

**RONA inc.**

**Consolidated Income and Other Comprehensive Income Statements**

For the thirteen and twenty-six-week periods ended June 30, 2013 and June 24, 2012

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

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Consolidated Income Statements</b>				
<b>Continuing operations</b>				
Revenues	\$ 1,248,995	\$ 1,308,583	\$ 2,081,866	\$ 2,150,915
Operating profit before the following item:	40,848	68,856	7,751	55,956
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)	(86,260)	(12,986)	(100,000)	(12,986)
Operating profit (loss) (Note 3.1)	(45,412)	55,870	(92,249)	42,970
Finance income	1,275	1,362	2,732	2,455
Finance costs	(3,544)	(3,018)	(6,739)	(5,482)
	(2,269)	(1,656)	(4,007)	(3,027)
Income (loss) before income tax	(47,681)	54,214	(96,256)	39,943
Income tax recovery (expense) (Note 5)	12,736	(14,383)	25,749	(10,613)
Net income (loss) from continuing operations	(34,945)	39,831	(70,507)	29,330
<b>Discontinued operations</b>				
Net loss from discontinued operations (Note 7)	(106,095)	(1,731)	(110,532)	(3,702)
Net income (loss)	\$ (141,040)	\$ 38,100	\$ (181,039)	\$ 25,628
<b>Net income (loss) attributable to:</b>				
Owners of RONA inc. – continuing operations	\$ (36,340)	\$ 37,935	\$ (70,156)	\$ 28,768
– discontinued operations	(106,095)	(1,731)	(110,532)	(3,702)
	(142,435)	36,204	(180,688)	25,066
Non-controlling interests	1,395	1,896	(351)	562
	\$ (141,040)	\$ 38,100	\$ (181,039)	\$ 25,628
<b>Net income (loss) per share attributable to owners of RONA inc. - basic and diluted (Note 14)</b>				
Continuing operations	\$ (0.32)	\$ 0.29	\$ (0.61)	\$ 0.19
Discontinued operations	(0.87)	(0.01)	(0.91)	(0.03)
	\$ (1.19)	\$ 0.28	\$ (1.52)	\$ 0.16
<b>Consolidated Other Comprehensive Income Statements</b>				
Net income (loss)	\$ (141,040)	\$ 38,100	\$ (181,039)	\$ 25,628
Other comprehensive income (loss), net of income taxes :				
Items that will be reclassified to net income				
Cash flow hedges				
– Gain for the period	899	1,092	1,748	28
– Reclassification to income	520	45	877	870
Impact of foreign currency translation related to the net investment in an associate	138	(110)	117	(131)
	1,557	1,027	2,742	767
Items that will not be reclassified to net income				
Actuarial gain (loss)	1,213	(781)	171	(2,024)
Total other comprehensive income (loss)	2,770	246	2,913	(1,257)
Total comprehensive income (loss)	\$ (138,270)	\$ 38,346	\$ (178,126)	\$ 24,371
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of RONA inc.	\$ (139,665)	\$ 36,450	\$ (177,775)	\$ 23,809
Non-controlling interests	1,395	1,896	(351)	562
	\$ (138,270)	\$ 38,346	\$ (178,126)	\$ 24,371

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

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

For the twenty-six-week periods ended June 30, 2013 and June 24, 2012  
(unaudited and in thousands of Canadian dollars)

	Share capital <sup>(a)</sup>	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total attributable to owners of RONA inc.	Non-controlling Interests	Total equity
Balance, December 30, 2012 (Restated – Note 15)	\$ 765,443	\$ 1,071,426	\$ 12,521	\$ (3,643)	\$ 1,845,747	\$ 37,344	\$ 1,883,091
Transactions with owners							
Issuance of share capital in exchange of cash	20	-	-	-	20	-	20
Issuance of share capital under stock option plans	3,189	-	(709)	-	2,480	-	2,480
Dividends declared on common shares	-	(8,512)	-	-	(8,512)	-	(8,512)
Dividends declared on preferred shares, including income taxes	-	(4,617)	-	-	(4,617)	-	(4,617)
Compensation cost relating to stock option plans	-	-	627	-	627	-	627
Deposits on common share subscriptions received	823	-	-	-	823	-	823
Deposits on common share subscriptions refunded	(114)	-	-	-	(114)	-	(114)
Total transactions with owners	3,918	(13,129)	(82)	-	(9,293)	-	(9,293)
Net loss for the period	-	(180,688)	-	-	(180,688)	(351)	(181,039)
Other comprehensive income, net of income taxes :							
Cash flow hedges							
- Gain for the period	-	-	-	1,748	1,748	-	1,748
- Reclassification to income	-	-	-	877	877	-	877
Impact of foreign currency translation related to the net investment in an associate	-	-	-	117	117	-	117
Actuarial gain	-	171	-	-	171	-	171
Total other comprehensive income for the period	-	171	-	2,742	2,913	-	2,913
Balance, June 30, 2013	\$ 769,361	\$ 877,780	\$ 12,439	\$ (901)	\$ 1,658,679	\$ 36,993	\$ 1,695,672

(a) Additional detail of share capital is provided in Note 11.

