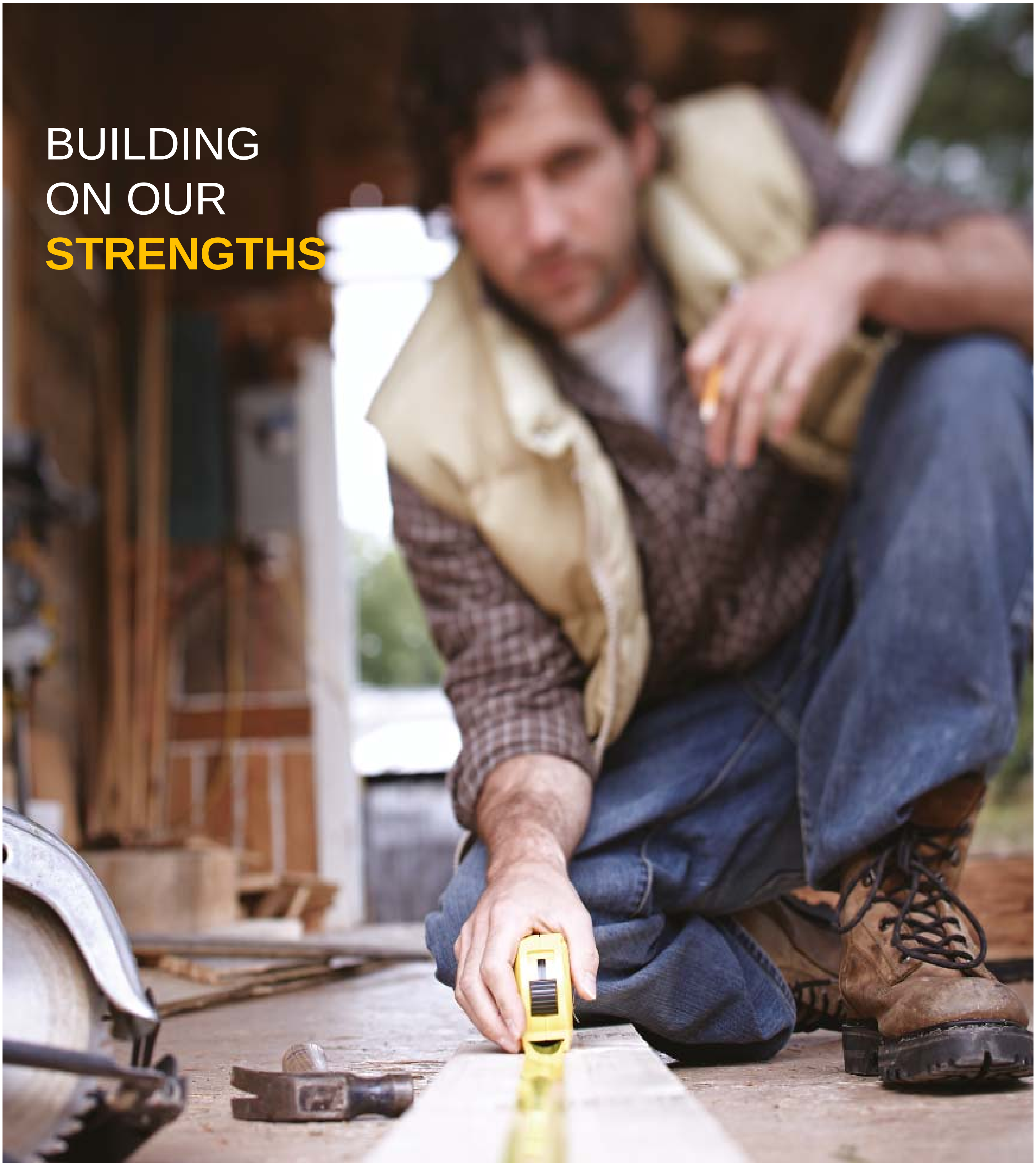
MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER 2013



RONA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER OF 2013

For the 13- and 26-week periods ended June 30, 2013

RONA is a leading Canadian distributor and retailer of hardware, home renovation and gardening products. The Corporation operates a network of over 800 corporate, franchise and affiliate retail stores of various sizes and formats under different banners, and a network of 14 hardware and construction materials distribution centres. With close to 28,000 employees, the RONA store network generated consolidated sales of $4.9 billion in the last fiscal year ended December 30, 2012.

RONA's sales include:

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

FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and related notes for the 13- and 26-week periods ended June 30, 2013. These unaudited interim consolidated financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The monetary amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated. The terms "RONA," "we," "us," "our" and the "Corporation" mean RONA inc. and its subsidiaries, unless otherwise indicated. RONA has filed its consolidated financial statements with the Canadian Securities Administrators and they can be viewed online at www.sedar.com or on RONA's website at www.rona.ca.

FISCAL YEAR

RONA's fiscal year ends on the last Sunday of each year and usually has 52 weeks. For interim disclosure purposes, quarters end on the last Sunday of March, June, September and December respectively, and have 13 weeks. The fiscal year ended December 30, 2012, had 53 weeks of operations, while the year ending December 29, 2013 will have 52 weeks.

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 and other comprehensive income statements.

NON-GAAP PERFORMANCE MEASURES

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

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

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

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

As indicated above, EBITDA and adjusted EBITDA are measures that have no standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other issuers. In this context, the following tables present a reconciliation of net income (loss) to EBITDA and adjusted EBITDA from continuing operations in the second quarter and first half of 2013 and 2012.

	Quarters ended		
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012
Net income (loss)	**(141,040)**	38,100	(179,140)
Net loss from discontinued operations	**(106,095)**	(1,731)	(104,364)
Net income (loss) from continuing operations	**(34,945)**	39,831	(74,776)
Finance costs	**3,544**	3,018	526
Depreciation, amortization and impairment of non-financial assets	**44,383**	27,433	16,950
Income tax	**(12,736)**	14,383	(27,119)
EBITDA from continuing operations	**246**	84,665	(84,419)
Restructuring costs and other charges (excluding impairment of non-financial assets)(1)	**63,961**	8,000	55,961
Other costs related to implementation of the recovery plan	**12,430**	–	12,430
Adjusted EBITDA from continuing operations	**76,637**	92,665	(16,028)

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

	Six month period ended		
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012
Net income (loss)	**(181,039)**	25,628	(206,667)
Net loss from discontinued operations	**(110,532)**	(3,702)	(106,830)
Net income (loss) from continuing operations	**(70,507)**	29,330	(99,837)
Finance costs	**6,739**	5,482	1,257
Depreciation, amortization and impairment of non-financial assets	**68,013**	49,014	18,999
Income tax	**(25,749)**	10,613	(36,362)
EBITDA from continuing operations	**(21,504)**	94,439	(115,943)
Restructuring costs and other charges (excluding impairment of non-financial assets) (1)	**76,747**	8,000	68,747
Other costs related to implementation of the recovery plan	**23,022**	–	23,022
Adjusted EBITDA from continuing operations	**78,265**	102,439	(24,174)

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

The tables below summarize the impact of each adjustment on non-GAAP performance measures for the Corporation's continuing operations. For details, refer to the sections *Consolidated results from continuing operations for the second quarter of 2013* and *Consolidated results from continuing operations for the first six months of 2013*, which explain the adjustments for each non-GAAP performance measure. Adjustments for discontinued operations are presented in the *Results from discontinued operations* section.

