4,739</u>	<u>5,053</u>	<u>1,732</u>	<u>3,297</u>	<u>29,118</u>	<u>43,939</u>
Current	4,739	3,003	1,732	3,297	14,288	27,059
Non-current	-	2,050	-	-	14,830	16,880
	<u>\$ 4,739</u>	<u>\$ 5,053</u>	<u>\$ 1,732</u>	<u>\$ 3,297</u>	<u>\$ 29,118</u>	<u>\$ 43,939</u>

(a) Refer to Note 3.4 for additional information.

	Litigation	Onerous contracts	Product warranties	Total
Balance, December 26, 2011	\$ 3,792	\$ 5,710	\$ 1,051	\$ 10,553
Provisions created during the period	361	500	62	923
Provisions used during the period	(225)	(550)	(11)	(786)
Provisions reversed during the period	(205)	-	-	(205)
Accretion expense	-	50	-	50
Balance, March 25, 2012	<u>3,723</u>	<u>5,710</u>	<u>1,102</u>	<u>10,535</u>
Current	3,723	2,104	1,102	6,929
Non-current	-	3,606	-	3,606
	<u>\$ 3,723</u>	<u>\$ 5,710</u>	<u>\$ 1,102</u>	<u>\$ 10,535</u>

**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.

**Onerous contracts**

**Restructuring**

Following store closures in 2012 and in the first quarter of 2013, provisions for onerous contracts were recognized for non-cancellable operating leases for commercial stores which are no longer used. The provisions were estimated using contractual obligations at the time of initial recognition and sublease revenue assumptions based on market data and discounted using a weighted average discount rate of 4.20%. The remaining terms of these leases vary from one to 15 years.

## 8. Provisions and contingent liabilities (continued)

### Onerous contracts (continued)

#### *Other*

Following a store closure in 2008, a provision for onerous contracts was recognized for a non-cancellable operating lease for a commercial store which is no longer used. The provision was estimated using the contractual obligation at the time of initial recognition and sublease revenue assumptions based on market data and discounted using a weighted average discount rate of 4.20% (4.55% in 2012). The lease, still in effect, expires in 2024.

## 9. Guarantees and contingencies

### 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 \$46,661. 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

## 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 <sup>(b)</sup>		Deposits on common share subscriptions <sup>(a)</sup>		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 30, 2012 (Restated – Note 14)	121,408,037	\$ 590,763	6,900,000	\$ 172,500	–	\$ 2,180	128,308,037	\$ 765,443
Issuance in exchange for cash	908	10	–	–	–	–	908	10
Issuance under stock option plans	245,000	3,189	–	–	–	–	245,000	3,189
Issuance in exchange for common share subscription deposits	199,078	2,118	–	–	–	(2,118)	199,078	–
Deposits on common share subscriptions received	–	–	–	–	–	297	–	297
Deposits on common share subscriptions refunded	–	–	–	–	–	(95)	–	(95)
Balance, March 31, 2013	121,853,023	\$ 596,080	6,900,000	\$ 172,500	–	\$ 264	128,753,023	\$ 768,844

- (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 March 31, 2013, the number of outstanding common shares would have increased by 24,014.
- (b) Class A preferred shares, Series 6.

	Common shares		Preferred shares <sup>(b)</sup>		Deposits on common share subscriptions <sup>(a) (c)</sup>		Share capital <sup>(c)</sup>	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 26, 2011	127,200,189	\$ 618,934	6,900,000	\$ 172,500	–	\$ 2,505	134,100,189	\$ 793,939
Issuance in exchange for cash	74	1	–	–	–	–	74	1
Issuance under stock option plans	960,000	3,331	–	–	–	–	960,000	3,331
Issuance in exchange for common share subscription deposits	259,057	2,477	–	–	–	(2,477)	259,057	–
Repurchase of common shares	(5,254,500)	(25,607)	–	–	–	–	(5,254,500)	(25,607)
Deposits on common share subscriptions received	–	–	–	–	–	180	–	180
Deposits on common share subscriptions refunded	–	–	–	–	–	(27)	–	(27)
Balance, March 25, 2012	123,164,820	\$ 599,136	6,900,000	\$ 172,500	–	\$ 181	130,064,820	\$ 771,817

- (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 March 25, 2012, the number of outstanding common shares would have increased by 19,723.
- (b) Class A preferred shares, Series 6.
- (c) Restated, see Note 14.

