



PRESS RELEASE
FOR IMMEDIATE RELEASE

**RONA ANNOUNCES AN INCREASE OF 275% IN ADJUSTED NET INCOME PER SHARE AND
6.0% IN RETAIL SAME-STORE SALES IN THE FOURTH QUARTER**

**Increase of 71% in adjusted net income per share and
first year of growth in same-store sales since 2006 for fiscal 2014**

Boucherville, Québec, February 17, 2015 – RONA inc. (TSX: RON, RON.PR.A) (“RONA” or the “Corporation”) announces the results for its continuing operations for the 13 and 52-week periods ended December 28, 2014. All figures in the press release are in Canadian dollars.

FOURTH QUARTER HIGHLIGHTS

- Growth of 275% in adjusted basic and diluted net income per share, to \$0.15, compared to \$0.04 in 2013.
- Increase of 6.0% in same-store sales of the Retail segment.
- Increase of 45.3% in adjusted EBITDA, to \$52.5 million, compared to fiscal 2013, and adjusted EBITDA margin up by 160 basis points.
- Adjusted net income up by \$12.7 million to \$17.3 million in 2014, compared to \$4.6 million in 2013.

FISCAL 2014 HIGHLIGHTS

- Increase of \$33.5 million in adjusted net income and of 70.7% in adjusted basic and diluted net income per share, which rose to \$0.70 compared to \$0.41 in 2013.
 - Increase of 1.1% in same-store sales of the Retail segment.
 - Increase of 27.2% in adjusted EBITDA, to \$235.4 million, compared fiscal 2013, and adjusted EBITDA margin up by 140 basis points.
 - Solid financial situation with a ratio of net debt to EBITDA of 0.72x.
 - Repurchase of more than 7.3 million common shares in the normal course of business during the year, for a cash consideration of \$94.2 million.
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“RONA recorded a solid performance in the fourth quarter of 2014, with 6.0 % same-store sales growth in the Retail segment. This is the second quarter in a row where we’ve reported positive same-store sales. These results reflect the efforts to reposition Réno-Dépôt in Québec and TOTEM in Alberta, and the improvement of our merchandising programs across the country. The focus on in-store execution has increased both the average basket and the number of transactions. This performance has been achieved in a difficult economic environment in Québec and the Atlantic Provinces, and in a competitive environment in all regions,” said Robert Sawyer, President and Chief Executive Officer of RONA.

“In fiscal 2014, RONA achieved positive growth in organic sales, which for the first time since 2006 are up 1.2%, including 1.1% in the Retail segment. In addition, the adjusted basic and diluted net income per share is up more than 70%. RONA is showing a marked improvement in profitability due to the combined impact of organic growth and the decrease in selling, general and administrative expenses. In short, the numbers show that RONA has achieved the major turnaround we embarked on in June 2013 and is making good progress towards meeting the needs of its target customers”.

“For 2015, our priorities are to expand the network in a disciplined manner and increase the return on capital invested. The expansion will be targeted so that we can take advantage of business opportunities in specific markets. RONA also intends to further maximize the leverage from its organic-growth stimulation initiatives, while maintaining strict control over operating costs. With this, and the use of free cash flows to repurchase common shares, the enhanced profitability will increase the return to our shareholders,” said Dominique Boies, Executive Vice President and Chief Financial Officer.

FINANCIAL HIGHLIGHTS FROM CONTINUING OPERATIONS (in millions of dollars, except per-share data)	Quarters ended		Fiscal years ended	
	Dec. 28, 2014	Dec. 29, 2013	Dec. 28, 2014	Dec. 29, 2013
Revenues	971.3	941.1	4,096.4	4,192.2
EBITDA	31.9	30.0	211.7	79.2
Adjusted EBITDA ⁽¹⁾	52.5	36.1	235.4	185.1
Net income (loss) attributable to participating shares	1.7	(1.1)	65.2	(45.9)
Per share – basic and diluted (\$)	0.02	(0.01)	0.55	(0.38)
Adjusted net income attributable to participating shares ⁽¹⁾	17.3	4.6	83.4	49.9
Adjusted per share – basic and diluted (\$)	0.15	0.04	0.70	0.41
Weighted average number of shares outstanding (in millions)	115.9	121.7	118.5	121.8

(1) See NON-IFRS PERFORMANCE MEASURES below

FOURTH QUARTER RESULTS

For the 13-week period ended December 28, 2014, consolidated revenues from continuing operations amounted to \$971.3 million, up 3.2% from \$941.1 million for the 13-week period ended December 29, 2013. Excluding the impact of the closures of underperforming stores, the network's same-store sales grew 6.5%, with 6.0% in the Retail and 9.3% in the Distribution segments. This solid performance reflects the sustained improvement in Réno-Dépôt stores since their repositioning, strong growth in most parts of the country, and steady progress in installation services and merchandising strategies across the network.

Adjusted EBITDA from continuing operations amounted to \$52.5 million, or 5.4% of revenues, compared to \$36.1 million, or 3.8% of revenues a year earlier. This strong performance reflects the respective increases of \$5.7 million and \$4.7 million in RONA's organic Retail and Distribution operations, as well as net savings of \$5.4 million from the closure of underperforming stores. In the Retail segment, the adjusted EBITDA margin increased by 150 basis points to 5.8%; in the Distribution segment it increased by 160 basis points to 4.2%.

The adjusted net income from continuing operations attributable to participating shares was \$17.3 million, or \$0.15 basic and diluted per share, compared to \$4.6 million, or \$0.04 basic and diluted per share, a year earlier.

FISCAL 2014 RESULTS

Consolidated revenues from continuing operations for fiscal 2014 amounted to \$4,096.4 million, compared to \$4,192.2 million in fiscal 2013. The 2.3% decrease reflects the closure of underperforming stores in the previous fiscal year. On a same-store basis, sales across the RONA network rose 1.2%, with growth of 1.1% in the Retail segment and 1.7% in the Distribution segment. This improvement reflects the successful efforts to reposition Réno-Dépôt in Québec and TOTEM in Alberta, as well as initiatives to stimulate sales through merchandising strategies.

Adjusted EBITDA from continuing operations grew 27.2% to \$235.4 million, or 5.8% of revenues, compared to \$185.1 million, or 4.4% of revenues in 2013. The solid increase of \$50.3 million stems mainly from a contribution of \$28.4 million from RONA's organic operations and \$16.9 million from the closure of underperforming stores.

The adjusted net income from continuing operations attributable to participating shares for fiscal 2014 was \$83.4 million, or \$0.70 basic and diluted per share, compared to \$49.9 million, or \$0.41 basic and diluted per share, in 2013.

SOLID FINANCIAL SITUATION

As at December 28, 2014, RONA was in an excellent financial situation with net debt of \$169.9 million. On that same date, the Corporation had used only \$65.2 million on its authorized credit facility of \$700.0 million. Reflecting the higher profitability, the ratio of net debt to adjusted EBITDA for the past 12 months was 0.72x at the close of fiscal 2014, compared to 0.90x at the close of fiscal 2013. The ratio of net debt to total capital was stable at 0.09x at December 28, 2014.

In fiscal 2014, RONA repurchased 7.3 million common shares for a total cash consideration of \$94.2 million. In November 2014, the Corporation renewed its normal course issuer bid, permitting it to purchase a maximum of 9.2 million common shares until November 17, 2015. Since the renewal, and to date, the Corporation has purchased 5.4 million common shares for a total of \$72.7 million.

DIVIDEND ON PREFERRED SHARES

At its meeting on February 16, 2015, RONA's Board of Directors declared a quarterly dividend of \$0.3281 per share on cumulative 5-year rate reset Class A preferred shares, Series 6. The dividend will be paid on March 31, 2015 to shareholders of record on March 16, 2015.

DIVIDEND ON COMMON SHARES

At its meeting on February 16, 2015, RONA's Board of Directors declared a semi-annual dividend of \$0.07 per share on the Corporation's common shares. The dividend will be paid on March 25, 2015 to shareholders of record on March 10, 2015.

ADDITIONAL INFORMATION

The Management's Discussion and Analysis (MD&A), consolidated financial statements and related notes for fiscal year 2014 can be found in the "Investor Relations" section of the Corporation's website at www.rona.ca and on the SEDAR website at www.sedar.com. The Corporation's Annual Information Form, along with other information about RONA, can also be found on the RONA and SEDAR websites.

CONFERENCE CALL WITH THE FINANCIAL COMMUNITY

On Tuesday, February 17, 2015, at 3:00 p.m. (EST), RONA will hold a conference call for the financial community. To join the conference, please call 416-340-2216 or 1-866-223-7781. To listen to the call online, please go to: <http://webcasts.pgm.net/client/rona/event/1298/en/>.

A replay will be available from 7:00 p.m. on Tuesday, February 17, 2015 until February 25, 2015. It can be heard by dialing 905-694-9451 or 1-800-408-3053 and entering the password 8118545 on the telephone keypad.

NON-IFRS PERFORMANCE MEASURES

RONA uses performance measures which are not prescribed by International Financial Reporting Standards ("IFRS"). Management's view is 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 in compliance with IFRS, but rather as additional information.

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

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

Management also uses the following non-IFRS performance measures: adjusted EBITDA; adjusted EBITDA margin; adjusted gross margin; adjusted selling, general and administrative expenses; adjusted depreciation, amortization and impairment of non-financial assets; adjusted finance costs; adjusted net income attributable to participating

shares, adjusted basic and diluted net income per share attributable to owners of RONA inc. and debt net of cash. These measures reflect the inclusion or exclusion of certain amounts that are viewed as not representative of the Corporation's sustainable financial performance. For more details on these measures, please see the MD&A for fiscal year 2014.

FORWARD-LOOKING STATEMENTS

This Press Release includes forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts included in this Press Release, 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. 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 sites www.rona.ca and www.sedar.com. In particular, further details and descriptions of these and other factors are disclosed in the 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 Press Release reflect the Corporation's expectations as at February 16, 2015, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ABOUT RONA

RONA inc. is a major Canadian distributor and retailer of hardware, building materials and home renovation products. The Corporation operates a network of over 500 corporate, franchise and independent affiliate stores of complementary formats. With its 9 distribution centers, RONA serves its own network as well as many independent dealers operating under different banners, including Ace for which RONA owns the licensing rights and is the exclusive distributor in Canada. With the help of its nearly 24,000 employees, the Corporation generates annual consolidated sales of \$4.1 billion. For more information, visit rona.ca.

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RONA inc.
CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the thirteen week periods and years ended December 28, 2014 and December 29, 2013

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

CONSOLIDATED STATEMENTS OF INCOME

	Fourth Quarter (unaudited)		Year-to-date	
	2014	2013	2014	2013
CONTINUING OPERATIONS				
Revenues	\$ 971,259	\$ 941,111	\$ 4,096,355	\$ 4,192,192
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges	\$ 52,491	\$ 36,124	\$ 235,373	\$ 162,088
Restructuring costs and other charges	20,640	6,132	23,697	82,879
Depreciation, amortization and impairment of non-financial assets	22,679	23,374	91,042	113,850
Operating income (loss)	9,172	6,618	120,634	(34,641)
Finance costs	3,343	4,615	16,238	14,000
Income (loss) before income taxes	5,829	2,003	104,396	(48,641)
Income tax expense (recovery)	1,143	523	27,509	(13,044)
Net income (loss) from continuing operations	4,686	1,480	76,887	(35,597)
DISCONTINUED OPERATIONS				
Net income (loss) from discontinued operations	1,360	(2,412)	1,360	(117,417)
Net income (loss)	\$ 6,046	\$ (932)	\$ 78,247	\$ (153,014)
Net income (loss) attributable to:				
Owners of RONA inc.				
Continuing operations	\$ 4,043	\$ 1,260	\$ 74,450	\$ (36,614)
Discontinued operations	1,360	(2,412)	1,360	(117,417)
	5,403	(1,152)	75,810	(154,031)
Non-controlling interests	643	220	2,437	1,017
	\$ 6,046	\$ (932)	\$ 78,247	\$ (153,014)
Basic and diluted net income (loss) per share attributable to owners of RONA inc.				
Continuing operations	\$ 0.02	\$ (0.01)	\$ 0.55	\$ (0.38)
Discontinued operations	0.01	(0.02)	0.01	(0.96)
	\$ 0.03	\$ (0.03)	\$ 0.56	\$ (1.34)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fourth Quarter (unaudited)		Year-to-date	
	2014	2013	2014	2013
Net income (loss)	\$ 6,046	\$ (932)	\$ 78,247	\$ (153,014)
Other comprehensive income (loss), net of income taxes :				
Items that will be reclassified subsequently to net income				
Cash flow hedges				
– Gain (loss) for the year	2,796	(1,474)	5,067	(195)
– Reclassification to net income	(1,152)	88	(1,014)	1,374
Impact of foreign currency translation related to the net investment in an associate	825	181	739	306
	2,469	(1,205)	4,792	1,485
Items that will not be reclassified subsequently to net income				
Remeasurements of net defined benefit liability	(584)	887	(8,087)	2,130
Other comprehensive (loss) income	1,885	(318)	(3,295)	3,615
Comprehensive income (loss)	\$ 7,931	\$ (1,250)	\$ 74,952	\$ (149,399)
Comprehensive income (loss) attributable to:				
Owners of RONA inc.	\$ 7,288	\$ (1,470)	\$ 72,515	\$ (150,416)
Non-controlling interests	643	220	2,437	1,017
	\$ 7,931	\$ (1,250)	\$ 74,952	\$ (149,399)

RONA inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirteen week periods and years ended December 28, 2014 and December 29, 2013

(in thousands of Canadian dollars)

	Fourth Quarter (unaudited)		Year-to-date	
	2014	2013	2014	2013
OPERATING ACTIVITIES				
Income (loss) before income taxes	\$ 7,675	\$ (1,273)	\$ 106,242	\$ (198,071)
Income (loss) before income taxes from discontinued operations	1,846	(3,276)	1,846	(149,430)
Income (loss) before income taxes from continuing operations	5,829	2,003	104,396	(48,641)
Adjustments:				
Depreciation, amortization and impairment of non-financial assets	22,679	23,374	91,042	113,850
Net change in provision for restructuring costs	16,523	(1,494)	(11,458)	52,130
Change in fair value of derivative financial instruments	(3,798)	55	(6,896)	3,062
Net gains on disposal of assets	(874)	(852)	(6,204)	(4,640)
Net gains on disposal of an investment in an associate	(1,840)	-	(1,840)	-
Share of income of equity-accounted investees	574	(489)	(865)	(1,599)
Share-based payment	8,444	(124)	18,087	6,688
Defined benefit plan contributions, net of expense	(50)	(749)	(759)	(851)
Reversal of straight-line lease provisions	-	-	-	(3,468)
Other	1,095	(687)	1,204	(760)
	48,582	21,037	186,707	115,771
Net change in working capital	17,486	14,362	(46,446)	(33,497)
	66,068	35,399	140,261	82,274
Interest received	417	763	2,518	3,945
Income taxes paid	(844)	(2,959)	(3,935)	(11,107)
Cash flows from continuing operating activities	65,641	33,203	138,844	75,112
INVESTING ACTIVITIES				
Business combinations	(1,889)	(22,284)	(6,036)	(28,567)
Proceeds on disposal of a business	-	213,667	5,943	213,667
Proceeds on disposal of an investment in an associate	5,493	-	5,493	-
Acquisition of property, plant and equipment	(13,689)	(12,203)	(43,503)	(35,825)
Acquisition of intangible assets	(5,367)	(5,777)	(17,654)	(25,925)
Proceeds on disposal of property, plant and equipment and non-current assets held for sale	1,038	9,101	36,973	29,106
Proceeds on disposal of intangible assets	111	41	217	784
Net change in other financial assets	(325)	1,348	1,891	542
Dividends received from equity-accounted investees	775	2,004	775	2,004
Interest received	170	214	564	868
Cash flows (used for) from continuing investing activities	(13,683)	186,111	(15,337)	156,654
FINANCING ACTIVITIES				
Bank loans	275	(6,314)	(1,478)	(7,533)
Net change in credit facility	(1,574)	(208,296)	20,271	(176,068)
Financing costs	(89)	-	(741)	-
Repayment of other long-term debt	(259)	(5,534)	(1,552)	(9,573)
Proceeds from issuance of common shares	545	624	1,720	4,713
Repurchase of common shares	(32,847)	(15,375)	(94,232)	(15,375)
Dividends on common shares	-	-	(16,644)	(17,043)
Dividends on preferred shares	(2,264)	(2,495)	(9,075)	(9,263)
Cash dividends paid by a subsidiary to non-controlling interests	-	(3,430)	(2,450)	(3,430)
Interest paid	(696)	(19)	(10,629)	(10,546)
Cash flows used for continuing financing activities	(36,909)	(240,839)	(114,810)	(244,118)
Net increase (decrease) in cash from continuing operations	15,049	(21,525)	8,697	(12,352)
Net increase (decrease) in cash from discontinued operations	-	-	-	7
Net increase (decrease) in cash during the year	15,049	(21,525)	8,697	(12,345)
Cash, beginning of period	1,893	29,770	8,245	20,590
Cash, end of year	\$ 16,942	\$ 8,245	\$ 16,942	\$ 8,245



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 28, 2014

Comparing the 52-week period ended December 28, 2014 to the 52-week period ended December 29, 2013

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

RONA's sales include:

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

FINANCIAL STATEMENTS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Corporation's audited consolidated financial statements and related notes for the 52-week fiscal year ended December 28, 2014. The audited consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). The amounts in the financial statements are expressed in thousands of Canadian dollars, unless otherwise indicated. The terms "RONA," "we," "us," "our" and the "Corporation" mean RONA inc. and its subsidiaries, unless otherwise indicated. RONA has filed its audited consolidated financial statements with the Canadian Securities Administrators and they can be viewed online at the Corporation's website at www.rona.ca or at the SEDAR website at www.sedar.com.

FISCAL YEAR

RONA's fiscal year ends on the last Sunday of each year and usually has 52 weeks. For interim disclosure purposes, quarters end on the last Sunday of March, June, September and December respectively, and usually have 13 weeks. For fiscal years 2013 and 2014, the years had 52 weeks of operations, while fiscal year 2012 had 53.

DISCONTINUED OPERATIONS

On June 19, 2013, the Corporation entered into an asset purchase agreement to sell the majority of the assets of its Commercial and Professional Market division to Talisker Plumbing Corporation, a subsidiary of EMCO Corporation. This plumbing, heating, ventilation and air conditioning ("HVAC") division was under a subsidiary of the parent corporation. The transaction was concluded on October 21, 2013 for a total consideration of \$219.6 million, composed of \$213.7 million in cash and a balance due of \$5.9 million, which was settled as a result of the finalization of the working capital adjustments on April 14, 2014. For the period from December 31, 2012 to October 21, 2013, results for this division are presented as "Net income (loss) from discontinued operations" in RONA's consolidated statement of income. The results of these operations are further detailed in Note 10 to the audited consolidated financial statements.

NON-IFRS PERFORMANCE MEASURES

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

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

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

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

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

As noted above, EBITDA and adjusted EBITDA are measures that have no standardized meaning prescribed by IFRS standards and therefore may not be comparable to similar measures presented by other issuers. In this context, the following table present a reconciliation of net income (loss) to EBITDA and adjusted EBITDA from continuing operations for fiscal years 2014 and 2013.

Reconciliation of net income (loss) to EBITDA and adjusted EBITDA

(in thousands of Canadian dollars)	Fiscal years ended		
	December 28, 2014	December 29, 2013	Change \$
Net income (loss)	78,247	(153,014)	231,261
Net income (loss) from discontinued operations	1,360	(117,417)	118,777
Net income (loss) from continuing operations	76,887	(35,597)	112,484
Finance costs	16,238	14,000	2,238
Depreciation, amortization and impairment of non-financial assets	91,042	113,850	(22,808)
Income tax expense (recovery)	27,509	(13,044)	40,553
EBITDA from continuing operations	211,676	79,209	132,467
Restructuring costs and other charges ⁽¹⁾	23,697	82,879	(59,182)
Other costs related to implementation of the recovery plan	-	23,022	(23,022)
Adjusted EBITDA from continuing operations	235,373	185,110	50,263

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

The tables below summarize the impact of each adjustment on non-IFRS performance measures for the Corporation's continuing operations for fiscal year 2014. The "Consolidated results from continuing operations" section and the "Segment results from continuing operations" section provide more detailed information on each adjustment by non-IFRS performance measures for fiscal years 2014 and 2013.

RECONCILIATION OF ADJUSTMENTS FROM CONTINUING OPERATIONS – 2014

(in thousands of dollars, unless otherwise indicated)	Year ended December 28, 2014	Restructuring costs, impairment of non-financial assets and other charges ⁽¹⁾	Other costs related to implementation of the recovery plan	Total adjustments	Adjusted year ended December 28, 2014
Gross margin	1,066,712	-	-	-	1,066,712
Selling, general and administrative expenses	855,036	23,697	-	23,697	831,339
EBITDA	211,676	(23,697)	-	(23,697)	235,373
Depreciation, amortization and impairment of non-financial assets	91,042	(1,346)	-	(1,346)	92,388
Finance costs	16,238	2,330	-	2,330	13,908
Income before income taxes	104,396	(24,681)	-	(24,681)	129,077
Income tax expense (recovery)	27,509	(6,503)	-	(6,503)	34,012
Non-controlling interests	2,437	-	-	-	2,437
Net income attributable to owners of RONA inc.	74,450	(18,178)	-	(18,178)	92,628
Dividends on preferred shares	9,267	-	-	-	9,267
Net income attributable to participating shares	65,183	(18,178)	-	(18,178)	83,361
Basic and diluted net income per share (in dollars)	0.55	(0.15)	-	(0.15)	0.70
Weighted average number of shares outstanding (in thousands)	118,465	118,465	118,465	118,465	118,465

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

RECONCILIATION OF ADJUSTMENTS FROM CONTINUING OPERATIONS – 2013

(in thousands of dollars, unless otherwise indicated)	Year ended December 29, 2013	Restructuring costs, impairment of non-financial assets and other charges ⁽¹⁾	Other costs related to implementation of the recovery plan	Total adjustments	Adjusted year ended December 29, 2013
Gross margin	1,098,688	1,352	(8,158)	(6,806)	1,105,494
Selling, general and administrative expenses	1,019,479	84,231	14,864	99,095	920,384
EBITDA	79,209	(82,879)	(23,022)	(105,901)	185,110
Depreciation, amortization and impairment of non-financial assets	113,850	22,998	–	22,998	90,852
Finance costs	14,000	1,913	–	1,913	12,087
Income (loss) before income taxes	(48,641)	(107,790)	(23,022)	(130,812)	82,171
Income tax expense (recovery)	(13,044)	(28,834)	(6,158)	(34,992)	21,948
Non-controlling interests	1,017	–	–	–	1,017
Net income (loss) attributable to owners of RONA inc.	(36,614)	(78,956)	(16,864)	(95,820)	59,206
Dividends on preferred shares	9,288	–	–	–	9,288
Net income (loss) attributable to participating shares	(45,902)	(78,956)	(16,864)	(95,820)	49,918
Basic and diluted net income (loss) per share (in dollars)	(0.38)	(0.65)	(0.14)	(0.79)	0.41
Weighted average number of shares outstanding (in thousands)	121,779	121,779	121,779	121,779	121,779

(1) Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

HIGHLIGHTS – LAST THREE FISCAL YEARS
SELECTED INFORMATION

(in millions of dollars, except number of shares and income (loss) per share)	Fiscal years ended		
	December 28, 2014	December 29, 2013	December 30, 2012*
Revenues	4,096.4	4,192.2	4,444.2
Net income (loss) from continuing operations attributable to participating shares	65.2	(45.9)	12.3
Per share, diluted	0.55	(0.38)	0.10
Adjusted net income from continuing operations attributable to participating shares	83.4	49.9	73.5
Per share, diluted	0.70	0.41	0.60
Total assets	2,336.1	2,342.5	2,797.2
Debt net of cash	169.9	167.2	299.9
Number of common shares outstanding at year end (in millions)	113.6	120.7	121.4

* Fiscal year ended December 2012 had 53 weeks.

Over the past three fiscal years, RONA has recorded significant charges related to restoring the Corporation's financial performance. A net after-tax amount of \$61.2 million was recognized in 2012, followed by \$95.8 million in 2013 and \$18.2 million in 2014. These adjustments had a significant impact on the Corporation's net income, which went from \$12.3 million in 2012 to a net loss of \$45.9 million in 2013 and then to a net income of \$65.2 million in 2014. Considering these adjustments, the adjusted net income from continuing operations fell from \$73.5 million in 2012 to \$49.9 million in 2013 and then rose to \$83.4 million in 2014. Results for the past three fiscal years were also affected by particularly difficult market conditions, with major declines in single-family housing starts and stiffer competition in many regions across the country.