(Unaudited, in thousands of dollars, except net income (loss) per share)	**Quarter ended June 30, 2013**	**Restructuring costs, impairment of non-financial assets and other charges** (2)	**Other costs related to implementation of the recovery plan**	**Total adjustments**	**Adjusted quarter ended June 30, 2013**
Gross margin	**317,703**	2,237	6,910	9,147	**326,850**
Selling, general and administrative expenses (1)	**(317,457)**	61,724	5,520	67,244	**(250,213)**
EBITDA	**246**	63,961	12,430	76,391	**76,637**
Depreciation, amortization and impairment of non-financial assets	**(44,383)**	22,299	–	22,299	**(22,084)**
Net income (loss) from continuing operations attributable to participating shares	**(38,651)**	63,185	9,105	72,290	**33,639**
Net income (loss) per diluted share from continuing operations attributable to owners of RONA inc.	**(0.32)**	0.52	0.08	0.60	**0.28**

(1) Selling, general and administrative expenses includes net gains on disposal of assets, other income, finance income and share of income of joint ventures and an associate and excludes depreciation, amortization and impairment of non-financial assets.
(2) Refer to RONA's unaudited interim consolidated financial statements Note 3.4 (*Restructuring costs, impairment of non-financial assets and other charges*) for more details.

(Unaudited, in thousands of dollars, except net income (loss) per share)	**Six months ended June 30, 2013**	**Restructuring costs, impairment of non-financial assets and other charges(2)**	**Other costs related to the implementation of the recovery plan**	**Total adjustments**	**Adjusted six months ended June 30, 2013**
Gross margin	**540,684**	1,911	8,158	10,069	**550,753**
Selling, general and administrative expenses (1)	**(562,188)**	74,836	14,864	89,700	**(472,488)**
EBITDA	**(21,504)**	76,747	23,022	99,769	**78,265**
Depreciation, amortization and impairment of non-financial assets	**(68,013)**	23,253	–	23,253	**(44,760)**
Net income (loss) attributable to participating shares of continuing operations	**(74,773)**	73,250	16,864	90,114	**15,341**
Net income (loss) per diluted share attributable to owners of RONA Inc. from continuing operations	**(0.61)**	0.60	0.14	0.74	**0.13**

(1) Selling, general and administrative expenses includes net gains on disposal of assets, other income, finance income and share of income of joint ventures and an associate and excludes depreciation, amortization and impairment of non-financial assets.
(2) Refer to RONA's unaudited interim consolidated financial statements Note 3.4 (*Restructuring costs, impairment of non-financial assets and other charges*) for more details.

UPDATE ON THE CORPORATION'S STRATEGIC ORIENTATION

On June 27, 2013, RONA's President and Chief Executive Officer, Robert Sawyer, announced new restructuring and reorganization measures to ramp up the recovery and improve profitability. The announced measures represents annualized cost-savings of $110 million. As indicated in the June 27th press release, the measures include:

- Closure, by the end of 2013, of 11 stores: eight in Ontario and three in British Columbia.
- Reduction in administrative, marketing, merchandising and distribution expenses.
- In addition to the elimination of 200 administrative positions announced in February, announcement of the elimination of a further 125 positions in the four administrative centres in Canada.

The plan is also to reinvest a portion of the cost-savings to improve the positioning of our banners across the country and to implement a recovery plan for underperforming stores. Lastly, organizational changes were made to merchandising and store operations to improve efficiency and synergy among the teams.

As at the publication date of this MD&A, the announced recovery plan has achieved annualized cost-savings of $30 million. Some of these savings have already had a positive impact on the Corporation's results, including a reduction of $4.2 million in adjusted selling, general and administrative expense in the second quarter and $7.5 million since the start of the year. A portion of the cost-savings were invested in the pricing strategy, promotions and support for changes to the product category strategy (see the *Gross Margin* section for information).

Note also that an agreement to sell the majority of the assets of the Commercial and Professional Market Division for approximately $218 million was announced on June 20, 2013. In the short term, the proceeds of this disposal will be used to reduce RONA's debt, and it will allow the Corporation to focus on its core retail sales operations and product distribution in the renovation-construction market.

As indicated in the section *Consolidated results from continuing operations for the second quarter*, in the second quarter of 2013 the recovery plan resulted in a charge of $98.7 million, $72.3 million after taxes for restructuring costs, impairment of non-financial assets and other charges. To that amount was added $124.9 million, $98.8 million after taxes, from the expected sale of the Commercial and Professional Market Division, presented in the financial statements and the Corporation's MD&A as discontinued operations. In total, an adjustment of $223.6 million, $171.1 million after taxes, of which $218 million was for non-cash items, was charged to second quarter results.

Financial Priorities

Our actions are always dictated by our three financial priorities. This approach is focused on achieving a medium term return on capital greater than 10%. As at June 30, 2013, the return on capital (after-tax operating profit excluding adjustments/average capital) was 3.9%. We have made progress since these priorities were adopted in the third quarter of 2011, particularly with respect to optimizing the capital structure. However, it has been harder to improve efficiency in the past 12 months given recent strategic investments in the pricing strategy, promotions and support for changes to the product category strategy. Changing the sales mix in favour of lower gross margin products affected the Corporation's results during this period. However, as mentioned above, the $7.5 million decrease in adjusted selling, general and administrative expense since the start of the fiscal year has eased this pressure. Also, given that recent initiatives have currently generated annualized cost-savings of $30 million, in coming quarters the pressure on results should be offset by cost-savings.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS FOR THE SECOND QUARTER OF 2013

The results analyzed in this section are for the quarter ended June 30, 2013 and, when compared, are compared to the results for the quarter ended June 24, 2012, unless otherwise indicated.

RONA has two reportable segments: distribution and retail. The distribution segment is composed of distribution activities related to RONA franchise and affiliate stores, as well as the distribution operations of TruServ Canada. The retail segment now covers only the operations of RONA corporate stores and franchise stores for same-store sales comparison. Same-store figures have been adjusted to reflect this change. Note that RONA's Commercial and Professional Market Division, previously in the retail segment, is now presented as discontinued operations. Certain analyses have been provided by segment, as presented in the unaudited interim consolidated financial statements of the Corporation.

