RONA

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER OF 2012

13-week and 26-week periods ended June 24, 2012

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. The Corporation operates a network of close to 800 corporate, franchise and affiliate stores of various sizes and formats under several banners, and a network of 14 hardware and construction materials distribution centres which are flexible and perfectly adapted to the diverse needs of its clientele. RONA is also a leader in the specialized plumbing and HVAC market, primarily serving commercial and professional customers with a network of close to 60 sales outlets and four distribution centres across the country.

In total, RONA supplies nearly 1,500 sales outlets, of which more than 830 are under one of its banners, as well as close to 600 clients, independent dealers, in its distribution network. With nearly 30,000 employees working under its family of banners in every region of Canada, the RONA store network generates consolidated sales of $4.8 billion and over $6 billion taking into account the total impact of the retail sales of franchise dealers, affiliates and other independent dealers who buy their supplies at RONA. For more information, please visit rona.ca.

RONA's sales include:

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

FINANCIAL STATEMENTS

This *Management's Discussion and Analysis* should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and related notes for the 13-week and 26-week periods ending June 24, 2012. These interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). The monetary amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated. RONA has filed its consolidated financial statements with the Canadian Securities Administrators and they can be viewed online at www.sedar.com or on RONA's website at www.rona.ca.

NON-GAAP PERFORMANCE MEASURES

In this report, as in its internal management, RONA uses the concept of "earnings before interest, taxes, depreciation, amortization and non-controlling interests" (EBITDA). RONA also uses the concept of "adjusted gross margin," which corresponds to revenues less the cost of goods sold, plus adjustments for network support.

While EBITDA does not have a definition that is standardized by IFRS, it is widely used in our industry and in financial circles to measure the profitability of operations, excluding tax considerations and the cost and use of capital. Adjusted gross margin is used by RONA's management to analyze the profitability of our network, after adjustments for network support. Given that these measures are not standardized, EBITDA and adjusted gross margin cannot be compared from one company to the next. Still, we establish them in the same way for each of the segments identified, and, unless expressly mentioned, our method does not change over time. EBITDA and adjusted gross margin must not be considered separately or as a substitute for other performance measures calculated according to IFRS, but rather as additional information.

The following table shows the reconciliation of these two measures to IFRS:

Reconciliation of non-GAAP measures

(Unaudited, in thousands of dollars, except margins in %)	Quarters ended June 24, 2012	Quarters ended June 26, 2011	$ change from 2011	% change from 2011
Revenues	1,417,137	1,370,046	47,091	3.4%
Cost of sales	(1,039,566)	(989,779)	(49,787)	(5.0%)
Gross profit	377,571	380,267	(2,696)	(0.7%)
Gross margin (gross profit/revenues)	26.64%	27.76%	-	- 112 b.p.
Adjustments for network support[1]	32,079	31,074	1,005	3.2%
Adjusted gross profit	409,650	411,341	(1,691)	(0.4%)
Adjusted gross margin (adjusted gross profit/revenues)	28.91%	30.02%	-	- 111 b.p.
Adjusted gross profit (excluding unusual items)	415,218	411,341	3,877	0.9%
Adjusted gross margin (adjusted gross profit/revenues) (excluding unusual items)	29.30%	30.02%	-	- 72 b.p.
Adjusted selling, general and administrative expenses	(323,070)	(321,454)	(1,616)	(0.5%)
Adjusted selling, general and administrative expenses (excluding unusual items)	(320,638)	(321,454)	816	0.3%
Rent	38,854	40,236	(1,382)	(3.4%)
EBITDA before rent	125,434	130,123	(4,689)	(3.6%)
EBITDA before rent (excluding unusual items)	133,434	130,123	3,311	2.5%
EBITDA margin before rent (EBITDA before rent/revenues)	8.85%	9.50%	-	- 65 b.p.
EBITDA margin before rent (EBITDA before rent/revenues, excluding unusual items)	9.42%	9.50%	-	-8 b.p.
EBITDA	86,580	89,887	(3,307)	(3.7%)
EBITDA (excluding unusual items)	94,580	89,887	4,693	5.2%
EBITDA margin (EBITDA/revenues)	6.11%	6.56%	-	- 45 b.p.
EBITDA margin (EBITDA/revenues, excluding unusual items)	6.67%	6.56%	-	11 b.p.
Finance income	(1,369)	(1,340)	(29)	(2.2%)
Amortization, depreciation and impairment of non-financial assets	(29,122)	(26,062)	(3,060)	(11.7%)
Amortization, depreciation and impairment of non-financial assets (excluding unusual items)	(24,136)	(26,062)	1,926	7.4%
Operating profit	56,089	62,485	(6,396)	(10.2%)
Operating profit (excluding unusual items)	69,075	62,485	6,590	10.5%

[1] Corresponds to other costs incurred in bringing the inventory to its present location and condition.

Reconciliation of non-GAAP measures

(Unaudited, in thousands of dollars, except margins in %)	Six months ended June 24, 2012	June 26, 2011	$ change from 2011	% change from 2011
Revenues	2,352,071	2,288,257	63,814	2.8%
Cost of sales	(1,707,286)	(1,641,866)	(65,420)	(4.0%)
Gross profit	644,785	646,391	(1,606)	(0.2%)
Gross margin (gross profit/revenues)	27.41%	28.25%	-	-84 b.p.
Adjustments for network support[1]	51,444	50,216	1,228	2.4%
Adjusted gross profit	696,229	696,607	(378)	(0.1%)
Adjusted gross margin (adjusted gross profit/revenues)	29.60%	30.44%	-	-84 b.p.
Adjusted gross profit (excluding unusual items)	701,797	696,607	5,190	0.7%
Adjusted gross margin (adjusted gross profit/revenues) (excluding unusual items)	29.84%	30.44%	-	-60 b.p.
Adjusted selling, general and administrative expenses	(598,536)	(598,657)	121	0.0%
Adjusted selling, general and administrative expenses (excluding unusual items)	(596,104)	(598,657)	2,553	0.4%
Rent	79,364	81,816	(2,452)	(3.0%)
EBITDA before rent	177,057	179,766	(2,709)	(1.5%)
EBITDA before rent (excluding unusual items)	185,057	179,766	5,291	2.9%
EBITDA margin before rent (EBITDA before rent/revenues)	7.53%	7.86%	-	-33 b.p.
EBITDA margin before rent (EBITDA before rent/revenues, excluding unusual items)	7.87%	7.86%	-	1 b.p.
EBITDA	97,693	97,950	(257)	(0.3%)
EBITDA (excluding unusual items)	105,693	97,950	7,743	7.9%
EBITDA margin (EBITDA/revenues)	4.15%	4.28%	-	-13 b.p.
EBITDA margin (EBITDA/revenues, excluding unusual items)	4.49%	4.28%	-	21 b.p.
Finance income	(2,473)	(2,711)	238	8.8%
Amortization, depreciation and impairment of non-financial assets	(52,528)	(52,359)	(169)	(0.3%)
Amortization, depreciation and impairment of non-financial assets (excluding unusual items)	(47,542)	(52,359)	4,817	9.2%
Operating profit	42,692	42,880	(188)	(0.4%)
Operating profit (excluding unusual items)	55,678	42,880	12,798	29.8%

[1] Corresponds to other costs incurred in bringing the inventory to its present location and condition.

FISCAL YEAR

RONA's fiscal year ends on the last Sunday of each year and usually has 52 weeks. For interim disclosure purposes, quarters end on the last Sunday of March, June, September and December respectively, and have 13 weeks. The fiscal year ended December 25, 2011, had 52 weeks of operations, while the year ending December 30, 2012 will have 53 weeks.

UPDATE ON THE CORPORATION'S STRATEGIC ORIENTATION

As announced in February 2012, the theme of RONA's 2012 business plan is *New Realities, New Solutions*. It acknowledges the need to adapt the offering in our industry to the new expectations and to changes in the behaviour of many consumers. For a number of years RONA has foreseen the emergence in the market of proximity stores that meet the demands of consumers who want a higher level of service. RONA pioneered in this area by reinventing the proximity store in the early 2000s, and these stores have been a great success.

This new plan capitalizes on our ongoing research into consumer expectations and behaviours, as well as our continual experimentation with new store formats and new retail sales approaches.

See the next page for a table summarizing the main initiatives carried out to date.