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 thirteen-week period ended March 25, 2012, the Corporation redeemed for cancellation a total of 5,254,500 common shares for a total cost of \$48,876. Of the total cost, \$25,607 represents the stated value of common shares. The remaining \$23,269 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 March 25, 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. The fair value of each option granted was estimated at the grant date using the Black-Scholes option pricing model.

As no further options will be granted pursuant to the initial plan, the initial plan has been terminated by the Board of Directors as of March 6, 2012.

No compensation cost was expensed with respect to this plan for the thirteen-week period ended March 25, 2012.

## 11. Stock-based compensation (continued)

### *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 March 31, 2013, the 4,474,687 options granted (3,713,452 options in 2012) have exercise prices ranging from \$9.38 to \$26.87 (same range in 2012) and of this number, 432,050 options have been exercised (172,425 options in 2012), 619,758 options have expired (same number of options in 2012) and 1,696,019 options have been forfeited (852,919 options in 2012).

The weighted average fair value of stock options granted of \$3.35 for the thirteen-week period ended March 31, 2013 (\$2.64 in 2012) 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:

	2013	2012
Share price at date of grant	\$11.18	\$9.39
Risk-free interest rate	1.56 to 1.76%	1.55 to 1.96%
Expected share price volatility	27.93 to 28.51%	27.11 to 27.70%
Expected dividend rate	1.25%	1.50%
Expected life	7 to 10 years	7 to 10 years
Exercise price at date of grant	\$11.11	\$9.38

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 \$288 for the thirteen-week period ended March 31, 2013 (\$215 in 2012).

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

	As at March 31, 2013		As at March 25, 2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	1,993,210	\$ 13.19	2,574,175	\$ 10.32
Granted	582,800	11.11	471,100	9.38
Exercised	(245,000)	10.12	(960,000)	3.47
Forfeited	(604,150)	15.62	(16,925)	15.41
Outstanding, end of period	1,726,860	12.08	2,068,350	13.24
Options exercisable, end of period	638,895	\$ 13.73	1,112,535	\$ 14.80

The weighted average price of the common shares acquired by option holders having exercised 245,000 options (960,000 options in 2012) for the thirteen-week period ended March 31, 2013 was \$10.77 (\$9.33 in 2012).

The following table summarizes information relating to stock options outstanding as at March 31, 2013:

Exercise price	Expiration date	Options outstanding	Options exercisable
\$ 9.38	March 5, 2022	258,150	72,000
\$ 9.97	September 21, 2021	60,000	15,000
\$ 10.62	March 11, 2019	160,700	160,700
\$ 11.11	March 28, 2023	582,800	-
\$ 11.15	November 19, 2022	50,000	-
\$ 11.33	November 20, 2022	128,435	-
\$ 14.18	March 1, 2018	64,075	64,075
\$ 14.29	December 16, 2013	82,200	82,200
\$ 14.33	March 7, 2021	152,250	81,270
\$ 15.44	March 9, 2020	122,100	97,500
\$ 20.27	December 22, 2014	21,500	21,500
\$ 23.58	March 8, 2017	44,650	44,650
		1,726,860	638,895

RONA inc.  
**Notes to interim consolidated financial statements**  
as at March 31, 2013 and March 25, 2012  
(unaudited and in thousands of Canadian dollars)

**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.

	2013 As at March 31	2012 As at March 25
Number of restricted share units:		
Outstanding, beginning of period	982,368	1,117,225
Granted	810,876	571,541
Forfeited	(99,129)	(44,100)
Outstanding, end of period	1,694,115	1,644,666

For the thirteen-week period ended March 31, 2013, an expense of \$436 was recorded in the Consolidated Income Statement (\$55 in 2012).

**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.

	2013 As at March 31	2012 As at March 25
Number of deferred share units:		
Balance, beginning of period	310,128	234,968
Granted	60,036	31,696
Balance, end of period	370,164	266,664

The expense recorded in the Consolidated Income Statement for the thirteen-week period ended March 31, 2013 amounted to \$923 (\$229 in 2012).

**12. Segment Information**

	2013			2012 <sup>(b)</sup>		
	Retail and commercial	Distribution	Total	Retail and commercial	Distribution	Total
Segment revenues	\$ 646,524	\$ 560,358	\$ 1,206,882	\$ 670,303	\$ 546,726	\$ 1,217,029
Intersegment revenues and royalties	(2,489)	(274,995)	(277,484)	(3,421)	(279,592)	(283,013)
Revenues from external customers	644,035	285,363	929,398	666,882	267,134	934,016
Income (loss) before finance costs, amortization, depreciation and impairment of non-financial assets and income tax expense	(35,464)	11,482	(23,982)	(5,502)	16,142	10,640
Finance income			(1,457)			(1,093)
Amortization, depreciation and impairment of non-financial assets			(25,397)			(23,247)
Operating loss <sup>(a)</sup>			(50,836)			(13,700)
Finance income			1,457			1,093
Finance costs			(5,227)			(4,344)
Loss before income tax expense			\$ (54,606)			\$ (16,951)

(a) For the thirteen-week period ended March 31, 2013, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling \$13,740 pre-tax (none in 2012) (Note 3.4).