REVENUES	**Quarters ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Distribution	**349,654**	367,851	(18,197)	(4.9%)
Retail	**899,341**	940,732	(41,391)	(4.4%)
Total	**1,248,995**	1,308,583	(59,588)	(4.6%)
Same-store sales				
Distribution	**-2.7%**	+11.4%		
Retail	**-0.7%**	-1.5%		
Total same-store sales	**-1.0%**	+0.4%		

Consolidated revenues from continuing operations amounted to $1,249.0 million in the second quarter of 2013, down $59.6 million, or 4.6%, from $1,308.6 million in 2012. The decrease stems mainly from $35.1 million in lost sales due to store closures and a 1% decrease in same-store sales. The decrease was partially offset by new store openings, which added $7.7 million to the quarter's consolidated revenues. The distribution segment recorded revenues of $349.7 million in second quarter 2013, down $18.2 million, or 4.9%, from $367.9 million in 2012. The drop in these revenues was due to a 2.7% reduction in purchases by RONA dealers in the second quarter, after a 9.5% increase in the first quarter, when dealers advanced their purchases.

The retail segment recorded revenues of $899.3 million, down $41.4 million, or 4.4%, from $940.7 million in 2012. The decrease in revenues stems mainly from the closure of corporate stores over the past 12 months, with $35.1 million in lost sales, as well as a 0.7% decline in same-store sales. As indicated above, the opening of new corporate stores added $7.7 million to second quarter revenues. Market conditions remained relatively unfavorable during the quarter. Sales were affected by poor weather, the June strike in the Quebec construction industry and a marked decrease in housing starts in Canada. For example, housing starts in the second quarter were down 25% in Quebec and 27% in the Atlantic provinces.

EBITDA	**Quarters ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Distribution	**16,989**	21,340	(4,351)	(20.4%)
Retail	**(16,743)**	63,325	(80,068)	(126.4%)
Total EBITDA	**246**	84,665	(84,419)	(99.7%)
Adjustments				
Distribution				
Restructuring costs and other charges(1)	**2,512**	–	2,512	–
Other costs related to implementation of the recovery plan	**1,293**	–	1,293	–
Total adjustments – Distribution	**3,805**		3,805	
Retail		–		–
Restructuring costs and other charges(1)	**61,449**	8,000	53,449	–
Other costs related to implementation of the recovery plan	**11,137**	–	11,137	–
Total adjustments – Retail	**72,586**	8,000	64,586	–
Total adjustments	**76,391**	8,000	68,391	–
Adjusted EBITDA				
Distribution	**20,794**	21,340	(546)	(2.6%)
Retail	**55,843**	71,325	(15,482)	(21.7%)
Total adjusted EBITDA	**76,637**	92,665	(16,028)	(17.3%)

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

EBITDA from continuing operations amounted to $0.2 million in the second quarter of 2013, down $84.5 million from $84.7 million in 2012. Most of the decrease, $68.4 million, was due to adjustments, as indicated in the above table and described in the paragraph below.

As mentioned in the section *Non-GAAP Performance Measures*, certain adjustments were excluded in the measurement of the Corporation's financial performance in order to better compare operating results from quarter to quarter. Such adjustments amounted to $76.4 million in the second quarter of 2013, that is, $3.8 million in the distribution segment and $72.6 million in the retail segment. Of this amount, restructuring costs and other charges as presented in the Corporation's consolidated financial statements in note 3.4, accounted for $64.0 million for severance, provisions for onerous contracts, other costs related to store closures, as well as other costs. In 2012, the Corporation recorded a restructuring charge of $8.0 million for expenses incurred to close stores and sell off goods. The other costs of $12.4 million in the second quarter of 2013 were related to the recovery plan and include costs incurred to convert the TOTEM banner, consulting fees and the cost of selling off inventory.

Excluding these adjustments, EBITDA from continuing operations amounted to $76.6 million, down $16.1 million from $92.7 million in 2012. The decrease was mainly in the retail segment and stemmed primarily from a lower gross margin due to promotions and inventory sell-off, as well as changes in the mix of product categories sold, as set out in the RONA recovery plan.

EBITDA for the distribution segment amounted to $17.0 million in the second quarter of 2013, down $4.3 million from $21.3 million in 2012. The decrease stems almost entirely from adjustments of $3.8 million, as indicated in the above table. Excluding these adjustments, EBITDA for the distribution segment amounted to $20.8 million, a decrease of $0.5 million from $21.3 million in 2012. As explained in the Revenues section, this decrease is due to the decline in the volume of sales to RONA dealer-owners. The lower sales had little impact on EBITDA since the decrease occurred mainly in very low-margin convenience products.

In the retail segment, continuing operations recorded a loss of $16.7 million in EBITDA in the second quarter of 2013, down $80.0 million from $63.3 million in 2012. As explained in the consolidated results section, the decrease is mainly due to $72.6 million in adjustments recorded in the second quarter of 2013. Note that an adjustment of $8.0 million was recorded in the second quarter of 2012. Excluding the adjustments, EBITDA from continuing operations in the retail segment was $55.8 million, down $15.5 million from $71.3 million in 2012. This decrease stems from a decline in gross margin related to promotions and inventory sell-off, as well as changes in the mix of product categories sold, as set out in the RONA recovery plan. The decrease is also due to selling lower margin items such as building materials, to the detriment of higher-margin items such as hardware products. The net result of store openings and closings had a positive impact of $2.4 million on EBITDA.

GROSS MARGIN	**Quarters ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Gross margin	**317,703**	341,492	(23,789)	(7.0%)
Restructuring costs and other charges[1]	**2,237**	5,568	(3,331)	–
Other costs related to implementation of the recovery plan	**6,910**	–	6,910	–
Adjusted gross margin	**326,850**	347,060	(20,210)	(5.8%)

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

Gross margin from continuing operations amounted to $317.7 million, a decrease of $23.8 million from $341.5 million in 2012. Adjustments of $9.1 million in 2013 and $5.6 million in 2012 had a downward effect on the gross margin. Excluding these adjustments, gross margin for second quarter 2013 was $326.9 million, down $20.2 million, or 5.8%, from $347.1 million in 2012. The decrease represents the effects of the investments in gross margin under the Corporation's recovery plan, particularly with respect to the pricing strategy, promotions and support for initial changes in certain product category strategy. The quarter also saw implementation of the first phase of a major inventory liquidation plan as part of the changes in product categories. This affected gross margin but also made it possible to reduce inventories by $46.9 million. A portion of the decrease in gross margin also stems from selling lower margin items such as building materials, to the detriment of higher-margin items such as hardware products; the remainder of the decrease is due to the elimination of gross margin from stores closed in 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**Quarters ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Selling, general and administrative expenses	**(317,457)**	(256,828)	(60,629)	23.6%
Restructuring costs and other charges[1]	**61,724**	2,432	59,292	–
Other costs related to implementation of the recovery plan	**5,520**	–	5,520	–
Adjusted selling, general and administrative expenses	**(250,213)**	(254,396)	4,183	(1.6%)