New Realities, New Solutions Plan Update – as of August 8, 2012	
1. Set up new integrated digital platform	• Launch of the website rona.ca, consumers and businesses • Marked increase in online sales to an average basket of more than $200 • Strong growth in traffic on the RONA digital platforms: rona.ca, online flyer, coupons.rona.ca, ronamag, Facebook, YouTube, etc. • More than 1.2 million subscribers to the RONA email newsletter • Launch of integrated pre-Olympic and Olympic advertising campaign on multiple platforms • Launch of new RONA mobile app in early August
2. Redeployment of sales volume to proximity and satellite stores in close to 20% of the corporate-store network	• Redeployment of the sales volume, in phases, of five of the ten big-box stores slated for closure in 2012: the stores in the Brampton, Mississauga and Whitby, in Ontario, and Calgary North and Edmonton West, in Alberta. • Ongoing consolidation of the sales volume from our conventional store in Peterborough, Ontario, with that of the existing Millwork store recruited in this area. • 9 prime sites being negotiated, 3 sites secured and 3 leases signed for the redeployment of sales volume from big-box stores to proximity and satellite stores. • June opening of a satellite store in the community of Douglasdale, southeast of Calgary, Alberta. • Early August opening of first new-concept proximity store in Edmonton West, Alberta. • Expansion of satellite store in Georgetown, Ontario, from 4,800 square feet to 7,100 square feet, just one year after it opened.
3. Further development of the commercial and professional segment	• Optimized recent investments: acquisitions of Don Park, MPH and Décoration 25 (20 outlets in total), addition of five outlets, 175,000-square-foot expansion of the Concord distribution centre in Ontario, and 23,000-square-foot expansion of the Montreal distribution centre, in Quebec. • New outlets will be opened in coming quarters. • Changed the management and operating structure and implemented an efficiency improvement plan.
Anticipated annual recurring benefit of $10 million in 2012, $30 million in 2013 and $40 million in 2014	• Excellently positioned to achieve anticipated annual benefits of $10 million in 2012, $30 million in 2013 and more than $40 million in 2014
Planned investment of $70 million in property, plant and equipment, financed from the sale of non-strategic assets	• $1.5 million invested in property, plant and equipment in the second quarter • Sale of $9.4 million in non-strategic assets in the second quarter
Planned restructuring costs of $110 million related to redeployment of the sales volume in 20% of the corporate-store network, as announced when 2011 year-end results were released	• $13 million recognized since the plan was implemented last February

Note that in addition to positioning RONA in the forefront of its industry, the *New Realities, New Solutions* plan was designed to address the three main financial priorities announced by the Corporation in the third quarter of 2011: to improve efficiency, optimize capital structure and increase return on capital. The plan will provide important leverage in improving return on capital, as it will generate an estimated annualized contribution to EBITDA of $10 million starting in the fourth quarter 2012, more than $30 million for fiscal 2013, and will achieve its full potential of more than $40 million starting in 2014. The plan also calls for limited investment of close to $70 million over two years, which will be financed by selling non-core assets. These projects meet RONA's investment criteria. They will generate an internal rate of return of close to 20% and will significantly contribute to the improvement of RONA's consolidated return on capital toward the targeted medium-term objective of more than 10%.

As shown in the summary table below, RONA's quarterly results were in line with the announced financial priorities.

Q2-2012 Achievements vs 2012 Financial Priorities (excluding unusual items)		
Financial Priorities	Q2-2012 Achievements	In Line with Priorities
1. Improve efficiency		
Improve same-store sales in the RONA network	+1%	✓
Increase adjusted gross margin in dollars	↑ $3.9 M	✓
Reduce selling and administration expenses for comparable operations	↓ $6.2 M or 1.9%	✓
Increase EBITDA margin	↑ 11 b.p. (6.67% vs 6.56%)	✓
2. Optimize capital structure		
Sell non-strategic assets	$9.4 M	✓
Investments in property plant & equipment (excluding investments related to the *New Realities, New Solutions* plan) = amortization and depreciation	$24.2 M vs $24.1 M	✓
Optimize working capital (reduction in comparable inventories)	↑ $6M	×
Repurchase common shares	1.8 M or $17.9 M	✓
3. Increase return on capital		
Increase after-tax operating income (EBIT) (past 4 quarters)	↑ $4.8 M or 3.9% vs Q1-2012	✓
Disciplined capital management (average of past 5 quarters) (1)	↓ $25.4 M or 1.1% vs Q1-2012	✓
Increase average return on capital (past 4 quarters), excluding unusual items (2)	5.4% vs 5.1% at the end of Q1-2012	✓

(1) Capital equals net working capital plus property, plant and equipment and intangible assets plus non-current assets held for sale plus goodwill plus current projects plus other financial and non-current assets plus deferred income tax assets minus other non-current liabilities minus deferred tax liabilities.
(2) Average return on capital equals after-tax EBIT, excluding unusual items/average capital.

ANALYSIS OF CONSOLIDATED RESULTS FOR SECOND QUARTER 2012

The results analyzed in this section are for the 13-week period ended June 24, 2012 and, when compared, are compared to the results for the 13-week period ended June 26, 2011, unless otherwise indicated.

RONA has two reportable segments: (1) distribution and (2) retail and commercial.

The retail and commercial segment groups RONA's corporate and franchised stores ("Retail"), and its Commercial and Professional Market division ("Commercial").

The table below summarizes the Corporation's segment results.

Key segment figures	Quarters ended			
(in thousands of dollars)	June 24, 2012	June 26, 2011	$ change from 2011	% change from 2011
Segment revenues				
Retail and commercial	1,061,150	1,046,227	14,923	1.4%
Distribution	718,888	674,219	44,669	6.6%
Total	1,780,038	1,720,446	59,592	3.5%
Intersegment revenues and royalties				
Retail and commercial	(4,977)	(8,308)	3,331	(40.1%)
Distribution	(357,924)	(342,092)	(15,832)	(4.6%)
Total	(362,901)	(350,400)	(12,501)	(3.6%)
Revenues				
Retail and commercial	1,056,173	1,037,919	18,254	1.8%
Distribution	360,964	332,127	28,837	8.7%
Total	1,417,137	1,370,046	47,091	3.4%
EBITDA (before unusual items)				
Retail and commercial	73,823	74,046	(223)	(0.3%)
Distribution	20,757	15,841	4,916	31.0%
Total	94,580	89,887	4,693	5.2%
EBITDA margin (before unusual items)				
Retail and commercial	6.99%	7.13%	-	- 14 p.b.
Distribution	5.75%	4.77%	-	98 p.b.
Total	6.67%	6.56%	-	11 p.b.
EBITDA				
Retail and commercial	65,823	74,046	(8,223)	(11.1%)
Distribution	20,757	15,841	4,916	31.0%
Total	86,580	89,887	(3,307)	(3.7%)
EBITDA margin				
Retail and commercial	6.23%	7.13%	-	- 90 p.b.
Distribution	5.75%	4.77%	-	98 p.b.
Total	6.11%	6.56%	-	- 45 p.b.

Revenues

Consolidated revenues for second quarter 2012 rose to $1,417.1 million, up $47.1 million, or 3.4%, over the corresponding quarter in 2011. The increase stems from a 10.5% increase in sales in the Commercial and Professional Market Division, new store openings, the recruiting of new dealer-owners and higher same-store sales in the RONA network, particularly in distribution sales to affiliate dealers.

Same-store sales

To better represent the performance of the RONA network as a whole, the concept of same-store sales was revised during the quarter and now includes same-store distribution sales to RONA affiliate dealer-owners, who account for more than 25% of total sales. Note that same-store sales for the past nine quarters have been restated in *Management's Discussion and Analysis* for the second quarter. Same-store sales for the RONA network as a whole (retail, commercial and distribution) thus grew 1% in the second quarter. This increase is due to an 11.4% increase in same-store distribution sales to affiliate dealers. Same-store sales in the retail and commercial segment were down 0.9% due to the mix of products sold and the more cautious approach by Canadian consumers as of the end of May.

EBITDA

In the second quarter, EBITDA before unusual items rose to $94.6 million, compared to $89.9 million in the second quarter of 2011, an increase of $4.7 million, or 5.2%. The growth in EBITDA before unusual items stems mainly from higher sales volume and lower same-store selling and administration expense, which decreased due to the efficiency improvement measures put in place as of the second quarter of 2011.

The increase in EBITDA would have been higher were it not for the temporary rise of close to $6 million in operating costs in the Commercial and Professional Market Division due to network expansion for which sales have not yet been fully generated. A major efficiency improvement plan has been implemented in this division to quickly reduce operating costs to a level consistent with the division's historical performance.