In 2012, RONA introduced its *New Realities, New Solutions* plan. The plan made it possible to refine the concept of the proximity store without the need for significant investments. The plan was launched after an in-depth study to improve productivity in all RONA stores across the country. It generated a recurring annual benefit of \$10.5 million. The sales initiatives and positive impact of the *New Realities, New Solutions* plan were partially offset by the negative impact of the product mix and increased competition. As at December 30, 2012, the debt net of cash was \$299.9 million. Also, in November 2011, the Corporation put in place a normal course issuer bid permitting it to purchase, between November 11, 2011 and November 10, 2012, a maximum of 11.0 million common shares. From November 2011 to November 2012, the Corporation purchased 10.4 million shares at an average price of \$9.47 per share for a total of \$98.5 million.

In fiscal 2013, RONA initiated significant organizational transformations during a difficult period for the construction and renovation industry. The restructuring and reorganizing plan to improve profitability and save \$110 million on an annualized basis was successful. Plan measures included closing

11 stores (eight in Ontario and three in British Columbia), reducing administrative, marketing, merchandising and distribution expenses, and eliminating 325 administrative positions in the four administrative centres in Canada. As announced, a portion of the savings was reinvested in initiatives to stimulate sales and improve the positioning of our banners. Stringent capital management and strict controls on capital investments enabled RONA to generate free cash flows of \$30.6 million. This amount was assigned to repurchase common shares. Fiscal 2013 was also a turning point in which RONA decided to focus on optimizing the performance of its strategic assets and to sell its Commercial and Professional Market division. The proceeds of \$213.7 million from this transaction, which closed in October 2013, were used to reduce the Corporation's long-term debt.

Fiscal 2014 was a year of emphasis on growth. RONA identified three business priorities for 2014: growing sales, completing the transformation of the Réno-Dépôt banner and developing and implementing new positioning strategies for all banners across Canada. These actions resulted in the first year of same-store sales growth since 2006. This growth is evidence of the successful repositioning of the TOTEM and Réno-Dépôt banners and the positive impact on sales of the improved merchandising strategy for contractors. RONA's profitability continued to improve, primarily due to stringent management of selling, general and administrative expenses, reflecting the power of the operational leveraging associated with the Corporation's business model. By year-end, RONA had generated free cash flows of \$99.9 million and a solid financial position with a debt net of cash of \$169.9 million. In November 2013, the Corporation also put in place a program to repurchase shares in the normal course of business, which allowed the Corporation to repurchase, between November 18, 2013 and November 17, 2014, up to 8.6 million common shares. From November 2013 to November 2014, the Corporation repurchased \$6.1 million shares at an average price of \$12.69 per share for a total of \$77.4 million.

UPDATE ON THE CORPORATION'S STRATEGIC ORIENTATION

On June 27, 2013, Robert Sawyer, RONA's President and Chief Executive Officer, announced restructuring and reorganization measures to accelerate the recovery and improve the Corporation's profitability. The announced measures represented annualized cost savings of \$110.0 million. Management had decided that of that amount, 30%, or \$33.0 million, would be reinvested to improve the positioning of our banners and our merchandising strategy in Canada. The goal was to achieve \$77.0 million in savings net of the reinvested portion.

Since implementation of the cost-reduction plan, cumulative savings have amounted to \$61.4 million (\$34.3 million in 2013 and \$27.1 million in 2014). From the end of the second quarter, management decided to use many leverages to optimize the merchandising and banner-repositioning strategy. Despite the negative impact of the reinvestment strategy on adjusted consolidated gross margin as a percentage, these decisions resulted in positive growth in same-store sales. This growth generated an increase in EBITDA based on the impact of the \$18.2 million increase in sales volume. Thus, the benefits of the \$61.4 million in cost savings, paired with the impact of the \$18.2 million increase in sales volume on EBITDA, resulted in a total impact of \$79.6 million on EBITDA from the cost-reduction plan, or 103.3% of the initial objective of \$77.0 million.

Implementation of these initiatives improved the EBITDA margin by 140 basis points for fiscal 2014, demonstrating the positive effects of the operational leveraging of RONA's business model. The end of fiscal 2014 also marks the full impact of the recovery plan. The table below shows the evolution and final positive outcome of the cost-reduction plan.

Savings achieved by the \$110-million cost-reduction plan

Cost-reduction plan assumptions

Planned objective		110,000
Reinvestment (30% of savings)		(33,000)
Total – Planned objective		77,000

Cumulative savings achieved

2013		
EBITDA impact	34,246	
Total	34,246	34,246
2014		
Savings in selling, general and administrative expenses		
Organic	24,024	
Store closures	55,745	
	79,769	
Impact of plan on gross margin		
Organic (reinvestment, pricing strategy, inventory sell-off, etc.)	(13,803)	
Store closures (gross margin attributable to closed stores)	(38,828)	
	(52,631)	
Contribution to EBITDA (selling, general and administrative expenses net of the impact on gross margin)		
Organic	10,221	
Store closures	16,917	
Total	27,138	27,138
Total savings achieved – EBITDA impact 2013 and 2014		61,384
Volume effect of banner repositioning and merchandising strategy on 2014 EBITDA		18,177
Total - Cumulative savings achieved		79,561
Total - Cumulative savings achieved/Total - Planned objective		103.3%

In fiscal 2014, the focus was also on satisfying the needs of different groups of targeted customers in order to profitably increase RONA's market share in an industry that is experiencing a slowdown. RONA has concentrated on establishing a new positioning for some of its banners, namely TOTEM, now operating under the RONA banner, and Réno-Dépôt. Given the early positive signs from the initial transformations of Réno-Dépôt stores, the Corporation decided to accelerate the repositioning of other stores. By the end of the second quarter of 2014, the offering in all Réno-Dépôt stores had been repositioned under the new concept. In the second half of the year, the focus was on getting the maximum out of the newly repositioned banner. Sales have been growing steadily since the work was completed, and the entire banner had positive same-store sales for the fiscal year, despite the significant slowdown during the several weeks of renovations. This growth in same-store sales is a first for the banner since 2004. Given Réno-Dépôt's success in Québec, in spring 2015 RONA will open two stores under the new Réno-Dépôt concept in existing buildings in Aurora, Ontario and Calgary, Alberta, to assess their impact.

With the needs of its key customer groups in mind, but also to enhance its competitive position, RONA improved its merchandising strategy in fiscal 2014, especially in certain high-demand convenience products for contractors and professionals. RONA's goal was to maximize its purchasing power and offer the best operating conditions to its network. Starting in the second half of the year, these efforts began to pay off, with positive same-store sales across the network.

Fiscal 2014 also marked the start of the Corporation's expansion plan. Expansion will be disciplined and will take place in markets where we must protect and strengthen our share and in situations where the investment is justified by strong growth potential.

FINANCIAL PRIORITIES

Our financial priorities were established three years ago, and our actions are always dictated by these priorities. In the medium term, the goal is to achieve a higher than 10% return on capital. To increase traffic to stores and regain higher volume in building material categories, the change in the sales mix favoured products with lower gross margins, which affected the Corporation's results. The decrease in adjusted selling, general and administrative expenses for same-store operations and the closure of underperforming stores helped ease the pressure on results. Today, these decisions have resulted in favourable trends on several key indicators. Since early 2014, same-store sales have improved, and the efforts to reduce selling, general and administrative expenses have increased adjusted EBITDA in dollars and as a percentage of sales. This improvement is reflected in the adjusted net income per share and the return on capital. The following tables show the steady changes in certain key indicators and value items since the start of fiscal 2014:

Changes in key indicators (considering adjustments)

(in thousands of Canadian dollars)	First Quarter 2014 ⁽¹⁾	Second Quarter 2014 ⁽¹⁾	Third Quarter 2014 ⁽¹⁾	Fourth Quarter 2014 ⁽¹⁾	Fiscal 2014
Same-store sales (Retail)	(3.4%)	(0.7%)	2.0%	6.0%	1.1%
Organic growth					
Consolidated revenues	(34,201)	(6,655)	46,283	53,364	60,764
Consolidated adjusted gross margin	(15,014)	(2,949)	4,864	16,141	4,374
Selling, general and administrative expenses	(18,086)	(7,971)	(6,531)	5,743	(24,024)
Total basis-point improvement	(200)	(140)	(170)	(160)	(170)
Adjusted EBITDA	3,072	5,022	11,395	10,398	28,398
Total basis-point improvement	110	140	110	160	140

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

Changes in value items (considering adjustments)

(in Canadian dollars)	First Quarter 2014	Second Quarter 2014	Third Quarter 2014	Fourth Quarter 2014	Fiscal 2014
Adjusted net income (loss) per share	(0.12)	0.35	0.33	0.15	0.70
Difference in adjusted net income per share compared to 2013	0.03	0.07	0.08	0.11	0.29
Year-over-year growth	20.0%	25.0%	32.0%	275.0%	70.7%
Return on capital					
2013	4.5%	3.9%	3.8%	3.5%	3.5%
2014	4.0%	4.6%	5.1%	5.6%	5.6%
Difference (basis-point)	(50)	70	130	210	210

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

Unless otherwise indicated, the results analyzed in this section are for the 52-week period ended December 28, 2014 and, when compared, are compared to the results for the 52-week period ended December 29, 2013.

ECONOMIC ENVIRONMENT

Key statistics on the renovation and construction industry

(Change ending December 31, 2014 compared to the same period in 2013)

	Single-family housing starts		Home resales		Average selling price of homes	
	2014	2013	2014	2013	2014	2013
Western Canada	3.6%	(3.0%)	10.2%	6.7%	4.5%	4.9%
Ontario	(0.2%)	(13.3%)	3.6%	1.1%	7.1%	4.7%
Québec	(10.8%)	(24.1%)	(0.8%)	(8.0%)	0.0%	0.8%
Atlantic Provinces	(16.6%)	(31.0%)	(2.7%)	(7.5%)	0.2%	1.8%
Total – Canada	(0.8%)	(12.0%)	5.0%	1.0%	6.7%	5.3%

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

In its January 2015 *Monetary Policy Report*, the Bank of Canada noted that inflation has remained close to the 2% target in recent quarters. However, there are still disinflationary pressures due to slack in the economy and competition in the retail sector. Inflation has been temporarily boosted by sector-specific factors, notably in food, and by the lower Canadian dollar. The report points out that while real GDP growth has been solid and more broadly based in recent quarters, near-term growth is expected to slow as investment in the energy sector responds rapidly to lower oil prices. As a result, the growth rate for real GDP, which went from 1.8% in 2013 to 2.5% in 2014, should decline to 1.9% in 2015.

In terms of key statistics for the renovation and construction industry for 2014, the only negative Canadian indicator was single-family housing starts, which were down 0.8% versus a decline of 12.0% in 2013. However, Québec and the Atlantic provinces, with decreases of 10.8% and 16.6% respectively, had a material impact on the overall result. Western Canada remained positive throughout the year and was up 3.6% at year-end. Ontario was down in the first two quarters, then up in the second half of the year and closed 2014 down a slight 0.2%.

In home resales, Western Canada and Ontario led the way with increases of 10.2% and 3.6% respectively, pushing total annual growth in Canada to 5.0%. The Atlantic provinces ended 2014 down 2.7% and Québec was down slightly at 0.8% for the year, despite the two final quarters in positive territory.

The average selling price of homes was up 6.7% in Canada in 2014, led once again by Ontario (7.1%) and Western Canada (4.5%). Québec finished the year at the same level as 2013, while the Atlantic provinces were 0.2% higher.

The decline in the construction and renovation industry's key indicators for Québec and the Atlantic provinces, along with rising competition in Canada had a direct impact on RONA's sales and profit margins. Significant measures were taken to mitigate these effects and stimulate RONA's sales, including leveraging its main competitive advantages and clarifying the positioning of TOTEM and Réno-Dépôt.

CONSOLIDATED REVENUES

	Fiscal years ended					
	December 28, 2014	December 29, 2013	Change		Weighting	
(in thousands of Canadian dollars)			\$	%	% 2014	% 2013
Segment revenues						
Retail	2,926,177	3,003,669	(77,492)	(2.6)	55	56
Distribution	2,387,586	2,353,169	34,417	1.5	45	44
Total	5,313,763	5,356,838	(43,075)	(0.8)	100	100
Intersegment revenues and royalties						
Retail	(10,619)	(14,646)	4,027	27.5	1	1
Distribution	(1,206,789)	(1,150,000)	(56,789)	(4.9)	99	99
Total	(1,217,408)	(1,164,646)	(52,762)	(4.5)	100	100
Revenues from external clients						
Retail	2,915,558	2,989,023	(73,465)	(2.5)	71	71
Distribution	1,180,797	1,203,169	(22,372)	(1.9)	29	29
Total	4,096,355	4,192,192	(95,837)	(2.3)	100	100

A detailed analysis of segment variances is provided in the *Segment results from continuing operations* section of this document, and the following table provides a detailed variance analysis of consolidated revenues.

Variance analysis – Consolidated revenues from external customers

(in thousands of Canadian dollars)	
Consolidated revenues – 2013	4,192,192
New stores and acquisitions, net of disposals	(3,031)
Closed stores – cost-reduction plan	(123,458)
Recruitment, net of dealer-owner closures and departures	(30,112)
Organic change	60,764
Consolidated revenues – 2014	4,096,355

Consolidated revenues amounted to \$5,313.8 million in 2014, down \$43.1 million or 0.8% from \$5,356.8 million in 2013. After intersegment eliminations of \$1,217.4 million in 2014 and \$1,164.6 million in 2013, which are primarily distribution revenues to RONA's corporate store network, revenues amounted to \$4,096.4 million in 2014 compared to \$4,192.2 million in 2013, down \$95.8 million or 2.3%.

RONA's retail network development activities (new stores and acquisitions, net of disposals) reduced consolidated revenues by \$3.0 million. The decrease stems from \$15.6 million for acquisitions and new store openings, which was more than offset by total disposals of \$18.6 million. The 17 underperforming stores closed under the Corporation's cost-reduction plan represented a \$123.5 million decrease in revenues. Lastly, recruitment of new dealer-owners, net of dealer-owner closures and departures, was down \$30.1 million. RONA's organic revenues were up \$60.8 million or 1.2%, the first year of growth since 2006. This increase was fueled primarily by the Retail segment, which contributed \$53.0 million or 1.1% of same-store sales, the result of the repositioning of the TOTEM and Réno-Dépôt stores and the improved merchandising strategy for contractors and our dealer-owner network. Furthermore, the growth in same-store sales took place in an environment affected by extremely wintry conditions and a late spring, which delayed the start of renovation and construction projects, particularly in the East. Moreover, in the first half of 2014, the 12-week period of renovation to the 16 stores in the Réno-Dépôt banner had a material impact on the normal operations of those stores. However, since the work was completed, a positive shift in the same-store sales trend is evident for the Réno-Dépôt banner.

In short, the \$95.8 million (-2.3%) decline in total revenues results from decreases of \$73.5 million (-2.5%) in Retail segment revenues and \$22.4 million (-1.9%) in the Distribution segment. The weighting for the two segments remained stable at 71% for the Retail segment and 29% for the Distribution segment.

CONSOLIDATED GROSS MARGIN

Gross margin

(in thousands of Canadian dollars)	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
			\$	%
Gross margin	1,066,712	1,098,688	(31,976)	(2.9)
Gross margin / Revenues (%)	26.0	26.2	-	-
Restructuring costs and other charges ⁽¹⁾	-	1,352	(1,352)	-
Other costs related to implementation of the recovery plan	-	(8,158)	8,158	-
Adjusted gross margin	1,066,712	1,105,494	(38,782)	(3.5)
Adjusted gross margin / Revenues (%)	26.0	26.4		

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

Variance analysis – Adjusted gross margin

(in thousands of Canadian dollars)	
Adjusted gross margin – 2013	1,105,494
New stores and acquisitions, net of disposals	(882)
Closed stores - cost-reduction plan	(38,828)
Recruitment, net of dealer-owner closures and departures	(3,446)
Organic change	4,374
Adjusted gross margin – 2014	1,066,712

Gross margin from continuing operations was \$1,066.7 million, down \$32.0 million or 2.9% from \$1,098.7 million in 2013. For the same period in 2013, the Corporation recorded total adjustments of \$6.8 million, comprising of a \$1.4 million reversal in restructuring costs related to store closures, \$8.2 million to implement strategic priorities, and expenses for counsel and inventory sell-off.

Considering these costs, the adjusted gross margin was down \$38.8 million, or 3.5%, compared to 2013 and the adjusted gross margin as a percentage of sales was down 40 basis points, from 26.4% in 2013 to 26.0% in 2014. Most of the decrease occurred in the first quarter of 2014, which accounted for more than \$25.4 million out of the total annual decrease of \$38.8 million. Despite better procurement management, adjusted gross margin was affected by a more competitive environment, which exerted pricing pressures in a number of product categories at retail outlets. RONA also revised its merchandising strategy for contractors, which created short-term pressure on adjusted gross margin rate as a percentage. This was more than offset by the higher sales volume, because the volume effect of organic revenues on organic gross margin amounted to \$18.2 million.

The retail network's development activities reduced adjusted gross margin by \$0.9 million in 2014. The underperforming stores that were closed as part of the Corporation's cost-reduction plan reduced the margin by \$38.8 million, but also decreased selling, general and administrative expenses by a greater amount. Lastly, recruitment, net of dealer-owner closures and departures, represented a decrease of \$3.4 million.

Considering all these items, the organic adjusted gross margin rose \$4.4 million in 2014, despite the underperformance in the first quarter and the slow start to the second quarter related to wintry conditions and RONA challenges in transferring increases in the cost of certain materials into the selling price in a competitive environment.

CONSOLIDATED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses

	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
(in thousands of Canadian dollars)			\$	%
Selling, general and administrative expenses	855,036	1,019,479	(164,443)	(16.1)
Restructuring costs and other charges ⁽¹⁾	23,697	84,231	(60,534)	(71.9)
Other costs related to implementation of the recovery plan	–	14,864	(14,864)	(100.0)
Adjusted selling, general and administrative expenses	831,339	920,384	(89,045)	(9.7)
Adjusted selling, general and administrative expenses/Revenues (%)	20.3	22.0		

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

Variance analysis – Adjusted selling, general and administrative expenses

(in thousands of Canadian dollars)

Adjusted selling, general and administrative expenses – 2013	920,384	
New stores and acquisitions, net of disposals	(4,256)	} (89,045)
Closed stores - cost-reduction plan	(55,745)	
Recruitment, net of dealer-owner closures and departures	(1,614)	
Loss on disposal of assets	(3,406)	
Organic change	(24,024)	
Adjusted selling, general and administrative expenses – 2014	831,339	

Selling, general and administrative expenses were \$855.0 million for fiscal 2014, down \$164.4 million from \$1,019.5 million in fiscal 2013. For fiscal 2013, the Corporation recorded total adjustments of \$99.1 million, of which \$84.2 million was for restructuring costs and expenses related to the TOTEM banner conversion. Considering these costs, adjusted selling, general and administrative expenses for 2013 amounted to \$920.4 million. In fiscal 2014, restructuring costs and other charges stood at \$23.7 million, consisting of \$22.5 million for an adjustment to the provisions for onerous contracts and \$1.2 million for costs related to store closures. Considering these costs, adjusted selling, general and administrative expenses for fiscal 2014 amounted to \$831.3 million, down \$89.0 million from fiscal 2013. As a percentage of sales, these expenses were down 170 basis points, from 22.0% in 2013 to 20.3% in 2014.

The retail network's development activities, i.e., new store openings and acquisitions, had an unfavourable impact of \$2.2 million, and disposal of assets of -\$6.5 million, resulting in a \$4.3 million decrease in selling, general and administrative expenses in 2014. The underperforming stores that were closed as part of the Corporation's cost-reduction plan represented a \$55.7 million reduction in selling, general and administrative expenses. Lastly, recruitment, net of dealer-owner closures and departures, represented a decrease of \$1.6 million in operating costs. The organic change in adjusted selling, general and administrative expenses was down \$24.0 million in 2014. This decrease, combined with the \$55.7 million reduction in expenses related to the closed stores, represents the impact of implementing various initiatives in the Corporation's recovery plan.

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

Reconciliation EBITDA and adjusted EBITDA

	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
(in thousands of Canadian dollars)			\$	%
Revenues	4,096,355	4,192,192	(95,837)	(2.3)
EBITDA	211,676	79,209	132,467	167.2
EBITDA margin (%)	5.2	1.9	-	-
Restructuring costs and other charges ⁽¹⁾	(23,697)	(82,879)	59,182	71.4
Other costs related to implementation of the recovery plan	-	(23,022)	23,022	100.0
Adjusted EBITDA	235,373	185,110	50,263	27.2
Adjusted EBITDA margin (%)	5.8	4.4		

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

Variance analysis – Adjusted EBITDA

(in thousands of Canadian dollars)

Adjusted EBITDA – 2013	185,110	
New stores and acquisitions, net of disposals	3,374	} 50,263
Net gains on disposal of assets	3,406	
Closed stores - cost-reduction plan	16,917	
Recruitment, net of dealer-owner closures and departures	(1,832)	
Organic change	28,398	
Adjusted EBITDA – 2014	235,373	

For fiscal 2014, EBITDA from continuing operations amounted to \$211.7 million, up \$132.5 million from \$79.2 million in 2013. In fiscal 2014, restructuring costs and other charges stood at \$23.7 million, consisting of \$22.5 million for an adjustment to the provisions for onerous contracts and \$1.2 million for costs related to store closures. In fiscal 2013, the Corporation recorded adjustments of \$105.9 million, consisting of \$82.9 million as restructuring charges for severance, provisions for onerous contracts, costs related to store closures and other costs, combined with costs of \$23.0 million to implement strategic priorities, which included expenses to convert the TOTEM banner, and expenses for counsel and inventory sell-off.

Considering these fiscal 2014 adjustments, adjusted EBITDA amounted to \$235.4 million, up \$50.3 million from \$185.1 million in fiscal 2013. The adjusted EBITDA margin rose from 4.4% in 2013 to 5.8% in 2014, an increase of 140 basis points.

The retail network's development activities had a positive impact of \$3.4 million on adjusted EBITDA in 2014. The net gains on disposal of non-strategic assets also represented a \$3.4 million increase in adjusted EBITDA in 2014. The underperforming stores closed as part of the Corporation's cost-reduction plan represented a \$16.9 million improvement in adjusted EBITDA. Recruitment, net of dealer-owner closures and departures, represented a \$1.8 million decline in adjusted EBITDA. In 2014, RONA's current operations contributed to a \$28.4 million increase in adjusted EBITDA. For 2014, the increase in the organic adjusted EBITDA stems mainly from a decrease of \$24.0 million in selling, general and administrative expenses due to the cost-reduction plan.

Consolidated finance costs, depreciation, amortization and impairment of non-financial assets

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

	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
(in thousands of Canadian dollars)			\$	%
Finance costs	16,238	14,000	2,238	16.0
Accretion expense on onerous contracts ⁽¹⁾	2,330	1,913	417	21.8
Adjusted finance costs	13,908	12,087	1,821	15.1
Depreciation, amortization and impairment of non-financial assets	91,042	113,850	(22,808)	(20.0)
(Reversals of impairment) Impairment ⁽¹⁾	(1,346)	22,998	(24,344)	105.9
Adjusted depreciation, amortization and impairment of non-financial assets	92,388	90,852	1,536	1.7

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

Finance costs amounted to \$16.2 million in 2014, up \$2.2 million from \$14.0 million in 2013. The accretion expense on onerous contracts reduced the change in finance costs by \$2.3 million in 2014 and \$1.9 million in 2013. Considering this adjustment, finance costs for continuing operations amounted to \$13.9 million in 2014, up \$1.8 million from \$12.1 million in 2013.

Depreciation, amortization and impairment of non-financial assets was \$91.0 million in 2014, down \$22.8 million from \$113.9 million in 2013. Considering adjustments related to impairment of non-financial assets, the depreciation, amortization and impairment of non-financial assets was up \$1.5 million from \$90.9 million in fiscal 2013, due to our banner-repositioning strategy, mainly Réno-Dépôt. The Corporation continues to be highly selective in its investments in property, plant and equipment, which are kept at a level that is lower than amortization and depreciation expense.

CONSOLIDATED NET INCOME

Net income (loss) attributable to owners of RONA inc.	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
(in thousands of Canadian dollars)			\$	%
Net income (loss)	75,810	(154,031)	229,841	149.2
Dividends on preferred shares	9,267	9,288	(21)	(0.2)
Net income (loss) attributable to participating shares	66,543	(163,319)	229,862	140.7
Net income (loss) from discontinued operations	1,360	(117,417)	118,777	101.2
Net income (loss) from continuing operations attributable to participating shares	65,183	(45,902)	111,085	242.0
Restructuring costs, impairment of non-financial assets and other charges, net of taxes	(18,178)	(78,956)	60,778	(77.0)
Other costs related to implementation of the recovery plan, net of taxes	–	(16,864)	16,864	(100.0)
Adjusted net income from continuing operations attributable to participating shares	83,361	49,918	33,443	67.0

Net income (loss) per share	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
(in thousands of Canadian dollars)			\$	%
Basic and diluted net income (loss) per share	0.56	(1.34)	1.90	141.8
Basic and diluted net income (loss) per share from discontinued operations	0.01	(0.96)	0.97	–
Basic and diluted net income (loss) per share from continuing operations	0.55	(0.38)	0.93	244.7
Adjusted basic and diluted net income per share from continuing operations	0.70	0.41	0.29	70.7

For fiscal 2014, the net income from continuing operations attributable to participating shares of RONA inc. was \$65.2 million compared to a net loss of \$45.9 million in 2013. These results were affected by total after-tax adjustments of \$18.2 million in 2014 and \$95.8 million in 2013 (\$79.0 million for restructuring costs, impairment of non-financial assets and other costs and \$16.9 million in other costs related to implementation of the recovery plan).

