

**RONA inc.**

**Consolidated Income and Other Comprehensive Income Statements**

For the thirteen and thirty-nine week periods ended September 29, 2013 and September 23, 2012

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

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Consolidated Income Statements</b>				
<b>Continuing operations</b>				
Revenues	\$ 1,169,215	\$ 1,221,737	\$ 3,251,081	\$ 3,372,652
Operating profit before the following item:	46,629	38,619	54,380	94,575
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)	-	(25,713)	(100,000)	(38,699)
Operating profit (loss) (Note 3.1)	46,629	12,906	(45,620)	55,876
Finance income	1,629	1,475	4,361	3,930
Finance costs	(2,646)	(2,756)	(9,385)	(8,238)
	(1,017)	(1,281)	(5,024)	(4,308)
Income (loss) before income tax	45,612	11,625	(50,644)	51,568
Income tax recovery (expense) (Note 5)	(12,182)	(3,034)	13,567	(13,647)
Net income (loss) from continuing operations	33,430	8,591	(37,077)	37,921
<b>Discontinued operations</b>				
Net loss from discontinued operations (Note 7)	(4,473)	(597)	(115,005)	(4,299)
Net income (loss)	\$ 28,957	\$ 7,994	\$ (152,082)	\$ 33,622
<b>Net income (loss) attributable to:</b>				
Owners of RONA inc. – continuing operations	\$ 32,282	\$ 7,656	\$ (37,874)	\$ 36,424
– discontinued operations	(4,473)	(597)	(115,005)	(4,299)
	27,809	7,059	(152,879)	32,125
Non-controlling interests	1,148	935	797	1,497
	\$ 28,957	\$ 7,994	\$ (152,082)	\$ 33,622
<b>Net income (loss) per share attributable to owners of RONA inc. - basic and diluted (Note 14)</b>				
Continuing operations	\$ 0.25	\$ 0.05	\$ (0.37)	\$ 0.24
Discontinued operations	(0.04)	(0.01)	(0.94)	(0.03)
	\$ 0.21	\$ 0.04	\$ (1.31)	\$ 0.21
<b>Consolidated Other Comprehensive Income Statements</b>				
Net income (loss)	\$ 28,957	\$ 7,994	\$ (152,082)	\$ 33,622
Other comprehensive income (loss), net of income taxes :				
Items that will be reclassified to net income				
Cash flow hedges				
– Gain (loss) for the period	(469)	(1,999)	1,279	(1,971)
– Reclassification to income	409	(84)	1,286	786
Impact of foreign currency translation related to the net investment in an associate	8	(79)	125	(210)
	(52)	(2,162)	2,690	(1,395)
Items that will not be reclassified to net income				
Actuarial gain (loss)	1,072	(1,215)	1,243	(3,239)
Total other comprehensive income (loss)	1,020	(3,377)	3,933	(4,634)
Total comprehensive income (loss)	\$ 29,977	\$ 4,617	\$ (148,149)	\$ 28,988
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of RONA inc.	\$ 28,829	\$ 3,682	\$ (148,946)	\$ 27,491
Non-controlling interests	1,148	935	797	1,497
	\$ 29,977	\$ 4,617	\$ (148,149)	\$ 28,988

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

**RONA inc.**

**Consolidated Statements of Changes in Equity**

For the thirty-nine week periods ended September 29, 2013 and September 23, 2012  
(unaudited and in thousands of Canadian dollars)

	Share capital <sup>(a)</sup>	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 30, 2012 (Restated – Note 15)	\$ 765,443	\$ 1,071,426	\$ 12,521	\$ (3,643)	\$ 1,845,747	\$ 37,344	\$ 1,883,091
Transactions with owners							
Issuance of share capital in exchange of cash	210	-	-	-	210	-	210
Issuance of share capital under stock option plans	3,598	-	(800)	-	2,798	-	2,798
Dividends declared on common shares	-	(17,043)	-	-	(17,043)	-	(17,043)
Dividends declared on preferred shares, including income taxes	-	(6,933)	-	-	(6,933)	-	(6,933)
Compensation cost relating to stock option plans	-	-	919	-	919	-	919
Deposits on common share subscriptions received	1,208	-	-	-	1,208	-	1,208
Deposits on common share subscriptions refunded	(127)	-	-	-	(127)	-	(127)
Total transactions with owners	4,889	(23,976)	119	-	(18,968)	-	(18,968)
Net income (loss) for the period	-	(152,879)	-	-	(152,879)	797	(152,082)
Other comprehensive income, net of income taxes :							
Cash flow hedges							
- Gain for the period	-	-	-	1,279	1,279	-	1,279
- Reclassification to income	-	-	-	1,286	1,286	-	1,286
Impact of foreign currency translation related to the net investment in an associate	-	-	-	125	125	-	125
Actuarial gain	-	1,243	-	-	1,243	-	1,243
Total other comprehensive income for the period	-	1,243	-	2,690	3,933	-	3,933
Balance, September 29, 2013	\$ 770,332	\$ 895,814	\$ 12,640	\$ (953)	\$ 1,677,833	\$ 38,141	\$ 1,715,974