(b) Restated, see Note 14.

**RONA inc.**  
**Notes to interim consolidated financial statements**

as at March 31, 2013 and March 25, 2012  
(unaudited and in thousands of Canadian dollars)

**13. Loss per share**

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

	2013	2012 <sup>(c)</sup>
Net loss attributable to owners of RONA inc. <sup>(a)</sup>	\$ (38,253)	\$ (11,138)
Dividends on preferred shares, including related income taxes	(2,306)	(2,322)
Net loss attributable to participating shares	(40,559)	(13,460)
Number of shares (in thousands)		
Weighted average number of shares used to compute basic net loss per share attributable to owners of RONA inc.	121,642	126,681
Effect of dilutive stock options <sup>(b)</sup>	-	-
Weighted average number of shares used to compute diluted net loss per share attributable to owners of RONA inc.	121,642	126,681
Net loss per share attributable to owners of RONA inc.		
Basic	\$ (0.33)	\$ (0.11)
Diluted	\$ (0.33)	\$ (0.11)

- (a) For the thirteen-week period ended March 31, 2013, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling \$13,740 pre-tax (none in 2012) (Note 3.4).
- (b) As at March 31, 2013, 1,726,860 stock options (2,068,350 options in 2012) were excluded from the calculation of diluted net loss per share attributable to the Corporation's owners since these options have an antidilutive effect.
- (c) Restated, see Note 14.

**14. Impact of adopting the new standards effective December 31, 2012**

Effective December 31, 2012, the Corporation adopted IFRS 11, *Joint arrangements* which replaces IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities – non-monetary contributions by venturers*. The most significant result from the adoption is the change in the method of accounting for the Corporation's investments in joint ventures. Under the previous standards the joint ventures were proportionally consolidated whereas under IFRS 11, the Corporation is required to account for these investments using the equity method of accounting.

On the same date, the Corporation also adopted amendments to IAS 19, *Employee benefits*. The impact of the revised standard results from the requirement to deduct the cost of managing the plans and any tax payable by the plan in determining the return on plan assets and to replace the expected rate of return on plan assets used to determine the defined benefit cost by the obligation discount rate.

The following tables summarize the Corporation's retroactive restatements resulting from the adoption of these new standards. The employee benefit restatement impact on the Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows is deemed not significant and therefore is not presented.

The impact on the Consolidated Income Statements and Other Comprehensive Income for the thirteen-week period ended March 25, 2012 is as follows:

	As reported	Joint arrangements	Employee benefits	Restated
Revenues	\$ 934,934	\$ (918)	\$ -	\$ 934,016
Operating loss	(13,397)	(25)	(278)	(13,700)
Finance income	1,104	(11)	-	1,093
Finance costs	(4,453)	109	-	(4,344)
Loss before income tax expense	(16,746)	73	(278)	(16,951)
Income tax recovery	4,479	(73)	73	4,479
Net loss	\$ (12,267)	\$ -	\$ (205)	\$ (12,472)
Basic and diluted net loss per share attributable to owners of RONA inc.	\$ (0.10)	\$ -	\$ (0.01)	\$ (0.11)
Net loss	\$ (12,267)	\$ -	\$ (205)	\$ (12,472)
Other comprehensive income (loss) net of taxes:				
Items that will be reclassified to net income				
Cash flow hedges				
- Loss for the period	(1,064)	-	-	(1,064)
- Reclassification to income	825	-	-	825
Unrealized foreign exchange loss on translation of the net investment in an associate	-	(21)	-	(21)
	(239)	(21)	-	(260)
Items that will not be reclassified to net income				
Actuarial loss	(1,448)	-	205	(1,243)
Total other comprehensive income (loss)	(1,687)	(21)	205	(1,503)
Total comprehensive loss	\$ (13,954)	\$ (21)	\$ -	\$ (13,975)

RONA inc.  
**Notes to interim consolidated financial statements**  
as at March 31, 2013 and March 25, 2012  
(unaudited and in thousands of Canadian dollars)