Considering the preceding adjustments, the adjusted net income from continuing operations attributable to participating shares was \$83.4 million in fiscal 2014 compared to \$49.9 million in fiscal 2013. As noted in the EBITDA analysis, this improvement stems mainly from the reduction in selling, general and administrative expenses under the recovery plan.

The basic and diluted net income per share from continuing operations attributable to owners of RONA inc. was \$0.55 compared to a net loss of \$0.38 in 2013. The adjusted basic and diluted net income per share from continuing operations attributable to the owners of RONA inc. grew 70.7%, to \$0.70 in 2014 compared to \$0.41 in 2013. The weighted average number of shares outstanding used to calculate the net income per share attributable to the owners of RONA inc. decreased from 121.8 million shares in 2013 to 118.5 million shares in 2014, following the repurchase of 7.3 million shares under the program to repurchase shares in the normal course of business.

SEGMENT RESULTS FROM CONTINUING OPERATIONS

This section presents an analysis of segment results for the fiscal year ended December 28, 2014, which are compared with the results for the fiscal year ended December 29, 2013, unless otherwise indicated. RONA has two reportable segments: Retail and Distribution.

Revision to the allocation of certain intersegment costs

In the first quarter of 2014, following important changes that affected the Corporation during 2013, notably the restructuring initiatives and the sale of the Commercial and Professional Market division in October 2013, the Corporation reviewed the allocation of the cost of sales and administrative expenses between the two operating segments, Retail and Distribution. The new allocation results in an improved assessment of the financial performance of the Corporation's two operating segments.

The segmented results were therefore reviewed to take into account the growing impact of the Retail segment on the procurement conditions of the entire Corporation and to take into account a slightly modified allocation basis for administrative expenses.

For comparative purposes, this revised allocation was also reflected in the results of 2013. The table below provides 2013 quarterly EBITDA and adjusted EBITDA as reported in 2013 and as restated following the decision taken in the first quarter of 2014.

2013	Q4			Q3			Q2			Q1		
(in thousands of Canadian dollars)	Retail	Distribution	Total	Retail	Distribution	Total	Retail	Distribution	Total	Retail	Distribution	Total
EBITDA												
As reported	16,053	13,939	29,992	51,523	19,198	70,721	(16,743)	16,989	246	(32,837)	11,087	(21,750)
Allocation	7,073	(7,073)	-	7,941	(7,941)	-	10,617	(10,617)	-	8,846	(8,846)	-
Restated	23,126	6,866	29,992	59,464	11,257	70,721	(6,126)	6,372	246	(23,991)	2,241	(21,750)
Adjusted EBITDA												
As reported	22,185	13,939	36,124	51,523	19,198	70,721	55,843	20,794	76,637	(13,577)	15,205	1,628
Allocation	7,073	(7,073)	-	7,941	(7,941)	-	9,747	(9,747)	-	7,859	(7,859)	-
Restated	29,258	6,866	36,124	59,464	11,257	70,721	65,590	11,047	76,637	(5,718)	7,346	1,628

RETAIL SEGMENT

Retail segment results

(in thousands of Canadian dollars)	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
			\$	%
Revenues	2,915,558	2,989,023	(73,465)	(2.5)
EBITDA	165,223	52,473	112,750	214.9
EBITDA / Revenues (%)	5.7	1.8		
Restructuring costs and other charges ⁽¹⁾	(23,697)	(78,501)	54,804	-
Other costs related to implementation of the recovery plan	-	(17,620)	17,620	-
Adjusted EBITDA	188,920	148,594	40,326	27.1
Adjusted EBITDA / Revenues (%)	6.5	5.0		

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

Variance analysis – Retail segment

(in thousands of Canadian dollars)	Revenues	Adjusted EBITDA
2013 Results	2,989,023	148,594
New stores and acquisitions, net of disposals	(3,031)	3,374
Net gains on disposal of assets	-	3,406
Closed stores – cost-reduction plan	(123,458)	16,917
Organic change	53,024	16,629
2014 Results	2,915,558	188,920

Retail segment revenues declined from \$2,989.0 million in 2013 to \$2,915.6 million in 2014, down \$73.5 million or 2.5%. The decrease stems mainly from the closure of 17 underperforming stores under the Corporation's cost-reduction plan, for a decrease of \$123.5 million. Network development activities had a negative impact of \$3.0 million.

Same-store sales were up 1.1% versus a decrease of 2.2% last year. Organic growth thus made a positive contribution of \$53.0 million in revenues, despite the disturbances, primarily in the first half of the year, related to the accelerated repositioning of our Réno-Dépôt banner. As noted in the analysis of consolidated results, the increase in same-store sales took place in a context in which the key indicators for our industry, (see *Economic environment* section for details), unfavourable weather conditions through to mid-May 2014 and stronger competition in several regions across the country weighed heavily on our performance. Moreover, we have observed a slight increase in the average basket and in the number of transactions in our corporate stores. Same-store sales for corporate stores in the Retail segment were positive, due to the following:

1. Repositioning of TOTEM, now under the RONA banner, and Réno-Dépôt;
2. Our successful merchandising strategy for contractors;
3. The introduction of new products and categories;

Retail segment EBITDA rose from \$52.5 million in 2013 to \$165.2 million in 2014, an increase of \$112.8 million. In fiscal 2014, the Corporation recorded total adjustments of \$23.7 million as restructuring costs and other charges, versus \$96.1 million in fiscal 2013. Considering these adjustments, Retail segment adjusted EBITDA rose from \$148.6 million in 2013 to \$188.9 million in 2014, up \$40.3 million or 27.1%, thereby improving the adjusted EBITDA margin by 150 basis points (5.0% in 2013 to 6.5% in 2014). This improvement shows the positive impact of same-store sales growth leverage and of the cost-reduction plan.

Retail network development activities contributed \$3.4 million to adjusted EBITDA in 2014. Net gains on disposal of non-strategic assets also increased EBITDA by \$3.4 million in 2014. The underperforming stores closed under the Corporation's cost-reduction plan represented an improvement of \$16.9 million on EBITDA. RONA's current operations thus contributed to the \$16.6 million increase in adjusted EBITDA in 2014.

DISTRIBUTION SEGMENT

Distribution segment results

	Fiscal years ended		Change	
	December 28, 2014	December 29, 2013	\$	%
(in thousands of Canadian dollars)				
Revenues	1,180,797	1,203,169	(22,372)	(1.9)
EBITDA	46,453	26,736	19,717	73.7
EBITDA / Revenues (%)	3.9	2.2		
Restructuring costs and other charges ⁽¹⁾	–	(4,378)	4,378	–
Other costs related to implementation of the recovery plan	–	(5,402)	5,402	–
Adjusted EBITDA	46,453	36,516	9,937	27.2
Adjusted EBITDA / Revenues (%)	3.9	3.0		

⁽¹⁾ Refer to Note 5.4 *Restructuring costs, impairment of non-financial assets and other charges* to RONA's audited consolidated financial statements for more details.

Variance analysis – Distribution segment

(in thousands of Canadian dollars)	Revenues	Adjusted EBITDA
2013 Results	1,203,169	36,516
Recruitment, net of dealer-owner closures and departures	(30,112)	(1,832)
Organic change	7,740	11,769
2014 Results	1,180,797	46,453

Distribution segment revenues declined from \$1,203.2 million in 2013 to \$1,180.8 million in 2014, down 1.9%. The recruitment of new dealer-owners, net of dealer-owner closures and departures, reduced revenues by \$30.1 million. This decrease is due to voluntary departures, but also to RONA's decision not to keep certain dealer-owners for strategic and financial reasons. Organic sales for the affiliated dealer network as a whole rose \$7.7 million or 1.7%. Despite the wintry conditions that continued through to mid-May 2014, the improved merchandising strategy for both contractors and dealer-owners resulted in higher same-store sales in the second half of the year, generating positive same-store sales that offset the negative impact of the first half.

Distribution segment EBITDA rose from \$26.7 million in 2013 to \$46.5 million in 2014. The Corporation did not record any adjustment in fiscal 2014; in fiscal 2013 it recorded adjustments of \$4.4 million as restructuring costs and other charges and \$5.4 million in other costs related to the recovery plan. Considering these adjustments, Distribution segment adjusted EBITDA rose from \$36.5 million in 2013 to \$46.5 million in 2014, an increase of \$9.9 million or 27.2%. Recruitment, net of dealer-owner closures and departures, lowered adjusted EBITDA by \$1.8 million, while the Corporation's current operations generated growth of \$11.8 million in EBITDA, mainly from initiatives under the cost-reduction plan. The adjusted EBITDA margin rose 90 basis points, from 3.0% in 2013 to 3.9% in 2014.

CASH FLOWS AND FINANCIAL POSITION

Main cash flows

	Fiscal years ended			
	December 28, 2014	December 29, 2013	Change	
(in thousands of Canadian dollars)			\$	%
Cash flows from continuing operating activities excluding net change in working capital	185,290	108,609	76,681	70.6
Net change in working capital	(46,446)	(33,497)	(12,949)	(38.7)
Cash flows from continuing operating activities	138,844	75,112	63,732	84.8
Maintenance investments in property, plant and equipment and intangible assets	(29,839)	(35,274)	5,435	15.4
Dividends on preferred shares	(9,075)	(9,263)	188	2.0
Free cash flow ⁽¹⁾	99,930	30,575	69,355	226.8
Growth investments in property, plant and equipment and intangible assets	(31,318)	(26,476)	(4,842)	(18.3)
Dividends on common shares	(16,644)	(17,043)	399	2.3
Share repurchase in the normal course of business	(94,232)	(15,375)	(78,857)	(512.9)
Debt change	(42,264)	(28,319)	(13,945)	(49.2)

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

For fiscal 2014, cash flows from continuing operating activities excluding the net change in working capital amounted to \$185.3 million compared to \$108.6 million in fiscal 2013. The net change in working capital was a negative \$46.4 million in 2014 compared to a net change of negative \$33.5 million in 2013, showing a reduction of \$12.9 million. This change, with respect to continuing operating activities alone, stems mainly from a \$30.3 million increase in trade and other receivables, an increase of \$117.2 million in inventory, partially offset by an increase of \$132.3 million in trade and other payables. Cash flows from continuing operating activities amounted to \$138.8 million in 2014, compared to \$75.1 million in 2013.

The Corporation continued to exercise disciplined financial management and tightly controlled its investments in property, plant and equipment and intangible assets. In fiscal 2014, RONA invested \$29.8 million in maintenance on property, plant and equipment and \$31.3 million in growth property, plant and equipment, for a total of \$61.2 million, which was \$0.6 million, or 1.0%, less than in 2013.

In 2014, the \$5.4 million decrease in maintenance investments in property, plant and equipment, mainly due to a decrease in network maintenance, was partially offset by a \$4.8 million increase in growth property, plant and equipment, stemming primarily from an increase of \$9.3 million in store renovation projects and a \$6.7 million decrease in investments in new major information system projects.

RONA generated \$99.9 million in free cash flows in 2014, compared to \$30.6 million in fiscal 2013. The \$69.4 million improvement stems mainly from the Corporation's operating performance, which was up by \$76.7 million.

In fiscal 2014, the Corporation redeemed for cancellation a total of 7.3 million common shares at an average price of \$12.84 for a total cost of \$94.2 million under its normal course issuer bid put in place in November 2013 and November 2014.

Under the normal course issuer bid put in place on November 18, 2013 and continuing to November 17, 2014, permitting the Corporation to repurchase 8.6 million of its common shares representing 10% of its 85.8 million public float, or 7.04% of its 121.9 common shares issued and outstanding at November 12, 2013, the Corporation redeemed for cancellation a total of 4.9 million common shares at an average price of \$12.60 for a total cost of \$62.0 million in fiscal 2014.

Under the bid put in place from November 18, 2014 to November 17, 2015, permitting the Corporation to repurchase up to 9.2 million of its common shares representing 10% of its 92.1 million public float, or 7.94% of its 116.0 million common shares issued and outstanding at November 11, 2014, the Corporation redeemed for cancellation a total of 2.4 million shares at an average price of \$13.32 for a total cost of \$32.2 million in fiscal 2014.

LONG-TERM DEBT

RONA has access to a \$700.0 million credit facility, extendable yearly. At the close of the fourth quarter of 2014, \$66.4 million had been drawn on this facility, including letters of guarantee. RONA thus has access to \$633.6 million, subject to the maintenance of certain financial ratios. These ratios were met during the years ended December 28, 2014 and December 29, 2013. The maturing of this facility and the maturing of unsecured debentures, which form the major portion of long-term debt, are expected in 2017 and 2016 respectively.

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

CONTRACTUAL OBLIGATIONS

The table below presents a synopsis of the Corporation's contractual obligations as at December 28, 2014, including the off-balance-sheet arrangements used in the normal course of business.

Contractual obligations (in thousands of Canadian dollars)	Payments by term				
	Total	Less than 1 year	Between 1-3 years	Between 3-5 years	More than 5 years
Long-term loans and credit facility	194,649	6,804	187,826	19	–
Obligations under finance leases	396	208	188	–	–
Operating leases	677,384	111,156	198,971	158,596	208,661
Other long-term obligations	3,009	1,840	1,169	–	–
Total	875,438	120,008	388,154	158,615	208,661

The Corporation has also concluded other off-balance-sheet arrangements, such as inventory buyback agreements and guaranteed bank loans, which do not appear in the table. Pursuant to the terms of inventory repurchase agreements, the Corporation has made a commitment to financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories to a maximum of \$48.7 million. In the event of recourse, this inventory would be sold in the normal course of the Corporation's operations. These agreements have an undetermined period. 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 \$11.8 million were outstanding as at December 28, 2014 for the purchase of various, mainly seasonal, products.

CAPITAL STRUCTURE

(in thousands of Canadian dollars)	As at December 28, 2014	As at December 29, 2013
(Cash)	(16,942)	(8,245)
Credit facility	65,231	44,960
Debentures	116,488	116,341
Other debt	5,157	14,142
Debt net of cash	169,934	167,198
Equity	1,626,405	1,671,002
Total capital	1,796,339	1,838,200
Ratio of net debt to total capital	0.09x	0.09x
Ratio of net debt to adjusted EBITDA	0.72x	0.90x

RONA continues to maintain a solid financial position. At December 28, 2014, the total debt amounted to \$186.9 million, compared to \$175.4 million at December 29, 2013. The Corporation's debt net of cash was \$169.9 million compared to \$167.2 million at December 29, 2013. The ratio of net debt to total capital, which was 0.09x in 2013, remained at 0.09x in 2014. The ratio of net debt to adjusted EBITDA fell from 0.90x in 2013 to 0.72x in 2014.

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

CAPITAL STOCK INFORMATION

As at December 28, 2014, issued and outstanding capital stock consisted of 113.6 million common shares (120.7 million as at December 29, 2013) and 1,769,685 stock options were issued and outstanding (1,561,360 as at December 29, 2013). In 2014, 436,600 options were issued, 60,350 options were exercised, 151,425 options were forfeited and 16,500 options expired. As at February 16, 2015, issued and outstanding capital stock consisted of 110.6 million common shares and 1,761,160 stock options.

DIVIDEND ON PREFERRED SHARES

At its meeting on February 16, 2015, RONA's Board of Directors declared a quarterly dividend of \$0.3281 per share on cumulative 5-year rate reset Class A preferred shares, series 6. The dividend will be paid on March 31, 2015 to shareholders of record on March 16, 2015.

DIVIDEND ON COMMON SHARES

At its meeting on February 16, 2015, RONA's Board of Directors declared a semi-annual dividend of \$0.07 per share on the Corporation's common shares. The dividend will be paid on March 25, 2015 to shareholders of record on March 10, 2015.

CREDIT RATING

	As at December 28, 2014	As at December 29, 2013
Second-priority unsecured medium term notes due in 2016		
DBRS	BB (high)	BB (high)
Outlook	Stable	Negative
Standard and Poor's	BB +	BB +
Outlook	Stable	Stable
Series 6 Class A Preferred Shares		
DBRS	Pfd-4 (high)	Pfd-4 (high)
Outlook	Stable	Negative
Standard and Poor's	P4 (high)	P4 (high)

SUMMARY OF QUARTERLY RESULTS

RONA's results fluctuate significantly from quarter to quarter due to the highly seasonal nature of renovation and construction activities. Thus, over 80% of the Corporation's annual net income is generated in the second and third quarters. Within this allocation, sales in the first quarter are always lower than in the other three, due to low activity 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 in the Retail sector, the seasonal impact of the first quarter was more pronounced in 2013 and 2014 than in previous years.

Consolidated quarterly financial results from continuing operations

(in millions of Canadian dollars, except income (loss) per share)

	2014				2013				2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4 ⁽¹⁾
Revenues	971.3	1,167.3	1,193.5	764.3	941.1	1,169.2	1,249.0	832.9	1,071.5
EBITDA	31.9	83.7	88.2	7.9	30.0	70.7	0.2	(21.8)	19.4
Adjusted EBITDA	52.5	83.8	89.1	10.0	36.1	70.7	76.6	1.6	39.4
Net income (loss) attributable to participating shares	1.7	38.0	42.0	(16.5)	(1.1)	30.0	(38.7)	(36.1)	(17.3)
Adjusted net income (loss) attributable to participating shares	17.3	38.5	42.0	(14.4)	4.6	30.0	33.6	(18.3)	6.4
Basic and diluted net income (loss) per share	0.02	0.32	0.35	(0.14)	(0.01)	0.25	(0.32)	(0.30)	(0.14)
Adjusted basic and diluted net income (loss) per share	0.15	0.33	0.35	(0.12)	0.04	0.25	0.28	(0.15)	0.05

⁽¹⁾ Q4 2012 had 14 weeks versus 13 for the other quarters.

Annual variation in same-store sales

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012 ⁽¹⁾
Retail segment	6.0%	2.0%	-0.7%	-3.4%	-3.1%	-2.3%	-0.7%	-3.7%	-0.8%
Total RONA network	6.5%	3.0%	-1.3%	-4.0%	-3.5%	-2.3%	-1.0%	-1.1%	0.1%

⁽¹⁾ Q4 2012 had 14 weeks versus 13 for the other quarters. Same-store sales for Q4 2012 represent sales for a comparable 13-week period.

Quarterly results – Selected data

(in thousands of Canadian dollars)	Quarter ended		
	December 28, 2014	December 29, 2013	Change \$
Revenues	971,259	941,111	30,148
Retail	709,972	679,742	30,230
Distribution	261,287	261,369	(82)
Adjusted gross margin	262,362	254,319	8,043
Adjusted gross margin/Revenues (%)	27.0	27.0	
Adjusted selling, general and administrative expenses	209,871	218,195	(8,324)
Adjusted selling, general and administrative expenses/Revenues (%)	21.6	23.2	
Adjusted EBITDA	52,491	36,124	16,367
Adjusted EBITDA/Revenues (%)	5.4	3.8	
Adjusted EBITDA - Retail	41,449	29,258	12,191
Adjusted EBITDA – Retail / Revenues - Retail (%)	5.8	4.3	
Adjusted EBITDA - Distribution	11,042	6,866	4,176
Adjusted EBITDA – Distribution / Revenues - Distribution (%)	4.2	2.6	
Adjusted net income attributable to owners of RONA inc	19,605	6,966	12,639

Reconciliation of net income (loss) to EBITDA and adjusted EBITDA

Quarterly results – Selected data

(in thousands of Canadian dollars)	Quarters ended		
	December 28, 2014	December 29, 2013	Change \$
Net income (loss)	6,046	(932)	6,978
Net income (loss) from discontinued operations	1,360	(2,412)	3,772
Net income from continuing operations	4,686	1,480	3,206
Finance costs	3,343	4,615	(1,272)
Depreciation, amortization and impairment of non-financial assets	22,679	23,374	(695)
Income tax expense (recovery)	1,143	523	620
EBITDA from continuing operations	31,851	29,992	1,859
Restructuring costs and other charges	20,640	6,132	14,508
Adjusted EBITDA from continuing operations	52,491	36,124	16,367

For the 13-week period ending December 28, 2014, consolidated revenues amounted to \$971.3 million compared to \$941.1 million for the same period of 2013, up \$30.1 million. The increase stems from positive growth of \$53.4 million, or 6.5%, in same-store sales. Of this amount, \$44.2 million comes from the Retail segment, with same-store sales of 6.0%. This significant growth stems from the positive contribution of all regions except the Atlantic provinces. In the Distribution segment, same-store sales grew 9.3%, for a total of \$9.2 million. This increase stems from our improved merchandising strategy for our dealer-owners and the introduction of new product categories. The impact of store closures is declining from quarter-to-quarter (-\$13.8 million in this quarter), given that most of the stores were closed by the fourth quarter of 2013. Lastly, recruitment net of dealer-owner closures and departures had an adverse impact of \$9.3 million.

Adjusted gross margin for the fourth quarter of 2014 rose \$8.0 million compared to 2013, from \$254.3 million to \$262.4 million; the adjusted gross margin as a percentage of sales remained stable at 27.0%. Growth in the gross margin stems mainly from additional volume of \$15.7 million resulting from the merchandising strategy. The impact of new stores and acquisitions, net of disposal of assets and store closures under the cost-reduction plan had an unfavourable impact of \$1.1 million and \$6.2 million respectively.

Adjusted selling, general and administrative expenses amounted to \$209.9 million for the fourth quarter of 2014, down \$8.3 million from \$218.2 million in the same period in 2013. The decrease is basically due to the benefits from the recovery plan related to store closures (-\$11.5 million).

Adjusted EBITDA from continuing operations rose to \$52.5 million, or 5.4% of revenues, versus \$36.1 million, or 3.8% of revenues a year earlier. The improvement of \$16.4 million, or 160 basis points, stems basically from the \$5.4 million from store closures, and the organic increase of \$4.7 million in the Distribution segment and \$5.7 million in the Retail segment. The higher adjusted EBITDA in the Retail segment resulted in an increase of 150 basis points in the EBITDA margin, from 4.3% to 5.8% between the fourth quarters of 2013 and 2014. Once again, this increase stems from the combined impact of the lower selling, general and administrative expenses, and a period of positive same-store sales. In the Distribution segment, the margin for the same period rose from 2.6% to 4.2%, an increase of 160 basis points, due to growth in same-store sales and better cost management.

The adjusted net income from continuing operations attributable to participating shares rose to \$17.3 million, or \$0.15 basic and diluted per share, compared to \$4.6 million, or \$0.04 basic and diluted per share, a year earlier. The 275.0% increase is due to the items noted above.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation completed various transactions with its joint ventures and associates, which were recognized using the equity method. The total amount the Corporation sold to its equity-accounted investees was \$64.5 million for the fiscal year ended December 28, 2014 and \$62.7 million for the fiscal year ended December 29, 2013.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

When preparing the consolidated financial statements, the Corporation's management undertakes a number of judgments, estimates and assumptions about recognition and measurement of amounts recorded in the consolidated financial statements and presented in notes disclosures.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided in the following notes to the Corporation's consolidated financial statements:

- Note 3 (D) – Inventory;
- Note 3 (E) – Vendor rebates;
- Note 3 (L) – Impairment of non-current assets;
- Note 3 (M) – Leased assets;
- Note 3 (O) – Income taxes;
- Note 3 (P) – Provisions, contingent liabilities and contingent assets;
- Note 3 (R), (S) and (T) – Measurement of share-based payment;
- Note 3 (V) – Financial instruments (allowance for doubtful accounts);
- Note 3 (Y) – Post-employment benefits

These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from those estimates.

CHANGES IN ACCOUNTING POLICIES

For details on changes in accounting policies during fiscal 2014, and changes that have not yet been adopted, please see Notes 2 (F) and 2 (G) to the Corporation's consolidated financial statements.

RISKS AND UNCERTAINTIES

The Corporation takes a strategic approach to risk management in order to preserve and increase value for shareholders. RONA's risk management is based on an evaluation of risks by Senior Management in conjunction with the Internal Audit department. RONA has identified and assessed the major business risks and uncertainties that could have negative consequences on the achievement of its objectives and, by extension, on the Corporation's performance. Monitoring and improving its operations are constant concerns at RONA. In view of this, risk identification and management are critical.

RONA manages these risks on an ongoing basis and has introduced several activities with the goal of mitigating the main risks outlined in the following section in order to lessen their financial impacts, including financial and operational impacts, and protect its reputation.