EBITDA margin before unusual items rose by 11 basis points, from 6.56% in the second quarter of 2011 to 6.67% in 2012. Excluding the adverse impact of the Commercial and Professional Market Division on EBITDA, the EBITDA margin improved by 54 basis points. Still excluding this adverse impact, EBITDA margin for the retail and commercial sector increased by 43 basis points. EBITDA margin for the distribution segment rose by 98 basis points.

EBITDA after unusual items amounted to $86.6 million compared to $89.9 million in 2011. EBITDA margin after unusual items rose from 6.56% in the second quarter of 2011 to 6.11% in 2012.

Unusual items

Unusual items totalling $13 million were recognized during the quarter under the program to redeploy sales volume from the big-box store network to proximity and satellite stores, as announced upon release of fiscal 2011 year-end results. A portion of the unusual items, $8 million, represents the expenses incurred to close stores and sell off goods and was recognized in gross margin and the Corporation's selling and administration expense. The remaining $5 million represents an impairment charge for non-financial assets and was recognized in depreciation, amortization and impairment of non-financial assets. The total net after-tax amount for these items was $9.5 million.

Interest, amortization, depreciation and impairment

Interest expense on long-term debt and bank loans was down $1.6 million, or 23.5%, for the quarter. The decrease is due to the interest savings generated by the $283 million debenture repurchase at the end of 2011, and to strict management of the balance sheet and spending on property, plant and equipment, partially offset by greater use of credit facilities versus the corresponding quarter of 2011. Amortization and depreciation expenses before unusual items were also down for the quarter, from $26.1 million to $24.1 million, a reduction of $2.0 million, or 7.4%, stemming from a significant reduction in capital investments in 2011 and the first half of 2012 as well as the asset write-downs at the end of fiscal 2011. As mentioned above, an amount of $5 million representing an impairment charge for non-financial assets was recognized in depreciation, amortization and impairment of non-financial assets. Including this amount, amortization and depreciation expense rose from $24.1 million to $29.1 million.

Net earnings

Given the improvement in EBITDA and the decrease in amortization, depreciation and financial expense, net earnings before unusual items attributable to participating shares, after the dividend on preferred shares, rose $6.6 million or 17.7%, from $37.0 million to $43.6 million. Earnings per share before unusual items rose 28.6%, from $0.28 to $0.36.

After recognition of unusual items totalling $9.5 million after tax, net earnings attributable to participating shares after the dividend on preferred shares declined from $37.0 million to $34.1 million. Earnings per share remained stable at $0.28. Note that the average number of shares outstanding used to calculate net earnings per share decreased from 130.3 million shares in second quarter 2011 to 122.3 million shares in second quarter 2012 following the share repurchases made under the share repurchase in the normal course of business plan put in place by the Corporation in November 2011.

CONSOLIDATED RESULTS FOR THE FIRST SIX MONTHS OF 2012

The results analyzed in this section are for the 26-week period ending June 24, 2012 and, when compared, are compared to the results for the 26-week period ending June 26, 2011, unless otherwise indicated.

The table below summarizes the Corporation's segment results.

Key segment figures	Six months ended			
(in thousands of dollars)	June 24, 2012	June 26, 2011	$ change from 2011	% change from 2011
Segment revenues				
Retail and commercial	1,737,238	1,708,837	28,401	1.7%
Distribution	1,265,614	1,211,232	54,382	4.5%
Total	3,002,852	2,920,069	82,783	2.8%
Intersegment revenues and royalties				
Retail and commercial	(8,424)	(13,630)	5,206	(38.2%)
Distribution	(642,357)	(618,182)	(24,175)	(3.9%)
Total	(650,781)	(631,812)	(18,969)	(3.0%)
Revenues				
Retail and commercial	1,728,814	1,695,207	33,607	2.0%
Distribution	623,257	593,050	30,207	5.1%
Total	2,352,071	2,288,257	63,814	2.8%
EBITDA (before unusual items)				
Retail and commercial	69,229	69,389	(160)	(0.2%)
Distribution	36,464	28,561	7,903	27.7%
Total	105,693	97,950	7,743	7.9%
EBITDA margin (before unusual items)				
Retail and commercial	4.00%	4.09%	-	- 9 p.b.
Distribution	5.85%	4.82%	-	103 p.b.
Total	4.49%	4.28%	-	21 p.b.
EBITDA				
Retail and commercial	61,229	69,389	(8,160)	(11.8%)
Distribution	36,464	28,561	7,903	27.7%
Total	97,693	97,950	(257)	(0.3%)
EBITDA margin				
Retail and commercial	3.54%	4,09%	-	- 55 p.b.
Distribution	5.85%	4,82%	-	103 p.b.
Total	4.15%	4,28%	-	- 13 p.b.

Revenues

Consolidated revenues for the first half of 2012 rose to $2,352.1 million, up $63.8 million or 2.8%, over the corresponding half in 2011. The increase is due to the 7.8% increase in sales in the Commercial and Professional Market Division, the opening of new stores, the recruiting of new RONA dealers, an increase in same-store sales in the RONA network, particularly distribution sales to affiliate dealers.

Same-store sales

Same-store sales for the RONA network as a whole (retail, commercial and distribution) grew 0.4% in the first half. This performance is due to a 7.3% increase in same-store distribution sales to affiliate dealers. Same-store sales in the retail and commercial segment were down 0.9% due to the negative impact of the mix of products sold and the more cautious approach by Canadian consumers as of the end of May.

EBITDA

In the first half of 2012, EBITDA before unusual items rose to $105.7 million, compared to $98.0 million in the first half of 2011, an increase of $7.7 million, or 7.9%. EBITDA margin before unusual items grew 21 basis points, from 4.28% in the first half of 2011 to 4.49% in 2012, despite an increase of only 0.4% in same-store sales during the period. Growth in EBITDA stems mainly from the efficiency improvement measures introduced in the second quarter de 2011, to a decrease in lease expense for temporary warehousing sites and shipping costs in the distribution segment, as well as the opening of new corporate stores, particularly the proximity stores, which quickly achieved the expected level of performance. Note that the EBITDA margin would have risen by 68 basis points, were it not for the additional operating costs of close to $11 million in major investments in the Commercial and Professional Market Division for which sales have not yet been fully generated. Excluding this item, EBITDA margin for the retail and commercial segment rose by 55 basis points. The distribution segment increased its EBITDA margin by 103 basis points.

After unusual items, EBITDA in the first half was down slightly, from $98.0 million in 2011 to $97.7 million in 2012. EBITDA margin was down 13 basis points, from 4.28% in 2011 to 4.15% in 2012.

Interest, amortization, depreciation and impairment

Interest expense on long-term debt and bank loans was down $3.4 million, or 26.2% in the first half. The decrease is due to interest savings generated by the $283 million debenture repurchase at the end of 2011, and to strict management of the balance sheet and spending on property, plant and equipment, partially offset by greater use of credit facilities compared to 2011. Amortization and depreciation expense before unusual items were down for the first half, from $52.4 million in 2011 to $47.5 million in 2012. As mentioned above, an amount of $5 million representing an impairment charge for non-financial assets was recognized in depreciation, amortization and impairment of non-financial assets in the second quarter. Including this amount, amortization and depreciation expense rose from $47.5 million to $52.5 million.

Net earnings

Given the improvement in EBITDA and the decrease in financial expense, net earnings before unusual items attributable to participating shares, after the dividend on preferred shares, rose $10.9 million or 55.9%, from $19.5 million in 2011 to $30.3 million in 2012. Earnings per share before unusual items rose 60%, from $0.15 to $0.24. After recognition of unusual items totalling $9.5 million after tax, net earnings attributable to participating shares after the dividend on preferred shares rose from $19.5 million to $20.8 million. Earnings per share rose from $0.15 to $0.17. Note that the average number of shares outstanding used to calculate net earnings per share decreased from 130.2 million shares in the first half of 2011 to 124.4 million shares in the first half of 2012, following the share repurchases made under the share repurchase in the normal course of business plan put in place by the Corporation in November 2011.

CASH FLOWS AND FINANCIAL POSITION FOR SECOND QUARTER 2012

For the second quarter of 2012, cash flows from operating activities before net change in working capital, interest received and income taxes paid was $80.0 million compared to $81.4 million in 2011. The net change in working capital was a negative $30.0 million in 2012, compared to a positive change of $134.1 million in 2011. This significant variation is due to changes in the product mix as well as higher inventories of certain products in order to take advantage of particularly attractive purchase conditions. The latter item should have a positive impact on sales and the Corporation's gross margin in coming months. After the net change in working capital, interest received and income taxes paid, operating activities thus generated $39.2 million in 2012, compared to $210.6 million for the same period in 2011.