**14. Impact of adopting the new standards effective December 31, 2012 (continued)**

The impact on the Consolidated Statements of Financial Position is as follows:

	As at March 25, 2012		
	As reported	Joint arrangements	Restated
<b>Assets</b>			
Current			
Investments in joint ventures and an associate	\$ 1,494,029	\$ (5,932)	\$ 1,488,097
Other non-current assets	-	14,807	14,807
	1,507,143	(18,068)	1,489,075
	<u>\$ 3,001,172</u>	<u>\$ (9,193)</u>	<u>\$ 2,991,979</u>
<b>Liabilities</b>			
Current liabilities	\$ 638,881	\$ (1,783)	\$ 637,098
Non-current liabilities	476,775	(6,990)	469,785
	1,115,656	(8,773)	1,106,883
Equity	1,885,516	(420)	1,885,096
	<u>\$ 3,001,172</u>	<u>\$ (9,193)</u>	<u>\$ 2,991,979</u>

	As at December 30, 2012		
	As reported	Joint arrangements	Restated
<b>Assets</b>			
Current			
Investments in joint ventures and an associate	\$ 1,311,342	\$ (6,883)	\$ 1,304,459
Other non-current assets	-	15,450	15,450
	1,495,116	(17,836)	1,477,280
	<u>\$ 2,806,458</u>	<u>\$ (9,269)</u>	<u>\$ 2,797,189</u>
<b>Liabilities</b>			
Current liabilities	\$ 540,859	\$ (2,868)	\$ 537,991
Non-current liabilities	382,023	(5,916)	376,107
	922,882	(8,784)	914,098
Equity	1,883,576	(485)	1,883,091
	<u>\$ 2,806,458</u>	<u>\$ (9,269)</u>	<u>\$ 2,797,189</u>

	As at December 26, 2011		
	As reported	Joint arrangements	Restated
<b>Assets</b>			
Current			
Investments in joint ventures and an associate	\$ 1,257,450	\$ (7,396)	\$ 1,250,054
Other non-current assets	-	15,216	15,216
	1,522,928	(18,197)	1,504,731
	<u>\$ 2,780,378</u>	<u>\$ (10,377)</u>	<u>\$ 2,770,001</u>
<b>Liabilities</b>			
Current liabilities	\$ 522,663	\$ (3,546)	\$ 519,117
Non-current liabilities	302,091	(6,428)	295,663
	824,754	(9,974)	814,780
Equity	1,955,624	(403)	1,955,221
	<u>\$ 2,780,378</u>	<u>\$ (10,377)</u>	<u>\$ 2,770,001</u>

The impact on the Consolidated Statements of Changes in Equity is as follows:

	March 25, 2012	December 30, 2012	December 26, 2011
<b>Equity as reported:</b>	\$ 1,885,516	\$ 1,883,576	\$ 1,955,624
Restatement of prior periods:			
Share capital			
Treasury shares	523	523	475
Deposits on common share subscriptions	4	38	48
Accumulated other comprehensive income			
Unrealized foreign exchange loss on translation of the net investment in an associate	(947)	(1,046)	(926)
<b>Equity as restated</b>	<u>\$ 1,885,096</u>	<u>\$ 1,883,091</u>	<u>\$ 1,955,221</u>

RONA inc.

Notes to interim consolidated financial statements

as at March 31, 2013 and March 25, 2012

(unaudited and in thousands of Canadian dollars)

---

14. Impact of adopting the new standards effective December 31, 2012 (continued)

The impact on the Consolidated Statements of Cash Flows is as follows:

	As at March 25, 2012		
	As reported	Joint arrangements	Restated
Cash flow from operating activities	\$ (139,716)	\$ 48	\$ (139,668)
Cash flow from investing activities	(19,834)	3	(19,831)
Cash flow from financing activities	129,048	(181)	128,867
Net decrease in cash	(30,502)	(130)	(30,632)
Cash, beginning of period	17,149	(870)	16,279
Bank overdraft, end of period	\$ (13,353)	\$ (1,000)	\$ (14,353)

---

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. The Corporation operates a network of over 800 corporate, franchise and affiliate retail stores of various sizes and formats under different banners, and a network of 14 hardware and construction materials distribution centres. RONA is also a leader in the specialized plumbing and HVAC market, primarily serving commercial and professional customers with a network of close to 60 sales outlets and four distribution centres across the country. With close to 28,000 employees, the RONA store network generated consolidated sales of \$4.9 billion in the last fiscal year ended December 30, 2012.