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

Selling, general and administrative expenses from continuing operations were $317.5 million, up $60.7 million from $256.8 million in 2012. The increase is due to adjustments related to the current restructuring and implementation of the recovery plan. Excluding these adjustments, selling, general and administrative expenses for the second quarter 2013 were down $4.2 million, or 1.6%, compared to 2012. The decrease represents the first concrete effects of the implementation of various initiatives in the Corporation's business and recovery plan, as well as the elimination of certain expenses following the closure of non-profitable stores in 2012. As noted in the section "*Update on the Corporation's Strategic Orientation*", on an annualized basis, the cost-reductions from the decrease in selling, general and administrative expenses stood at $17 million when our first quarter results were released in May 2013. Now, following the completion of agreements with two major service providers and the elimination, in June 2013, of 125 administrative positions, they amount to $30 million. Our goal is still to achieve total annualized cost-savings of $110 million by the time our 2013 year-end results are released. Note that, as noted in the gross margin analysis, a portion of these savings will be reinvested in the pricing strategy and support for changes in the product category strategy.

INTEREST, DEPRECIATION, AMORTIZATION AND IMPAIRMENT	**Quarters ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Finance costs	**(3,544)**	(3,018)	(526)	(17.4%)
Depreciation, amortization and impairment of non-financial assets	**(44,383)**	(27,433)	(16,950)	(61.8%)
Impairment of non-financial assets and other costs(1)	**22,299**	4,986	17,313	–
Adjusted depreciation and amortization of non-financial assets	**(22,084)**	(22,447)	363	1.6%

(1) Refer to RONA's unaudited interim consolidated financial statements Note 3.2 (*Depreciation, amortization and impairment of non-financial assets*).

Finance costs from continuing operations amounted to $3.5 million in the second quarter of 2013, up $0.5 million, or 17.4%, from $3.0 million in 2012. The change is mainly due to the increase in our average debt, as well as slightly higher finance costs.

Amortization, depreciation and impairment of non-financial assets amounted to $44.4 million in the second quarter of 2013, up $17.0 million from $27.4 million in 2012. The increase stems from adjustments related to the current restructuring and implementation of the recovery plan. Excluding these adjustments, amortization, depreciation and impairment of non-financial assets stood at $22.1 million, down $0.3 million from $22.4 million in 2012.

NET INCOME	**Quarters ended**			
(Unaudited, in thousands of dollars, except net income (loss) per share)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Net income (loss) from continuing operations attributable to owners of RONA inc.	**(36,340)**	37,935	(74,275)	–
Dividends on preferred shares, including related income taxes	**(2,311)**	(2,318)	7	0.3%
Net income (loss) from continuing operations attributable to participating shares	**(38,651)**	35,617	(74,268)	–
Restructuring costs, impairment of non-financial assets and other costs, net of taxes	**63,185**	9,506	53,679	–
Other costs related to the implementation of the recovery plan, net of taxes	**9,105**	–	9,105	–
Adjusted net income from continuing operations attributable to participating shares	**33,639**	45,123	(11,484)	(25.5%)
Net loss from discontinued operations	**(106,095)**	(1,731)	(104,364)	–
Adjusted net income (loss) attributable to participating shares	**(72,456)**	43,392	(115,848)	–
Net income (loss) from continuing operations per diluted share attributable to owners of RONA inc.	**(0.32)**	0.29	(0.61)	–
Net loss from discontinued operations per diluted share attributable to owners of RONA inc.	**(0.87)**	(0.01)	(0.86)	–
Net income (loss) per diluted share attributable to owners of RONA inc.	**(1.19)**	0.28	(1.47)	–
Adjusted net income per diluted share from continuing operations attributable to owners of RONA inc.	**0.28**	0.37	(0.09)	24.3%

In the second quarter of 2013, the net loss from continuing operations attributable to participating shares was $38.7 million, compared to income of $35.6 million in 2012. The decrease of $74.3 million stems largely from an adjustment of $53.7 million recorded as restructuring costs, impairment of non-financial assets and other charges, as well as an adjustment of $9.1 million representing other costs involved in implementing the Corporation's recovery plan. Excluding these adjustments, net income attributable to participating shares amounted to $33.6 million, compared to $45.1 million. As noted in the EBITDA analysis above, this decrease is attributable mainly to the retail segment and stems primarily from a lower gross margin related to promotions and inventory sell-off, as well as changes in the mix of product categories sold, as set out in the RONA recovery plan. Adjusted net income per diluted share from continuing operations attributable to owners of RONA inc. was $0.28 in the second quarter of 2013, compared to $0.37 in 2012.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS FOR THE FIRST SIX MONTHS OF 2013

The results analyzed in this section are for the first six months ended June 30, 2013 and when compared, are compared to the results for the six months ended June 24, 2012, unless otherwise indicated.

REVENUES	**Six months ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Distribution	**635,017**	634,985	32	–
Retail	**1,446,849**	1,515,930	(69,081)	(4.6%)
Total	**2,081,866**	2,150,915	(69,049)	(3.2%)
Same-store sales				
Distribution	**+2.5%**	+7.3%		
Retail	**-1.8%**	-1.5%		
Total same-store sales	**-1.1%**	0.0%		

Consolidated revenues from continuing operations amounted to $2,081.9 million in the first half of 2013, down $69.0 million, or 3.2%, from $2,150.9 million in 2012. The decrease stems mainly from the loss of $49.6 million in sales following store closures and a 1.1% decrease in same-store sales. New store openings partially offset this decrease, adding $14.3 million to consolidated revenues in the first half of the year. The distribution segment recorded revenues of $635.0 million in the first half of 2013, about the same as in 2012. Revenues in the retail segment amounted to $1,446.8 million, down $69.1 million, or 4.6%, compared to $1,515.9 million in 2012.

In the distribution segment, the 2.5% increase in comparable wholesale purchases and sales from newly RONA recruited dealer-owners were offset by the transfer of sales to the retail segment following RONA's acquisition of an affiliated dealer.

In the retail segment, the revenue decrease stems mainly from the closure of corporate stores over the past 12 months, amounting to $49.6 million in sales, and a 1.8% decline in same-store sales. As noted above, new corporate store openings added $14.3 million to revenues in the first half of the year. Market conditions remained relatively unfavorable during the period. Sales were affected by a late spring, poor weather, the June strike in the Quebec construction industry and a marked decrease in housing starts across Canada, except in Alberta. For example, housing starts were down 24% in Quebec and 23% in the Atlantic provinces in the first half of the year.