The Corporation continued to exercise disciplined financial management and strictly monitored investments in property, plant and equipment. For the second quarter of 2012, RONA invested $25.7 million in property, plant and equipment and intangible assets, which was $1.2 million, or 4.6%, less than in 2011. This amount includes $1.5 million to redeploy sales volume, as indicated in the *New Realities, New Solutions* plan. These investments were used to expand operations in the Commercial and Professional Market Division, to upgrade its computer systems in order to augment operational efficiency and for major maintenance work. Note that the level of investment in property, plant and equipment and intangible assets -- excluding investments related to the *New Realities, New Solutions* plan, which will be financed through the sale of surplus assets -- remains similar to amortization and depreciation expense before unusual items, which amounted to $24.1 million in the second quarter of 2012.

In fiscal 2011 and the first half of 2012, RONA took a number of steps to optimize its capital structure. Also, in November 2011, the Corporation set up a program to repurchase, in the normal course of its activities between November 11, 2011 and November 10, 2012, up to 11,016,854 common shares, representing 10% of its 110,168,541 public float or 8.4% of its 130,520,489 common shares issued and outstanding on October 31, 2011. Shareholders may obtain, free of charge, copies of the repurchase documents filed with the Toronto Stock Exchange by writing to RONA's secretary. In the second quarter of 2012, RONA repurchased 1.8 million shares at an average price of $10.06 per share for a total of $17.9 million. Since the repurchase program was instituted in November 2011, the Corporation has bought back 10.4 million shares at an average price of $9.47 per share for a total of $98.5 million at August 8, 2012. These shares were cancelled.

RONA's balance sheet remains strong. On June 24, 2012, the Corporation's total debt was $467.2 million compared to $261.6 million at June 26, 2011. The ratio of total net debt to capital was 19.7%, compared to 11.1% in 2011. The ratio of total debt to EBITDA (past 12 months), excluding unusual items, was 1.7 at June 24, 2012 compared to 1.5 in 2011.

The table below presents a synopsis of the Corporation's contractual obligations as at June 24, 2012, including off-balance-sheet operating lease agreements used in the normal course of business. The Corporation has also concluded other off-balance-sheet arrangements (such as inventory buyback agreements and guaranteed bank loans), which do not appear in the table. The Corporation has guaranteed a bank loan amounting to $1.2 million. The loan has an indefinite term and no assets have been given as security. Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories to a maximum of $42.9 million. In the event of recourse, this inventory would be sold in the normal course of the Corporation's operations. These agreements have undetermined periods but may be cancelled by the Corporation on 30 days' notice. In the opinion of Management, the likelihood that significant payments would be incurred as a result of these commitments is low. Finally, letters of credit for imports totalling $25.1 million were outstanding as at June 24, 2012 for the purchase of various, mainly seasonal, products.

Contractual obligations by term
(as at June 24, 2012)

Contractual obligations	Payments by term (thousands of dollars)				
	Total	Less than 1 year	1-2 years	3-4 years	5 or more years
Long-term loans and credit facilities	435,284	4,844	8,314	417,515	4,611
Obligations under finance leases	1,181	390	524	267	-
Operating leases	990,083	137,901	249,238	199,140	403,804
Other long-term obligations	14,319	8,161	5,012	400	746
Total	1,440,867	151,296	263,088	617,322	409,161

Outstanding shares
(as at August 3, 2012)

Common shares	121,390,477
Unexercised options	2,036,175
Total	123,426,652

SUMMARY OF QUARTERLY RESULTS

RONA's results fluctuate significantly from one quarter to another due to the highly seasonal nature of renovation and construction activities. The strongest period of the year is from spring to fall, and over 80% of the Corporation's net annual earnings are generated in the second and third quarters. Furthermore, sales in the first quarter are always lower than in the other three, due to low activity levels in the renovation and construction sectors during the winter. Poor weather conditions can also have a major impact on sales. With the increase in the proportion of our activities related to the retail sector, the seasonal impact of the first quarter has been more pronounced in 2010, 2011 and 2012 than in previous years. The second quarter is always the strongest of the year, followed by the third quarter.

Consolidated quarterly financial results
(in millions of dollars, except earnings per share)

	2012		2011				2010		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	1,417.1	934.9	1,169.2	1,347.1	1,370.0	918.2	1,139.2	1,319.2	1,404.2
EBITDA	86.6	11.1	37.2	105.4	89.9	8.1	64.8	103.7	133.1
EBITDA (excluding unusual items)	94.6	11.1	65.9	105.4	89.9	8.1	64.8	103.7	133.1
Net earnings (loss) attributable to participating shares	34.1	(13.3)	(153.6)	47.8	37.0	(17.6)	20.0	48.0	66.3
Net earnings (loss) attributable to participating shares (excluding unusual items)	43.6	(13.3)	19.7	47.8	37.0	(17.6)	20.0	48.0	66.3
Diluted earnings (loss) per share $	0.28	(0.10)	(1.19)	0.36	0.28	(0.13)	0.15	0.36	0.51
Diluted earnings (loss) per share $ (excluding unusual items)	0.36	(0.10)	0.15	0.36	0.28	(0.13)	0.15	0.36	0.51

Annual growth in same-store sales
Last nine quarters

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Retail and Commercial Sector	-0.9%	-0.8%	-2.3%	-5.1%	-9.6%	-12.6%	-6.4%	-2.3%	+0.9%
Total RONA network	+1.0%	-0.3%	-1.2%	-4.2%	-9.3%	-11.5%	-6.6%	-3.1%	+1.4%

NOTE: To better represent the performance of the RONA network as a whole, the concept of same-store sales was revised during the quarter and now includes same-store distribution sales to RONA affiliate dealer-owners, who account for more than 25% of total sales.

DIVIDENDS ON PREFERRED SHARES

At its meeting on August 7, 2012, RONA's Board of Directors declared a quarterly dividend of $0.3299 per share on cumulative 5-year rate reset Class A preferred shares, series 6. The dividend will be paid on October 1, 2012 to holders of record on September 14, 2012.

DIVIDENDS ON COMMON SHARES

At its meeting on August 7, 2012. RONA's Board of Directors declared a semi-annual dividend of $0.07 per share on the Corporation's common shares. This dividend will be paid on September 25, 2012 to holders of record on September 10, 2012.

SUBSEQUENT EVENT

On July 8, 2012, the Corporation received an unsolicited, non-binding proposal from U.S.-based Lowe's regarding the acquisition of all of RONA's issued and outstanding shares at a price of $14.50 per share. On July 26, 2012, RONA informed Lowe's that the RONA Board of Directors had unanimously determined that this proposal was not in the best interests of RONA and its stakeholders. The July 31, 2012 press release details these events and states that RONA's strategic focus is to execute its business plan with a view to capturing the significant opportunities it sees for the business.

OUTLOOK FOR 2012:

- In the coming quarters, we will pursue implementation of our *New Realities. New Solutions* plan and will continue our highly disciplined management in line with our three financial priorities, which are to improve efficiency, optimize the capital structure and increase the return on capital. Particular effort will be devoted to improving the efficiency of our Commercial and Professional Market Division and to redeploying the sales of several big-box stores in Ontario.
- The market is still in a period of uncertainty and ambivalence. Although conditions have been favourable for renovation projects in recent months, we have seen that consumers have returned to a cautious approach since the end of May and the Consumer Confidence Index fell in June. Housing starts have also slowed in the past several months.
- Despite this uncertainty, we are confident that our *New Realities, New Solutions* plan will achieve the $10 million increase in annualized EBITDA in 2012, as anticipated in February.

RISKS AND UNCERTAINTIES

No major change has occurred since the publication of Management's Discussion and Analysis for the quarter ending March 25, 2012.

CHANGES IN ACCOUNTING POLICIES

There has been no major change since the publication of the annual *Management's Discussion and Analysis* for the fiscal year ended December 25, 2011.

SIGNIFICANT ACCOUNTING ESTIMATES

There has been no major change since the publication of the annual *Management's Discussion and Analysis* for the fiscal year ended December 25, 2011.

INTERNAL CONTROL OVER FINANCIAL REPORTING

RONA has evaluated the effectiveness of internal control over financial reporting as at June 24, 2012 in accordance with the MI 52-109 guidelines. This evaluation has allowed the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer to conclude that the Corporation's internal control over financial reporting is effective and provides reasonable assurance that the Corporation's financial reporting is reliable and that its consolidated financial statements are prepared in accordance with International Financial Reporting Standards.