STRATEGIC RISKS

Market and competition

The hardware, construction and home renovation industry is highly competitive. RONA's competitors include large national and multinational chains, regional groups and independent stores. The Corporation closely monitors the changing market and competitors by tracking the opening and restyling of competitors' stores and by monitoring emerging competitors.

Trends in the renovation and construction sectors have a direct impact on RONA. The Corporation's sales are related, to a certain extent, to the number of housing starts, home resales, consumer interest in renovation, and housing costs. In addition, the demand for hardware, building and home renovation products relies on consumer tastes and emerging trends, which means RONA has to keep in close touch with customer needs and demands. RONA enjoys a solid diversification of its activities, by geography, segment, banner and store format. The Corporation obtains a significant portion of its income from the sale of seasonal items and may therefore encounter a certain instability in sales in periods of unusually poor weather. Such factors may have a significant impact on the Corporation's financial position and market share.

Economic situation

A significant portion of spending in the hardware, construction and home renovation sector is discretionary and therefore sensitive to the strength of the economy and consumer confidence and purchasing power. In addition, the price of lumber, commodities and other construction materials fluctuates with market demand, which in turn affects the Corporation's sales. Even though the economy has started to recover, 2014 has seen a continued slowdown in

housing starts in some regions. The Corporation has no control over economic fluctuations and adjusts its business and marketing plans in response to changing conditions.

Business strategies

A critical part of RONA's business strategy is to ensure that steps are taken to obtain short-term and longer-term results to improve the Corporation's financial performance. However, business strategies involve risk. Neither consumer's reactions nor improved profitability can be predicted with certainty. RONA's strategies are designed to improve its positioning with respect to its core activities and, in the longer term, to achieve sustained growth in profitability. Steps are being implemented in the near-term to redefine the operational support model, review store formats and concepts, improve efficiency and define the value of surplus assets, and further steps will be taken in the longer term.

Acquisition, recruitment, integration and development

Acquisitions and recruitment are, historically, two important vectors of RONA's development strategy. While the Corporation explores options to recruit or make acquisitions, nothing guarantees the availability of businesses that meet its rigorous selection criteria. RONA's goal is to quickly integrate and build loyalty in all acquired and recruited businesses to achieve the expected benefits. RONA's desire to expand may also be hampered by an inability to find appropriate locations for development. When redeploying points of sales at new sites, the Corporation may not have access to the appropriate location in due time and could incur important fees considering its future engagements. Although recruited businesses, called "dealers," are bound by commercial contracts with RONA and benefit from favourable purchase conditions, an experienced support team, an integrated and customized regional development strategy and a succession program, all designed to keep these businesses loyal to RONA, and although RONA considers that it has maintained good business relations with these businesses for many years, there is no guarantee that all of these will maintain relations with RONA in the future, which could have an adverse impact on the financial results of RONA's distribution arm. Furthermore, although under the terms of their commercial contracts with RONA these businesses agree to comply with certain RONA guidelines with respect to merchandising, advertising, brand image and purchasing, RONA does incur the risk that some dealers may not meet their commitments, which would have an adverse impact on the financial results of RONA's distribution business and on its reputation and image.

Affiliate and franchise dealer-owners

A portion of the Corporation's income comes from distributions to affiliate and franchise dealer-owners. It is thus critical to provide quality products and services that meet the needs and expectations of these partners. The Corporation must take this reality into account in its operations. The retention of affiliated and franchised dealer-owners is important for the Corporation's future. Any failure in this area, such as a massive departure of dealers, could lead to losses in revenues.

OPERATIONAL RISKS

Human resources and labour relations

To achieve its goals, the Corporation has to attract, train and retain a high number of competent employees while still keeping payroll costs under control. The Corporation's ability to control labour costs is subject to a number of external factors, including remuneration and group insurance rates. The Corporation must also be able to establish a succession plan for key positions that require specific knowledge as well as for Senior Management positions in order to keep operations running smoothly and remain successful over the long term. In addition, some of RONA's activities are performed by unionized employees. A deterioration in relations with unions could lead to work stoppages and slowdowns and have an adverse effect on the Corporation's performance. In general, RONA has good relationships with the unions in place.

Safety of employees and customers

The Corporation operates a large number of "warehouse" stores. Such stores present risk factors due to the presence of products at height and the use of mobile equipment such as forklifts. The Corporation has set up workplace health and safety programs in an effort to reduce such risks.

Information technology

Because of the Corporation's particular business model and historical growth through acquisitions, its information technology structure is particularly complex. While simplifying its information system, the Corporation has set up checks and controls to ensure that management decisions are supported by reliable and timely data. Lack of flexibility and inability to proactively upgrade systems could prevent the Corporation from meeting operational needs. The confidential nature of certain information is taken into account to protect customers, dealer-owners and employees. Important processes such as roll-outs, software and equipment upgrades and information security procedures are continually being assessed to ensure they are as effective as possible in order to support management in achieving the Corporation's strategic objectives.

Business continuity

The Corporation must be able to provide efficient services to its customers and dealer-owners, on a daily basis. If a critical situation should occur, of any nature, the Corporation must be able to react quickly in order to resume essential operations and not affect profitability adversely. The Corporation continuously improves its information system continuity and other contingency plans to mitigate this risk. Furthermore, the Corporation has insurance programs which provide coverage for this risk. Some types of events, such as those relating to acts of God, are generally not insured because they cannot be insured or it is too costly to do so.

Merchandising

There is a risk that the Corporation could offer products or services that customers or dealer-owners do not want and that do not fit with current consumer trends or behaviours, or regional preferences, or that prices are higher than customers or dealer-owners are willing to pay or that are outperformed in the marketplace by competing products. If merchandising does not have the requisite effectiveness, the Corporation's profitability could be affected. It is vital that the Corporation provide quality products in order to protect customer safety and reduce the risk of recalls that could harm the Corporation's reputation. With respect to house-brand products, the Corporation is responsible for adhering to the quality standards for such products. Damage to the reputation of house brands could have an adverse impact on the Corporation if it affected consumers' perception of the business.

Supply chain and distribution

The Corporation must plan for and satisfy its store needs for merchandise and therefore depends on national and international suppliers to provide timely delivery of merchandise at reasonable prices, while meeting quality standards. Given that the network is diversifying its procurement, the risk of dependence on a single supplier is limited. Furthermore, it is important for RONA to establish solid and lasting relationships with its suppliers in order to avoid stock-outs or unexpected changes in the price of merchandise.

Supply management is a key component of proper inventory management and is a priority for the Corporation. Inability to detect, correct and prevent obsolescence and to maintain an adequate level of inventory could lead to losses and operational inefficiencies including the inability to effectively deploy the appropriate stocks across the network. Any inability to have the appropriate inventory available for customers or dealer-owners at the appropriate time could have an adverse impact on the customer experience and profitability.

FINANCIAL RISK

Availability of financing

RONA may not have access to the financing needed for certain growth vectors. This could prevent it from concluding business acquisitions, or delay capital investments.

Limited availability of financing may affect the Corporation in a number of different ways. Lack of financing may affect RONA's ability to pursue its growth objectives or prevent it from acquiring other stores or delay investment in existing stores. The Corporation may not be able to achieve its growth objectives, which would negatively affect its financial results.

From time to time, RONA needs to refinance its available credit facility or other debt and there can be no assurance that the Corporation will be able to do so on terms as favourable as those presently in place.

Management currently believes that the Corporation has the necessary funding for its development.

Credit risk

Credit risk relates to the risk that a party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Corporation to sustain a financial loss. The main risks relate to trade and other receivables and the Corporation's loans and advances. The Corporation may also be exposed to credit risk from its cash and its foreign exchange forward contracts, which is managed by only dealing with reputable financial institutions.

To manage credit risk from trade and other receivables and loans and advances, the Corporation has mortgages on some movable and immovable property owned by the debtors as well as guarantees. It examines their financial stability on a regular basis. The Corporation records allowances for doubtful accounts, determined on a client-per-client basis, at the reporting date to account for potential losses.

The Corporation considers that the credit quality of all its financial assets that are not impaired or overdue at the reporting date is good.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements and using various funding sources to ensure its financial flexibility. The Corporation prepares budget and cash forecasts to ensure that it has sufficient funds to fulfill its obligations. In recent years, the Corporation financed the growth of its capacity, increase in sales, working capital requirements and acquisitions primarily through cash flows from operations, a debenture issue and the use of its revolving credit on a regular basis.

The following tables present the undiscounted contractual maturities of the financial liability instalments payable when contractually due including interest payments, where applicable:

As at December 28, 2014

	Total	Less than 1 year	Between 1-3 years	Between 3-5 years	More than 5 years
Bank loans	\$ 1,055	\$ 1,055	\$ -	\$ -	\$ -
Trade and other payables	383,672	383,672	-	-	-
Dividends payable	2,265	2,265	-	-	-
Debentures	128,219	6,291	121,928	-	-
Revolving credit facility	65,231	-	65,231	-	-
Mortgage loans and balances of purchase prices	3,810	1,955	1,836	19	-
Obligations under finance leases	396	208	188	-	-
Derivative financial instruments	14	14	-	-	-
Total	\$ 584,662	\$ 395,460	\$ 189,183	\$ 19	\$ -

As at December 29, 2013

	Total	Less than 1 year	Between 1-3 years	Between 3-5 years	More than 5 years
Bank loans	\$ 2,533	\$ 2,533	\$ -	\$ -	\$ -
Trade and other payables	343,169	343,169	-	-	-
Dividends payable	2,283	2,283	-	-	-
Debentures	134,511	6,291	128,220	-	-
Revolving credit facility	44,960	-	44,960	-	-
Mortgage loans and balances of purchase prices	11,056	8,204	1,544	138	1,170
Obligations under finance leases	604	236	334	34	-
Derivative financial instruments	1,941	1,941	-	-	-
Total	\$ 541,057	\$ 364,657	\$ 175,058	\$ 172	\$ 1,170

Exchange risk and foreign currency sensitivity

The Corporation is exposed to exchange risk as a result of its U.S. dollar purchases. To limit the impact of fluctuations of the Canadian dollar over the U.S. dollar on net income, the Corporation mainly uses foreign exchange forward contracts. The Corporation does not use derivative financial instruments for speculative or trade purposes.

The following tables present the derivative financial instruments used to hedge exchange rate fluctuations with respect to future purchases denominated in foreign currencies:

As at December 28, 2014					
Instruments	Maturity		Currency	Average rate	Notional
Foreign exchange forward contracts	Up to June 2015	Buy/Sell	USD/CAD	1.1230	88,500 USD
Foreign exchange currency swap	January 2015	Buy/Sell	USD/CAD	1.1637	10,500 USD

As at December 29, 2013					
Instruments	Maturity		Currency	Average rate	Notional
Foreign exchange forward contracts	Up to June 2014	Buy/Sell	USD/CAD	1.0520	77,100 USD
Foreign exchange forward contracts	January 2014	Sell/Buy	EUR/USD	1.3466	9,591 USD
Foreign exchange currency swap	January 2014	Buy/Sell	EUR/CAD	1.4633	7,110 EUR

On December 28, 2014, a 1% increase or decrease in the exchange rate of the Canadian dollar compared to the U.S. dollar, assuming that all other variables were constant, would not have a significant impact on net income, but would have resulted in a \$1,142 (\$819 as at December 29, 2013) increase or decrease in the consolidated statement of other comprehensive income and equity.

Interest rate risk

In the normal course of business, the Corporation is exposed to interest rate fluctuation risk as a result of the floating-rate loans and debts receivable and loans payable. The Corporation manages its interest rate fluctuation exposure by allocating its financial debt between fixed and floating-rate instruments. The carrying amount of these instruments is as follows:

	As at December 28, 2014	As at December 29, 2013
Fixed rate instruments		
Financial liabilities	\$ 120,340	\$ 127,648
Floating rate instruments		
Financial assets	\$ 26,891	\$ 20,450
Financial liabilities	66,535	47,795
Net financial liabilities	\$ 39,644	\$ 27,345

On December 28, 2014, a 25-basis-point increase or decrease in interest rates, assuming that all other variables were constant, would have resulted in a \$73 (\$50 as at December 29, 2013) decrease or increase in the net income and equity.

OTHER RISKS

Legal and regulatory requirements

The Corporation has certain contractual obligations, and is subject to standards, legislation and regulations in different jurisdictions: federal, provincial and municipal. These obligations affect compliance with respect to environmental, tax, accounting, securities, consumer protection, protection of privacy and credit cardholder requirements. To protect its reputation and avoid possible fines, teams are in place to mitigate such risks. Any failure in compliance could have an adverse impact on the Corporation's profitability.

Legal proceedings

RONA makes every effort to comply with all laws and regulations, but legal proceedings or third-party lawsuits could negatively affect the Corporation's position and financial results. In the normal course of business, the Corporation is a defendant in a certain number of legal proceedings and the claims usual in our industry. An unfavourable ruling in such procedures could have an adverse impact on our operations, financial position and operating results.

Ethics and business conduct

An important breach by an employee of the Corporation or by a supplier to act in an ethical manner could have a significant impact on the Corporation's reputation and profitability. Employees and suppliers must adhere to the minimum standards in the Code of Ethics - Employees and Code of Ethics - Supplier, respectively. The Corporation puts effort into communication and awareness-building to ensure that all stakeholders are aware of the code of Ethics that applies to them. When RONA management is made aware of a failure to comply with the Code of Ethics, it assigns the resources necessary to investigate and take action, as required, to correct such failure.

CONTROLS AND PROCEDURES

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) as defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in compliance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Executive Officer and to the Executive Vice President and Chief Financial Officer by others, and that information which the Corporation is required to disclose in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported by the Corporation within the time periods specified in securities legislation. The President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer have concluded, based on their evaluation, that the Corporation's disclosure controls and procedures were effective for providing reasonable assurance that material information related to the issuer is made known to them by others within the Corporation.

The President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer have assessed the effectiveness of the ICFR as at December 28, 2014, based on the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and, for IT general controls, based on the IT Control Objectives for Sarbanes-Oxley by the IT Governance Institute. Based on this assessment, they have concluded that the Corporation's ICFR was effective at that date and expect to certify the Corporation's annual filings with the authorities.

During the year ended December 28, 2014, there were no changes to the Corporation's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its ICFR.

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

There has been no major change since the publication of the annual Management's Discussion and Analysis for the fiscal year ended December 29, 2013, except for the modifications to estimates with respect to allocations between the Corporation's two segments, as discussed in Note 29 of the Corporation's audited consolidated financial statements for the year ended December 28, 2014.

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.rona.ca and www.sedar.com. In particular, further details and descriptions of these and other factors are disclosed in this MD&A under the "Risks and uncertainties" section.

The forward-looking statements in this MD&A reflect the Corporation's expectations as at February 16, 2015, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ADDITIONAL INFORMATION

This MD&A was prepared as at February 16, 2015. The reader will find additional information concerning RONA, including the Corporation's Annual Information Form, on the Corporation's website at www.rona.ca and on the SEDAR website at www.sedar.com.

(s) Dominique Boies

Dominique Boies
Executive Vice President and Chief Financial Officer

(s) Robert Sawyer

Robert Sawyer
President and Chief Executive Officer

MANAGEMENT'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of RONA inc. as well as the financial information contained in the Management's Discussion and Analysis have been prepared by the Senior Financial Management of RONA inc. The preparation of the consolidated financial statements is based on a choice of appropriate accounting principles and methods, the application of which requires making estimates and informed judgments. It also includes ensuring that the financial information in the Management's Discussion and Analysis is consistent with the consolidated financial statements. These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards and have been approved by the Board of Directors.

RONA inc. maintains accounting and internal control systems which, in the opinion of Management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered and efficient management of the Corporation's business activities.

The Board of Directors fulfills its duty in respect of the consolidated financial statements principally through its Audit Committee. This Committee is comprised solely of outside directors and is responsible for making recommendations for the nomination of external auditors. Moreover, this Committee, which holds periodic meetings with members of management and internal and external auditors, has reviewed the consolidated financial statements of RONA inc. and recommended their approval to the Board of Directors. The internal and external auditors have access to the Committee without management.

The attached consolidated financial statements have been audited by the firm Raymond Chabot Grant Thornton LLP, independent auditors, and their report indicates the scope of their audit and their opinion on the consolidated financial statements.

(s) Dominique Boies

Dominique Boies
Executive Vice President and Chief Financial Officer

(s) Robert Sawyer

Robert Sawyer
President and Chief Executive Officer

Boucherville, February 16, 2015

INDEPENDENT AUDITOR'S REPORT

To the shareholders of RONA inc.

We have audited the accompanying consolidated financial statements of RONA inc., which comprise the consolidated statements of financial position as at December 28, 2014 and December 29, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 28, 2014 and December 29, 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of RONA inc. as at December 28, 2014 and December 29, 2013 and its financial performance and its cash flows for the years ended December 28, 2014 and December 29, 2013 in accordance with IFRS.

Raymond Chabot Grant Thornton LLP¹

Montréal, February 16, 2015

¹ CPA auditor, CA public accountancy permit no. A105359

RONA inc.
CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 28, 2014 and December 29, 2013

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

CONSOLIDATED STATEMENTS OF INCOME

	Notes	2014	2013
CONTINUING OPERATIONS			
Revenues	4	\$ 4,096,355	\$ 4,192,192
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges	5.1	\$ 235,373	\$ 162,088
Restructuring costs and other charges	5.4	23,697	82,879
Depreciation, amortization and impairment of non-financial assets	5.2	91,042	113,850
Operating income (loss)		120,634	(34,641)
Finance costs	26	16,238	14,000
Income (loss) before income taxes		104,396	(48,641)
Income tax expense (recovery)	7	27,509	(13,044)
Net income (loss) from continuing operations		76,887	(35,597)
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations	10	1,360	(117,417)
Net income (loss)		\$ 78,247	\$ (153,014)
Net income (loss) attributable to:			
Owners of RONA inc.			
Continuing operations		\$ 74,450	\$ (36,614)
Discontinued operations		1,360	(117,417)
		75,810	(154,031)
Non-controlling interests		2,437	1,017
		\$ 78,247	\$ (153,014)
Basic and diluted net income (loss) per share attributable to owners of RONA inc.	30		
Continuing operations		\$ 0.55	\$ (0.38)
Discontinued operations		0.01	(0.96)
		\$ 0.56	\$ (1.34)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2014	2013
Net income (loss)		\$ 78,247	\$ (153,014)
Other comprehensive income (loss), net of income taxes :			
Items that will be reclassified subsequently to net income			
Cash flow hedges			
Gain (loss) for the year		5,067	(195)
Reclassification to net income		(1,014)	1,374
Impact of foreign currency translation related to the net investment in an associate		739	306
		4,792	1,485
Items that will not be reclassified subsequently to net income			
Remeasurements of net defined benefit liability	27	(8,087)	2,130
Other comprehensive (loss) income		(3,295)	3,615
Comprehensive income (loss)		\$ 74,952	\$ (149,399)
Comprehensive income (loss) attributable to:			
Owners of RONA inc.		\$ 72,515	\$ (150,416)
Non-controlling interests		2,437	1,017
		\$ 74,952	\$ (149,399)

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

RONA inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 28, 2014
(in thousands of Canadian dollars)

				Accumulated other				
Notes	Share capital	Retained earnings	Contributed surplus	comprehensive income (loss)	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity	
Balance, December 29, 2013	\$ 765,203	\$ 879,415	\$ 12,972	\$ (2,158)	\$ 1,655,432	\$ 15,570	\$ 1,671,002	
Transactions with owners:								
Issuance of share capital in exchange of cash	23	35	-	-	35	-	35	
Issuance of share capital under stock option plan	23	839	-	(208)	631	-	631	
Repurchase of common shares for cancellation	23	(36,002)	(58,230)	-	(94,232)	-	(94,232)	
Dividends declared on common shares		-	(16,644)	-	(16,644)	-	(16,644)	
Dividends declared on preferred shares, including income taxes		-	(9,267)	-	(9,267)	-	(9,267)	
Cash dividends paid by a subsidiary to non-controlling interests		-	-	-	-	(2,450)	(2,450)	
Compensation cost relating to stock option plan	24	-	-	1,324	1,324	-	1,324	
Deposits on common share subscriptions received	23	1,117	-	-	1,117	-	1,117	
Deposits on common share subscriptions refunded	23	(63)	-	-	(63)	-	(63)	
Total transactions with owners		(34,074)	(84,141)	1,116	(117,099)	(2,450)	(119,549)	
Net income		-	75,810	-	75,810	2,437	78,247	
Other comprehensive income, net of income taxes:								
Cash flow hedges								
- Gain for the year		-	-	5,067	5,067	-	5,067	
- Reclassification to net income		-	-	(1,014)	(1,014)	-	(1,014)	
Impact of foreign currency translation related to the net investment in an associate		-	-	739	739	-	739	
Remeasurements of net defined benefit liability	27	-	(8,087)	-	(8,087)	-	(8,087)	
Other comprehensive (loss) income		-	(8,087)	4,792	(3,295)	-	(3,295)	
Balance, December 28, 2014		\$ 731,129	\$ 862,997	\$ 14,088	\$ 2,634	\$ 1,610,848	\$ 15,557	\$ 1,626,405

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

RONA inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Year ended December 29, 2013
(in thousands of Canadian dollars)

				Accumulated other			
Notes	Share capital	Retained earnings	Contributed surplus	comprehensive loss	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
	\$ 765,443	\$ 1,071,426	\$ 12,521	\$ (3,643)	\$ 1,845,747	\$ 37,344	\$ 1,883,091
Balance, December 30, 2012							
Transactions with owners:							
	409	-	-	-	409	-	409
23	3,647	-	(811)	-	2,836	-	2,836
23	(5,764)	(9,611)	-	-	(15,375)	-	(15,375)
	-	(17,043)	-	-	(17,043)	-	(17,043)
	-	(9,288)	-	-	(9,288)	-	(9,288)
	-	-	-	-	-	(3,430)	(3,430)
24	-	-	1,262	-	1,262	-	1,262
23	1,595	-	-	-	1,595	-	1,595
23	(127)	-	-	-	(127)	-	(127)
9	-	(4,168)	-	-	(4,168)	(19,361)	(23,529)
	(240)	(40,110)	451	-	(39,899)	(22,791)	(62,690)
Total transactions with owners							
	-	(154,031)	-	-	(154,031)	1,017	(153,014)
Net (loss) income							
Other comprehensive income, net of income taxes:							
Cash flow hedges							
	-	-	-	(195)	(195)	-	(195)
	-	-	-	1,374	1,374	-	1,374
	-	-	-	306	306	-	306
27	-	2,130	-	-	2,130	-	2,130
	-	2,130	-	1,485	3,615	-	3,615
Other comprehensive income							
	\$ 765,203	\$ 879,415	\$ 12,972	\$ (2,158)	\$ 1,655,432	\$ 15,570	\$ 1,671,002
Balance, December 29, 2013							

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

RONA inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 28, 2014 and December 29, 2013
(in thousands of Canadian dollars)

	Notes	2014	2013
OPERATING ACTIVITIES			
Income (loss) before income taxes		\$ 106,242	\$ (198,071)
Income (loss) before income taxes from discontinued operations	10	1,846	(149,430)
Income (loss) before income taxes from continuing operations		104,396	(48,641)
Adjustments:			
Depreciation, amortization and impairment of non-financial assets	5.2	91,042	113,850
Net change in provision for restructuring costs	21	(11,458)	52,130
Change in fair value of derivative financial instruments		(6,896)	3,062
Net gains on disposal of assets	5.1	(6,204)	(4,640)
Net gains on disposal of an investment in an associate	5.1	(1,840)	-
Share of income of equity-accounted investees	28	(865)	(1,599)
Share-based payment	24	18,087	6,688
Defined benefit plan contributions, net of expense	27	(759)	(851)
Reversal of straight-line lease provisions	5.4	-	(3,468)
Other		1,204	(760)
		186,707	115,771
Net change in working capital	8	(46,446)	(33,497)
		140,261	82,274
Interest received		2,518	3,945
Income taxes paid		(3,935)	(11,107)
Cash flows from continuing operating activities		138,844	75,112
INVESTING ACTIVITIES			
Business combinations	9	(6,036)	(28,567)
Proceeds on disposal of a business	10	5,943	213,667
Proceeds on disposal of an investment in an associate		5,493	-
Acquisition of property, plant and equipment	13	(43,503)	(35,825)
Acquisition of intangible assets	16	(17,654)	(25,925)
Proceeds on disposal of property, plant and equipment and non-current assets held for sale		36,973	29,106
Proceeds on disposal of intangible assets		217	784
Net change in other financial assets		1,891	542
Dividends received from equity-accounted investees		775	2,004
Interest received		564	868
Cash flows (used for) from continuing investing activities		(15,337)	156,654
FINANCING ACTIVITIES			
Bank loans		(1,478)	(7,533)
Net change in credit facility		20,271	(176,068)
Financing costs		(741)	-
Repayment of other long-term debt		(1,552)	(9,573)
Proceeds from issuance of common shares		1,720	4,713
Repurchase of common shares	23	(94,232)	(15,375)
Dividends on common shares		(16,644)	(17,043)
Dividends on preferred shares		(9,075)	(9,263)
Cash dividends paid by a subsidiary to non-controlling interests		(2,450)	(3,430)
Interest paid		(10,629)	(10,546)
Cash flows used for continuing financing activities		(114,810)	(244,118)
Net increase (decrease) in cash from continuing operations		8,697	(12,352)
Net increase in cash from discontinued operations	10	-	7
Net increase (decrease) in cash during the year		8,697	(12,345)
Cash, beginning of year		8,245	20,590
Cash, end of year		\$ 16,942	\$ 8,245

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

RONA inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at December 28, 2014 and December 29, 2013
(in thousands of Canadian dollars)

	Notes	As at December 28, 2014	As at December 29, 2013
ASSETS			
Current			
Cash		\$ 16,942	\$ 8,245
Trade and other receivables	11	263,389	256,299
Other financial assets	12	2,066	4,101
Current tax assets		12,276	13,397
Inventory	6	819,677	738,752
Prepaid expenses		17,089	14,996
Derivative financial instruments	26	3,602	-
Current assets		<u>1,135,041</u>	<u>1,035,790</u>
Non-current			
Investments in equity-accounted investees	28	12,403	15,399
Other financial assets	12	7,663	8,288
Property, plant and equipment	13	677,885	723,950
Goodwill	15	298,963	298,963
Intangible assets	16	118,884	131,885
Other non-current assets	17	4,934	7,049
Deferred tax assets	7	80,336	121,212
Total assets		<u>\$ 2,336,109</u>	<u>\$ 2,342,536</u>
LIABILITIES			
Current			
Bank loans	18	\$ 1,055	\$ 2,533
Trade and other payables		410,446	358,635
Dividends payable		2,265	2,283
Derivative financial instruments	26	14	1,941
Provisions	21	46,596	48,667
Instalments on long-term debt	19	2,082	8,413
Current liabilities		<u>462,458</u>	<u>422,472</u>
Non-current			
Long-term debt	19	183,739	164,497
Other non-current liabilities	20	37,949	28,941
Provisions	21	25,141	34,024
Deferred tax liabilities	7	417	21,600
Total liabilities		<u>709,704</u>	<u>671,534</u>
EQUITY			
Share capital	23	731,129	765,203
Retained earnings		862,997	879,415
Contributed surplus		14,088	12,972
Accumulated other comprehensive income (loss)		2,634	(2,158)
Total equity attributable to owners of RONA inc.		<u>1,610,848</u>	<u>1,655,432</u>
Non-controlling interests		15,557	15,570
Total equity		<u>1,626,405</u>	<u>1,671,002</u>
Total liabilities and equity		<u>\$ 2,336,109</u>	<u>\$ 2,342,536</u>

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

On behalf of the Board,

(s) Réal Brunet

Réal Brunet
Chairman of the Audit Committee

(s) Robert Chevrier

Robert Chevrier
Executive Chairman of the Board

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 28, 2014 and December 29, 2013

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

1. REPORTING ENTITY AND NATURE OF OPERATIONS

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

The Corporation's consolidated financial statements for the years ended December 28, 2014 and December 29, 2013 include financial data for RONA inc. and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's entities").