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

**RONA inc.**

**Consolidated Statements of Changes in Equity (continued)**

For the twenty-six-week periods ended June 30, 2013 and June 24, 2012  
(unaudited and in thousands of Canadian dollars)

	Share capital <sup>(a)</sup>	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 26, 2011 (Restated – Note 15)	\$ 793,939	\$ 1,115,801	\$ 11,386	\$ (1,431)	\$ 1,919,695	\$ 35,526	\$ 1,955,221
Transactions with owners							
Issuance of share capital in exchange of cash	31	–	–	–	31	–	31
Issuance of share capital under stock option plans	3,331	–	–	–	3,331	–	3,331
Repurchase of common shares (Note 11)	(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 income taxes	–	(4,640)	–	–	(4,640)	–	(4,640)
Compensation cost relating to stock option plans	–	–	555	–	555	–	555
Deposits on common share subscriptions received	1,089	–	–	–	1,089	–	1,089
Deposits on common share subscriptions refunded	(27)	–	–	–	(27)	–	(27)
Other	–	–	–	–	–	32	32
Total transactions with owners	(29,833)	(45,842)	555	–	(75,120)	32	(75,088)
Net income for the period	–	25,066	–	–	25,066	562	25,628
Other comprehensive income (loss), net of income taxes :							
Cash flow hedges							
- Gain for the period	–	–	–	28	28	–	28
- Reclassification to income	–	–	–	870	870	–	870
Impact of foreign currency translation related to the net investment in an associate	–	–	–	(131)	(131)	–	(131)
Actuarial loss	–	(2,024)	–	–	(2,024)	–	(2,024)
Total other comprehensive income (loss) for the period	–	(2,024)	–	767	(1,257)	–	(1,257)
Balance, June 24, 2012	\$ 764,106	\$ 1,093,001	\$ 11,941	\$ (664)	\$ 1,868,384	\$ 36,120	\$ 1,904,504

(a) Additional detail of share capital is provided in Note 11

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

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

 For the thirteen and twenty-six-week periods ended June 30, 2013 and June 24, 2012  
 (unaudited and in thousands of Canadian dollars)

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
		Restated (Notes 7 and 15)		Restated (Notes 7 and 15)
<b>Operating activities</b>				
Income (loss) before income tax expense	\$ (181,725)	\$ 51,861	\$ (236,331)	\$ 34,911
Loss before income tax expense from discontinued operations (Note 7)	(134,044)	(2,353)	(140,075)	(5,032)
Income (loss) before income tax expense from continuing operations	(47,681)	54,214	(96,256)	39,943
Adjustments:				
Depreciation, amortization and impairment of non-financial assets (Note 3.2)	44,383	27,433	68,013	49,014
Change in provision for restructuring costs	53,103	1,678	62,337	1,678
Change in fair value of derivative financial instruments	540	36	2,237	241
Net gains on disposal of assets	(62)	(2,792)	(654)	(3,042)
Share of income of joint ventures and an associate	(712)	(619)	(770)	(667)
Stock-based compensation expense (Note 12)	2,252	1,202	3,899	1,701
Difference between amounts paid for post-employment benefits and current period expenses	(18)	356	(34)	2,275
Reversal of straight-line lease provisions (Note 3.4)	(3,104)	-	(3,468)	-
Other	(782)	305	(688)	609
	47,919	81,813	34,616	91,752
Net change in working capital	(55,460)	(16,687)	(151,418)	(149,503)
	(7,541)	65,126	(116,802)	(57,751)
Interest received	1,158	873	2,037	1,845
Income taxes paid	(2,634)	(11,535)	(4,333)	(21,182)
Cash flows from continuing operating activities	(9,017)	54,464	(119,098)	(77,088)
<b>Investing activities</b>				
Business acquisition (Note 6)	-	(184)	-	(3,551)
Acquisition of property, plant and equipment	(10,484)	(7,358)	(16,030)	(12,830)
Acquisition of intangible assets	(7,223)	(14,753)	(15,719)	(24,023)
Acquisition of other financial assets	(1,917)	(2,410)	(2,039)	(3,962)
Proceeds on disposal of property, plant and equipment and non-current assets held for sale	9,139	9,418	9,717	10,695
Proceeds on disposal of intangible assets	579	-	735	-
Proceeds on disposal of other financial assets	450	809	984	995
Dividends received from an associate	-	-	-	433
Interest received	214	205	446	406
Cash flows from continuing investing activities	(9,242)	(14,273)	(21,906)	(31,837)
<b>Financing activities</b>				
Bank loans	3,751	2,122	3,470	3,870
Net change in credit facilities	(34,437)	(1,957)	113,377	170,357
Other long-term debt	-	16	-	16
Financing costs	-	(2)	-	(80)
Repayment of other long-term debt	(1,233)	(5,303)	(4,073)	(9,849)
Proceeds from issue of common shares	516	940	3,209	4,424
Repurchase of common shares (Note 11)	-	(17,891)	-	(66,767)
Dividends on common shares	-	(8,692)	(8,512)	(8,692)
Dividends on preferred shares	(2,234)	(2,226)	(4,511)	(4,509)
Interest paid	(3,565)	(678)	(6,395)	(3,960)
Cash flows from continuing financing activities	(37,202)	(33,671)	96,565	84,810
<b>Net increase (decrease) in cash from continuing operations</b>	<b>(55,461)</b>	<b>6,520</b>	<b>(44,439)</b>	<b>(24,115)</b>
<b>Net increase in cash from discontinued operations (Note 7)</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>5</b>
<b>Net change in cash during the period</b>	<b>(55,457)</b>	<b>6,522</b>	<b>(44,433)</b>	<b>(24,110)</b>
Cash (bank overdraft), beginning of period	31,614	(14,353)	20,590	16,279
Bank overdraft, end of period	\$ (23,843)	\$ (7,831)	\$ (23,843)	\$ (7,831)

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

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

As at June 30, 2013, June 24, 2012, December 30, 2012 and December 26, 2011  
(unaudited and in thousands of Canadian dollars)