FORWARD-LOOKING STATEMENTS

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

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

The forward-looking statements in this MD&A reflect the Corporation's expectations as at August 8, 2012, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ADDITIONAL INFORMATION

This MD&A was prepared on August 8, 2012. The reader will find additional information concerning RONA, including the Corporation's Annual Information Form, on the Corporation's website at www.rona.ca or on the SEDAR website at www.sedar.com.

(s) Dominique Boies

Dominique Boies
Executive Vice President
and Chief Financial Officer

(s) Robert Dutton

Robert Dutton
President and Chief Executive Officer

RONA inc.
Consolidated Income Statements and Other Comprehensive Income
Thirteen and twenty-six-week periods ended June 24, 2012 and June 26, 2011
(unaudited and in thousands of Canadian dollars, except per share amounts)

	Second Quarter		Year-to-date	
	2012	2011	2012	2011
Revenues	$ 1,417,137	$ 1,370,046	$ 2,352,071	$ 2,288,257
Operating profit before restructuring costs, impairment of non financial assets and other charges (Note 3.1)	69,075	62,485	55,678	42,880
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)	(12,986)	-	(12,986)	-
Operating profit	56,089	62,485	42,692	42,880
Finance income	1,369	1,340	2,473	2,711
Finance costs	(5,164)	(6,751)	(9,617)	(13,038)
	(3,795)	(5,411)	(7,144)	(10,327)
Income before income tax expense	52,294	57,074	35,548	32,553
Income tax recovery (Note 5)	(13,988)	(15,981)	(9,509)	(9,115)
Net income	$ 38,306	$ 41,093	$ 26,039	$ 23,438
Net income attribuable to:				
Owners of RONA inc.	$ 36,410	$ 39,496	$ 25,477	$ 22,735
Non-controlling interests	1,896	1,597	562	703
	$ 38,306	$ 41,093	$ 26,039	$ 23,438
Net income per share attributable to owners of RONA inc. (Note 13)				
Basic and diluted	$ 0.28	$ 0.28	$ 0.17	$ 0.15
Consolidated Statements of Other Comprehensive Income				
Net income	$ 38,306	$ 41,093	$ 26,039	$ 23,438
Other comprehensive income, net of taxes:				
Cash flow hedges				
– income (loss) for the period	1,092	46	28	(686)
– reclassification to income	45	778	870	2,352
Actuarial losses (Note 15)	(987)	(622)	(2,435)	(944)
Total other comprehensive income	150	202	(1,537)	722
Total comprehensive income	$ 38,456	$ 41,295	$ 24,502	$ 24,160
Total comprehensive income attributable to:				
Owners of RONA inc.	36,560	39,698	23,940	23,457
Non-controlling interests	1,896	1,597	562	703
	$ 38,456	$ 41,295	$ 24,502	$ 24,160

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

(unaudited and in thousands of Canadian dollars)

	Share Capital [(a)]	Retained earnings	Contributed surplus	Cash flow hedge reserve	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 25, 2011	$ 793,416	$ 1,115,801	$ 11,386	$ (505)	$ 1,920,098	$ 35,526	$ 1,955,624
Transactions with owners							
Issuance in exchange for cash	31	-	-	-	31	-	31
Issuance under stock option plans	3,331	-	-	-	3,331	-	3,331
Repurchase of common shares (Note 10)	(34,257)	(32,510)	-	-	(66,767)	-	(66,767)
Dividends declared on common shares	-	(8,692)	-	-	(8,692)	-	(8,692)
Dividends declared on preferred shares, including related taxes	-	(4,640)	-	-	(4,640)	-	(4,640)
Compensation cost relating to stock option plans	-	-	555	-	555	-	555
Deposits on common share subscriptions received	1,070	-	-	-	1,070	-	1,070
Deposits on common share subscriptions refunded	(27)	-	-	-	(27)	-	(27)
Other	-	-	-	-	-	32	32
Total transactions with owners	(29,852)	(45,842)	555	-	(75,139)	32	(75,107)
Net income for the period	-	25,477	-	-	25,477	562	26,039
Other comprehensive income:							
Cash flow hedges							
– loss for the period	-	-	-	28	28	-	28
– reclassification to income or loss	-	-	-	870	870	-	870
Actuarial losses	-	(2,435)	-	-	(2,435)	-	(2,435)
Total other comprehensive income (loss) for the period	-	(2,435)	-	898	(1,537)	-	(1,537)
Balance, June 24, 2012	$ 763,564	$ 1,093,001	$ 11,941	$ 393	$ 1,868,899	$ 36,120	$ 1,905,019

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

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

RONA inc.
Consolidated Statements of Changes in Equity
Thirteen and twenty-six-week periods ended June 24, 2012 and June 26, 2011
(unaudited and in thousands of Canadian dollars)

	Share Capital [(a)]	Retained earnings	Contributed surplus	Cash flow hedge reserve	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 26, 2010	$ 632,614	$ 1,233,454	$ 11,137	$ (1,217)	$ 1,875,988	$ 35,809	$ 1,911,797
Transactions with owners							
Issuance in exchange for cash	172,600	-	-	-	172,600	-	172,600
Issuance under stock option plans	1,362	-	(283)	-	1,079	-	1,079
Dividends declared on common shares	-	(2)	-	-	(2)	-	(2)
Dividends declared on preferred shares, including related taxes	-	(3,276)	-	-	(3,276)	-	(3,276)
Fees related to issuance of preferred shares, net of related income tax recovery of $1,485	-	(4,036)	-	-	(4,036)	-	(4,036)
Compensation cost relating to stock option plans	-	-	517	-	517	-	517
Deposits on common share subscriptions received	1,240	-	-	-	1,240	-	1,240
Deposits on common share subscriptions refunded	(75)	-	-	-	(75)	-	(75)
Repurchase of a non-controlling interest (Note 6)	-	-	(490)	-	(490)	-	(490)
Other	-	-	-	-	-	28	28
Total transactions with owners	175,127	(7,314)	(256)	-	167,557	28	167,585
Net income for the period	-	22,735	-	-	22,735	703	23,438
Other comprehensive income:							
Cash flow hedges							
– current period losses	-	-	-	(686)	(686)	-	(686)
– reclassification to income or loss	-	-	-	2,352	2,352	-	2,352
Actuarial losses (Note 15)	-	(944)	-	-	(944)	-	(944)
Total comprehensive income (loss) for the period	-	(944)	-	1,666	722	-	722
Balance, June 26, 2011	$ 807,741	$ 1,247,931	$ 10,881	$ 449	$ 2,067,002	$ 36,540	$ 2,103,542

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

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

RONA inc.
Consolidated Statements of Cash Flows
Thirteen and twenty-six-week periods ended June 24, 2012 and June 26, 2011
(unaudited and in thousands of Canadian dollars)

	Second Quarter		Year-to-date	
	2012	2011	2012	2011
Operating activities				
Income before income tax expense	$ 52,294	$ 57,074	$ 35,548	$ 32,553
Adjustments:				
Depreciation, amortization and impairment of non-financial assets (Note 3.2)	29,122	26,062	52,528	52,359
Change in fair value of derivative financial instruments	36	(30)	241	(240)
Net gains on disposal of assets	(2,780)	(654)	(3,045)	(1,128)
Stock-based compensation expense (recovery) (Note 11)	1,202	(654)	1,701	(1,301)
Difference between amounts paid for post-employment benefits and current period expenses	78	(652)	1,719	(941)
Other	32	286	82	563
	79,984	81,432	88,774	81,865
Net change in working capital	(30,006)	134,109	(169,867)	(7,878)
	49,978	215,541	(81,093)	73,987
Interest received	873	1,247	1,848	1,958
Income taxes paid	(11,617)	(6,149)	(21,237)	(26,733)
Cash flow from operating activities	39,234	210,639	(100,482)	49,212
Investing activities				
Business acquisitions (Note 6)	(184)	(10,133)	(3,551)	(14,195)
Acquisition of property, plant and equipment	(10,095)	(17,858)	(17,578)	(34,198)
Acquisition of intangible assets	(15,615)	(9,081)	(25,174)	(14,908)
Acquisition of other financial assets	(2,431)	(1,648)	(3,980)	(4,220)
Proceeds on disposal of property, plant and equipment	9,425	4,152	10,717	4,589
Proceeds on disposal of other financial assets	809	275	1,428	1,892
Interest received	209	303	422	499
Cash flow from investing activities	(17,882)	(33,990)	(37,716)	(60,541)
Financing activities				
Bank loans	1,582	1,380	3,688	3,957
Other long-term debt	20,363	135	204,912	786
Financing costs	(2)	-	(80)	-
Repayment of other long-term debt	(5,583)	(11,648)	(10,219)	(22,203)
Proceeds from issue of common shares	924	1,393	4,405	2,344
Proceeds from issue of preferred shares	-	-	-	172,500
Fees related to issue of preferred shares	-	(14)	-	(5,522)
Repurchase of common shares (Note 10)	(17,891)	-	(66,767)	-
Dividends on common shares	(8,692)	-	(8,692)	(9,121)
Dividends on preferred shares	(2,226)	-	(4,509)	-
Interest paid	(2,780)	(1,955)	(7,995)	(13,478)
Cash flow from financing activities	(14,305)	(10,709)	114,743	129,263
Net increase (decrease) in cash	7,047	165,940	(23,455)	117,934
Cash (bank overdraft), beginning of period	(13,353)	27,571	17,149	75,577
Cash (bank overdraft), end of period	$ (6,306)	$ 193,511	$ (6,306)	$ 193,511