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

2. BASIS OF PRESENTATION

(A) DECLARATION OF CONFORMITY

These consolidated financial statements for the year ended December 28, 2014 have been prepared in compliance with International Financial Reporting Standards ("IFRS").

The significant accounting policies described in Note 3 have been applied on a consistent basis for all reported periods, unless otherwise indicated.

The consolidated financial statements for the year ended December 28, 2014 (including comparative figures) were approved and authorized for issue by the Board of Directors on February 16, 2015.

(B) MEASUREMENT BASIS

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, the liabilities for share unit plans and assets acquired and liabilities assumed in business combinations that have been estimated at fair value, the defined benefit obligation that has been measured at its present value less the fair value of the plan assets and less an adjustment to reflect the application of the limit on the asset and provisions that are measured at present value of expected future cash flows.

(C) FUNCTIONAL AND REPORTING CURRENCY

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of RONA inc. and all of the Corporation's entities. All financial information presented in Canadian dollars is rounded to the nearest thousands, except shares and per share amounts.

(D) USE OF ESTIMATES AND JUDGMENTS

When preparing the consolidated financial statements, the Corporation's management undertakes a number of judgments, estimates and assumptions about recognition and measurement of amounts recorded in the consolidated financial statements and presented in notes disclosures.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided in the following notes:

- Note 3(D) – Inventory;
- Note 3(E) – Vendor rebates;
- Note 3(L) – Impairment of non-current assets;
- Note 3(M) – Leased assets;
- Note 3(O) – Income taxes;
- Note 3(P) – Provisions, contingent liabilities and contingent assets;
- Note 3(R), (S) and (T) – Measurement of share-based payments;
- Note 3(V) – Financial instruments (allowance for doubtful accounts);
- Note 3(Y) – Post-employment benefits.

These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from those estimates.

(E) FISCAL YEAR

The Corporation's fiscal year ends on the last Sunday of December. The fiscal years ended December 28, 2014 and December 29, 2013 included 52 weeks of operations.

RONA inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 28, 2014 and December 29, 2013
(in thousands of Canadian dollars, except shares and per share amounts)

2. BASIS OF PRESENTATION (continued)

(F) NEW AND REVISED STANDARDS THAT ARE EFFECTIVE SINCE DECEMBER 30, 2013

Information on the new and revised standards that are effective since December 30, 2013 and relevant for the Corporation is presented below:

(I) IFRIC 21, LEVIES

In May 2013, the International Accounting Standards Board ("IASB") issued the IFRIC 21, *Levies*. This interpretation clarifies that:

- The obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognized on that date;
- The same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied as of December 30, 2013 in compliance with its transitional provisions. The application of IFRIC 21 has not had a material impact on the consolidated financial statements for any period presented.

(II) OFFSETTING FINANCIAL ASSETS AND LIABILITIES (AMENDMENTS TO IAS 32)

In December 2011, the IASB issued an amendment to IAS 32, *Financial Instruments: Presentation*, focusing on the meaning of "currently has legally enforceable right to set off" and the application of simultaneous realization and settlement for applying the offsetting requirement.

The amendment has been applied as of December 30, 2013 in compliance with its transitional provisions. This amendment had no material effect on the consolidated financial statements for any period presented.

(G) EFFECT OF NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

(I) FINANCIAL INSTRUMENTS

In July 2014, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"). The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(II) REVENUE FROM CONTRACTS WITH CUSTOMERS

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

IFRS 15 supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other interpretations related to revenue recognition. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The standard introduces more prescriptive guidance than was included in previous standards and may result in changes to the timing of revenue for certain types of revenues. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2017 with earlier adoption permitted.

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

RONA inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 28, 2014 and December 29, 2013
(in thousands of Canadian dollars, except shares and per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below were applied consistently by the Corporation.

(A) BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of RONA inc. and its subsidiaries and its investments in equity-accounted investees.

(I) SUBSIDIARIES

A subsidiary is an entity controlled by the Corporation. The Corporation has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date of acquisition of control until the date the control ends. The Corporation reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

(II) INTERESTS IN EQUITY-ACCOUNTED INVESTEEES

The Corporation's interests in equity-accounted investees comprise interests in an associate and joint ventures.

Associate is an entity over which the Corporation has significant influence, but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Corporation has joint control, whereby the Corporation has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. Interests in equity-accounted investees are accounted for using the equity method.

Equity-accounted investees are recognized initially at cost which includes transaction costs. Subsequent to the initial recognition, the Corporation's net income and other comprehensive income include its share of the income or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(III) ELIMINATED TRANSACTIONS IN THE FINANCIAL STATEMENTS

Assets and liabilities, income and expenses from intercompany transactions are eliminated in the preparation of the consolidated financial statements.

(IV) NON-CONTROLLING INTERESTS

Non-controlling interests included in equity represent the portion of a subsidiary's profit or net assets that is not held by the Corporation. Income or loss and each component of other comprehensive income are allocated to the owners of RONA inc. and to non-controlling interests in accordance with their respective shareholdings even if this results in the non-controlling interests having a deficit balance.

(B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values. Goodwill is recorded when the identifiable intangible assets have been determined. Goodwill is measured as the excess of the sum of (a) fair value of the consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the fair value of RONA inc.'s share in the acquiree's net identifiable assets on the date of acquisition. Any excess of the identifiable net assets over the consideration transferred is recognized in the consolidated statement of income immediately as a bargain purchase gain.

A right to receive or an obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision.

The consideration transferred by the Corporation to acquire control of a subsidiary is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Corporation, including the fair value of all the assets and liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

(C) REVENUE

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, rebates and trade and quantity discounts. The Corporation recognizes revenue at the time of sale in stores or upon delivery of the merchandise, when the sale is accepted by the customer and when collection is reasonably assured.

Revenue also includes various services provided by the Corporation, such as product installation and delivery. Revenue from the rendering of services is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when the commercial obligations have been fulfilled, the services have been accepted by the customer and collection is reasonably assured.

Revenue also includes royalties received from franchised stores. Royalties are measured as a percentage of revenue and are recognized as earned and when collection is reasonably assured. Interest income relating to trade and other receivables and loans and advances are reported on an accrual basis using the effective interest method.

RONA inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 28, 2014 and December 29, 2013
(in thousands of Canadian dollars, except shares and per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(D) INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

The cost of inventories comprises all costs of purchases and other costs incurred in bringing the inventory to its present location and condition, including realized gains or losses on qualifying cash flow hedges of foreign currency inventory purchases. Inventory is comprised mainly of finished goods.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Estimating the impact of certain factors on the net realizable value of inventory, such as obsolescence and losses of inventory, requires a high level of judgment. Inventory quantities, age and condition are measured and assessed regularly throughout the year.

(E) VENDOR REBATES

The Corporation recognizes cash consideration received from vendors as a reduction of the price of vendors' products and reflects it as a reduction of cost of sales and the related inventory in the consolidated statement of income and consolidated statement of financial position. Certain exceptions apply where the cash consideration received is either a reimbursement of incremental selling costs incurred by the reseller or a payment for goods or services supplied to the vendor, in which case the rebate is reflected as a reduction of operating expenses.

The Corporation recognizes these rebates when collection is more likely than not and the amounts can be reasonably estimated.

To determine probability and estimated receipts, the Corporation uses actual purchases during the year, attainment of purchase forecasts and contractual terms and conditions. The assumptions are reassessed each year.

(F) CUSTOMER REBATES

The Corporation recognizes cash consideration paid to customers as a reduction in the selling price of the product and presents it as a reduction to sales of goods in the consolidated statement of income.

The Corporation recognizes these rebates when payment is more likely than not and the amounts can be reasonably estimated.

(G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost less depreciation and accumulated impairment losses. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Cost includes expenditures that are directly attributable to the acquisition of the asset, the costs of dismantling and removing the asset and restoring the site on which they are located, and the borrowing costs on qualifying assets.

Borrowing costs to finance the construction of an item of property, plant and equipment that takes a substantial period of time to get ready for use are capitalized from the date the work is undertaken until the date activities that are necessary for the item to be in the location and condition for it to be capable of operating in the manner intended by management are all substantially completed. The capitalization of borrowing and other similar costs is suspended during prolonged periods in which the active development is suspended. Projects in process are not depreciated until they are ready for use and they are subject to an annual impairment test as described in Note 3(L) below.

Depreciation begins when the items of property, plant and equipment are available for use and is recognized on a straight-line basis in order to depreciate the cost of the assets, less their residual values, over their estimated useful lives which are the following:

Parking lots	15 years
Buildings	15 to 40 years
Leasehold improvements	Lease term
Furniture and equipment	3 to 20 years
Computer hardware	5 years
Assets under finance leases	5 to 10 years

Depreciation methods, useful lives and residual values are reassessed annually.

The Corporation owns some properties that are leased to affiliated merchants in the RONA group. These properties are not considered as investment property because they are used in the supply of goods and the operations of these merchants generate cash flows that are not solely attributable to these properties. Accordingly, they are presented with property, plant and equipment.

Land for future development is held for eventual development as a real estate asset to be occupied by its owners.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 28, 2014 and December 29, 2013

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(H) NON-CURRENT ASSETS HELD FOR SALE**

A non-current asset or group of assets which the Corporation intends to sell is classified as held for sale and presented separately in the consolidated statement of financial position if the following conditions are met:

- Its sale within one year is highly probable;
- The asset (or group of assets) is available for immediate sale in its present condition; and
- Management is committed to a plan to sell the asset (or group of assets) and there is an active program to locate a buyer for sale at a price that is reasonable in relation to its current fair value.

Assets held for sale are measured at the lower of their carrying amount immediately before their classification as assets held for sale and their fair value less cost to sell. Any impairment is recorded in depreciation, amortization and impairment of non-financial assets in the consolidated statement of income. An asset that is classified as held for sale is no longer depreciated.

(I) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Corporation that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Net income (loss) from discontinued operations, including prior year components of net income (loss), is presented in a single amount in the consolidated statement of income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal, is further analysed in Note 10.

When an operation is classified as a discontinued operation, the comparative consolidated statement of income and consolidated statement of comprehensive income are represented as if the operation had been discontinued from the start of the comparative year.

(J) INTANGIBLE ASSETS

Trademarks with finite useful lives, software, dealer recruitment costs and customer relationships are carried at cost less accumulated amortization and accumulated impairment losses. Acquired computer software is capitalized on the basis of the costs incurred to acquire licences and install the specific software.

Amortization is calculated on the cost of the asset over their estimated useful lives which are the following:

Trademarks	5 to 7 years
Software	5 to 10 years
Dealer recruitment costs	5 to 10 years
Customer relationships	10 years

The amortization method and useful lives are reassessed annually.

Trademarks with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Amortization of intangible assets is included in depreciation, amortization and impairment of non-financial assets in the consolidated statement of income. Borrowing costs are capitalized in intangible assets using the same method as for property, plant and equipment.

(K) GOODWILL

Goodwill represents the future economic benefits arising from a business combination that are not individually identifiable and recorded separately. Goodwill is not amortized, but tested for impairment annually or more frequently if events or changes in circumstances indicate that it is impaired. Goodwill is measured at cost less accumulated impairment losses.

(L) IMPAIRMENT OF NON-CURRENT ASSETS

At the end of each reporting period, the carrying amounts of property, plant and equipment and intangible assets with finite useful lives are assessed to determine if there is any evidence that an asset is impaired. Determining if there are any facts and circumstances indicating impairment loss is a subjective process involving judgment and a number of estimates and assumptions. If there is such evidence, the recoverable amount of the asset is estimated. The recoverable amount of intangible assets with indefinite useful lives or that is not ready for use and goodwill are estimated on the same date each year.

RONA inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 28, 2014 and December 29, 2013
(in thousands of Canadian dollars, except shares and per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(L) IMPAIRMENT OF NON-CURRENT ASSETS (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of value-in-use and fair value less costs to sell. To determine value-in-use, expected future cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the process of measuring expected future cash flows, the Corporation makes assumptions about future operating profit. These assumptions relate to future events and circumstances. Although the assumptions are based on market information available at the time of the assessment, actual results may vary.

Assets that cannot be tested individually for the impairment test are grouped into the smallest group of assets that generates cash inflows through continued use that are largely independent of the cash inflows from other assets or groups of assets ("cash-generating unit" or "CGU"). For the impairment test of goodwill, CGUs to which goodwill has been allocated are grouped so that the level at which the impairment is tested represents the lowest level at which management monitors goodwill for internal management purposes. CGU groupings are limited to the operating segments. Goodwill acquired in a business combination is allocated to CGU groups that are expected to benefit from synergies of the related business combination.

The Corporation's corporate assets do not generate separate cash flows. If there is evidence that a corporate asset is impaired, the recoverable amount is determined for the CGU to which the corporate asset belongs. Impairments are recorded when the carrying amount of an asset or its CGU is higher than its recoverable amount. Impairment charges are recognized in depreciation, amortization and impairment of non-financial assets in the consolidated statement of income.

Impairment losses recognized for a CGU (or group of CGUs) first reduce the carrying amount of any goodwill allocated to that CGU and then reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis of the carrying amount of each asset in the CGU (or group of CGUs). An impairment loss recognized for goodwill may not be reversed. At the end of each reporting period, the Corporation assesses if there is an indication that impairment losses recognized in previous periods for other assets have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

(M) LEASED ASSETS

In some cases, the lease transactions are not always conclusive, and management uses judgment in determining whether the lease is a finance lease agreement or an operating lease. Leases in which substantially all the risks and rewards of ownership of an asset are transferred to the Corporation are classified as finance leases. On initial recognition, the leased asset is carried at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability is included in the consolidated statement of financial position as a long-term debt. Lease payments are apportioned between finance costs and reduction of the lease obligations so as to produce a constant rate of interest on the remaining balance of the liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Corporation adopts for depreciable assets that are owned. If there is reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

All other leases are operating leases and, accordingly, the related leased asset is not included in the consolidated statement of financial position. Lease payments under an operating lease are recognized in the consolidated statement of income on a straight-line basis over the lease term. Lease benefits are recognized as a reduction of total lease expenses over the lease term. Deferred lease incentives are recognized on a straight-line basis over the lease term.

(N) OTHER NON-CURRENT ASSETS

Other non-current assets include, among others, credit facility financing costs which are amortized on a straight-line basis over the financing term.

(O) INCOME TAXES

Income tax expense includes current tax expense and deferred tax expense. Income tax expense is recognized in the consolidated statement of income, except where it relates to items that are recognized directly in the consolidated statement of comprehensive income or in equity, in which case it is recognized directly in the consolidated statement of comprehensive income or equity.

Current tax expense is taxes that are expected to be paid on taxable income for the year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period and include any income tax adjustment in respect of prior years.

Deferred tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the consolidated financial statements for the years in which the temporary differences are expected to reverse.

The Corporation recognizes an income tax expense in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax returns by the relevant authorities, which occur subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. This is assessed based on the Corporation's forecast of future operation results, adjusted for significant non-taxable income or expenses and specific limits on the use of any unused tax loss or credit. The assessment is based upon enacted or substantively enacted tax laws and estimates of future taxable income. To the extent estimates differ from the actual amounts determined when preparing the final tax returns, earnings would be affected in a subsequent period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 28, 2014 and December 29, 2013

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(P) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events for an amount that can be estimated reliably, and it is likely that an outflow of economic resources will be required to settle the obligation. Provisions that expire in more than twelve months are measured by discounting expected future cash flows if the effect of discounting is material, at a pre-tax rate that reflects market assessment of the time value of money and the risks specific to the liability.

A provision for an onerous contract is recognized when the economic benefits expected to be received under the contract are less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating or performing the contract. Before establishing a provision, the Corporation recognizes any impairment loss that has occurred on the assets dedicated to that contract.

A provision for restructuring costs is recognized only when the Corporation has established a detailed formal plan for the restructuring and the Corporation has started to implement or has publicly announced the restructuring. There is no provision for future operating losses.

A guarantee provision is recognized when the related goods or services are sold. The provision is based on historical data on guarantees.

Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates at that date.

In those cases where the possible outflow of economic resources as a result of present obligations is not considered probable, no liability is recognized. In a business combination, contingent liabilities are recognized based on the purchase price allocation between identifiable assets acquired and liabilities assumed through the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Probable receipts of economic benefits for the Corporation that do not yet meet asset recognition criteria are treated as contingent assets that are not recognized in the consolidated statement of financial position.

If all or a portion of the expenditure required to settle a provision is reimbursed by another party, the reimbursement is recognized as a separate asset when and only when it is virtually certain that reimbursement will be received if the Corporation settles the obligation.

(Q) OTHER NON-CURRENT LIABILITIES

Other non-current liabilities include among others deferred lease obligations resulting from the recognition, by the Corporation, of the rental expense on a straight-line basis over the lease term when leases contain a predetermined fixed escalation of the minimum rent.

(R) STOCK OPTION PLAN

Compensation expense related to stock options issued by the Corporation is measured at the fair value of the options at the grant date and recognized over the applicable vesting period, which is generally the required service period of the employees. The compensation expense credit is attributed to contributed surplus when the expense is recognized in the consolidated statement of income.

Compensation expense recognized is adjusted to reflect the number of options that has been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the ultimately recognized expense corresponds to the options that have actually vested. When options are exercised and shares are purchased, any consideration received from employees as well as the related compensation cost recorded as contributed surplus are transferred to share capital.

The estimation of costs related to share-based payments requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Corporation's own share and the expected term of the stock options granted. The model used by the Corporation is the Black-Scholes evaluation model.

(S) SHARE UNIT PLAN FOR OFFICERS AND KEY EMPLOYEES

The Corporation offers a share unit plan to officers and key employees of the Corporation and its subsidiaries under which restricted share units ("RSUs") and performance share units ("PSUs") are granted. The RSUs are vested based on passage of time over a maximum term of three years. In addition to such vesting period, the vesting conditions of the PSUs are also linked to the achievement of performance targets.

The RSUs and PSUs are revalued at fair market value at the end of each reporting period until the vesting date using the market price of the Corporation's common shares. Fair value changes are recognized as compensation expense with a corresponding amount to trade and other payables in the consolidated statement of financial position.

The estimation of share unit plan for officers' payment costs requires estimates in the determination of the performance targets and the vesting period.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(T) SHARE UNIT PLAN FOR DIRECTORS

The Corporation offers a deferred share unit plan ("DSU") for outside directors. Pursuant to the DSU plan, outside directors may elect to receive in the form of DSUs any percentage, up to one hundred percent (100%), of their fees payable in respect of serving as director. The DSU compensation liability is recognized at fair value based on the number of units outstanding and the market value of the Corporation's common shares. Fair value changes are recognized as compensation expense with a corresponding amount to trade and other payables in the consolidated statement of financial position.

The estimation of share unit plan for director's payments costs requires estimates of the vesting period.

(U) FOREIGN CURRENCY

Foreign currency transactions are translated into the corporation's functional currency, the Canadian dollar, using the exchange rates prevailing at the date of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the closing date. Non-monetary items are translated at the historical rates of exchange. Revenues and expenses are translated at the rates of exchange in effect on the transaction date or at the average exchange rates for the period. Foreign exchange gains and losses resulting from the settlement of transactions and from the remeasurement of monetary and non-monetary items at the closing date are recognized in the consolidated statement of income.

(V) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value and subsequent measurement depends on their classification as described below:

- Cash, trade and other receivables and loans and advances (included in other financial assets) are classified as loans and receivables. Cash is recorded at amortized cost which generally corresponds to initial measurement. Trade and other receivables are recorded at amortized cost which generally corresponds to initial measurement less any allowance for doubtful accounts that is based on expected collectability. Loans and advances are subsequently measured at amortized cost using the effective interest method, less any impairment;
- Investment in common shares is classified as available for sale. Subsequent to initial recognition, available for sale investments are measured at fair value;
- Bank loans, trade and other payables, dividends payable and long-term debt are classified as financial liabilities at amortized cost and are measured at amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than those measured at fair value through the consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition and amortized over the term of the financial instrument using the effective interest rate method. However, financing costs that are directly attributable to arranging the credit facility are recognized as other non-current assets in the consolidated statement of financial position and amortized on a straight-line basis over the term of the credit facility. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the consolidated statement of income are recognized immediately in the consolidated statement of income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired. All financial assets except for those measured at fair value through the consolidated statement of income are subject to review for impairment at least at each reporting date. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specified counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry, region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(W) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Corporation uses derivative financial instruments to manage foreign exchange risk. The Corporation does not use derivative financial instruments for speculative or trading purposes.

At the initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, the risk management objectives, the strategy for undertaking the hedge and how the effectiveness of the hedging relationship will be assessed. At the inception of the hedge and on an ongoing basis, the Corporation assesses if the hedge is expected to be "highly effective" in achieving offsetting changes in cash flows of the hedged items throughout the periods for which the hedge is designated.

Derivatives are carried initially at fair value, attributable transaction costs are recognized in the consolidated statement of income as incurred. After initial recognition, derivatives are measured at fair value and resulting changes are recognized as follows.

When a derivative is designated as a hedging instrument for a hedge of changes in cash flows attributable to a particular risk associated with a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative is recognized in the consolidated statement of comprehensive income and presented in the accumulated other comprehensive income in equity. The amount recognized in other comprehensive income is reclassified to the consolidated statement of income over the period in which the hedged cash flows affect income; the amount is recognized in the same line of the consolidated statement of income as the hedged item. Any ineffective portion of fair value changes of the derivative is recognized immediately in the consolidated statement of income.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(W) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

When a hedging instrument no longer meets the criteria for hedge accounting, is expired, sold, cancelled, exercised or when its designation is cancelled, the Corporation discontinues hedge accounting prospectively. The cumulative gain or loss at that date in the statement of comprehensive income remains in the accumulated other comprehensive income until the forecasted transaction occurs. When the hedged item is a non-financial asset, the associated cumulative gain or loss recognized in the accumulated other comprehensive income is transferred to the initial cost of the asset when recognized. If the forecasted transaction is no longer expected to occur, the accumulated other comprehensive income is transferred immediately to the consolidated statement of income. In other cases, the associated gain or loss recognized in the accumulated other comprehensive income is transferred to the consolidated statement of income over the periods in which the hedged item affects income.