EBITDA	**Six months ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Distribution	**28,076**	37,065	(8,989)	(24.3%)
Retail	**(49,580)**	57,374	(106,954)	(186.4%)
Total EBITDA	**(21,504)**	94,439	(115,943)	(122.8%)
Adjustments				
Distribution				
Restructuring costs and other charges(1)	**3,648**	–	3,648	–
Other costs related to implementation of the recovery plan	**4,275**	–	4,275	–
Total adjustments – Distribution	**7,923**	–	7,923	–
Retail				
Restructuring costs and other charges(1)	**73,099**	8,000	65,099	–
Other costs related to implementation of the recovery plan	**18,747**	–	18,747	–
Total adjustments – Retail	**91,846**	8,000	83,846	–
Total adjustments	**99,769**	8,000	91,769	–
Adjusted EBITDA				
Distribution	**35,999**	37,065	(1,066)	(2.9%)
Retail	**42,266**	65,374	(23,108)	(35.3%)
Total adjusted EBITDA	**78,265**	102,439	(24,174)	(23.6%)

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

In the first half of 2013, a loss of $21.5 million was recorded in EBITDA from continuing operations, down $115.9 million from $94.4 million in 2012. Most of the decrease, i.e., $91.8 million, was due to adjustments, as indicated in the above table and described in the paragraph below. Excluding these adjustments, EBITDA from continuing operations amounted to $78.3 million, down $24.1 million from $102.4 million in 2012. The decrease was almost entirely in the retail segment, stemming from a lower gross margin due to promotions and inventory sell-off, as well as changes in the mix of product categories sold, as set out in the RONA recovery plan.

As mentioned in the section *Non-GAAP Performance Measures*, certain non-representative adjustments were excluded in the measurement of the Corporation's financial performance in order to better compare operating results from quarter to quarter. These adjustments totalled $99.8 million in the first half of 2013, that is, $7.9 million in the distribution segment and $91.8 million in the retail segment. Of this amount, restructuring costs and other charges as presented in the Corporation's consolidated financial statements in note 3.4, represent $76.7 million for severance, provisions for onerous contracts, other costs related to store closures, as well as other costs. In 2012, the Corporation recorded a restructuring charge of $8.0 million for expenses incurred to close stores and sell off goods. The other $23.0 million in costs recorded in the first half of 2013 stem from the implementation of strategic priorities and include costs to convert the banner, consulting fees and the cost of selling off inventory.

EBITDA for the distribution segment amounted to $28.1 million in the first half of 2013, down $9.0 million from $37.1 million in 2012. The decrease stems primarily from adjustments of $7.9 million, as indicated in the above table. Excluding these adjustments, EBITDA for the distribution segment was $36.0 million, a decrease of $1.1 million from $37.1 million in 2012. The decrease is due to the change in the mix of products distributed, especially at the start of the year, and higher shipping costs. Lower second quarter sales also contributed to the lower EBITDA for the first half of 2013.

Continuing operations in the retail segment recorded a loss of $49.6 million in EBITDA in the first half of 2013, down $107.0 million from $57.4 million in 2012. As explained in the consolidated results section, the decrease is mainly due to $91.8 million in adjustments recorded in the first half of 2013. Note that an adjustment of $8.0 million was recorded in the first half of 2012. Excluding these adjustments, EBITDA from continuing operations in the retail segment was $42.3 million, down $23.1 million from $65.4 million in 2012. As noted in the analysis of second quarter results, the decrease stems from a decrease in gross margin related to promotions and inventory sell-off, as well as changes in the mix of product categories sold, as set out in the RONA recovery plan. The decrease also stems from selling lower-margin items such as building materials, to the detriment of higher-margin items such as hardware products, as well as a more rapid increase in the cost, versus the selling price, of products such as lumber and building materials. Lastly, stiffer competition created downward pressure on prices and gross margins in several product categories. The net result of store openings and closings had a positive impact of $4.8 million on EBITDA.

GROSS MARGIN	**Six months ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Gross margin	**540,684**	576,875	(36,191)	(6.3%)
Restructuring costs and other charges(1)	**1,911**	5,568	(3,657)	–
Other costs related to the implementation of the recovery plan	**8,158**	–	8,158	–
Adjusted gross margin	**550,753**	582,443	(31,690)	(5.4%)

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

Gross margin from continuing operations was $540.7 million in the first half of 2013, down $36.2 million from $576.9 million in 2012. Adjustments of $10.1 million in 2013 and $5.6 million in 2012 affected the margin. Excluding these adjustments, gross margin for the first half of 2013 was $550.8 million, down $31.6 million, or 5.4%, from $582.4 million in 2012. As noted in the analysis of second quarter results, the decrease represents the impacts of the investments in gross margin under the Corporation's recovery plan, particularly with respect to pricing strategy, promotions and initial support for changes in certain product category strategy. Note that the second quarter saw the implementation of the first phase of a major plan to sell off inventory in line with the changes made to product categories. This affected gross margin but also made it possible to reduce inventories by $46.9 million. A portion of the decrease in gross margin also stems from selling lower margin items such as building materials, to the detriment of higher-margin items such as hardware products; the remainder of the decrease is due to the elimination of gross margin generated by stores closed in 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**Six months ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Selling, general and administrative expenses	**(562,188)**	(482,436)	(79,752)	16.5%
Restructuring costs and other charges(1)	**74,836**	2,432	72,404	–
Other costs related to the implementation of the recovery plan	**14,864**	–	14,864	–
Adjusted selling, general and administrative expenses	**(472,488)**	(480,004)	7,516	(1.6%)

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

Selling, general and administrative expenses from continuing operations amounted to $562.2 million, an increase of $79.8 million, versus $482.4 million in 2012. The increase is due to adjustments related to the current restructuring and implementation of the recovery plan. Excluding these adjustments, selling, general and administrative expenses for the first half of 2013 were down $7.5 million, or 1.6%, compared to 2012. The decrease represents the first effects of the implementation of various initiatives in the Corporation's recovery plan, as well as the elimination of certain expenses following the store closures in 2012. As noted in the section "*Update on the Corporation's Strategic orientation*", on an annualized basis, the cost-reductions from the decrease in selling, general and administrative expenses were $17 million when our first quarter results were released in May 2013. Now, following agreements with two major service providers and, in June 2013, the elimination of 125 administrative positions, they amount to $30 million. Our goal is still to achieve total cost-savings of $110 million by the time our year-end results are released. Note that, as noted in the gross margin analysis, a portion of these savings will be reinvested in the pricing strategy and support for changes in the product category strategy.