RONA inc.
Consolidated Statements of Financial Position
as at June 24, 2012 and June 26, 2011
(unaudited and in thousands of Canadian dollars)

	2012 June 24	2011 June 26	2011 December 25
Assets			
Current			
Cash	$ -	$ 193,511	$ 17,149
Trade and other receivables	469,890	424,962	370,094
Other financial assets	3,598	2,414	1,468
Current tax assets	19,702	14,778	7,616
Inventory (Note 4)	1,047,468	1,030,100	840,287
Prepaid expenses	33,882	31,046	20,836
Derivative financial instruments	538	614	-
Current assets	1,575,078	1,697,425	1,257,450
Non-current			
Other financial assets	14,747	13,355	13,617
Property, plant and equipment	849,248	884,020	874,246
Non-current assets held for sale (Note 7)	10,821	18,810	10,455
Goodwill	428,168	534,566	426,968
Intangible assets	139,254	126,855	126,968
Other non-current assets	4,583	2,732	5,435
Deferred tax assets	52,196	51,011	65,239
Total assets	$ 3,074,095	$ 3,328,774	$ 2,780,378
Liabilities			
Current			
Bank overdraft	$ 6,306	$ -	$ -
Bank loans	10,946	5,900	4,377
Trade and other payables	631,221	694,396	487,864
Dividends payable	2,277	-	2,527
Derivative financial instruments	-	-	691
Provisions (Note 8)	8,934	4,797	6,947
Instalments on long-term debt	13,351	20,928	20,257
Current liabilities	673,035	726,021	522,663
Non-current			
Long-term debt	436,623	428,240	232,073
Other non-current liabilities	35,701	31,325	33,653
Provisions (Note 8)	3,466	3,651	3,606
Deferred tax liabilities	20,251	35,995	32,759
Total liabilities	1,169,076	1,225,232	824,754
Equity			
Share capital (Note 10)	763,564	807,741	793,416
Retained earnings	1,093,001	1,247,931	1,115,801
Contributed surplus	11,941	10,881	11,386
Accumulated other comprehensive income	393	449	(505)
Total equity attributable to owners of RONA inc.	1,868,899	2,067,002	1,920,098
Non-controlling interests	36,120	36,540	35,526
Total equity	1,905,019	2,103,542	1,955,624
Total liabilities and equity	$ 3,074,095	$ 3,328,774	$ 2,780,378

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

1. Reporting entity

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

The Corporation's consolidated financial statements for the thirteen and twenty-six-week periods ended June 24, 2012 and June 26, 2011 include financial data for the Corporation and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's entities") and the Corporation's share of the jointly controlled entities.

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

2. Basis of presentation

(a) General information and declaration of conformity

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

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Corporation's consolidated financial statements for the year ended December 25, 2011. There has not been any significant change in judgments, estimates or assumptions disclosed in prior fiscal years. These interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 25, 2011, which are included in the Corporation's 2011 annual report.

The interim consolidated financial statements for the thirteen and twenty-six-week periods ended June 24, 2012 (including comparative figures) were approved by the Board of Directors on August 7, 2012.

(b) Seasonal fluctuations

The interim period results of operations do not necessarily reflect results for the full year because of seasonal fluctuations that characterize the hardware, home improvement and gardening products industry. Since the seasonal fluctuations result in significant variances for certain assets and liabilities, a Statement of Financial Position as at June 26, 2011 is also presented for comparative purposes.

(c) Comparative figures

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

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

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

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

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

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

(unaudited and in thousands of Canadian dollars)

2. Basis of presentation (continued)

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

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

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

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

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

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

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

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

3. Supplemental information on income and charges

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

	Second Quarter		Year-to-date	
	2012	2011	2012	2011
Revenues	$ 1,417,137	$ 1,370,046	$ 2,352,071	$ 2,288,257
Cost of sales (Note 4)	(1,033,998)	(989,779)	(1,701,718)	(1,641,866)
Gross profit	383,139	380,267	650,353	646,391
Selling, general and administrative expenses	(324,368)	(323,152)	(610,708)	(613,963)
Net gains on disposal of assets	2,780	654	3,045	1,128
Other income	7,524	4,716	12,988	9,324
Operating profit before restructuring costs, impairment of non-financial assets and other charges	$ 69,075	$ 62,485	$ 55,678	$ 42,880

3.2 Depreciation, amortization and impairment of non-financial assets

	Second Quarter		Year-to-date	
	2012	2011	2012	2011
Depreciation of property, plant and equipment	$ 17,359	$ 20,439	$ 34,010	$ 39,667
Depreciation of leasehold property included in property, plant and equipment	110	278	224	1,243
Amortization of intangible assets	6,318	5,202	12,607	11,163
Amortization of other non-current assets	349	143	701	286
Impairment of non-financial assets (Note 3.4)	4,986	-	4,986	-
Total depreciation, amortization and impairment of non-financial assets	$ 29,122	$ 26,062	$ 52,528	$ 52,359

(unaudited and in thousands of Canadian dollars)

3. Supplemental information on income and charges (continued)

3.3 Employee benefits expense

	Second Quarter		Year-to-date	
	2012	2011	2012	2011
Salaries	$ 125,254	$ 125,780	$ 246,545	$ 243,751
Defined benefit expense	75	386	161	757
Defined contribution expense	3,813	2,376	6,343	4,602
Stock-based compensation expense (recovery)	1,202	(2,501)	1,701	(3,148)
Severance (Note 3.4)	2,104	-	2,104	-
Other fringe benefits	25,585	27,417	55,411	54,955
Total employee benefits expense	$ 158,033	$ 153,458	$ 312,265	$ 300,917

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

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

During the second quarter of 2012, the Corporation recognized operating costs relating to the liquidation of a portion of store inventory in the amount of $5,568, severance costs in the amount of $2,104 (Note 8), an impairment charge for non-financial assets of $4,986 and other restructuring costs of $328. Total restructuring costs, impairment of non-financial assets and other charges recognized in the period ending June 24, 2012 amounted to $12,986. There were no charges related to these items recognized in the comparable quarter of 2011. Severance and other restructuring costs required a cash outflow of $754 during the quarter.

4. Inventory

For the thirteen and twenty-six-week periods ended June 24, 2012, an amount of $1,033,998 and $1,701,718 in inventory (Note 3.1) was expensed in the consolidated income statement ($989,779 and $1,641,866 in 2011).

For the thirteen and twenty-six-week periods ended June 24, 2012, an inventory write-down charge of $9,154 and $14,713 ($7,840 and $14,679 in 2011) of which $3,282 is included in restructuring costs (Note 3.4), was recognized in the consolidated income statement. No reversal of previous write-downs was recognized.

5. Income tax

The consolidated effective tax rate was 26.75% and 28.00%, respectively, for the thirteen and twenty-six-week periods ended June 24, 2012 and June 26, 2011. The change in the effective tax rate is primarily attributable to the change in the Corporation's combined statutory rate.

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

(unaudited and in thousands of Canadian dollars)

6. Business acquisitions

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

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

During the twenty-six-week period ended June 26, 2011, the Corporation acquired two companies in the retail and commercial segment through asset purchase.

Moreover, during the twenty-six-week period ended on June 26, 2011, the Corporation acquired the minority interests in the assets of a store previously held by one of its 51%-owned subsidiaries. This transaction resulted in a $490 decrease in non-controlling interests with a corresponding change in contributed surplus.

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

The consideration paid for these acquisitions amounted to $5,537 ($21,662 in 2011). Direct acquisition costs of $339 were recognized in selling, general and administrative expenses for the twenty-six-week period ended June 24, 2012 ($424 in 2011). The Corporation financed these acquisitions from its available cash and existing credit facilities.