	As at June 30, 2013	Restated – Note 15		
		As at June 24, 2012	As at December 30, 2012	As at December 26, 2011
<b>Assets</b>				
Current				
Cash	\$ –	\$ –	\$ 20,590	\$ 16,279
Trade and other receivables	367,970	479,690	363,062	370,192
Other financial assets	1,463	3,598	1,440	1,468
Current tax assets	30,182	19,529	15,083	7,412
Inventory (Note 4)	881,490	1,040,042	884,180	833,926
Prepaid expenses	26,871	33,694	20,104	20,777
Derivative financial instruments	38	538	–	–
Assets related to discontinued operations (Note 7)	254,941	–	–	–
Current assets	1,562,955	1,577,091	1,304,459	1,250,054
Non-current				
Investments in joint ventures and an associate	16,355	15,299	15,450	15,216
Other financial assets	10,973	9,807	10,059	8,771
Property, plant and equipment	734,987	836,489	801,406	861,222
Non-current assets held for sale (Note 8)	12,666	10,821	22,898	10,455
Goodwill	297,547	427,952	427,964	426,752
Intangible assets	137,539	139,221	143,701	126,944
Other non-current assets	5,340	4,583	5,114	5,435
Deferred tax assets	102,143	52,076	66,138	65,152
Total assets	\$ 2,880,505	\$ 3,073,339	\$ 2,797,189	\$ 2,770,001
<b>Liabilities</b>				
Current				
Bank overdraft	\$ 23,843	\$ 7,831	\$ –	\$ –
Bank loans	13,536	10,330	10,066	3,579
Trade and other payables	509,200	638,160	494,857	486,854
Dividends payable	2,258	2,277	2,258	2,527
Derivative financial instruments	–	–	3,553	691
Provisions (Note 9)	51,997	8,934	16,335	6,947
Instalments on long-term debt	7,572	12,234	10,922	18,519
Liabilities related to discontinued operations (Note 7)	36,619	–	–	–
Current liabilities	645,025	679,766	537,991	519,117
Non-current				
Long-term debt	447,627	430,002	299,491	225,948
Other non-current liabilities	31,484	35,701	34,741	33,653
Provisions (Note 9)	44,877	3,466	17,712	3,606
Deferred tax liabilities	15,820	19,900	24,163	32,456
Total liabilities	1,184,833	1,168,835	914,098	814,780
<b>Equity</b>				
Share capital (Note 11)	769,361	764,106	765,443	793,939
Retained earnings	877,780	1,093,001	1,071,426	1,115,801
Contributed surplus	12,439	11,941	12,521	11,386
Accumulated other comprehensive loss	(901)	(664)	(3,643)	(1,431)
Total equity attributable to owners of RONA inc.	1,658,679	1,868,384	1,845,747	1,919,695
Non-controlling interests	36,993	36,120	37,344	35,526
Total equity	1,695,672	1,904,504	1,883,091	1,955,221
Total liabilities and equity	\$ 2,880,505	\$ 3,073,339	\$ 2,797,189	\$ 2,770,001

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

## RONA inc.

### Notes to interim consolidated financial statements

as at June 30, 2013 and June 24, 2012

(unaudited and in thousands of Canadian dollars)

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#### 1. Reporting entity

RONA inc., a corporation headquartered at 220 Chemin du Tremblay, Boucherville, Quebec, Canada is incorporated under 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 interim consolidated financial statements for the thirteen-and twenty-six week periods ended June 30, 2013 and June 24, 2012 include financial data for the Corporation and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's entities").

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

#### 2. Basis of presentation

##### (a) General information and declaration of conformity

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Corporation's consolidated financial statements for the year ended December 30, 2012. There has not been any significant change in important judgments, estimates or assumptions since then, except for the judgments and estimates that are required for the assessments of the loss from discontinued operations that are discussed in note 7. These unaudited interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 30, 2012, which are included in the Corporation's 2012 annual report.

The unaudited interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Corporation's consolidated financial statements for the year ended December 30, 2012 with the exception of the following new accounting standards and amendments which the Corporation adopted and which are effective for the Corporation's interim and annual consolidated financial statements commencing December 31, 2012:

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

The accounting standards and amendments to standards adopted by the Corporation that had an impact on the financial statements are IFRS 11, *Joint arrangements* and IAS 19, *Employee benefits*, as detailed in Note 15. In addition, the restated opening balance sheet as at December 26, 2011 has been provided.

The unaudited interim consolidated financial statements for the thirteen-and twenty-six week periods ended June 30, 2013 (including comparative figures) were approved by the Board of Directors on August 13, 2013.

##### (b) Seasonal fluctuations

The interim period results of operations do not necessarily reflect results for the full year because of seasonal fluctuations that characterize the hardware, home improvement and gardening products industry. Since the seasonal fluctuations result in significant variances for certain assets and liabilities, a Statement of Financial Position as at June 24, 2012 is also presented for comparative purposes.

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

In November 2009, the IASB issued new IFRS 9, *Financial Instruments*, which will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides guidance on the classification and measurement of financial assets. In October 2010, the IASB amended IFRS 9 to add guidance on the classification and measurement of financial liabilities, and requirements for the derecognition of financial assets and financial liabilities. In December 2011, the IASB amended the transition date of IFRS 9, which requires the application of IFRS 9 for periods beginning on or after January 1, 2015. The previous transition date was January 1, 2013.

The impact of adopting this change has not yet been determined.

Certain other standards were issued but have no impact on the Corporation.