INTEREST, DEPRECIATION, AMORTIZATION AND IMPAIRMENT	Six months ended			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Finance costs	**(6,739)**	(5,482)	(1,257)	(22.9%)
Depreciation, amortization and impairment of non-financial assets	**(68,013)**	(49,014)	(18,999)	(38.8%)
Impairment of non-financial assets and other costs[1]	**23,253**	4,986	18,267	–
Adjusted depreciation and amortization of non-financial assets	**(44,760)**	(44,028)	(732)	(1.7%)

(1) Refer to RONA's unaudited interim consolidated financial statements Note 3.2 (*Depreciation, amortization and impairment of non-financial assets*).

Financial expenses from continuing operations amounted to $6.7 million in the first half of 2013, up $1.2 million, or 22.9%, from $5.5 million in 2012. The change is mainly due to the increase in our average debt as well as a slightly higher financing costs.

Amortization, depreciation and impairment of non-financial assets amounted to $68.0 million in the first half of 2013, up $19.0 million from $49.0 million in 2012. The increase stems from adjustments related to the current restructuring and implementation of the recovery plan. Excluding these adjustments, amortization and depreciation of non-financial assets stood at $44.8 million, down $0.8 million from $44.0 million in 2012. The slight increase is due to investments in the continuous improvement of information systems, completed during the first quarter of 2013. The Corporation continues to strictly monitor its investments in property, plant and equipment, which are below the level of amortization and depreciation expense.

NET INCOME	Six months ended			
(Unaudited, in thousands of dollars, except net income (loss) per share)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Net income (loss) from continuing operations attributable to owners of RONA inc.	**(70,156)**	28,768	(98,924)	
Dividends on preferred shares, including related income taxes	**(4,617)**	(4,640)	23	0.5%
Net income (loss) from continuing operations attributable to participating shares	**(74,773)**	24,128	(98,901)	–
Restructuring costs, impairment of non-financial assets and other costs, net of taxes	**73,250**	9,506	63,744	–
Other costs related to the implementation of the recovery plan, net of taxes	**16,864**	–	16,864	–
Adjusted net income from continuing operations attributable to participating shares	**15,341**	33,634	(18,293)	(54.4%)
Net loss from discontinued operations	**(110,532)**	(3,702)	(106,830)	–
Adjusted net income (loss) attributable to participating shares	**(95,191)**	29,932	(125,123)	–
Net income (loss) from continuing operations per diluted share attributable to owners of RONA inc.	**(0.61)**	0.19	(0.80)	–
Net loss from discontinued operations per diluted share attributable to owners of RONA inc.	**(0.91)**	(0.03)	(0.88)	–
Net income (loss) per diluted share attributable to owners of RONA inc.	**(1.52)**	0.16	(1.68)	–
Adjusted net income from continuing operations per diluted share attributable to owners of RONA inc.	**0.13**	0.27	(0.14)	(51.9%)

In the first half of 2013, the net loss from continuing operations attributable to participating shares was $74.8 million, compared to income of $24.1 million in 2012. The decrease of $98.9 million stems largely from an adjustment of $63.7 million recorded as restructuring costs, impairment of non-financial assets and other charges, as well as an adjustment of $16.9 million representing other costs involved in implementing the Corporation's recovery plan. Excluding these adjustments, net income attributable to participating shares amounted to $15.3 million, compared to $33.6 million. As noted in the EBITDA analysis above, this decrease is attributable mainly to the retail segment and stems primarily from a lower gross margin related to promotions and inventory sell-off, as well as well as changes in the mix of product categories sold, as set out in the RONA recovery plan. Adjusted net income per diluted share from continuing operations attributable to owners of RONA inc. was $0.13 in the first half of 2013, compared to $0.27 in 2012.

RESULTS FROM DISCONTINUED OPERATIONS

In the second quarter of 2013, RONA recorded a net loss from discontinued operations of $106.1 million, compared to a net loss of $1.7 million in 2012. Most of this decrease, i.e., $98.8 million after taxes, is due to the goodwill impairment for these operations, as well as transaction related costs and other charges. Excluding this adjustment, the net loss from discontinued operations was $7.3 million compared to $1.7 million in 2012. The decrease is due to downward pressure on gross margins due to stiffer competition in this market.

In the first half of 2013, RONA recorded a net loss from discontinued operations of $110.5 million, compared to a net loss of $3.7 million in 2012. As noted above, most of the decrease is due to adjustments. Excluding these adjustments, the net loss was $11.8 million compared to $3.7 million in 2012. The decrease is due to downward pressure on gross margins due to stiffer competition in this market.

CASH FLOWS FOR THE SECOND QUARTER	**Quarters ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Cash flows from continuing operating activities before net change in working capital, interest received and income taxes paid	**47,919**	81,813	(33,894)	(41.4%)
Net change in working capital	**(55,460)**	(16,687)	(38,773)	(232.4%)
Cash flows from continuing operating activities	**(9,017)**	54,464	(63,481)	–
Cash flows from continuing investing activities	**(9,242)**	(14,273)	5,031	35.2%
Cash flows from continuing financing activities	**(37,202)**	(33,671)	(3,531)	(10.5%)
Net increase (decrease) in cash from continuing operations	**(55,461)**	6,520	(61,981)	–

For the second quarter of 2013, cash flows from continuing operating activities before net change in working capital, interest received and income taxes paid was $47.9 million, compared to $81.8 million in 2012, a decrease of $33.9 million. The change between the two periods stems principally from a larger loss before income tax expense compared to the same period in 2012. Working capital activities resulted in a greater change in 2013 than in 2012, such that cash flow from continuing operating activities resulted in a cash outflow of $9.0 million, compared to a cash inflow of $54.5 million in 2012. The increase in the change in working capital is mainly due to quarterly timing differences in trade and other payables.

The Corporation continued to exercise disciplined financial management and strictly controlled its investments in property, plant and equipment. For the second quarter of 2013, RONA invested $19.6 million in property, plant and equipment, intangible assets and other financial assets, compared to $24.5 million in 2012. These amounts were invested in the Corporation's information systems to increase operational efficiency, and in maintenance work. Note that the level of investment in property, plant and equipment, intangible assets and other financial assets remains lower than adjusted amortization, depreciation and impairment of non-financial assets expense. In total, cash flows from continuing investing activities resulted in a cash outflow of $9.2 million in the second quarter of 2013 compared to $14.3 million in 2012.

Financing activities primarily involved reducing the use of the credit facility by $34.4 million in the second quarter of 2013, whereas in 2012 it primarily involved repurchasing $17.9 million of common shares. In total, cash flows from continuing financing activities resulted in a cash outflow of 37.2 million in 2013 compared to $33.7 million in 2012.