(X) EQUITY

Share capital represents the amount received for shares issued, treasury shares and deposits on common share subscriptions. When the securities are issued on a business combination, the amount recognized is the fair value at the acquisition date. Treasury shares represent the cost of the Corporation's shares held by equity-accounted investees. Deposits on common share subscriptions represent amounts received during the year from affiliated and franchised merchants in accordance with commercial agreements.

Retained earnings include all current and prior period retained profits. Also included are fees related to the issuance of shares, net of income tax recoveries.

Contributed surplus includes the compensation cost relating to the Corporation's stock option plan. It also includes gains on the disposal of RONA inc.'s common shares by the subsidiaries and equity-accounted investees.

The accumulated other comprehensive income consists of the effective portion of the cumulative net change in the fair value of a hedging instrument in a cash flow hedge associated with unrealized hedging transactions and the impact of foreign currency translation related to the net investment in an associate that comprises all foreign differences arising from the translation of the share of income and investment in an associate to the Corporation's presentation currency.

The remeasurements of net defined benefit liability comprise all actuarial gains and losses, net of income taxes, on the defined benefit plans recorded. These remeasurements are recognized immediately in retained earnings.

Non-controlling interests consist of the subsidiary's equity that the Corporation does not hold directly or indirectly.

Dividends on common shares attributable to shareholders are presented in dividends payable when approved prior to the reporting date. Cumulative dividends on preferred shares are presented in dividends payable when approved by the Board of Directors.

(Y) POST-EMPLOYMENT BENEFITS

(I) DEFINED CONTRIBUTION PLANS

Contributions to defined contribution plans are included in employee benefits expense over periods in which the services are rendered by employees.

(II) DEFINED BENEFIT PLANS

The net asset or liability recognized in the consolidated statement of financial position for the defined benefit plans is the present value of the defined benefit obligations at the reporting date less the fair value of plan assets and certain adjustments, as described below:

- Unrecognized amount due to the limit of the asset;
- Liability recognized for minimum funding requirements.

The actuarial valuation of the defined benefit obligations uses the projected unit credit method, and management's best estimate of the discount rate on the defined benefit obligations, the expected rate of compensation increase, retirement ages of employees and the mortality rate. The Corporation's obligations under the defined benefit plans are measured separately for each plan by estimating the amount of employees' future benefits that relates to services rendered during the current and prior periods.

Discount rates for the defined benefit obligations are determined with reference to the market rate of return, at the closing date, by reference to high quality Canadian corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligations.

Remeasurements of net defined benefit liability comprising of actuarial gains and losses, the effect of the change to the limit of the asset, the effect of minimum funding requirements and the return on plan assets excluding amounts included in net finance costs are recognized in the consolidated statement of comprehensive income and recognized immediately in retained earnings without recycling in the consolidated statement of income.

The defined benefit asset amount may not exceed the present value of any economic benefit available in the form of a future refund or a reduction in future plan contributions (the "asset limit"). Minimum funding requirements applicable to the Corporation plans are included in the calculation of the present value of the economic benefits. An additional liability is recognized, equivalent to the obligation in respect of the minimum funding requirement for defined benefit plans, when the Corporation does not have an unconditional right to the surplus.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(Z) NET INCOME PER SHARE AND INFORMATION PERTAINING TO NUMBER OF SHARES**

Basic and diluted net income per share are presented for common shares, calculated by dividing net income attributable to owners of RONA inc., adjusted for dividends on preferred shares including related taxes, by the weighted average number of common shares outstanding during the year, adjusted by the number of treasury shares.

Diluted net income per share is calculated taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the year or the issuance date.

(AA) SEGMENT INFORMATION

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Corporation. Results for all segments for which discrete financial information is available are regularly reviewed by the members of the Executive Committee to make decisions about resources to be allocated to the segments and assess their performance.

In identifying reportable operating segments, management uses differences in products and services offered. Revenue from the distribution segment is provided from supply activities to affiliated, franchised and corporate stores. Retail segment revenue is provided from the sale of various products and services directly to consumers.

The accounting conventions that apply to the operating segments are the same as those described in the significant accounting policies. The Corporation accounts for intersegment operations in the ordinary course of business at fair value.

4. REVENUES

	2014	2013
Sales of goods	\$ 4,037,967	\$ 4,131,768
Rendering of services	37,181	36,874
Royalties received	21,207	23,550
Total revenues	<u>\$ 4,096,355</u>	<u>\$ 4,192,192</u>

5. SUPPLEMENTAL INFORMATION ON CONSOLIDATED STATEMENT OF INCOME**5.1 EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AMORTIZATION, IMPAIRMENT OF NON-FINANCIAL ASSETS, RESTRUCTURING COSTS AND OTHER CHARGES**

	<i>Notes</i>	2014	2013
Revenues	4	\$ 4,096,355	\$ 4,192,192
Cost of sales	6	3,029,643	3,094,856
Gross margin		<u>1,066,712</u>	<u>1,097,336</u>
Selling, general and administrative expenses			
Employee benefits expense	5.3	499,993	529,271
Rent and occupancy costs		219,784	243,301 ^(b)
Net gain on disposal of assets		(6,204)	(4,640)
Net gain on disposal of an investment in an associate		(1,840)	–
Share of income of equity-accounted investees	28	(865)	(1,599)
Finance income	26	(5,001)	(5,665)
Other income		(13,463)	(12,069)
Other ^(a)		138,935	186,649 ^(b)
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges		<u>\$ 235,373</u>	<u>\$ 162,088</u>

^(a) Includes advertising and selling expenses, information technology expenses, professional fees and doubtful accounts expense.

^(b) Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. SUPPLEMENTAL INFORMATION ON CONSOLIDATED STATEMENT OF INCOME (continued)**5.2 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS**

	<i>Notes</i>	<u>2014</u>	<u>2013</u>
Depreciation of property, plant and equipment	13	\$ 61,069	\$ 59,001
Amortization of intangible assets	16	30,770	31,328
Amortization of other non-current assets	17	549	523
Depreciation and amortization		<u>92,388</u>	<u>90,852</u>
Items related to impairment of non-financial assets:	5.4		
Impairment	13	100	22,998
Reversals of impairment	13, 14	<u>(1,446)</u>	<u>-</u>
Total items related to impairment of non-financial assets		<u>(1,346)</u>	<u>22,998</u>
Total depreciation, amortization and impairment of non-financial assets		<u>\$ 91,042</u>	<u>\$ 113,850</u>

5.3 EMPLOYEE BENEFITS EXPENSE

	<i>Notes</i>	<u>2014</u>	<u>2013</u>
Salaries		\$ 459,816	\$ 473,286
Share-based payment	24	18,087	6,688
Defined contribution plans expense	27	8,332	12,804
Defined benefit plans expense	27	1,311	1,511
Other fringe benefits		<u>95,847</u>	<u>102,120</u>
Employee benefits expense		<u>583,393</u>	<u>596,409</u>
Severance related to restructuring	5.4	61	20,389
Total employee benefits expense		<u>\$ 583,454</u>	<u>\$ 616,798</u>
Included in cost of sales		\$ 83,461	\$ 87,527
Included in selling, general and administrative expenses	5.1	<u>499,993</u>	<u>529,271</u>
Total employee benefits expense		<u>\$ 583,454</u>	<u>\$ 616,798</u>

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

This note reflects the financial impacts of a series of initiatives which were approved by the Board of Directors of the Corporation to improve financial performance and to accelerate value creation for the stakeholders. I) In the fourth quarter of 2011, an initiative mainly aimed at the restructuring of a portion of the retail store network was launched. II) In February 2013, a transformation plan was put in place with actions to be deployed over a 12-month period and full benefits expected to materialize within an 18-month period. III) In June 2013, additional transformation initiatives, aimed at accelerating the optimization of the retail network and further improve overall productivity and profitability, were also approved.

Total restructuring costs, impairment of non-financial assets and other charges incurred in relation to the above were as follows:

	<i>Notes</i>	<u>2014</u>	<u>2013</u>
Items related to cost of sales:			
Reversal relating to the liquidation of store inventory		\$ -	\$ (1,352)
Items related to selling, general and administrative expenses:			
Severance	5.3	61	20,389
Onerous contracts	21	22,520	61,235
Reversal of straight-line lease provisions		-	(3,468)
Other charges		<u>1,116</u>	<u>6,075</u>
Total items related to selling, general and administrative expenses		<u>23,697</u>	<u>84,231</u>
Restructuring costs and other charges		<u>23,697</u>	<u>82,879</u>
Items related to impairment of non-financial assets:	5.2		
Impairment		100	22,998
Reversals of impairment		<u>(1,446)</u>	<u>-</u>
Total items related to impairment of non-financial assets		<u>(1,346)</u>	<u>22,998</u>
Item included in finance costs:			
Accretion expense on onerous contracts	21	2,330	1,913
Restructuring costs, impairment of non-financial assets and other charges		<u>\$ 24,681</u>	<u>\$ 107,790</u>

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6. INVENTORY

For the year ended December 28, 2014, an amount of \$3,029,643 of purchases, net of changes in inventory and after restructuring costs, was expensed in the consolidated statement of income (\$3,093,504 in 2013).

For the year ended December 28, 2014, a net inventory write-down charge of \$30,934 (\$25,916 in 2013 net of a reversal of \$1,352 included in restructuring costs (Note 5.4)) was recognized in the consolidated statement of income.

7. INCOME TAXES

INCOME TAX EXPENSE RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME

The relationship between the expected tax expense based on the Corporation's statutory tax rate of 26.58% as at December 28, 2014 (26.90% as at December 29, 2013) and the reported tax expense in the consolidated statement of income can be reconciled as follows:

	2014	2013
Income (loss) before income tax expense	\$ 104,396	\$ (48,641)
Corporation's tax rate	26.58%	26.90%
Expected tax expense (recovery)	27,748	(13,084)
Non-deductible (taxable) items	(267)	1,984
Change in provision for uncertain tax positions and other	28	(1,944)
Total income tax expense (recovery)	\$ 27,509	\$ (13,044)
Current tax expense	\$ 2,925	\$ 14,051
Deferred tax expense		
Recognition and reversal of temporary differences	\$ 24,584	\$ (27,145)
Decrease in tax rate	-	50
Total deferred tax expense (recovery)	\$ 24,584	\$ (27,095)
Total income tax expense (recovery)	\$ 27,509	\$ (13,044)

INCOME TAXES RECOGNIZED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014	2013
Cash flow hedges		
Before tax	\$ 5,529	\$ 1,840
Deferred tax expense	(1,476)	(661)
Net of tax	\$ 4,053	\$ 1,179
Remeasurement of net defined liability		
Before tax	\$ (11,015)	\$ 2,940
Deferred tax recovery (expense)	2,928	(810)
Net of tax	\$ (8,087)	\$ 2,130

DEFERRED TAX ASSETS AND LIABILITIES

Recognized deferred tax assets and liabilities are as follows:

	As at December 28, 2014		
	Assets	Liabilities	Net
Non-capital losses	\$ 43,703	\$ -	\$ 43,703
Capital losses	1,515	-	1,515
Expenses not deducted	25,726	-	25,726
Property, plant and equipment and intangible assets	7,648	(289)	7,359
Goodwill	(2,058)	(128)	(2,186)
Share issuance expenses	292	-	292
Deferred revenues	752	-	752
Defined benefit plans	3,624	-	3,624
Derivative financial instruments	(954)	-	(954)
Other	88	-	88
Net deferred tax assets (liabilities)	\$ 80,336	\$ (417)	\$ 79,919

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7. INCOME TAXES (continued)

DEFERRED TAX ASSETS AND LIABILITIES (continued)

	As at December 29, 2013		
	Assets	Liabilities	Net
Non-capital losses	\$ 59,171	\$ 603	\$ 59,774
Capital losses	1,058	21	1,079
Direct costs related to business combinations	(662)	377	(285)
Expenses not deducted	29,805	4,263	34,068
Property, plant and equipment and intangible assets	27,174	(24,810)	2,364
Goodwill	(2,899)	1,077	(1,822)
Share issuance expenses	-	543	543
Deferred revenues	5,883	-	5,883
Incentive payments received	-	(2,867)	(2,867)
Defined benefit plans	966	(270)	696
Derivative financial instruments	522	-	522
Other	194	(537)	(343)
Net deferred tax assets (liabilities)	\$ 121,212	\$ (21,600)	\$ 99,612

	Balance as at December 29, 2013	Net Income (loss)	Other comprehensive income	Others ^(a)	Balance as at December 28, 2014
Non-capital losses	\$ 59,774	\$ (19,510)	\$ -	\$ 3,439	\$ 43,703
Capital losses	1,079	436	-	-	1,515
Direct costs related to business combinations	(285)	285	-	-	-
Expenses not deducted	34,068	(8,342)	-	-	25,726
Property, plant and equipment and intangible assets	2,364	4,995	-	-	7,359
Goodwill	(1,822)	(364)	-	-	(2,186)
Share issuance expenses	543	(251)	-	-	292
Deferred revenue	5,883	(5,131)	-	-	752
Incentive payments received	(2,867)	2,867	-	-	-
Defined benefit plans	696	-	2,928	-	3,624
Derivative financial instruments	522	-	(1,476)	-	(954)
Other	(343)	431	-	-	88
Net deferred tax assets	\$ 99,612	\$ (24,584)	\$ 1,452	\$ 3,439	\$ 79,919

^(a) Related to income taxes on dividend declared on preferred shares

	Balance as at December 30, 2012	Net Income (loss)	Other comprehensive income	Balance as at December 29, 2013
Non-capital losses	\$ 14,154	\$ 45,620	\$ -	\$ 59,774
Capital losses	461	618	-	1,079
Direct costs related to business combinations	501	(786)	-	(285)
Expenses not deducted	25,625	8,443	-	34,068
Property, plant and equipment and intangible assets	1,668	696	-	2,364
Goodwill	(8,969)	7,147	-	(1,822)
Share issuance expenses	1,280	(737)	-	543
Deferred revenue	6,702	(819)	-	5,883
Incentive payments received	(2,017)	(850)	-	(2,867)
Defined benefit plans	1,681	(175)	(810)	696
Derivative financial instruments	960	223	(661)	522
Other	(71)	(272)	-	(343)
Net deferred tax assets	\$ 41,975	\$ 59,108	\$ (1,471)	\$ 99,612

All deferred tax assets have been recognized in the consolidated statement of financial position, including those related to non-capital losses and deductible temporary differences.

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8. CASH FLOW INFORMATION

The net changes in working capital items are detailed as follows:

	2014	2013
Trade and other receivables	\$ (16,117)	\$ 14,218
Inventory	(80,925)	36,315
Prepaid expenses	(2,093)	4,464
Derivative financial instruments	1,367	(3,544)
Trade and other payables	50,818	(81,464)
Provisions ^(a)	504	(3,486)
	<u>\$ (46,446)</u>	<u>\$ (33,497)</u>

^(a) Excludes the change in provision for restructuring costs which is presented as a separate line item in the consolidated statement of cash flows.**9. BUSINESS COMBINATIONS**

On November 11, 2013, the Corporation acquired all the non-controlling interests in Groupe Coupal inc., a banner that specializes in the sale of lumber and building material to contractors operating in the retail segment, based on a price that was agreed on the acquisition of the initial 51% interest in 2007. This transaction resulted in a \$19,361 decrease in non-controlling interest and an excess of purchase price over net book value acquired of \$4,168 recorded in retained earnings.

On October 29, 2013, the Corporation acquired the assets of the RONA Le Régional, a franchised store located in Châteauguay, Québec, operating in the retail segment. 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 was recognized as goodwill in the amount of \$1,415 and represents expected synergies in connection with the acquisition.

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

The consideration paid for these acquisitions amounted to \$27,767. Direct acquisition costs of \$108 were recognized in selling, general and administrative expenses for the year ended December 29, 2013. The Corporation financed these acquisitions from its available cash and existing credit facility.

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

	2013
Trade and other receivables	\$ 12,803
Inventory	13,663
Current tax assets	655
Other current assets	215
Property, plant and equipment	6,070
Deferred tax assets	206
Goodwill ^(a)	2,632
Intangible assets	24
Current liabilities	(9,474)
Long-term debt	(2,577)
Deferred tax liabilities	(618)
Excess of purchase price of a non-controlling interest over net book value	<u>4,168</u>
Cost of acquisitions	27,767
Less: Balances of purchase prices, included in long-term debt	<u>(4,955)</u>
Cash consideration paid	<u>\$ 22,812</u>

^(a) An amount of \$1,217 of goodwill was already accounted for in relation with the initial Groupe Coupal inc. transaction.

The Corporation does not expect the goodwill to be deductible for tax purposes.

10. DISCONTINUED OPERATIONS

On June 19, 2013, the Corporation entered into an Asset Purchase Agreement with Talisker Plumbing Corporation, a subsidiary of EMCO Corporation, to sell the majority of the assets of the Commercial and Professional Market division. This division, specializing in plumbing, heating, ventilation and air conditioning ("HVAC"), was part of a subsidiary of the parent corporation. The transaction was concluded on October 21, 2013 for total consideration of \$219,610 composed of \$213,667 of cash and a balance due of \$5,943 which was settled as a result of the finalization of the working capital adjustments on April 14, 2014.

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10. DISCONTINUED OPERATIONS (continued)

Revenues, expenses and gains and losses relating to the discontinuation of the commercial and professional market division have been removed from the results of continuing operations and are shown as a single line item as "Net income (loss) from discontinued operations" in the consolidated statement of income. The results from discontinued operations were attributable to owners of RONA inc. and were as follows for the years ended December 28, 2014 and December 29, 2013:

	2014	2013
RESULTS FROM DISCONTINUED OPERATIONS		
Revenues	\$ -	\$ 342,121
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring cost and other charges	\$ 1,846	\$ (21,116)
Depreciation, amortization and impairment of non-financial assets	-	6,003
Operating income (loss)	1,846	(27,119)
Finance costs	-	7,557
Income (loss) before income taxes from operations	1,846	(34,676)
Income tax expense (recovery)	486	(7,849)
Net income (loss) from operations	1,360	(26,827)
MEASUREMENT OF ASSETS RELATED TO DISCONTINUED OPERATIONS		
Transaction-related costs	-	(3,725)
Loss on measurement ^(a)	-	(111,029)
Loss before income taxes from measurement of assets	-	(114,754)
Income tax recovery	-	(24,164)
Net loss from measurement of assets	-	(90,590)
Net income (loss) from discontinued operations	\$ 1,360	\$ (117,417)
Income (loss) before income taxes from operations	\$ 1,846	\$ (34,676)
Loss before income taxes from measurement of assets	-	(114,754)
Income (loss) before income taxes from discontinued operations	1,846	(149,430)
Income tax expense (recovery)	486	(32,013)
Net income (loss) from discontinued operations	\$ 1,360	\$ (117,417)

^(a) The loss on measurement is related to goodwill impairment.

The cash flows of discontinued operations have been removed from the consolidated statement of cash flows and are summarized as follows for the years ended December 28, 2014 and December 29, 2013:

	2014	2013
NET CASH FLOWS OF DISCONTINUED OPERATIONS		
Cash flows from (used for):		
Operating activities	\$ -	\$ (38,057)
Investing activities	-	(3,704)
Financing activities	-	41,768
Net increase in cash from discontinued operations	\$ -	\$ 7

The disposition price allocation, including final working capital adjustments, was established as follows:

	2013
ASSETS	
Cash	\$ 58
Trade and other receivables	94,990
Inventory	101,859
Prepaid expenses	1,536
Property, plant and equipment	27,053
Intangible assets	6,662
Goodwill	130,416
Total assets	362,574
LIABILITIES	
Trade and other payables	(31,935)
Loss on disposal	(111,029)
Disposal price	\$ 219,610

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11. TRADE AND OTHER RECEIVABLES

	Note	As at December 28, 2014	As at December 29, 2013
Trade accounts receivable			
Retail customers		\$ 174,042	\$ 171,049
Affiliated and franchised stores		72,593	64,502
Equity-accounted investees		5,623	4,535
	26	<u>252,258</u>	<u>240,086</u>
Other accounts receivable		11,131	16,213
Total		<u>\$ 263,389</u>	<u>\$ 256,299</u>

12. OTHER FINANCIAL ASSETS

	As at December 28, 2014	As at December 29, 2013
Loans and advances, at cost	\$ 8,640	\$ 12,389
Term notes, weighted average rate of 5.61% (5.34% in 2013), maturing at various dates until 2021	1,089	-
Investment in common shares	<u>9,729</u>	<u>12,389</u>
Total current other financial assets	<u>2,066</u>	<u>4,101</u>
Total non-current other financial assets	<u>\$ 7,663</u>	<u>\$ 8,288</u>

Interest income related to the loans and advances presented above amounted to \$484 (\$528 in 2013) and is included in finance income in Note 5.1.

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and parking lots	Buildings	Leasehold improvements	Furniture and Equipment	Computer hardware	Projects in process ^(b)	Land for future development	Total
Cost		\$ 295,238	\$ 346,034	\$ 222,663	\$ 416,195	\$ 108,665	\$ 5,875	\$ 39,210	\$ 1,433,880
Accumulated depreciation		40,892	116,199	147,564	304,981	95,048	-	5,246	709,930
Balance, December 29, 2013		<u>254,346</u>	<u>229,835</u>	<u>75,099</u>	<u>111,214</u>	<u>13,617</u>	<u>5,875</u>	<u>33,964</u>	<u>723,950</u>
Depreciation		(3,174)	(11,348)	(10,451)	(29,985)	(6,111)	-	-	(61,069)
Acquisitions ^(a)		634	2,239	6,574	28,052	4,243	1,835	-	43,577
Disposals		(16,020)	(9,594)	(100)	(634)	(14)	-	-	(26,362)
Transfers between classes		-	(161)	2	250	1,754	(1,845)	-	-
Net transfers between property, plant and equipment and non-current assets held for sale	14	(1,571)	(1,594)	-	-	-	-	-	(3,165)
Reversal of impairment (impairment)	5.2	260	223	(41)	(59)	-	-	-	383
Other changes		4	89	(160)	652	4	(18)	-	571
Total changes		<u>(19,867)</u>	<u>(20,146)</u>	<u>(4,176)</u>	<u>(1,724)</u>	<u>(124)</u>	<u>(28)</u>	<u>-</u>	<u>(46,065)</u>
Balance, December 28, 2014		<u>\$ 234,479</u>	<u>\$ 209,689</u>	<u>\$ 70,923</u>	<u>\$ 109,490</u>	<u>\$ 13,493</u>	<u>\$ 5,847</u>	<u>\$ 33,964</u>	<u>\$ 677,885</u>
Cost		\$ 272,618	\$ 327,478	\$ 191,259	\$ 417,187	\$ 111,288	\$ 5,847	\$ 39,210	\$ 1,364,887
Accumulated depreciation		38,139	117,789	120,336	307,697	97,795	-	5,246	687,002
Balance, December 28, 2014		<u>\$ 234,479</u>	<u>\$ 209,689</u>	<u>\$ 70,923</u>	<u>\$ 109,490</u>	<u>\$ 13,493</u>	<u>\$ 5,847</u>	<u>\$ 33,964</u>	<u>\$ 677,885</u>

^(a) Includes \$74 of equipment acquired under a finance lease agreement.

^(b) Projects in process include the costs related to the construction of buildings which will be used for store operation.

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Notes	Land and parking lots	Buildings	Leasehold improvements	Furniture and Equipment	Computer hardware	Projects in process ^(a)	Land for future development	Total
Cost		\$ 293,854	\$ 346,236	\$ 246,550	\$ 449,734	\$ 119,239	\$ 6,944	\$ 39,468	\$ 1,502,025
Accumulated depreciation		30,964	99,425	163,325	308,999	97,906	-	-	700,619
Balance, December 30, 2012		262,890	246,811	83,225	140,735	21,333	6,944	39,468	801,406
Depreciation		(2,949)	(12,244)	(10,182)	(27,671)	(5,955)	-	-	(59,001)
Acquisitions through business combinations		-	-	-	412	19	-	-	431
Acquisitions		180	2,610	8,895	16,529	3,557	4,054	-	35,825
Disposals		(503)	(1,843)	(345)	(1,458)	(3)	-	(258)	(4,410)
Disposal of business	10	(748)	(1,488)	(7,346)	(11,881)	(5,585)	(5)	-	(27,053)
Transfers between classes		53	205	1,630	1,870	1,365	(5,123)	-	-
Net transfers between property, plant and equipment and non-current assets held for sale		2,404	(246)	120	-	-	-	-	2,278
Impairment	5.2	(7,032)	(3,935)	(391)	(5,954)	(440)	-	(5,246)	(22,998)
Discontinued operations		-	-	(246)	(1,108)	(674)	-	-	(2,028)
Other changes		51	(35)	(261)	(260)	-	5	-	(500)
Total changes		(8,544)	(16,976)	(8,126)	(29,521)	(7,716)	(1,069)	(5,504)	(77,456)
Balance, December 29, 2013		\$ 254,346	\$ 229,835	\$ 75,099	\$ 111,214	\$ 13,617	\$ 5,875	\$ 33,964	\$ 723,950
Cost		\$ 295,238	\$ 346,034	\$ 222,663	\$ 416,195	\$ 108,665	\$ 5,875	\$ 39,210	\$ 1,433,880
Accumulated depreciation		40,892	116,199	147,564	304,981	95,048	-	5,246	709,930
Balance, December 29, 2013		\$ 254,346	\$ 229,835	\$ 75,099	\$ 111,214	\$ 13,617	\$ 5,875	\$ 33,964	\$ 723,950

^(a) Projects in process include the costs related to the construction of buildings which will be used for store operation.