**RONA inc.**

**Notes to interim consolidated financial statements**

as at June 30, 2013 and June 24, 2012

(unaudited and in thousands of Canadian dollars)

**3. Supplemental information on income statements**

**3.1 Operating profit (loss)**

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Revenues</b>	<b>\$ 1,248,995</b>	<b>\$ 1,308,583</b>	<b>\$ 2,081,866</b>	<b>\$ 2,150,915</b>
Cost of sales (Note 4)	(931,292)	(967,091)	(1,541,182)	(1,574,040)
<b>Gross profit</b>	<b>317,703</b>	<b>341,492</b>	<b>540,684</b>	<b>576,875</b>
Selling, general and administrative expenses	(369,900)	(296,648)	(645,021)	(550,892)
Net gains on disposal of assets	62	2,792	654	3,042
Share of income of joint ventures and an associate	712	619	770	667
Other income	6,011	7,615	10,664	13,278
<b>Operating profit (loss)</b>	<b>\$ (45,412)</b>	<b>\$ 55,870</b>	<b>\$ (92,249)</b>	<b>\$ 42,970</b>

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

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
Depreciation of property, plant and equipment	\$ 13,909	\$ 15,965	\$ 29,307	\$ 31,074
Depreciation of leasehold property included in property, plant and equipment	6	110	16	224
Amortization of intangible assets	8,030	6,023	15,176	12,029
Amortization of other non-current assets	139	349	261	701
Depreciation, amortization of non-financial assets (Note 13)	22,084	22,447	44,760	44,028
Impairment of non-financial assets (Note 3.4)	22,299	4,986	23,253	4,986
Total depreciation, amortization and impairment of non-financial assets	\$ 44,383	\$ 27,433	\$ 68,013	\$ 49,014

**3.3 Employee benefits expense**

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
Salaries	\$ 123,598	\$ 125,764	\$ 241,257	\$ 247,424
Defined benefit plans expense	441	75	726	161
Defined contribution plans expense	3,277	3,813	6,808	6,343
Stock-based compensation expense	2,252	1,202	3,899	1,701
Severance (Note 3.4)	15,173	2,104	18,728	2,104
Other fringe benefits	26,342	25,337	54,187	55,028
Total employee benefits expense	\$ 171,083	\$ 158,295	\$ 325,605	\$ 312,761

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

This note reflects the financial impacts of a series of three waves 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. Actions are still currently underway. 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) Finally, 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.

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

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
Items related to cost of sales				
Costs relating to the liquidation of store inventory	\$ 2,237	\$ 5,568	\$ 1,911	\$ 5,568
Items related to selling, general and administrative expenses				
Severance (Note 3.3 and 9)	15,173	2,104	18,728	2,104
Impairment of non-financial assets (Note 3.2)	22,299	4,986	23,253	4,986
Onerous contracts (Note 9)	47,882	–	56,815	–
Reversal of straight-line lease provisions	(3,104)	–	(3,468)	–
Other charges	1,773	328	2,761	328
Total items related to selling, general and administrative expenses	84,023	7,418	98,089	7,418
Restructuring costs, impairment of non-financial assets and other charges	\$ 86,260	\$ 12,986	\$ 100,000	\$ 12,986

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

as at June 30, 2013 and June 24, 2012

(unaudited and in thousands of Canadian dollars)

**4. Inventory**

For the thirteen and twenty-six week periods ended June 30, 2013, an amount of \$931,292 and of \$ 1,541,182 of purchases, net of changes in inventory was expensed in the Consolidated Income Statement (\$967,091 and \$ 1,574,040 in 2012).

For the thirteen and twenty-six week periods ended June 30, 2013, an inventory write-down charge of \$17,052 and \$21,143 (\$8,991 and \$14,256 in 2012) was recognized in the Consolidated Income Statement.

**5. Income tax**

The consolidated effective tax rate was 26.75% for the thirteen-and twenty-six week periods ended June 30, 2013 and 26.57% for the equivalent periods ended June 24, 2012.

In interim periods, the income tax provision is based on an estimate of how much earnings will be generated 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.

Deferred tax assets, resulting from the current year's losses from continuing and discontinued operations, have been fully recognized in the Consolidated Statement of Financial Position, based on tax planning strategies and estimates of future taxable income.

**6. Business acquisition**

During the twenty-six-week period ended June 24, 2012, the Corporation acquired one company in the retail segment through a share purchase.

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

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

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

	2012
Trade and other receivables	\$ 2,312
Inventory	4,912
Other current assets	153
Property, plant and equipment	3,862
Goodwill on acquisition	1,200
Current liabilities	(5,811)
Long-term debt	(872)
Deferred tax liabilities	(219)
Cost of acquisition	5,537
Less: Balance of purchase price	(1,986)
Cash consideration paid	\$ 3,551

The excess of the purchase price over the value of net identifiable items of property, plant and equipment and intangible assets acquired less liabilities assumed is recognized as goodwill and represents expected synergies in connection with this acquisition. The goodwill is not deductible for tax purposes.

**RONA inc.**

**Notes to interim consolidated financial statements**

as at June 30, 2013 and June 24, 2012

(unaudited and in thousands of Canadian dollars)

**7. 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 closing of the transaction, which will be effective only upon receipt of approval by regulatory authorities, is expected before December 2013 and should provide a total cash consideration of approximately \$218 million (excluding transaction costs and subject to working capital adjustments at closing).

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 loss from discontinued operations" on the interim Consolidated Income Statements. The operating results of the discontinued operations and the effect of remeasurement were attributable to owners of RONA inc. and were as follows:

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Results from operations</b>				
Revenues	\$ 106,648	\$ 105,360	\$ 203,175	\$ 197,044
Cost of sales	83,453	72,476	151,288	134,233
Gross profit	23,195	32,884	51,887	62,811
Selling, general and administrative expenses	36,693	31,679	67,617	60,740
Depreciation and amortization	1,900	1,531	3,667	3,197
Finance costs	2,254	2,027	4,286	3,906
Loss before income tax	(17,652)	(2,353)	(23,683)	(5,032)
Income tax recovery	3,743	622	5,337	1,330
Net loss from operations	(13,909)	(1,731)	(18,346)	(3,702)
<b>Measurement of assets related to discontinued operations</b>				
Transaction – related costs	(3,725)	–	(3,725)	–
Loss on measurement <sup>(1)</sup>	(112,667)	–	(112,667)	–
Loss before income tax from measurement of assets	(116,392)	–	(116,392)	–
Income tax recovery	24,206	–	24,206	–
Net loss from measurement of assets	(92,186)	–	(92,186)	–
<b>Net loss from discontinued operations</b>	\$ (106,095)	\$ (1,731)	\$ (110,532)	\$ (3,702)
Loss before income tax from operations	\$ (17,652)	\$ (2,353)	\$ (23,683)	\$ (5,032)
Loss before income tax from measurement of assets related to discontinued operations	(116,392)	–	(116,392)	–
Loss before income tax from discontinued operations	(134,044)	(2,353)	(140,075)	(5,032)
Income tax recovery	27,949	622	29,543	1,330
Net loss from discontinued operations	\$ (106,095)	\$ (1,731)	\$ (110,532)	\$ (3,702)

<sup>(1)</sup> The loss on measurement represents impairment of goodwill.

The cash flows of discontinued operations have been removed from the interim Consolidated Statements of Cash Flows and are summarized as follows:

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Net cash flows of discontinued operations</b>				
Cash flows from (used for):				
Operating activities	\$ (17,507)	\$ (16,491)	\$ (29,876)	\$ (24,607)
Investing activities	(1,256)	(3,550)	(1,894)	(5,817)
Financing activities	18,767	20,043	31,776	30,429
<b>Total</b>	\$ 4	\$ 2	\$ 6	\$ 5

**RONA inc.**

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**7. Discontinued operations (continued)**

As the sale is highly probable and expected to occur prior to the end of the year, the Corporation reclassified the assets and liabilities related to the transaction as assets related to discontinued operations and liabilities related to discontinued operations. These assets and related liabilities were as follows:

	As at June 30, 2013
<b>Assets related to discontinued operations</b>	
Cash	\$ 60
Trade and other receivables	88,946
Inventory	111,694
Prepaid expenses	1,578
Property, plant and equipment	28,038
Intangible assets	6,876
Goodwill	17,749
<b>Total assets</b>	<b>\$ 254,941</b>
<b>Liabilities related to discontinued operations</b>	
Trade and other payables	\$ 36,619
<b>Total liabilities</b>	<b>\$ 36,619</b>

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

The Corporation intends to dispose of non-current assets within one year. These are primarily land and buildings in the retail 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:

	Year-to-date	
	2013	2012
Balance at beginning	\$ 22,898	\$ 10,455
Additions	11,657	7,729
Disposals	(8,677)	(7,363)
Impairment	(566)	-
Reclassification to property, plant and equipment	(12,646)	-
Balance at end	\$ 12,666	\$ 10,821
Non-current assets held for sale		
Land	\$ 6,455	\$ 10,821
Buildings	6,211	-
Total	\$ 12,666	\$ 10,821

**9. Provisions and contingent liabilities**

	Litigation	Onerous contracts	Product warranties	Restructuring <sup>(a)</sup>		Total
				Severance	Onerous contracts	
Balance, December 30, 2012	\$ 4,036	\$ 5,389	\$ 1,441	\$ 1,426	\$ 21,755	\$ 34,047
Provisions created during the period	1,629	-	214	19,378	56,122	77,343
Provisions used during the period	(369)	(1,140)	-	(6,967)	(6,239)	(14,715)
Change in estimates	(305)	511	-	(650)	783	339
Accretion expense	-	(50)	-	-	(90)	(140)
Balance, June 30, 2013	4,991	4,710	1,655	13,187	72,331	96,874
Current	4,991	2,748	1,655	13,187	29,416	51,997
Non-current	-	1,962	-	-	42,915	44,877
	\$ 4,991	\$ 4,710	\$ 1,655	\$ 13,187	\$ 72,331	\$ 96,874

(a) Refer to Note 3.4 for additional information.

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

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**9. Provisions and contingent liabilities (continued)**

	Litigation	Onerous contracts	Product warranties	Restructuring <sup>(a)</sup>	
				Severance	Total
Balance, December 26, 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**

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

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

**Onerous contracts****Restructuring**

Following store closures in 2012 and in the first and second quarters of 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 4.65%. The remaining terms of these leases vary from one to 16 years.

**Other**

Following a store closure in 2008, a provision for onerous contracts was recognized for a non-cancellable operating lease for a commercial store which is no longer used. The provision was estimated using the contractual obligation at the time of initial recognition and sublease revenue assumptions based on market data and discounted using a weighted average discount rate of 4.65% (4.40% in 2012). The lease, still in effect, expires in 2024.

**10. Guarantees and contingencies****Guarantees**

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

Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories to a maximum of \$46,761. 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 Reno-Depot 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.

**RONA inc.**

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**11. 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

**Issued and fully paid:**

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

	Common shares		Preferred shares <sup>(b)</sup>		Deposits on common share subscriptions <sup>(a)</sup>		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 30, 2012 (Restated – Note 15)	121,408,037	\$ 590,763	6,900,000	\$ 172,500	–	\$ 2,180	128,308,037	\$ 765,443
Issuance in exchange of cash	1,890	20	–	–	–	–	1,890	20
Issuance under stock option plans	245,000	3,189	–	–	–	–	245,000	3,189
Issuance in exchange of common share subscription deposits	199,078	2,118	–	–	–	(2,118)	199,078	–
Deposits on common share subscriptions received	–	–	–	–	–	823	–	823
Deposits on common share subscriptions refunded	–	–	–	–	–	(114)	–	(114)
Balance, June 30, 2013	121,854,005	\$ 596,090	6,900,000	\$ 172,500	–	\$ 771	128,754,005	\$ 769,361

(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 30, 2013, the number of outstanding common shares would have increased by 75,608.

(b) Class A preferred shares, Series 6.