CASH FLOWS FOR THE FIRST SIX MONTHS	**Six months ended**			
(Unaudited, in thousands of dollars)	**June 30, 2013**	June 24, 2012	$ change from 2012	% change from 2012
Cash flows from continuing operating activities before net change in working capital, interest received and income taxes paid	**34,616**	91,752	(57,136)	(62.3%)
Net change in working capital	**(151,418)**	(149,503)	(1,915)	(1.3%)
Cash flows from continuing operating activities	**(119,098)**	(77,088)	(42,010)	(54.5%)
Cash flows from continuing investing activities	**(21,906)**	(31,837)	9,931	31.1%
Cash flows from continuing financing activities	**96,565**	84,810	11,755	13.9%
Net decrease in cash from continuing operations	**(44,439)**	(24,115)	(20,324)	(84.3%)

For the first half of 2013, cash flows from continuing operating activities before net change in working capital, interest received and income taxes paid stood at $34.6 million, compared to $91.8 million in 2012, a decrease of $57.2 million. The change between the two periods stems principally from a larger loss before income tax expense compared to the same period in 2012. Working capital activities resulted in a slightly greater change in 2013 than in 2012. Cash flows from continuing operating activities resulted in a cash outflow of $119.1 million, compared to $77.1 million in 2012.

For the first half of 2013, RONA invested $33.8 million in property, plant and equipment, intangible assets and other financial assets, compared to $40.8 million in 2012. These amounts were invested in the Corporation's information systems to increase operational efficiency, store renovation and new store openings as well as in maintenance work. As for the quarter, the level of investment in property, plant and equipment, intangible assets and other financial assets in the first half of 2013 remains lower than adjusted amortization, depreciation and impairment of non-financial assets expense. In total, cash flows from continuing investing activities resulted in a cash outflow of $21.9 million in the first half of 2013 compared to $31.8 million in 2012.

For the first half of 2013, cash flows from continuing financing activities amounted to $96.6 million, compared to $84.8 million in 2012. The net change in credit facilities was lower in 2013 than in 2012 and no common shares were repurchased in 2013 compared to an outflow of $66.8 million relating to the repurchase of common shares in 2012.

FINANCIAL POSITION

Total assets amounted to $2,880.5 million at June 30, 2013, compared to $3,073.3 million at June 24, 2012, down $192.8 million or 6.3%. The decrease stems mainly from a goodwill impairment and a decrease in property, plant and equipment following store closures, as well as a $46.9 million decrease in inventory for continuing operations following inventory sell-off and promotions.

Total liabilities amounted to $1,184.8 million at June 30, 2013, compared to $1,168.8 million at June 24, 2012, an increase of $16.0 million, or 1.4%. Current liabilities were down $34.7 million compared to June 24, 2012, while long-term debt rose by $17.6 million.

RONA believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for the financing and investing activities planned for 2013. RONA still has a strong balance sheet. As at June 30, 2013, total debt was $468.7 million, compared to $452.6 million in 2012. The Corporation's net debt amounted to $492.6 million, compared to $460.4 million at June 24, 2012. The ratio of net debt to total capital is 22.5%, compared to 19.5% in 2012. The ratio of debt to adjusted EBITDA (past 12 months) was 2.54 at June 30, 2013, compared to 1.67 in 2012.

RONA has a credit facility of $950 million. At the end of the period, $321 million had been drawn on this facility. RONA thus has access to $629 million, subject to certain financial ratios. These conditions were met during the periods ended June 30, 2013 and June 24, 2012. The renewal of this facility and the maturing of the unsecured debentures, which form the major portion of long-term debt, will occur in 2016.

The table below presents a synopsis of the Corporation's contractual obligations as at June 30, 2013, including off-balance-sheet operating lease agreements entered into 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. 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 $46.8 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 $11.0 million were outstanding as at June 30, 2013 for the purchase of various, mainly seasonal, products.

Contractual obligations by term
(as at June 30, 2013)

Contractual obligations	Payments by term (Unaudited, in thousands of dollars)				
	Total	**Less than 1 year**	**1-2 years**	**3-4 years**	**5 or more years**
Long-term loans and credit facilities	447,035	3,514	2,879	439,164	1,478
Obligations under finance leases	728	249	386	93	–
Operating leases	911,162	133,821	240,790	193,532	343,019
Other long-term obligations	12,620	5,819	5,631	–	1,170
Total	**1,371,545**	**143,403**	**249,686**	**632,789**	**345,667**

Outstanding shares
(as at August 12, 2013)

Common shares	121,899,567
Unexercised options	1,546,285
Total	**123,445,852**

SUMMARY OF QUARTERLY RESULTS

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

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

	2013		**2012**(2)				2011		
	Q2	Q1	Q4 (1)	Q3	**Q2**	Q1	Q4	Q3	Q2
Revenues	**1,249.0**	832.9	1,071.5	1,221.7	**1,308.6**	842.3	1,169.2	1,347.1	1,370.0
EBITDA	**0.2**	(21.8)	19.0	37.5	**84.7**	9.8	37.2	105.4	89.9
Adjusted EBITDA	**76.6**	1.6	39.9	75.7	**92.7**	9.8	65.9	105.4	89.9
Net income (loss) from continuing operations attributable to participating shares	**(38.7)**	(36.1)	(17.1)	5.5	**35.6**	(11.5)	(153.6)	47.8	37.0
Adjusted net income (loss) from continuing operations attributable to participating shares	**33.6**	(18.3)	7.4	33.5	**45.1**	(11.5)	19.7	47.8	37.0
Net income (loss) from continuing operations per diluted share	**(0.32)**	(0.30)	(0.14)	0.05	**0.29**	(0.09)	(1.19)	0.36	0.28
Adjusted net income (loss) from continuing operations per diluted share	**0.28**	(0.15)	0.06	0.28	**0.37**	(0.09)	0.15	0.36	0.28

Annual variation in same-store sales
Last nine quarters

	Q2 2013	Q1 2013	Q4 2012 (1)	Q3 2012	**Q2 2012**	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Retail segment	**-0.7%**	-3.7%	2.2%	-2.3%	**-1.5%**	-1.3%	-2.8%	-5.5%	-10.4%
Total RONA Network	**-1.0%**	-1.1%	2.7%	-1.3%	**+0.4%**	-0.7%	-1.6%	-4.5%	-9.9%

(1) Q4 2012 had 14 weeks versus 13 for the other quarters. Excluding the 14th week in the fourth quarter of 2012, the annual variation in same-store sales was -0.8% for the retail sector and 0.1% for the total RONA network.

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

DIVIDEND ON PREFERRED SHARES

At its meeting on August 13, 2013, RONA's Board of Directors declared a quarterly dividend of $0.3308 per share on cumulative 5-year rate reset Class A preferred shares, series 6. The dividend will be paid on September 30, 2013 to shareholders of record on September 16, 2013.