For the years ended December 28, 2014 and December 29, 2013, there was no interest capitalized in property, plant and equipment.

14. 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 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:

	Note	As at December 28, 2014	As at December 29, 2013
Balance, beginning of year		\$ -	\$ 22,898
Additions		3,165	11,657
Disposals		(4,128)	(20,620)
Reversal of impairment	5.2	963	-
Reclassification to property, plant and equipment		-	(13,935)
Balance, end of year		\$ -	\$ -

15. GOODWILL

	Notes	As at December 28, 2014	As at December 29, 2013
Balance, beginning of year		\$ 298,963	\$ 427,964
Acquisitions through business combinations	9	-	1,415
Disposal related to discontinued operations	10	-	(130,416)
Balance, end of year		\$ 298,963	\$ 298,963

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15. GOODWILL (continued)

For the purpose of the annual impairment testing, goodwill is allocated to the following CGU groups, which are the groups of units expected to benefit from the synergies of the business combinations:

	As at December 28, 2014	As at December 29, 2013
Retail	\$ 188,891	\$ 188,891
Distribution	110,072	110,072
Total	\$ 298,963	\$ 298,963

The Corporation performed its annual test for goodwill impairment as at December 28, 2014. The recoverable amounts of the CGU groups were determined using the value in use. To determine value in use, five-year cash flow forecasts were prepared using the budget plan approved by the Board of Directors. Cash flow forecasts for periods beyond that of the budget plan were prepared using a stable growth rate for future periods, not exceeding the rate of long-term average growth of the Corporation's sectors of activity. These forecasts were based on historical data and future trends expected by the Corporation.

For the impairment test carried out as at December 28, 2014, management's key assumptions include average annual increases in same-store sales of 1.80% (average of 1.40% as at December 29, 2013) for the first five years and thereafter at 2.00% (2.00% as at December 29, 2013). Also, annual same-store EBITDA margins are expected to increase annually by 0.05% (0.05% in 2013) for the distribution segment and 0.10% (0.10% to 0.20% in 2013) for the retail segment.

The Corporation's valuation model also takes account of working capital and capital investments to maintain the condition of the assets of each CGU group.

Forecasted cash flows are discounted using pre-tax rates ranging from 12.30% to 12.70%, unchanged from 2013, which reflect current market assessments of the time value of money and the risks specific to the asset.

The recoverable amounts of each CGU group were higher than its carrying amount. The most sensitive assumptions used in the impairment testing model include forecasted organic growth in sales and EBITDA margins, weighted average cost of capital and the anticipated degree of attainment of returns from business transformation initiatives. Failure to meet certain of those assumptions could have an impact on the estimated recoverable amount of the Corporation's CGU groups.

16. INTANGIBLE ASSETS

	Trademarks – useful life			Dealer recruitment costs	Customer relationships	Total
	Finite	Indefinite	Software			
Cost	\$ 1,514	\$ 400	\$ 300,139	\$ 26,668	\$ 450	\$ 329,171
Accumulated amortization	1,514	–	177,844	17,681	247	197,286
Balance, December 29, 2013	–	400	122,295	8,987	203	131,885
Amortization	(8)	–	(27,324)	(3,415)	(23)	(30,770)
Additions from internal development	–	–	2,223	–	–	2,223
Acquisitions	218	–	13,025	2,188	–	15,431
Disposals	–	–	(1)	(111)	–	(112)
Other changes	–	–	227	–	–	227
Total changes	210	–	(11,850)	(1,338)	(23)	(13,001)
Balance, December 28, 2014	\$ 210	\$ 400	\$ 110,445	\$ 7,649	\$ 180	\$ 118,884
Cost	\$ 1,732	\$ 400	\$ 315,149	\$ 19,323	\$ 450	\$ 337,054
Accumulated amortization	1,522	–	204,704	11,674	270	218,170
Balance, December 28, 2014	\$ 210	\$ 400	\$ 110,445	\$ 7,649	\$ 180	\$ 118,884

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16. INTANGIBLE ASSETS (continued)

	Note	Trademarks – useful life			Dealer recruitment costs	Customer relationships	Preferential price leases	Total
		Finite	Indefinite	Software				
Cost		\$ 2,174	\$ 2,721	\$ 284,605	\$ 26,991	\$ 450	\$ 418	\$ 317,359
Accumulated amortization		2,140	–	155,604	15,271	225	418	173,658
Balance, December 30, 2012		34	2,721	129,001	11,720	225	–	143,701
Amortization		(34)	–	(27,187)	(4,085)	(22)	–	(31,328)
Additions from internal development		–	–	8,074	–	–	–	8,074
Acquisitions		–	–	16,499	1,352	–	–	17,851
Disposals		–	–	(8)	–	–	–	(8)
Disposal of business	10	–	(2,321)	(4,341)	–	–	–	(6,662)
Discontinued operations		–	–	(518)	–	–	–	(518)
Other changes		–	–	775	–	–	–	775
Total changes		(34)	(2,321)	(6,706)	(2,733)	(22)	–	(11,816)
Balance, December 29, 2013		\$ –	\$ 400	\$ 122,295	\$ 8,987	\$ 203	\$ –	\$ 131,885
Cost		\$ 1,514	\$ 400	\$ 300,139	\$ 26,668	\$ 450	\$ –	\$ 329,171
Accumulated amortization		1,514	–	177,844	17,681	247	–	197,286
Balance, December 29, 2013		\$ –	\$ 400	\$ 122,295	\$ 8,987	\$ 203	\$ –	\$ 131,885

For the year ended December 28, 2014, capitalized interest on software amounted to \$229 (\$641 in 2013) and the weighted average rate used in determining borrowing costs capitalized was 4.77% (3.89% in 2013).

17. OTHER NON-CURRENT ASSETS

	Note	As at December 28, 2014	As at December 29, 2013
Credit facility financing costs		\$ 1,758	\$ 1,566
Defined benefit assets	27	2,943	5,244
Other		233	239
Total		\$ 4,934	\$ 7,049

Amortization of other non-current assets, included in depreciation, amortization and impairment of non-financial assets in the consolidated statement of income, amounted to \$549 for the year ended December 28, 2014 (\$523 in 2013).

18. BANK LOANS

Bank loans are secured by an assignment of certain assets, notably trade and other receivables, inventory and property, plant and equipment, in the amount of \$20,068 (\$26,358 in 2013). These bank loans bear interest at rates varying from prime rate plus 0.50% to prime rate plus 2.00% and are renewable annually. As at December 28, 2014, the interest rates varied from 3.50% to 5.00% (3.00% to 5.00% in 2013). The authorized amount for these bank loans was \$4,500 (\$11,460 in 2013).

19. LONG-TERM DEBT

	As at December 28, 2014	As at December 29, 2013
Debentures, unsecured, par value \$116,829, 5.40% (5.40% in 2013), maturing in October 2016 ^(a)	\$ 116,488	\$ 116,341
Revolving credit facility, at a weighted average rate of 3.52% (3.24% in 2013), maturing in December 2017	65,231	44,960
Mortgage loans, secured by assets having a non-depreciated cost of \$ 4,101 (\$34,740 in 2013), rates varying from 3.63% to 7.95% (3.47% to 7.95% in 2013), maturing on various dates until December 2016	1,151	2,433
Obligations under finance leases, rates varying from 5.04% to 9.80% (5.58% to 10.62% in 2013), maturing on various dates until 2017	364	553
Balances of purchase prices, rates varying from 0.00% to 6.00% (from 0.00% to 6.00% in 2013), payable on various dates until 2016	2,587	8,623
Total long-term debt	185,821	172,910
Instalments due within one year	2,082	8,413
	\$ 183,739	\$ 164,497

^(a) Effective interest rate of 5.55% (5.55% in 2013)

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19. LONG-TERM DEBT (continued)

REVOLVING CREDIT FACILITY

On August 11, 2014, the Corporation finalized an amendment to its revolving credit facility in order to extend the term for one year, to December 2017. The Corporation's creditors also agreed that the standby fees and the premium on the base rate and the cost of borrowing shall vary in accordance with the Corporation's level of debt. In consideration of the foregoing, the revolving credit facility is now guaranteed by a first lien on trade accounts receivable and inventory. This guarantee may be discontinued under certain conditions. Financing costs associated with this amendment were recognized as other non-current assets and are amortized over the new term of the revolving credit facility. As at December 28, 2014, the total authorized amount is \$700,000 (\$700,000 in 2013) for the revolving credit facility.

The credit facility can also be used to issue letters of guarantee and letters of credit for imports. As at December 28, 2014, the letters of guarantee issued amounted to \$1,158 (\$1,148 in 2013). For the year 2014, the weighted average interest rate on the revolving credit facility including letters of guarantee was 3.48% (3.22% in 2013).

LETTERS OF CREDIT

The Corporation also has an unsecured credit facility up to an amount of \$55,000 (\$55,000 in 2013), that can be used for the issuance of letters of credit for imports. The terms and conditions to be respected are the same as for the revolving credit facility. As at December 28, 2014, the amount used was \$11,830 (\$11,258 in 2013).

INSTALMENTS

Maturities for obligations under finance leases are as follows:

	As at December 28, 2014		
	Future minimum lease payments	Interest	Value of the future minimum lease payments
Less than 1 year	\$ 208	\$ 23	\$ 185
Between 1 – 5 years	188	9	179
	\$ 396	\$ 32	\$ 364

	As at December 29, 2013		
	Future minimum lease payments	Interest	Value of the future minimum lease payments
Less than 1 year	\$ 236	\$ 27	\$ 209
Between 1 – 5 years	368	24	344
	\$ 604	\$ 51	\$ 553

The instalments on other long-term debt for the next years are as follows:

	As at December 28, 2014	As at December 29, 2013
Less than 1 year	\$ 1,897	\$ 8,204
Between 1 – 5 years	183,560	162,983
Over than 5 years	–	1,170
	\$ 185,457	\$ 172,357

20. OTHER NON-CURRENT LIABILITIES

	Note	As at December 28, 2014	As at December 29, 2013
Deferred lease obligations due to straight-line basis		\$ 21,726	\$ 20,673
Defined benefit liability	27	16,223	8,268
Total		\$ 37,949	\$ 28,941

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21. PROVISIONS AND CONTINGENT LIABILITIES

	Litigation	Onerous contracts	Product warranties	Restructuring ^(a)		Total
				Severance	Onerous contracts	
Balance, December 29, 2013	\$ 4,967	\$ 567	\$ 1,846	\$ 4,351	\$ 70,960	\$ 82,691
Provisions created	2,291	432	407	70	-	3,200
Provisions used	(482)	(865)	-	(3,891)	(32,478)	(37,716)
Provisions reversed	(829)	-	(880)	(248)	-	(1,957)
Change in estimates	237	(7)	200	239	22,520	23,189
Accretion expense	-	-	-	-	2,330	2,330
Balance, December 28, 2014	\$ 6,184	\$ 127	\$ 1,573	\$ 521	\$ 63,332	\$ 71,737
Current	\$ 6,184	\$ 103	\$ 1,573	\$ 521	\$ 38,215	\$ 46,596
Non-current	-	24	-	-	25,117	25,141
Balance, December 28, 2014	\$ 6,184	\$ 127	\$ 1,573	\$ 521	\$ 63,332	\$ 71,737

^(a) Refer to Note 5.4 for additional information.

	Litigation	Onerous contracts	Product Warranties	Restructuring ^(a)		Total
				Severance	Onerous contracts	
Balance, December 30, 2012	\$ 4,036	\$ 5,389	\$ 1,441	\$ 1,426	\$ 21,755	\$ 34,047
Provisions created	2,589	-	214	19,069	56,122	77,994
Provisions used	(721)	(1,545)	-	(17,464)	(13,943)	(33,673)
Provisions reversed	(937)	-	-	(697)	-	(1,634)
Change in estimates	-	(3,277)	191	2,017	5,113	4,044
Accretion expense	-	-	-	-	1,913	1,913
Balance, December 29, 2013	\$ 4,967	\$ 567	\$ 1,846	\$ 4,351	\$ 70,960	\$ 82,691
Current	\$ 4,967	\$ 567	\$ 1,846	\$ 4,351	\$ 36,936	\$ 48,667
Non-current	-	-	-	-	34,024	34,024
Balance, December 29, 2013	\$ 4,967	\$ 567	\$ 1,846	\$ 4,351	\$ 70,960	\$ 82,691

^(a) Refer to Note 5.4 for additional information

LITIGATION

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

ONEROUS CONTRACTS

Restructuring

Following store closures in 2012 and in 2013, provisions for onerous contracts were recognized for non-cancellable operating leases for commercial stores which are no longer used or scheduled for closing. The provisions were estimated using contractual obligations at the time of initial recognition and sublease revenue assumptions based on market data and discounted using a weighted average discount rate of 4.13% (4.80% in 2013). For certain sites, the provision was estimated based on termination fees that are expected to be incurred. The remaining terms of these leases vary from one to fifteen years.

Other

Following the closure of a store in 2008 and a distribution centre in 2014, provisions for onerous contracts were recognized for non-cancellable operating leases for commercial premises which are no longer used. The provisions were 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 4.13% (4.80% in 2013). The leases, still in effect, expire in 2025 and 2017, respectively.

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22. GUARANTEES AND COMMITMENTS

GUARANTEES

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

Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories to a maximum of \$48,661. In the event of recourse, this inventory would be sold in the ordinary course of the Corporation's operations. These agreements have undetermined periods. In the opinion of management, the likelihood that significant payments would be incurred as a result of these commitments is low.

COMMITMENTS

The Corporation has entered into operating lease agreements expiring until 2022 which call for lease payments of \$ 40,456 for the rental of automotive equipment, computer hardware, distribution equipment, a warehouse and the building housing the head office and the distribution centre in Québec. The Corporation has also entered into operating lease agreements expiring until 2030 for corporate store space for minimum lease payments of \$530,691, the majority of which are non-cancellable.

As part of the operation of RONA's banners with dealer-owners, the Corporation is initially involved as a primary tenant and then signs a subleasing agreement with the dealer-owners. In this respect, the Corporation is committed under agreements expiring until 2031 which call for minimum lease payments of \$ 106,237 for the rental of premises and land on which the Corporation erected a building. In consideration thereof, the Corporation has signed subleasing agreements for an equivalent amount.

As at December 28, 2014, the minimum lease payments and minimum amounts receivable under operating lease agreements and other commitments for the next years are as follows:

	Minimum lease payments	Minimum amounts receivable
Less than 1 year	\$ 111,554	\$ 16,391
Between 1 – 5 years	357,567	55,130
Over than 5 years	208,661	34,716
	<u>\$ 677,782</u>	<u>\$ 106,237</u>

Following the disposal of assets and the store closures, the Corporation has assigned its rights in certain non-cancellable operating leases for which the Company remains liable for obligations associated with these leases until their expiry dates including renewal periods in the amount of \$ 24,723. The remaining terms to maturity of these leases range from one to six years.

23. SHARE CAPITAL

AUTHORIZED

Unlimited number of shares:

Common without par value;

Class A preferred shares, without par value, issuable in series:

Series 5, non-cumulative dividend equal to 70% of prime rate, redeemable at the Corporation's option at their issuance price;

Series 6, cumulative dividend of 5.25%, subject to approval by the Board of Directors, fixed for the first five years, redeemable at the Corporation's option at their issuance price;

Series 7, annual cumulative dividend at variable rate, redeemable at the Corporation's option at their issuance price;

Class B preferred shares, 6% non-cumulative dividend, redeemable at the Corporation's option at their par value of \$1 each;

Class C preferred shares, issuable in series:

Series 1, non-cumulative dividend equal to 70% of prime rate, redeemable at the Corporation's option at their par value of \$1,000 each;

Class D preferred shares, without par value, 4% cumulative dividend, redeemable at their issuance price over a maximum period of ten years from the sixth anniversary of their date of issuance, on the basis of 10% per year.

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23. 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 Class A, Series 6		Deposits on common share subscriptions ^(a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 29, 2013	120,743,836	\$ 591,173	6,900,000	\$ 172,500	-	\$ 1,530	127,643,836	\$ 765,203
Issuance of share capital in exchange of cash	2,855	35	-	-	-	-	2,855	35
Issuance of share capital under stock option plan	60,350	839	-	-	-	-	60,350	839
Issuance in exchange of common share subscription deposits	128,394	1,483	-	-	-	(1,483)	128,394	-
Repurchase of common shares for cancellation	(7,339,800)	(36,002)	-	-	-	-	(7,339,800)	(36,002)
Deposits on common share subscriptions received	-	-	-	-	-	1,117	-	1,117
Deposits on common share subscriptions refunded	-	-	-	-	-	(63)	-	(63)
Balance, December 28, 2014	113,595,635	\$ 557,528	6,900,000	\$ 172,500	-	\$ 1,101	120,495,635	\$ 731,129

^(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 December 28, 2014, the number of outstanding common shares would have increased by 81,162.

	Common shares		Preferred shares Class A, Series 6		Deposits on common share subscriptions ^(a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 30, 2012	121,408,037	\$ 590,763	6,900,000	\$ 172,500	-	\$ 2,180	128,308,037	\$ 765,443
Issuance of share capital in exchange of cash	34,121	409	-	-	-	-	34,121	409
Issuance of share capital under stock option plan	279,900	3,647	-	-	-	-	279,900	3,647
Issuance in exchange of common share subscription deposits	199,078	2,118	-	-	-	(2,118)	199,078	-
Repurchase of common shares for cancellation	(1,177,300)	(5,764)	-	-	-	-	(1,177,300)	(5,764)
Deposits on common share subscriptions received	-	-	-	-	-	1,595	-	1,595
Deposits on common share subscriptions refunded	-	-	-	-	-	(127)	-	(127)
Balance, December 29, 2013	120,743,836	\$ 591,173	6,900,000	\$ 172,500	-	\$ 1,530	127,643,836	\$ 765,203

^(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 December 29, 2013, the number of outstanding common shares would have increased by 117,084.

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

On November 12, 2013, the Board of Directors and the Toronto Stock Exchange authorized the Corporation to purchase in the normal course of its activities, from November 18, 2013 to November 17, 2014, up to 8.6 million of its common shares, representing 10% of its 85.8 million public float, or 7.04% of its 121.9 million common shares issued and outstanding on November 12, 2013.

During the year ended December 28, 2014, the Corporation redeemed for cancellation a total of 7.3 million common shares (1.2 million in 2013) at an average price of \$12.84 for a total cost of \$94,232 (\$15,375 in 2013). Of the total cost, \$36,002 (\$5,764 in 2013) represents the stated value of common shares. The remaining \$58,230 (\$9,611 in 2013) was recorded in retained earnings.

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24. SHARE-BASED PAYMENT

STOCK OPTION PLAN

On October 24, 2002, the Board of directors approved the current stock option plan (the "2002 plan") for designated senior executives of the Corporation. The 2002 plan was approved by the shareholders of the Corporation on May 14, 2003. Limitations have been put in place under the 2002 plan, notably that the total number of stock options, each exercisable for one common share, which may be issued pursuant to the 2002 plan will not exceed, without the approval of the shareholders, 10% of the common shares issued and outstanding.

Some 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 four-year period following the anniversary date of the grants at 25% per year.

As at December 28, 2014, the 5,076,987 options granted (4,640,387 options in 2013) have exercise prices ranging from \$9.38 to \$26.87 and of this number, 527,300 options have been exercised (466,950 options in 2013), 700,058 options have expired (683,558 options in 2013) and 2,079,944 options have been forfeited (1,928,519 options in 2013).

The weighted average fair value of stock options granted of \$3.54 for the year ended December 28, 2014 (\$3.42 in 2013) 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 year:

	2014	2013
Share price at date of grant	\$ 11.51	\$ 11.11
Risk-free interest rate	1.92 to 2.40 %	1.56 to 2.69 %
Expected share price volatility ^(a)	27.38 to 28.29 %	27.93 to 28.52 %
Expected annual dividend rate	1.22 %	1.25 to 1.29 %
Expected term	7 to 10 years	7 to 10 years
Exercise price at date of grant	\$ 11.55	\$ 11.04

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

Compensation cost expensed with respect to this plan amounted to \$1,324 for the year ended December 28, 2014 (\$1,262 in 2013).

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

	As at December 28, 2014		As at December 29, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	1,561,360	\$ 11.76	1,993,210	\$ 13.19
Granted	436,600	11.55	748,500	11.04
Exercised	(60,350)	10.46	(279,900)	10.13
Forfeited	(151,425)	12.14	(836,650)	14.88
Expired	(16,500)	20.27	(63,800)	14.29
Outstanding, end of year	1,769,685	11.64	1,561,360	11.76
Options exercisable, end of year	665,559	\$ 12.44	516,254	\$ 13.23

The weighted average price of the common shares acquired by option holders having exercised 60,350 options (279,900 options in 2013) for the year ended December 28, 2014 was \$13.21 (\$10.89 in 2013).

The following table summarizes information relating to stock options outstanding as at December 28, 2014:

Exercise price	Expiration date	Options outstanding	Options exercisable
\$ 9.38	March 5, 2022	185,025	90,675
\$ 9.97	September 21, 2021	60,000	45,000
\$ 10.62	March 11, 2019	102,600	102,600
\$ 10.78	August 23, 2023	165,700	41,425
\$ 11.11	March 28, 2023	446,525	110,975
\$ 11.33	November 20, 2022	128,435	32,109
\$ 11.55	March 3, 2024	414,800	-
\$ 14.18	March 1, 2018	47,800	47,800
\$ 14.33	March 7, 2021	108,825	85,000
\$ 15.44	March 9, 2020	79,125	79,125
\$ 23.58	March 8, 2017	30,850	30,850
		1,769,685	665,559

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24. SHARE-BASED PAYMENT (continued)**SHARE UNIT PLAN FOR OFFICERS AND KEY EMPLOYEES**

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

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

	As at December 28, 2014	As at December 29, 2013
Number of restricted share units:		
Outstanding, beginning of year	1,494,823	982,368
Granted	507,527	902,355
Expired	(155,085)	(146,848)
Forfeited	(136,756)	(239,810)
Paid	(28,735)	(3,242)
Outstanding, end of year	1,681,774	1,494,823

The compensation expense recorded in the consolidated statement of income for the year ended December 28, 2014 amounted to \$14,207 (\$2,618 in 2013) and the compensation liability recorded, as at that date, in the consolidated statement of financial position amounted to \$17,033 (\$3,205 in 2013).

SHARE UNIT PLAN FOR DIRECTORS

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

	As at December 28, 2014	As at December 29, 2013
Number of deferred share units:		
Outstanding, beginning of year	423,285	310,128
Granted	121,184	152,947
Paid	(161,364)	(39,790)
Outstanding, end of year	383,105	423,285

The compensation expense recorded in the consolidated statement of income for the year ended December 28, 2014 amounted to \$2,556 (\$2,808 in 2013) and the compensation liability recorded, as at that date, in the consolidated statement of financial position amounted to \$5,841 (\$5,541 in 2013).

25. CAPITAL DISCLOSURES**CAPITAL MANAGEMENT**

The Corporation maintains a level of capital that is sufficient to meet several objectives, including an acceptable total net debt-to-capital ratio to provide access to adequate funding sources to support current operations and fulfilment of its business plan. Total net debt includes bank loans and long-term debt less cash. The Corporation's capital includes total net debt and equity.

As at December 28, 2014, the Corporation's total net debt-to-capital ratio was 9.46% (9.10% in 2013).

The Corporation manages its capital structure and makes adjustments in light of changes in activities, economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, redeemed its shares for cancellation or sell assets to reduce debt.

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25. CAPITAL DISCLOSURES (continued)**DIVIDENDS ON COMMON SHARES**

The Board of Directors approved a dividend policy under which a cash dividend will be payable on a semi-annual basis to holders of common shares when declared. This dividend policy is reviewed by the Board of Directors from time-to-time in light of the Corporation's cash flows, income, financial position and other relevant factors.