	Common shares		Preferred shares <sup>(b)</sup>		Deposits on common share subscriptions <sup>(a)</sup>		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 26, 2011 (Restated – Note 15)	127,200,189	\$ 618,934	6,900,000	\$ 172,500	–	\$ 2,505	134,100,189	\$ 793,939
Issuance in exchange of cash	3,026	31	–	–	–	–	3,026	31
Issuance under stock option plans	960,000	3,331	–	–	–	–	960,000	3,331
Issuance in exchange of common share subscription deposits	259,057	2,477	–	–	–	(2,477)	259,057	–
Repurchase of common shares	(7,032,700)	(34,257)	–	–	–	–	(7,032,700)	(34,257)
Deposits on common share subscriptions received	–	–	–	–	–	1,089	–	1,089
Deposits on common share subscriptions refunded	–	–	–	–	–	(27)	–	(27)
Balance, June 24, 2012	121,389,572	\$ 590,516	6,900,000	\$ 172,500	–	\$ 1,090	128,289,572	\$ 764,106

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

(b) Class A preferred shares, Series 6.

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.

**12. 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. The fair value of each option granted was estimated at the grant date using the Black-Scholes option pricing model.

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

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

**Stock option plan of October 24, 2002**

Since October 24, 2002, the Corporation offers another stock option plan to designated senior executives of the Corporation and 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 30, 2013, the 4,474,687 options granted (3,713,452 options in 2012) have exercise prices ranging from \$9.38 to \$26.87 (same range in 2012) and of this number, 432,050 options have been exercised (172,425 options in 2012), 619,758 options have expired (same number of options in 2012) and 1,772,994 options have been forfeited (885,094 options in 2012).

The weighted average fair value of stock options granted of \$3.35 for the twenty-six-week period ended June 30, 2013 (\$2.64 in 2012) was estimated for each option tranche at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the options granted during the period:

	2013	2012
Share price at date of grant	<b>\$11.18</b>	\$9.39
Risk-free interest rate	<b>1.56 to 1.76%</b>	1.55 to 1.96%
Expected share price volatility	<b>27.93 to 28.51%</b>	27.65 to 27.70%
Expected dividend rate	<b>1.25%</b>	1.50%
Expected life	<b>7 to 10 years</b>	7 to 10 years
Exercise price at date of grant	<b>\$11.11</b>	\$9.38

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

Compensation cost expensed with respect to this plan amounted to \$339 and \$627 for the thirteen and twenty-six-week periods ended June 30, 2013 (\$340 and \$555 in 2012).

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

	Second quarter			
	2013		2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	1,993,210	\$ 13.19	2,574,175	\$ 10.32
Granted	582,800	11.11	471,100	9.38
Exercised	(245,000)	10.12	(960,000)	3.47
Forfeited	(681,125)	15.11	(49,100)	13.46
Outstanding, end of period	1,649,885	12.12	2,036,175	13.26
Options exercisable, end of period	638,895	\$ 13.73	1,110,835	\$ 14.78

The weighted average price of the common shares acquired by option holders having exercised 245,000 options (960,000 options in 2012) for the twenty-six-week period ended June 30, 2013 was \$10.77 (\$9.33 in 2012).

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**12. Stock-based compensation (continued)****Stock option plans (continued)**

The following table summarizes information relating to stock options outstanding as at June 30, 2013:

Exercise price	Expiration date	Options outstanding	Options exercisable
\$ 9.38	March 5, 2022	248,325	72,000
\$ 9.97	September 21, 2021	60,000	15,000
\$ 10.62	March 11, 2019	160,700	160,700
\$ 11.11	March 28, 2023	544,700	–
\$ 11.15	November 19, 2022	25,000	–
\$ 11.33	November 20, 2022	128,435	–
\$ 14.18	March 1, 2018	64,075	64,075
\$ 14.29	December 16, 2013	82,200	82,200
\$ 14.33	March 7, 2021	148,200	81,270
\$ 15.44	March 9, 2020	122,100	97,500
\$ 20.27	December 22, 2014	21,500	21,500
\$ 23.58	March 8, 2017	44,650	44,650
		<b>1,649,885</b>	<b>638,895</b>

**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	
	2013	2012	2013	2012
Number of restricted share units:				
Outstanding, beginning of period	1,694,115	1,644,666	982,368	1,117,225
Granted	–	14,059	810,876	585,600
Expired	(146,848)	–	(146,848)	–
Forfeited	(68,450)	(104,900)	(167,579)	(149,000)
Paid	–	(367,550)	–	(367,550)
Outstanding, end of period	<b>1,478,817</b>	<b>1,186,275</b>	<b>1,478,817</b>	<b>1,186,275</b>

For the thirteen and twenty-six-week periods ended June 30, 2013, an expense of \$1,648 and \$2,084 was recorded in the Consolidated Income Statement (\$289 and \$344 in 2012).

**Share unit plan for directors**

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

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

	Second Quarter		Year-to-date	
	2013	2012	2013	2012
Number of deferred share units:				
Balance, beginning of period	370,164	266,664	310,128	234,968
Granted	37,424	25,034	97,460	56,730
Balance, end of period	<b>407,588</b>	<b>291,698</b>	<b>407,588</b>	<b>291,698</b>

The expense recorded in the Consolidated Income Statement for the thirteen and twenty-six-week periods ended June 30, 2013 amounted to \$265 and \$1,188 (\$573 and \$802 in 2012).