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

	2012	2011
Trade and other receivables	$ 2,312	$ 1,157
Inventory	4,912	11,216
Other current assets	153	5
Property, plant and equipment	3,862	5,333
Goodwill on acquisition	1,200	7,375
Intangible assets	-	30
Current liabilities	(5,811)	(3,454)
Long-term debt	(872)	-
Deferred tax liabilities	(219)	-
Cost of acquisitions	5,537	21,662
Less: Balances of purchase prices	(1,986)	(7,467)
Cash consideration paid	$ 3,551	$ 14,195

The Corporation does not expect the goodwill to be deductible for tax purposes ($5,899 in 2011).

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

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

(unaudited and in thousands of Canadian dollars)

7. Non-current assets held for sale

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

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

	2012	2011
Balance at beginning	$ 10,455	$ 16,474
Additions	7,729	5,632
Disposals	(7,363)	(3,296)
Balance at end	$ 10,821	$ 18,810

	2012	2011
Non-current assets held for sale		
Land	$ 10,821	$ 16,699
Buildings	-	2,111
	$ 10,821	$ 18,810

8. Provisions and contingent liabilities

	Litigation	Onerous contrats	Product warranties	Severance [(a)]	Total
Balance, December 25, 2011	$ 3,792	$ 5,710	$ 1,051	$ -	$ 10,553
Provisions created during the period	1,219	950	323	2,104	4,596
Provisions used during the period	(791)	(1,039)	(16)	(426)	(2,272)
Provisions reversed during the period	(540)	-	-	-	(540)
Accretion expense	-	63	-	-	63
Balance, June 24, 2012	$ 3,680	$ 5,684	$ 1,358	$ 1,678	$ 12,400
Current	3,680	2,218	1,358	1,678	8,934
Non-current	-	3,466	-	-	3,466
	$ 3,680	$ 5,684	$ 1,358	$ 1,678	$ 12,400

(a) Refer to Note 3.4 for additional information

	Litigation	Onerous contrats	Product warranties	Total
Balance, December 26, 2010	$ 3,222	$ 5,757	$ 185	$ 9,164
Provisions created during the period	814	-	336	1,150
Provisions used during the period	(391)	(665)	(59)	(1,115)
Provisions reversed during the period	(730)	-	(212)	(942)
Accretion expense	-	191	-	191
Balance, June 26, 2011	2,915	5,283	250	8,448
Current	$ 2,915	$ 1,632	$ 250	$ 4,797
Non-current	-	3,651	-	3,651
	$ 2,915	$ 5,283	$ 250	$ 8,448

8. Provisions and contingent liabilities (continued)

Litigation

Various claims and litigation arise in the course of the Corporation's activities and its insurers have taken up the Corporation's defence in some of these cases.

The litigation period depends on the negotiation procedures. Provisions are recognized based on best estimates of the resolution of the litigation. Management does not expect that the outcome of these claims and litigation will have a material and adverse effect on the Corporation's results and deemed its allowances adequate in this regard.

9. Guarantees and contingencies

Guarantees

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

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

Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories to a maximum of $42,911. In the event of recourse, this inventory would be sold in the ordinary course of the Corporation's operations. These agreements have undetermined periods but may be cancelled by the Corporation with a 30-day advance notice. In the opinion of management, the likelihood that significant payments would be incurred as a result of these commitments is low.

Contingencies

Various claims and litigation arise in the course of the Corporation's activities and its insurers have taken up the Corporation's defence in some of these cases. In addition, upon the acquisition of Réno-Dépôt Inc., the vendor committed to indemnify the Corporation for litigation which the Corporation assumed in the course of this acquisition.

Management does not expect that the outcome of these claims and litigation will have a material and adverse effect on the Corporation's results and deemed its allowances adequate in this regard.

10. Share capital

Authorized

Unlimited number of shares
- Common without par value
- Class A preferred shares, without par value, issuable in series
  - Series 5, non-cumulative dividend equal to 70% of prime rate, redeemable, at the Corporation's option, at their issuance price
  - Series 6, cumulative dividend of 5.25%, subject to approval by the Board of Directors, fixed for the first five years, redeemable, at the Corporation's option, at their issuance price
  - Series 7, annual cumulative dividend at variable rate, redeemable, at the Corporation's option, at their issuance price
- Class B preferred shares, 6% non-cumulative dividend, redeemable, at the Corporation's option, at their par value of $1 each
- Class C preferred shares, issuable in series
  - Series 1, non-cumulative dividend equal to 70% of prime rate, redeemable, at the Corporation's option, at their par value of $1,000 each
- Class D preferred shares, without par value, 4% cumulative dividend, redeemable, at the Corporation's option, at their issuance price. Since 2003, they are redeemable at their issuance price over a maximum period of ten years on the basis of 10% per year and are included in long-term debt

(unaudited and in thousands of Canadian dollars)

10. Share capital (continued)

Issued and fully paid:

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

	Common shares		Preferred shares		Treasury shares		Deposits on common share subscriptions (a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance December 25, 2011	127,200,189	$ 618,934	6,900,000	$ 172,500	(76,981)	$ (475)	-	$ 2,457	134,023,208	$ 793,416
Issuance in exchange for cash	3,026	31	-	-	-	-	-	-	3,026	31
Issuance under stock option plans	960,000	3,331	-	-	-	-	-	-	960,000	3,331
Issuance in exchange for common share subscription deposits	259,057	2,477	-	-	(3,844)	(48)	-	(2,429)	255,213	-
Repurchase of common shares	(7,032,700)	(34,257)	-	-	-	-	-	-	(7,032,700)	(34,257)
Deposits on common share subscriptions received	-	-	-	-	-	-	-	1,070	-	1,070
Deposits on common share subscriptions refunded	-	-	-	-	-	-	-	(27)	-	(27)
Balance June 24, 2012	121,389,572	$ 590,516	6,900,000	$ 172,500	(80,825)	$ (523)	-	$ 1,071	128,208,747	$ 763,564

(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 June 24, 2012, the number of outstanding common shares would have increased by 109,023.

	Common shares		Preferred shares		Treasury shares		Deposits on common share subscriptions (a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance December 26, 2010	130,071,782	$ 630,264	-	$ -	(73,334)	$ (424)	-	$ 2,774	129,998,448	$ 632,614
Issuance in exchange for cash	7,234	100	6,900,000	172,500	-	-	-	-	6,907,234	172,600
Issuance under stock option plans	147,575	1,362	-	-	-	-	-	-	147,575	1,362
Issuance in exchange for common share subscription deposits	193,683	2,749	-	-	(3,647)	(51)	-	(2,698)	190,036	-
Deposits on common share subscriptions received	-	-	-	-	-	-	-	1,240	-	1,240
Deposits on common share subscriptions refunded	-	-	-	-	-	-	-	(75)	-	(75)
Balance June 26, 2011	130,420,274	$ 634,475	6,900,000	$ 172,500	(76,981)	$ (475)	-	$ 1,241	137,243,293	$ 807,741

(a) Deposits on common share subscriptions represent amounts received during the period from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis. If the subscription deposits had been exchanged for common shares as at June 26, 2011, the number of outstanding common shares would have increased by 104,179.

(unaudited and in thousands of Canadian dollars)

10. Share capital (continued)

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

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

During the twenty-six-week period ended June 24, 2012, the Corporation redeemed for cancellation a total of 7,032,700 common shares for a total cost of $66,767. Of the total cost, $34,257 represents the stated value of common shares. The remaining $32,510 was recorded in retained earnings.

11. Stock-based compensation

Stock option plans

Stock option plan of May 1, 2002
On May 1, 2002, the Corporation adopted a stock option plan for designated senior executives pursuant to which options for a maximum of 3,740,000 common shares may be granted. Options granted under the plan may be exercised since the Corporation made a public share offering on November 5, 2002. As at June 24, 2012, the exercise price of the 2,920,000 options granted upon adoption of the plan was $3.47 and all options had been exercised (1,855,000 options in 2011). The fair value of each option granted was estimated at the grant date using the Black-Scholes option pricing model.

No compensation cost was expensed with respect to this plan for the twenty-six-week periods ended June 24, 2012 and June 26, 2011.

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

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

As at June 24, 2012, the 3,713,452 options granted (3,182,352 options in 2011) have exercise prices ranging from $9.38 to $26.87 in 2012 ($10.62 to $26.87 in 2011) and of this number, 172,425 options have been exercised (169,475 options in 2011), 619,758 options have expired (619,758 options in 2011) and 885,094 options have been forfeited (644,650 options in 2011).