The Board of Directors declared the following semi-annual dividend on the common shares payable to shareholders of record at the specified dates:

December 28, 2014				December 29, 2013			
Meeting date	Record	Dividend per share	Payment date	Meeting date	Record	Dividend per share	Payment date
February 18, 2014	March 10, 2014	\$ 0.07	March 25, 2014	February 20, 2013	March 11, 2013	\$ 0.07	March 25, 2013
August 12, 2014	September 10, 2014	0.07	September 25, 2014	August 13, 2013	September 10, 2013	0.07	September 25, 2013

DIVIDENDS ON PREFERRED SHARES

The Board of Directors declared the following quarterly dividend on the Series 6, Class A preferred shares, adjusted rate every five years payable to shareholders of record at the specified dates:

December 28, 2014				December 29, 2013			
Meeting date	Record	Dividend per share	Payment date	Meeting date	Record	Dividend per share	Payment date
February 18, 2014	March 17, 2014	\$ 0.3281	March 31, 2014	February 20, 2013	March 15, 2013	\$ 0.3237	April 1, 2013
May 13, 2014	June 16, 2014	0.3281	June 30, 2014	May 14, 2013	June 14, 2013	0.3272	July 2, 2013
August 12, 2014	September 15, 2014	0.3281	September 30, 2014	August 13, 2013	September 16, 2013	0.3308	September 27, 2013
November 11, 2014	December 15, 2014	0.3282	December 31, 2014	November 12, 2013	December 16, 2013	0.3308	December 31, 2013

The dividend policy on preferred shares is reviewed by the Board of Directors from time-to-time in light of the Corporation's cash flows, income, financial position and other relevant factors.

CREDIT FACILITY

The Corporation's credit facility includes certain covenants affecting, among others, the leverage ratio and the interest coverage ratios. These ratios are submitted to the Board of Directors each quarter. The Corporation is in compliance with the ratios for the years ended December 28, 2014 and December 29, 2013. Other than covenants related to its credit facility, the Corporation is not subject to any other externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**FAIR VALUE**

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

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

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

	Level	As at December 28, 2014		As at December 29, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
LOANS AND RECEIVABLES					
Cash	2	\$ 16,942	\$ 16,942	\$ 8,245	\$ 8,245
Trade and other receivables	3	263,389	263,389	256,299	256,299
Loans and advances	3	8,640	8,640	12,389	12,389
AVAILABLE FOR SALE					
Investment in common shares	3	1,089	1,089	–	–
FINANCIAL ASSETS AT FAIR VALUE DESIGNATED AS CASH FLOW HEDGES					
Derivative financial instruments	2	3,602	3,602	–	–
OTHER FINANCIAL LIABILITIES					
Bank loans	2	1,055	1,055	2,533	2,533
Trade and other payables ^(a)	2	383,672	383,672	343,169	343,169
Dividends payable	2	2,265	2,265	2,283	2,283
Debentures	2	116,488	120,930	116,341	121,397
Credit facility	2	65,231	65,231	44,960	44,960
Mortgage loans and balances of purchase prices	2	3,738	3,564	11,056	10,836
FINANCIAL LIABILITIES AT FAIR VALUE DESIGNATED AS CASH FLOW HEDGES					
Derivative financial instruments	2	14	14	1,941	1,941
OTHER LIABILITIES					
Obligations under finance leases	2	\$ 364	\$ 364	\$ 553	\$ 553

^(a) Includes trade accounts payable, accrued liabilities and certain payroll-related liabilities**FAIR VALUE HIERARCHY**

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FINANCE INCOME AND FINANCE COSTS

Revenues, expenses, profit and loss recognized in the consolidated statement of income, generated by financial assets or liabilities, which are not recognized at fair value through the consolidated statement of income, are as follows:

	Notes	2014	2013
Interest on trade and other receivables		\$ 4,517	\$ 5,137
Interest on other financial assets	12	484	528
Total finance income	5.1	\$ 5,001	\$ 5,665
Interest on long-term debt		\$ 12,553	\$ 10,335
Interest on bank loans		1,355	1,752
		13,908	12,087
Accretion expense on onerous contracts	21	2,330	1,913
Total finance costs		\$ 16,238	\$ 14,000

OBJECTIVES AND METHODS RELATING TO RISK MANAGEMENT

The Corporation, in the normal course of business, is exposed to various risks related to financial instruments. The principal types of risk are credit risk, liquidity risk, exchange risk and exposure to foreign currencies as well as interest rate risk.

The Corporation manages risk in close collaboration with the Board of Directors. The objectives are to ensure the availability of sufficient cash flows for the short and medium term by reducing risk exposure related to capital markets.

The Corporation does not negotiate financial assets and derivative financial instruments for speculative purposes and does not trade options. The principal financial risks to which the Corporation is exposed are described below.

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

Credit risk relates to the risk that a party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Corporation to sustain a financial loss. The main risks relate to trade and other receivables and the loans and advances of the Corporation. The Corporation may also be exposed to credit risk from its cash and its foreign exchange forward contracts, which is managed by only dealing with reputable financial institutions.

To manage credit risk from trade and other receivables and loans and advances, the Corporation has mortgages on some movable and immovable property owned by the debtors as well as guarantees. It examines their financial stability on a regular basis. The Corporation records allowances for doubtful accounts, determined on a client-per-client basis, at the reporting date to account for potential losses. The Corporation considers that the credit quality of all its financial assets that are not impaired or overdue at the reporting date is good.

The aging of trade accounts receivable is as follows:

	Note	As at December 28, 2014	As at December 29, 2013
Current		\$ 161,373	\$ 155,031
Past due 0 - 30 days		38,735	38,650
Past due 31-120 days		19,979	22,473
Past due over 121 days		42,756	36,163
Trade receivables		<u>262,843</u>	<u>252,317</u>
Less: allowance for doubtful accounts		10,585	12,231
Balance, end of year	11	<u>\$ 252,258</u>	<u>\$ 240,086</u>

The allowance for doubtful accounts is mainly for customer accounts over 121 days past due.

The following table provides the change in allowance for doubtful accounts for trade receivables:

	As at December 28, 2014	As at December 29, 2013
Balance, beginning of year	\$ 12,231	\$ 14,748
Doubtful accounts expense	3,335	4,566
Write-offs	(4,981)	(7,083)
Balance, end of year	<u>\$ 10,585</u>	<u>\$ 12,231</u>

As at December 28, 2014, the maximum exposure to credit risk is \$293,662 (\$276,933 as at December 29, 2013) which represents the carrying amount of financial assets, including cash in the amount of \$16,942 (\$8,245 as at December 29, 2013). The doubtful accounts expense is recorded in selling, general and administrative expenses (Note 5.1).

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements and using various funding sources to ensure its financial flexibility. The Corporation prepares budget and cash forecasts to ensure that it has sufficient funds to fulfill its obligations. In recent years, the Corporation financed the growth of its capacity, increase in sales, working capital requirements and acquisitions primarily through cash flows from operations, a debenture issue and the use of its revolving credit facility on a regular basis.

The following tables present the undiscounted contractual maturities of the financial liability instalments payable when contractually due including interest payments, where applicable:

As at December 28, 2014	Total	Less than 1 year	Between 1 – 3 years	Between 3 – 5 years	More than 5 years
Bank loans	\$ 1,055	\$ 1,055	\$ -	\$ -	\$ -
Trade and other payables ^(a)	383,672	383,672	-	-	-
Dividends payable	2,265	2,265	-	-	-
Debentures	128,219	6,291	121,928	-	-
Revolving credit facility	65,231	-	65,231	-	-
Mortgage loans and balances of purchase prices	3,810	1,955	1,836	19	-
Obligations under finance leases	396	208	188	-	-
Derivative financial instruments	14	14	-	-	-
Total	<u>\$ 584,662</u>	<u>\$ 395,460</u>	<u>\$ 189,183</u>	<u>\$ 19</u>	<u>\$ -</u>

^(a) Includes trade accounts payable, accrued liabilities and certain payroll-related liabilities

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26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

As at December 29, 2013	Total	Less than 1 year	Between 1 – 3 years	Between 3 – 5 years	More than 5 years
Bank loans	\$ 2,533	\$ 2,533	\$ -	\$ -	\$ -
Trade and other payables ^(a)	343,169	343,169	-	-	-
Dividends payable	2,283	2,283	-	-	-
Debentures	134,511	6,291	128,220	-	-
Revolving credit facility	44,960	-	44,960	-	-
Mortgage loans and balances of purchase prices	11,056	8,204	1,544	138	1,170
Obligations under finance leases	604	236	334	34	-
Derivative financial instruments	1,941	1,941	-	-	-
Total	\$ 541,057	\$ 364,657	\$ 175,058	\$ 172	\$ 1,170

^(a) Includes trade accounts payable, accrued liabilities and certain payroll-related liabilities

EXCHANGE RISK AND FOREIGN CURRENCY SENSITIVITY

The Corporation is exposed to exchange risk as a result of its U.S. dollar purchases. To limit the impact of fluctuations of the Canadian dollar over the U.S. dollar on net income, the Corporation mainly uses foreign exchange forward contracts.

The following tables present the derivative financial instruments used to hedge exchange rate fluctuations with respect to future purchases denominated in foreign currencies:

					As at December 28, 2014
Instruments	Maturity		Currency	Average rate	Notional
Foreign exchange forward contracts	Up to June 2015	Buy/sell	USD/CAD	1.1230	88,500 USD
Foreign exchange currency swap	January 2015	Buy/sell	USD/CAD	1.1637	10,500 USD

					As at December 29, 2013
Instruments	Maturity		Currency	Average rate	Notional
Foreign exchange forward contracts	Up to June 2014	Buy/sell	USD/CAD	1.0520	77,100 USD
Foreign exchange forward contracts	January 2014	Sell/buy	EUR/USD	1.3466	9,591 USD
Foreign exchange currency swap	January 2014	Buy/sell	EUR/CAD	1.4633	7,110 EUR

Realized gains of \$1,367 (losses of \$3,062 in 2013) in respect of derivative financial instruments designated as cash flow hedges have been recognized in the consolidated statement of income on the same line as the hedged item, i.e. in the cost of sales.

On December 28, 2014, a 1% increase or decrease in the exchange rate of the Canadian dollar compared to the U.S. dollar, assuming that all other variables were constant, would not have a significant impact on net income, but would have resulted in a \$1,142 (\$819 as at December 29, 2013) increase or decrease in the consolidated statement of comprehensive income and equity.

INTEREST RATE RISK

In the normal course of business, the Corporation is exposed to interest rate fluctuation risk as a result of the floating-rate loans and debts receivable and loans payable. The Corporation manages its interest rate fluctuation exposure by allocating its financial debt between fixed and floating-rate instruments.

The carrying amount of these instruments is as follows:

	As at December 28, 2014	As at December 29, 2013
FIXED RATE INSTRUMENTS		
Financial liabilities	\$ 120,340	\$ 127,648
FLOATING RATE INSTRUMENTS		
Financial assets	\$ 26,891	\$ 20,450
Financial liabilities	66,535	47,795
Net financial liabilities	\$ 39,644	\$ 27,345

On December 28, 2014, a 25-basis-point increase or decrease in interest rates, assuming that all other variables were constant, would have resulted in a \$73 (\$50 as at December 29, 2013) decrease or increase in the net income and equity.

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27. POST-EMPLOYMENT BENEFITS

The Corporation has eight defined contribution plans (eight in 2013) and five defined benefit plans (five in 2013). The most significant defined benefit plans are primarily based on final salaries. The Corporation does not offer post-employment medical insurance.

DEFINED CONTRIBUTION PLANS

The total expense was \$8,332 for the year ended December 28, 2014 (\$12,804 in 2013) for defined contribution plans.

DEFINED BENEFIT PLANS

Actuarial valuations are performed on defined benefit plans for funding purposes every year or every three years.

The different defined benefit plans expose the Corporation to the following risks:

- Investment risk: the defined benefit obligations are calculated using a discount rate based on high quality investments. If the return on the plan assets is lower than this rate, it will create a plan deficit;
- Interest rate risk: a variation in high quality Canadian corporate bond rates will affect the value of the defined benefit obligations;
- Longevity risk: a greater improvement in life expectancy of plan participants than projected in the mortality tables used will increase the value of the defined benefit obligations;
- Inflation risk: the defined benefit obligations are calculated by reference to a certain level of inflation. Actual higher than expected inflation will increase the defined benefit obligations.

Combined information relating to the defined benefit plans is as follows:

	As at December 28, 2014	As at December 29, 2013
DEFINED BENEFIT OBLIGATIONS		
Balance, beginning of year	\$ 66,162	\$ 66,646
Current service cost	555	737
Contributions by plan participants	15	18
Finance costs	3,085	2,912
Benefits paid	(4,290)	(5,219)
Actuarial (gains) losses arising from:		
Experience adjustments	540	(551)
Change in demographic assumptions	(1,124)	4,195
Change in financial assumptions	6,968	(2,576)
Balance, end of year	\$ 71,911	\$ 66,162
PENSION PLAN ASSETS		
Fair value, beginning of year	\$ 63,789	\$ 60,255
Finance income	2,895	2,648
Return on plan assets (excluding amounts included in net finance costs)	2,918	4,216
Employer contributions	2,070	2,362
Contributions by plan participants	15	18
Administrative fees	(535)	(491)
Benefits paid	(4,290)	(5,219)
Fair value, end of year	\$ 66,862	\$ 63,789
Funding status – deficit	(5,049)	(2,373)
Impact of asset limit	(63)	(111)
Liability recognized for minimum funding requirements	(8,168)	(540)
Net defined benefit liability	\$ (13,280)	\$ (3,024)

The above amounts relate mainly to plans that are not fully funded.

The net defined benefit asset (liability) is presented as follows in the consolidated statement of financial position:

	<i>Notes</i>	As at December 28, 2014	As at December 29, 2013
Defined benefit asset included in other non-current assets	17	\$ 2,943	\$ 5,244
Defined benefit liability included in other non-current liabilities	20	(16,223)	(8,268)
Net defined benefit liability		\$ (13,280)	\$ (3,024)

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27. POST-EMPLOYMENT BENEFITS (continued)

DEFINED BENEFIT PLANS (continued)

Plan assets do not include financial instruments of the Corporation nor any asset occupied or in use by the Corporation. Plan assets are allocated to the following main investment categories:

	<u>As at December 28, 2014</u>	<u>As at December 29, 2013</u>
Bonds	35%	29%
Shares	41%	41%
Deposits in trust	17%	22%
Other	7%	8%
	<u>100%</u>	<u>100%</u>

The fair value of all securities held is directly based on market prices for the same instrument without adjustment or is determined using valuation techniques in which all significant inputs are based on observable market data.

AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME

Total defined benefit plan expense recognized in net income for the years ended December 28, 2014 and December 29, 2013 was as follows:

	<i>Note</i>	<u>2014</u>	<u>2013</u>
Current service cost		\$ 555	\$ 737
Administrative fees		535	491
Net finance costs		221	283
Defined benefit plans expense	5.3	<u>\$ 1,311</u>	<u>\$ 1,511</u>

REMEASUREMENTS OF NET DEFINED BENEFIT LIABILITY RECOGNIZED IN THE CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

The following amounts are included in items that will not be reclassified subsequently to net income:

	<i>Note</i>	<u>2014</u>	<u>2013</u>
Actuarial (losses) gains arising from:			
Experience adjustments		\$ (540)	\$ 551
Change in demographic assumptions		1,124	(4,195)
Change in financial assumptions		(6,968)	2,576
Return on plan assets (excluding amounts included in net finance costs)		2,918	4,216
Impact of asset limit		53	(111)
Impact of subsequent revaluation of liability in respect of minimum funding requirements		(7,602)	(97)
Total		<u>(11,015)</u>	<u>2,940</u>
Deferred tax recovery (expense)	7	2,928	(810)
Remeasurements of net defined benefit liability		<u>\$ (8,087)</u>	<u>\$ 2,130</u>

For the year ended December 28, 2014, the weighted average discount rate used in measuring the defined benefit obligations was 4.00% (4.75% in 2013). Mortality assumptions are based on statistics and mortality tables published in Canada, i.e. the CPM 2014 private sector mortality table (RRA 2014 combined in 2013). The weighted average duration of the defined benefit plan obligations at the end of the reporting period is 14.2 years (15.3 years in 2013).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and mortality assumptions. The sensitivity analysis below were determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- As at December 28, 2014, if the discount rate is 100 basis points higher (lower), the defined benefit obligations would decrease by \$9,072 (increase by \$11,197). As at December 29, 2013, for a similar change in discount rate, the defined benefit obligations would decrease by \$9,087 (increase by \$11,227);
- As at December 28, 2014, if the mortality rate is 10% higher (lower), the defined benefit obligations would decrease by \$1,061 (increase by \$1,157). As at December 29, 2013, for a similar change in mortality rate, the defined benefit obligations would decrease by \$898 (increase by \$968).

The sensitivity analysis above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Corporation's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary.

Based on historical data, the Corporation expects contributions of \$2,582 to be paid in 2015.

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28. INFORMATION ON EQUITY-ACCOUNTED INVESTEES

The Corporation's main equity-accounted investees are listed below:

	Country	Relationship	As at December 28, 2014	As at December 29, 2013
BUSINESSES IN RETAIL SECTOR				
Northumberland Building Materials Ltd.	Canada	Joint venture	49.90%	49.90%
9065-9129 Québec inc.	Canada	Joint venture	49.00%	49.00%
9051-5107 Québec inc.	Canada	Joint venture	42.10%	42.10%
9171-4220 Québec inc.	Canada	Joint venture	20.00%	20.00%
BUYING GROUP				
A.R.E.N.A. sas ^(a)	France	Associate	n/a	13.00%

^(a) During the year ended December 28, 2014, the investment in A.R.E.N.A sas was disposed of.

The Corporation's share in the income, cash flows, assets and liabilities relating to its interests in equity-accounted investees is as follows:

	Note	2014	2013
STATEMENTS OF INCOME			
Revenues		\$ 33,432	\$ 37,518
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets and other charges		1,828	3,196
Net income	5.1	865	1,599

	2014	2013
STATEMENTS OF CASH FLOW		
Cash flows from operating activities	\$ 986	\$ 1,009
Cash flows used for investing activities	(46)	(1,391)
Cash flows used for financing activities	(656)	(890)

	As at December 28, 2014	As at December 29, 2013
STATEMENTS OF FINANCIAL POSITION		
ASSETS		
Current assets	\$ 8,142	\$ 13,107
Non-current assets	14,059	14,600
Total assets	22,151	27,707
LIABILITIES		
Current liabilities	4,686	6,696
Non-current liabilities	5,195	5,612
Total liabilities	\$ 9,881	\$ 12,308

Reconciliation of the summarized financial information presented to the carrying amount of its interest in equity-accounted investees is as follows:

	2014	2013
Net assets, beginning of year	\$ 58,554	\$ 60,309
Net income	2,679	9,587
Dividends	(4,943)	(14,071)
Other comprehensive income	-	2,729
Disposal of an associate	(22,747)	-
Net assets, end of year	\$ 33,543	\$ 58,554
Interest in equity-accounted investees	\$ 12,619	\$ 15,615
Goodwill	216	216
Carrying amount	\$ 12,403	\$ 15,399

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29. SEGMENT INFORMATION FROM CONTINUING OPERATIONS

Notes	2014			2013		
	Retail	Distribution	Total	Retail	Distribution	Total
Segment revenues	\$ 2,926,177	\$ 2,387,586	\$ 5,313,763	\$ 3,003,669	\$ 2,353,169	\$ 5,356,838
Intersegment revenues and royalties	10,619	1,206,789	1,217,408	14,646	1,150,000	1,164,646
Revenues from external customers	2,915,558	1,180,797	4,096,355	2,989,023	1,203,169	4,192,192
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges	188,920	46,453	235,373	130,974	31,114	162,088
Restructuring costs and other charges	5.4	23,697	-	23,697	78,501	4,378
Earnings before interest, taxes, depreciation, amortization and impairment of non-financial assets	165,223	46,453	211,676	52,473	26,736	79,209
Depreciation, amortization and impairment of non-financial assets	5.2		91,042			113,850
Operating income (loss)			120,634			(34,641)
Finance costs	26		16,238			14,000
Income (loss) before income taxes			\$ 104,396			\$ (48,641)

REVISION TO THE ALLOCATION OF CERTAIN INTERSEGMENT COSTS

In the first quarter of 2014, following important changes that affected the Corporation during 2013, notably the restructuring initiatives and the sale of the commercial and professional market division in October 2013, the Corporation reviewed the allocation of the cost of sales and administrative expenses between the two operating segments, retail and distribution. The new allocation results in an improved assessment of the financial performance of the Corporation's two operating segments.

The segmented results were therefore reviewed to take into account the growing impact of the retail segment on the procurement conditions of the entire Corporation and to take into account a slightly modified allocation basis for administrative expenses.

For comparative purposes, this revised allocation between the two operating segments was also reflected in the results of the year ended December 29, 2013 as follows:

	Retail	Distribution	Total
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges			
As reported	\$ 97,227	\$ 64,861	\$ 162,088
Allocation	33,747	(33,747)	-
Restated	\$ 130,974	\$ 31,114	\$ 162,088
Restructuring costs and other charges			
As reported	\$ 79,231	\$ 3,648	\$ 82,879
Allocation	(730)	730	-
Restated	\$ 78,501	\$ 4,378	\$ 82,879
Earnings before interest, taxes, depreciation, amortization, impairment of non-financial assets			
As reported	\$ 17,996	\$ 61,213	\$ 79,209
Allocation	34,477	(34,477)	-
Restated	\$ 52,473	\$ 26,736	\$ 79,209

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30. NET INCOME (LOSS) PER SHARE

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

	2014	2013
Net income (loss) from continuing operations attributable to owners of RONA inc.	\$ 74,450	\$ (36,614)
Dividends on preferred shares, including income taxes	(9,267)	(9,288)
Net income (loss) from continuing operations attributable to participating shares	65,183	(45,902)
Net income (loss) from discontinued operations	1,360	(117,417)
Net income (loss) attributable to participating shares	\$ 66,543	\$ (163,319)
Number of shares (in units):		
Weighted average number of shares used to compute basic net income (loss) per share attributable to owners of RONA inc.	118,384,116	121,779,137
Dilutive effect ^(a)	80,874	-
Weighted average number of shares used to compute diluted net income (loss) per share attributable to owners of RONA inc.	118,464,990	121,779,137
Basic and diluted net income (loss) per share attributable to owners of RONA inc.		
Continuing operations	\$ 0.55	\$ (0.38)
Discontinued operations	0.01	(0.96)
	\$ 0.56	\$ (1.34)

^(a) As at December 28, 2014, 809,835 stock options (1,561,360 options in 2013) were excluded from the calculation of diluted net income per share attributable to the owners of RONA inc. since these options have an antidilutive effect.

31. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management of the Corporation are the members of the Board of Directors and of the Executive Committee. For the years ended December 28, 2014 and December 29, 2013, their compensation included the following:

	2014	2013
Short-term employee benefits	\$ 4,893	\$ 3,727
Post-employment benefits	923	623
Share-based payments	10,013	5,473
Severance	-	426
	\$ 15,829	\$ 10,249

Short-term employee benefits consist of a lump-sum cash payment, directors' fees and fees for Board of Directors members. The remuneration of the members of the Executive Committee consists primarily of a salary and a short-term incentive bonus based on corporate objectives and individual performance measurements. The members of the Executive Committee are also entitled to various indirect benefits, such as automobile allowance, health care and financial planning services.

The pension plan for members of the Executive Committee consists of a basic defined contribution plan and a complementary defined benefit plan. Amounts accrue annually in the basic plan up to the maximum amount authorized by the tax authorities. Retirement income for the members of the Executive Committee under the basic plan, in combination with the complementary plan, should be equivalent to 18% of the annual salary and short-term incentive bonus in a given year plus an annual yield. The complementary plan provides for vesting of the employer's contribution over ten years for certain officers and non-competition restrictions.

Share-based payments consist of the stock option plan, the RSUs, PSUs and DSUs described in Note 24.

TRANSACTIONS WITH SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEEES

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 equity-accounted investees, that are related parties that were not eliminated in consolidation, are summarized below:

	2014	2013
STATEMENTS OF INCOME		
Sales of goods	\$ 64,481	\$ 62,691
Volume rebates	678	4,528
Rent income	2,087	2,098
	As at December 28, 2014	As at December 29, 2013
STATEMENTS OF FINANCIAL POSITION		
Trade and other receivables	\$ 5,623	\$ 4,535

RONA inc.

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31. RELATED PARTY TRANSACTIONS (continued)

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

The Corporation's main subsidiaries, which are all Canadian, with ownership and voting rights held, are listed below:

	As at December 28, 2014	As at December 29, 2013
220 Real Estate Limited Partnership	100%	100%
RONA Revy inc. ^(a)	n/a	100%
4536631 Canada inc. ^(a)	n/a	100%

^(a) In the year ended December 28, 2014, RONA Revy inc. and 4536631 Canada inc. were merged with RONA inc.