**RONA inc.**

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**13. Segment Information from continuing operations**

	Second Quarter					
	2013			2012 <sup>(a)</sup>		
	Retail	Distribution	Total	Retail	Distribution	Total
Segment revenues	\$ 903,496	\$ 684,358	\$ 1,587,854	\$ 945,646	\$ 718,888	\$ 1,664,534
Intersegment revenues and royalties	(4,155)	(334,704)	(338,859)	(4,914)	(351,037)	(355,951)
Revenues from external customers	899,341	349,654	1,248,995	940,732	367,851	1,308,583
Operating profit before finance costs, income tax expense and depreciation, amortization and impairment of non-financial assets	(16,743)	16,989	246	63,325	21,340	84,665
Restructuring costs and other charges (Note 3.4)	61,449	2,512	63,961	8,000	-	8,000
Income before the following items:	44,706	19,501	64,207	71,325	21,340	92,665
Depreciation, amortization of non-financial assets (Note 3.2)			(22,084)			(22,447)
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)			(86,260)			(12,986)
Finance income			(1,275)			(1,362)
Operating profit (loss)			(45,412)			55,870
Finance income			1,275			1,362
Finance costs			(3,544)			(3,018)
Income (loss) before income tax expense			\$ (47,681)			\$ 54,214

	Year-to-date					
	2013			2012 <sup>(a)</sup>		
	Retail	Distribution	Total	Retail	Distribution	Total
Segment revenues	\$ 1,453,493	\$ 1,244,716	\$ 2,698,209	\$ 1,524,265	\$ 1,265,614	\$ 2,789,879
Intersegment revenues and royalties	(6,644)	(609,699)	(616,343)	(8,335)	(630,629)	(638,964)
Revenues from external customers	1,446,849	635,017	2,081,866	1,515,930	634,985	2,150,915
Operating profit before finance costs, income tax expense and depreciation, amortization and impairment of non-financial assets	(49,580)	28,076	(21,504)	57,374	37,065	94,439
Restructuring costs and other charges (Note 3.4)	73,099	3,648	76,747	8,000	-	8,000
Income before the following items:	23,519	31,724	55,243	65,374	37,065	102,439
Depreciation, amortization of non-financial assets (Note 3.2)			(44,760)			(44,028)
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)			(100,000)			(12,986)
Finance income			(2,732)			(2,455)
Operating profit (loss)			(92,249)			42,970
Finance income			2,732			2,455
Finance costs			(6,739)			(5,482)
Income (loss) before income tax expense			\$ (96,256)			\$ 39,943

(a) Restated, see Notes 7 and 15.

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**14. Income per share**

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

	Second Quarter		Year-to-date	
	2013	2012 <sup>(c)</sup>	2013	2012 <sup>(c)</sup>
Net income (loss) from continuing operations attributable to owners of RONA inc. <sup>(a)</sup>	\$ (36,340)	\$ 37,935	\$ (70,156)	\$ 28,768
Dividends on preferred shares, including related income taxes	(2,311)	(2,318)	(4,617)	(4,640)
Net income (loss) from continuing operations attributable to participating shares	(38,651)	35,617	(74,773)	24,128
Net loss from discontinued operations	(106,095)	(1,731)	(110,532)	(3,702)
Net income (loss) for the period attributable to participating shares	(144,746)	33,886	(185,305)	20,426
Number of shares (in thousands)				
Weighted average number of shares used to compute basic net income (loss) per share attributable to owners of RONA inc.	121,853	122,365	121,748	124,523
Effect of dilutive stock options <sup>(b)</sup>	-	-	-	-
Weighted average number of shares used to compute diluted net income (loss) per share attributable to owners of RONA inc.	121,853	122,365	121,748	124,523
Net income (loss) per share attributable to owners of RONA inc. – basic and diluted				
Continuing operations	\$ (0.32)	\$ 0.29	\$ (0.61)	\$ 0.19
Discontinued operations	(0.87)	(0.01)	(0.91)	(0.03)
	\$ (1.19)	\$ 0.28	\$ (1.52)	\$ 0.16

- (a) For the thirteen and twenty-six-week periods ended June 30, 2013, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling \$86,260 and \$100,000 pre-tax (\$12,986 and \$12,986 in 2012) (Note 3.4).
- (b) As at June 30, 2013, 1,649,885 stock options (2,036,175 options in 2012) were excluded from the calculation of diluted net loss per share attributable to the Corporation's owners since these options have an antidilutive effect.
- (c) Restated, see Notes 7 and 15.

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

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

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

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

**RONA inc.**

**Notes to interim consolidated financial statements**

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(unaudited and in thousands of Canadian dollars)

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

The impact on the Consolidated Income Statements for the thirteen-week period ended June 24, 2012 is as follows:

	Second Quarter 2012					
	As reported	Joint arrangements	Employee benefits	Subtotal	Discontinued operations (Note 7)	Continuing operations (Restated)
Revenues	\$ 1,417,137	\$ 3,194	\$ -	\$ 1,413,943	\$ 105,360	\$ 1,308,583
Operating profit (loss)	56,089	266	279	55,544	(326)	55,870
Finance income	1,369	7	-	1,362	-	1,362
Finance costs	(5,164)	(119)	-	(5,045)	(2,027)	(3,018)
Income (loss) before income tax expense	52,294	154	279	51,861	(2,353)	54,214
Income tax recovery (expense)	(13,988)	(154)	(73)	(13,761)	622	(14,383)
Net income (loss)	\$ 38,306	\$ -	\$ 206	\$ 38,100	\$ (1,731)	\$ 39,831
Basic and diluted net income (loss) per share attributable to owners of RONA inc.	\$ 0.28	\$ -	\$ -	\$ 0.28	\$ (0.01)	\$ 0.29

The impact on the Other Comprehensive Income for the thirteen-week period ended June 24, 2012 is as follows:

	Second Quarter 2012			
	As reported	Joint arrangements	Employee benefits	Restated <sup>(a)</sup>
Net income (loss)	\$ 38,306	\$ -	\$ 206	\$ 38,100
Other comprehensive income (loss) net of income taxes:				
Items that will be reclassified to net income				
Cash flow hedges				
- Gain for the period	1,092	-	-	1,092
- Reclassification to income	45	-	-	45
Impact of foreign currency translation related to the net investment in an associate	-	110	-	(110)
	1,137	110	-	1,027
Items that will not be reclassified to net income				
Actuarial gain (loss)	(987)	-	(206)	(781)
Total other comprehensive income (loss)	150	110	(206)	246
Total comprehensive income (loss)	\$ 38,456	\$ 110	\$ -	\$ 38,346

(a) These figures represent the continuing operations. The discontinued operations have no impact on Other Comprehensive Income.