DIVIDEND ON COMMON SHARES

At its most recent meeting on August 13, 2013, the Board declared a semi-annual dividend of $0.07 per share on the Corporation's common shares. The dividend will be paid on September 25, 2013 to shareholders of record on September 10, 2013.

RISKS AND UNCERTAINTIES

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

CHANGES IN ACCOUNTING POLICIES

Effective December 31, 2012, the Corporation adopted IFRS 11, *Joint arrangements* which replaces IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities – non-monetary contributions by venturers*. The most significant result from the adoption is the change in the method of accounting for the Corporation's investments in joint ventures. Under the previous standards the joint ventures were proportionally consolidated whereas under IFRS 11, the Corporation is required to account for these investments using the equity method of accounting. At this same date, the Corporation also adopted amendments to IAS 19, *Employee benefits*. The impact of the revised standard results from the requirement to deduct the cost of managing the plans and any tax payable by the plan in determining the return on plan assets and to replace the expected rate of return on plan assets used to determine the defined benefit cost by the obligation discount rate. Refer to RONA's unaudited interim consolidated financial statements note 15 (*Impact of adopting the new standards* effective December 31, 2012 for more details).

SIGNIFICANT ACCOUNTING ESTIMATES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

RONA has evaluated the design of internal control over financial reporting as at June 30, 2013 in accordance with the MI 52-109 guidelines. This evaluation has allowed the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer to conclude that the design of the Corporation's internal control over financial reporting is effective and provides reasonable assurance that the Corporation's financial reporting is reliable and that its consolidated financial statements are prepared in accordance with International Financial Reporting Standards.

FORWARD-LOOKING STATEMENTS

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

Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that would cause the Corporation's actual results to differ from current expectations please refer to the Corporation's public filings available at www.sedar.com 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 14, 2013, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ADDITIONAL INFORMATION

This MD&A was prepared on August 14, 2013. The reader will find additional information concerning RONA, including the Corporation's Annual Information Form, on the Corporation's website at www.rona.ca or on the SEDAR website at www.sedar.com.

(s) Dominique Boies

Dominique Boies
Executive Vice President and Chief Financial Officer

(s) Robert Sawyer

Robert Sawyer
President and Chief Executive Officer

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
Consolidated Income Statements		Restated (Notes 7 and 15)		Restated (Notes 7 and 15)
Continuing operations				
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
Discontinued operations				
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
Net income (loss) attributable to:				
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
Net income (loss) per share attributable to owners of RONA inc. - basic and diluted (Note 14)				
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
Consolidated Other Comprehensive Income Statements				
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
Total comprehensive income (loss) attributable to:				
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 (a)	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 [a]	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 Restated (Notes 7 and 15)	**2013**	2012 Restated (Notes 7 and 15)
Operating activities				
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)
Investing activities				
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)
Financing activities				
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
Net increase (decrease) in cash from continuing operations	**(55,461)**	6,520	**(44,439)**	(24,115)
Net increase in cash from discontinued operations (Note 7)	**4**	2	**6**	5
Net change in cash during the period	**(55,457)**	6,522	**(44,433)**	(24,110)
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)

		Restated – Note 15		
	As at June 30, 2013	As at June 24, 2012	As at December 30, 2012	As at December 26, 2011
Assets				
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
Liabilities				
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
Equity				
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.

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.

(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
Revenues	**$ 1,248,995**	$ 1,308,583	**$ 2,081,866**	$ 2,150,915
Cost of sales (Note 4)	**(931,292)**	(967,091)	**(1,541,182)**	(1,574,040)
Gross profit	**317,703**	341,492	**540,684**	576,875
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
Operating profit (loss)	**$ (45,412)**	$ 55,870	**$ (92,249)**	$ 42,970

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

(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.

(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
Results from operations				
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)
Measurement of assets related to discontinued operations				
Transaction – related costs	**(3,725)**	–	**(3,725)**	–
Loss on measurement [(1)]	**(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)**	–
Net loss from discontinued operations	**$ (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)

(1) 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
Net cash flows of discontinued operations				
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
Total	**$ 4**	$ 2	**$ 6**	$ 5

(unaudited and in thousands of Canadian dollars)

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
Assets related to discontinued operations	
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**
Total assets	**$ 254,941**
Liabilities related to discontinued operations	
Trade and other payables	**$ 36,619**
Total liabilities	**$ 36,619**

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

				Restructuring [(a)]		
	Litigation	Onerous contracts	Product warranties	Severance	Onerous contracts	Total
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.

(unaudited and in thousands of Canadian dollars)

9. Provisions and contingent liabilities (continued)

	Litigation	Onerous contracts	Product warranties	Restructuring (a) 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.

(unaudited and in thousands of Canadian dollars)

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 (b)		Deposits on common share subscriptions (a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 30, 2012 (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 (b)		Deposits on common share subscriptions (a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 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.

(unaudited and in thousands of Canadian dollars)

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

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

Compensation cost expensed with respect to this plan amounted to $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).

(unaudited and in thousands of Canadian dollars)

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
		1,649,885	638,895

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	**1,478,817**	1,186,275	**1,478,817**	1,186,275

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	**407,588**	291,698	**407,588**	291,698

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).

(unaudited and in thousands of Canadian dollars)

13. Segment Information from continuing operations

	Second Quarter					
	2013			2012 (a)		
	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 (a)		
	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.

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[(c)]	**2013**	2012[(c)]
Net income (loss) from continuing operations attributable to owners of RONA inc. [(a)]	**$ (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 [(b)]	**–**	–	**–**	–
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.

(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[(a)]
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.

(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 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[(a)]
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
Assets			
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
Liabilities			
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
Equity	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
Assets			
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
Liabilities			
Current liabilities	$ 540,859	$ 2,868	$ 537,991
Non-current liabilities	382,023	5,916	376,107
	922,882	8,784	914,098
Equity	1,883,576	485	1,883,091
	$ 2,806,458	$ 9,269	$ 2,797,189

(unaudited and in thousands of Canadian dollars)

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
Assets			
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
	$ 2,780,378	$ 10,377	$ 2,770,001
Liabilities			
Current liabilities	$ 522,663	$ 3,546	$ 519,117
Non-current liabilities	302,091	6,428	295,663
	824,754	9,974	814,780
Equity	1,955,624	403	1,955,221
	$ 2,780,378	$ 10,377	$ 2,770,001

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

	As at June 24, 2012	As at December 30, 2012	As at December 26, 2011
Equity as reported:	$ 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)
Equity as restated	$ 1,904,504	$ 1,883,091	$ 1,955,221

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	$ (6,306)	$ 1,525	$ (7,831)[(a)]		

(a) Includes cash of discontinued operations.

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	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	$ (6,306)	$ 1,525	$ (7,831)[(a)]		

(a) Includes cash of discontinued operations.

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