The weighted average fair value of stock options granted of $2.64 for the twenty-six-week period ended June 24, 2012 ($4.95 in 2011) was estimated for each option tranche at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the options granted during the period:

	2012	2011
Share price at date of grant	$ 9.39	$ 14.26
Risk-free interest rate	1.55 to 1.96 %	2.92 to 3.35 %
Expected share price volatility	27.65 to 27.70 %	27.60 to 28.13 %
Expected dividend rate	1.50 %	1.00 %
Expected life	7 to 10 years	7 to 10 years
Exercise price at date of grant	$ 9.38	$ 14.33

(unaudited and in thousands of Canadian dollars)

11. Stock-based compensation (continued)

Stock option plans (continued)

Stock option plan of October 24, 2002 (continued)

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

Compensation cost expensed with respect to this plan amounts to $340 and $555 for the thirteen and twenty-six-week periods ended June 24, 2012 ($259 and $517 in 2011).

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

	As at June 24, 2012	
	Options	Weighted average exercise price
Outstanding, beginning of period	2,574,175	$ 10.32
Granted	471,100	9.38
Exercised	(960,000)	3.47
Forfeited	(49,100)	13.46
Outstanding, end of period	2,036,175	13.26
Options exercisable, end of period	1,110,835	$ 14.78

	As at June 26, 2011	
	Options	Weighted average exercise price
Outstanding, beginning of period	2,727,794	$ 9.99
Granted	324,900	14.33
Exercised	(147,575)	7.31
Forfeited	(91,650)	15.37
Outstanding, end of period	2,813,469	10.46
Options exercisable, end of period	2,058,444	$ 9.26

The weighted average price of the common shares acquired by option holders having exercised 960,000 options (147,575 options in 2011) for the twenty-six-week period ended June 24, 2012 is $9.33 ($12.91 in 2011).

The following table summarizes information relating to stock options outstanding as at June 24, 2012:

Exercise price	Expiration date	Options outstanding	Options exercisable
$ 9.38	March 5, 2022	457,200	-
$ 9.97	September 21, 2021	60,000	-
$ 10.62	March 11, 2019	348,700	265,025
$ 14.18	March 1, 2018	142,675	142,675
$ 14.29	December 16, 2013	322,200	322,200
$ 14.33	March 7, 2021	263,325	68,160
$ 15.44	March 9, 2020	267,975	138,675
$ 20.27	December 22, 2014	72,750	72,750
$ 23.58	March 8, 2017	101,350	101,350
		2,036,175	1,110,835

(unaudited and in thousands of Canadian dollars)

11. Stock-based compensation (continued)

Share unit plan for officers

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

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

	Second Quarter		Year-to-date	
	2012	2011	2012	2011
Number of restricted share units:				
Outstanding, begining of period	1,644,666	1,196,625	1,117,225	935,325
Granted	14,059	-	585,600	390,000
Expired	-	-	-	(113,000)
Forfeited	(104,900)	(71,500)	(149,000)	(87,200)
Units paid	(367,550)	-	(367,550)	-
Outstanding, end of period	1,186,275	1,125,125	1,186,275	1,125,125

For the thirteen and twenty-six-week periods ended June 24, 2012, a charge of $289 and $344 was recorded in the consolidated income statement (recovery of $2,572 and $ 3,784 in 2011).

Share unit plan for directors

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

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

	Second Quarter		Year-to-date	
	2012	2011	2012	2011
Number of deferred share units:				
Outstanding, beginning of period	266,664	187,262	234,968	172,781
Granted	25,034	15,166	56,730	29,647
Outstanding, end of period	291,698	202,428	291,698	202,428

The charge (recovery) recorded in the consolidated income statement for the thirteen and twenty-six-week periods ended June 24, 2012 amounts to $573 and $802 (($188) and $119 in 2011).

(unaudited and in thousands of Canadian dollars)

12. Segment Information

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

	Second Quarter					
	2012			2011		
	Retail and commercial	Distribution	Total	Retail and commercial	Distribution	Total
Segment revenues	$ 1,061,150	$ 718,888	$ 1,780,038	$ 1,046,227	$ 674,219	$ 1,720,446
Intersegment revenues and royalties	(4,977)	(357,924)	(362,901)	(8,308)	(342,092)	(350,400)
Revenues from external customers	1,056,173	360,964	1,417,137	1,037,919	332,127	1,370,046
Income before finance costs, amortization, depreciation and impairment of non-financial assets and income tax expense	65,823	20,757	86,580	74,046	15,841	89,887
Finance income			(1,369)			(1,340)
Amortization, depreciation and impairment of non-financial assets			(29,122)			(26,062)
Operating income [(a)]			56,089			62,485
Finance income			1,369			1,340
Finance costs			(5,164)			(6,751)
Income before income tax expense			$ 52,294			$ 57,074

	Year-to-date					
	2012			2011		
	Retail and commercial	Distribution	Total	Retail and commercial	Distribution	Total
Segment revenues	$ 1,737,238	$ 1,265,614	$ 3,002,852	$ 1,708,837	$ 1,211,232	$ 2,920,069
Intersegment revenues and royalties	(8,424)	(642,357)	(650,781)	(13,630)	(618,182)	(631,812)
Revenues from external customers	1,728,814	623,257	2,352,071	1,695,207	593,050	2,288,257
Income before finance costs, amortization, depreciation and impairment of non-financial assets and income tax expense	61,229	36,464	97,693	69,389	28,561	97,950
Finance income			(2,473)			(2,711)
Amortization, depreciation and impairment of non-financial assets			(52,528)			(52,359)
Operating income [(a)]			42,692			42,880
Finance income			2,473			2,711
Finance costs			(9,617)			(13,038)
Income before income tax expense			$ 35,548			$ 32,553

(a) For the thirteen and twenty-six week periods ended June 24, 2012, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling $12,986 pre-tax (Note 3.4).

13. Earnings per share

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

	Second quarter		Year-to-date	
	2012	2011	2012	2011
Net income attributable to owners of RONA inc. [(a)]	$ 36,410	$ 39,496	$ 25,477	$ 22,735
Dividends on preferred shares, including related taxes	(2,318)	(2,469)	(4,640)	(3,276)
Net income attributable to participating shares	34,092	37,027	20,837	19,459
Number of shares (in thousands)				
Weighted average number of shares used to compute basic net income per share attributable to owners of RONA inc.	122,284	130,267	124,442	130,234
Effect of dilutive stock options [(b)]	-	891	-	922
Weighted average number of shares used to compute diluted net income per share attributable to owners of RONA inc.	122,284	131,158	124,442	131,156
Net income per share attributable to owners of RONA inc.				
Basic and diluted	$ 0.28	$ 0.28	$ 0.17	$ 0.15

(a) For the thirteen and twenty-six week periods ended June 24, 2012, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling $12,986 pre-tax (Note 3.4).

(b) As at June 24, 2012, 2,036,175 stock options (1,212,369 options in 2011) were excluded from the calculation of diluted net income per share attributable to the Corporation's owners since these options have an antidilutive effect.

14. Related party transactions with subsidiaries and joint ventures

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

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

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

	Year-to-date	
	2012	2011
Sales of merchandise	$ 22,359	$ 19,855
Leases	940	824
Trade and other receivables	5,705	5,574

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

(unaudited and in thousands of Canadian dollars)

15. Change in accounting policy

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

	2011	
	Second Quarter	Year-to-date
Reconciliation of total comprehensive income		
Total comprehensive income under IFRS, as presented in the quarterly financial statements	$ 41,917	$ 25,104
Impact of change in accounting policy regarding actuarial losses and other items relating to the defined benefit pension plans	(622)	(944)
Total comprehensive income under IFRS, as presented in the quarterly financial statement after the change in accounting policy	$ 41,295	$ 24,160

Reconciliation of equity	As at June 26, 2011
Total equity under IFRS, as presented in the quarterly financial statements including the reclassification of comparative figures	$ 2,105,965
Impact of change in accounting policy regarding actuarial losses and other items relating to the defined benefit pension plans	(2,423)
Total comprehensive income under IFRS, as presented in the quarterly financial statement after the change in accounting policy	$ 2,103,542

16. Event after the reporting period

On July 8, 2012, the Corporation received an unsolicited, non-binding proposal from U.S.-based Lowe's regarding the acquisition of all of RONA's issued and outstanding shares at a price of $14.50 per share. On July 26, 2012, RONA informed Lowe's that the RONA Board of Directors had unanimously determined that this proposal was not in the best interests of RONA and its stakeholders. The July 31, 2012 press release details these events and states that RONA's strategic focus is to execute its business plan with a view to capturing the significant opportunities it sees for the business.