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**15. Impact of adopting the new standards effective December 31, 2012 (Continued)**

The impact on the Consolidated Income Statement Income for the twenty-six-week period ended June 24, 2012 is as follows:

	Year-to-date 2012					
	As reported	Joint arrangements	Employee benefits	Subtotal	Discontinued operations (Note 7)	Continuing operations (Restated)
Revenues	\$ 2,352,071	\$ 4,112	\$ -	\$ 2,347,959	\$ 197,044	\$ 2,150,915
Operating profit (loss)	42,692	292	556	41,844	(1,126)	42,970
Finance income	2,473	18	-	2,455	-	2,455
Finance costs	(9,617)	(229)	-	(9,388)	(3,906)	(5,482)
Income (loss) before income tax expense	35,548	81	556	34,911	(5,032)	39,943
Income tax recovery (expense)	(9,509)	(81)	(145)	(9,283)	1,330	(10,613)
Net income (loss)	\$ 26,039	\$ -	\$ 411	\$ 25,628	(3,702)	29,330
Basic and diluted net income (loss) per share attributable to owners of RONA inc.	\$ 0.17	\$ -	\$ 0.01	\$ 0.16	\$ (0.03)	\$ 0.19

The impact on the Other Comprehensive Income for the twenty-six-week period ended June 24, 2012 is as follows:

	Year-to-date 2012			
	As reported	Joint arrangements	Employee benefits	Restated <sup>(a)</sup>
Net income (loss)	\$ 26,039	\$ -	\$ 411	\$ 25,628
Other comprehensive income (loss) net of income taxes:				
Items that will be reclassified to net income				
Cash flow hedges				
Gain for the period	28	-	-	28
Reclassification to income	870	-	-	870
Impact of foreign currency translation related to the net investment in an associate	-	131	-	(131)
	898	131	-	767
Items that will not be reclassified to net income				
Actuarial gain (loss)	(2,435)	-	(411)	(2,024)
Total other comprehensive income (loss)	(1,537)	131	(411)	(1,257)
Total comprehensive income (loss)	\$ 24,502	\$ 131	\$ -	\$ 24,371

(a) These figures represent the continuing operations. The discontinued operations have no impact on Other Comprehensive Income.

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

	As at June 24, 2012		
	As reported	Joint arrangements	Restated
<b>Assets</b>			
Current	\$ 1,582,884	\$ 5,793	\$ 1,577,091
Investments in joint ventures and an associate	-	(15,299)	15,299
Other non-current assets	1,499,017	18,068	1,480,949
	\$ 3,081,901	\$ 8,562	\$ 3,073,339
<b>Liabilities</b>			
Current liabilities	\$ 680,841	\$ 1,075	\$ 679,766
Non-current liabilities	496,041	6,972	489,069
	1,176,882	8,047	1,168,835
	1,905,019	515	1,904,504
	\$ 3,081,901	\$ 8,562	\$ 3,073,339

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

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

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

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

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

	As at	As at	As at
	June 24, 2012	December 30, 2012	December 26, 2011
<b>Equity as reported:</b>	\$ 1,905,019	\$ 1,883,576	\$ 1,955,624
Restatement of prior periods:			
Share capital	-	-	-
Treasury shares	523	523	475
Deposits on common share subscriptions	19	38	48
Accumulated other comprehensive income	-	-	-
Impact of foreign currency translation related to the net investment in an associate	(1,057)	(1,046)	(926)
<b>Equity as restated</b>	<u>\$ 1,904,504</u>	<u>\$ 1,883,091</u>	<u>\$ 1,955,221</u>

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

	Second Quarter 2012				
	As reported	Joint arrangements	Subtotal	Discontinued operations (Note 7)	Continuing operations (restated)
Cash flow from operating activities	\$ 39,234	\$ 1,261	\$ 37,973	(16,491)	54,464
Cash flow from investing activities	(17,882)	(59)	(17,823)	(3,550)	(14,273)
Cash flow from financing activities	(14,305)	(677)	(13,628)	20,043	(33,671)
Net increase in cash	7,047	525	6,522	2	6,520
Cash (bank overdraft), beginning of period	(13,353)	1,000	(14,353)		
Cash (bank overdraft), end of period	<u>\$ (6,306)</u>	<u>\$ 1,525</u>	<u>\$ (7,831)<sup>(a)</sup></u>		

(a) Includes cash of discontinued operations.

	Year-to-date 2012				
	As reported	Joint arrangements	Subtotal	Discontinued operations (Note 7)	Continuing operations (restated)
Cash flow from operating activities	\$ (100,482)	\$ 1,213	\$ (101,695)	(24,607)	(77,088)
Cash flow from investing activities	(37,716)	(62)	(37,654)	(5,817)	(31,837)
Cash flow from financing activities	114,743	(496)	115,239	30,429	84,810
Net increase (decrease) in cash	(23,455)	655	(24,110)	5	(24,115)
Cash, beginning of period	17,149	870	16,279		
Cash (bank overdraft), end of period	<u>\$ (6,306)</u>	<u>\$ 1,525</u>	<u>\$ (7,831)<sup>(a)</sup></u>		

(a) Includes cash of discontinued operations.