	Share capital <sup>(a)</sup>	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 26, 2011 (Restated – Note 15)	\$ 793,939	\$ 1,115,801	\$ 11,386	\$ (1,431)	\$ 1,919,695	\$ 35,526	\$ 1,955,221
Transactions with owners							
Issuance of share capital in exchange of cash	55	-	-	-	55	-	55
Issuance of share capital under stock option plans	3,480	-	(35)	-	3,445	-	3,445
Repurchase of common shares (Note 11)	(34,257)	(32,510)	-	-	(66,767)	-	(66,767)
Dividends declared on common shares	-	(17,191)	-	-	(17,191)	-	(17,191)
Dividends declared on preferred shares, including income taxes	-	(6,779)	-	-	(6,779)	-	(6,779)
Compensation cost relating to stock option plans	-	-	669	-	669	-	669
Deposits on common share subscriptions received	1,609	-	-	-	1,609	-	1,609
Deposits on common share subscriptions refunded	(27)	-	-	-	(27)	-	(27)
Other	-	-	-	-	-	32	32
Total transactions with owners	(29,140)	(56,480)	634	-	(84,986)	32	(84,954)
Net income for the period	-	32,125	-	-	32,125	1,497	33,622
Other comprehensive income (loss), net of income taxes :							
Cash flow hedges							
- Loss for the period	-	-	-	(1,971)	(1,971)	-	(1,971)
- Reclassification to income	-	-	-	786	786	-	786
Impact of foreign currency translation related to the net investment in an associate	-	-	-	(210)	(210)	-	(210)
Actuarial loss	-	(3,239)	-	-	(3,239)	-	(3,239)
Total other comprehensive loss for the period	-	(3,239)	-	(1,395)	(4,634)	-	(4,634)
Balance, September 23, 2012	\$ 764,799	\$ 1,088,207	\$ 12,020	\$ (2,826)	\$ 1,862,200	\$ 37,055	\$ 1,899,255

(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 thirty-nine week periods ended September 29, 2013 and September 23, 2012  
 (unaudited and in thousands of Canadian dollars)

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
		Restated (Notes 7 and 15)		Restated (Notes 7 and 15)
<b>Operating activities</b>				
Income (loss) before income tax	\$ 39,533	\$ 10,813	\$ (196,798)	\$ 45,724
Loss before income tax from discontinued operations (Note 7)	(6,079)	(812)	(146,154)	(5,844)
Income (loss) before income tax from continuing operations	45,612	11,625	(50,644)	51,568
Adjustments:				
Depreciation, amortization and impairment of non-financial assets (Note 3.2)	22,463	23,164	90,476	72,178
Change in provision for restructuring costs	(8,713)	21,349	53,624	23,027
Change in fair value of derivative financial instruments	770	(257)	3,007	(16)
Net gain on disposal of assets	(3,134)	(163)	(3,788)	(3,205)
Share of income of joint ventures and an associate	(340)	(497)	(1,110)	(1,164)
Stock-based compensation expense (Note 12)	2,913	1,021	6,812	2,722
Difference between amounts paid for post-employment benefits and current period expenses	(68)	1,917	(102)	4,192
Reversal of straight-line lease provisions (Note 3.4)	-	(1,329)	(3,468)	(1,329)
Other	615	(32)	(73)	577
	60,118	56,798	94,734	148,550
Net change in working capital	103,559	97,547	(47,859)	(51,956)
	163,677	154,345	46,875	96,594
Interest received	1,145	1,121	3,182	2,966
Income taxes paid	(3,815)	(2,298)	(8,148)	(23,480)
Cash flows from continuing operating activities	161,007	153,168	41,909	76,080
<b>Investing activities</b>				
Business acquisition (Note 6)	-	(446)	-	(3,997)
Acquisition of property, plant and equipment	(7,592)	(6,727)	(23,622)	(19,557)
Acquisition of intangible assets	(4,429)	(10,054)	(20,148)	(34,077)
Acquisition of other financial assets	(880)	(166)	(2,919)	(4,128)
Proceeds on disposal of property, plant and equipment and non-current assets held for sale	10,288	230	20,005	10,925
Proceeds on disposal of intangible assets	8	-	743	-
Proceeds on disposal of other financial assets	1,129	514	2,113	1,509
Dividends received from associates	-	765	-	1,198
Interest received	208	203	654	609
Cash flows from continuing investing activities	(1,268)	(15,681)	(23,174)	(47,518)
<b>Financing activities</b>				
Bank loans	(4,689)	(516)	(1,219)	3,354
Net change in credit facilities	(81,149)	(72,541)	32,228	97,816
Other long-term debt	-	-	-	16
Financing costs	-	-	-	(80)
Repayment of other long-term debt	(6,249)	(1,073)	(10,322)	(10,922)
Proceeds from issue of common shares	880	657	4,089	5,082
Repurchase of common shares (Note 11)	-	-	-	(66,767)
Dividends on common shares	(8,532)	-	(17,043)	(8,692)
Dividends on preferred shares	(2,257)	(2,276)	(6,768)	(6,785)
Interest paid	(4,131)	(4,626)	(10,527)	(8,587)
Cash flows from continuing financing activities	(106,127)	(80,375)	(9,562)	4,435
<b>Net increase in cash from continuing operations</b>	53,612	57,112	9,173	32,997
<b>Net increase (decrease) in cash from discontinued operations (Note 7)</b>	1	(2)	7	3
<b>Net change in cash during the period</b>	53,613	57,110	9,180	33,000
Cash (bank overdraft), beginning of period	(23,843)	(7,831)	20,590	16,279
Cash, end of period	\$ 29,770	\$ 49,279	\$ 29,770	\$ 49,279

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

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

As at September 29, 2013, September 23, 2012, December 30, 2012 and December 26, 2011  
(unaudited and in thousands of Canadian dollars)

	As at September 29, 2013	Restated – Note 15		As at December 26, 2011
		As at September 23, 2012	As at December 30, 2012	
<b>Assets</b>				
Current				
Cash	\$ 29,770	\$ 49,279	\$ 20,590	\$ 16,279
Trade and other receivables	322,948	439,947	363,062	370,192
Other financial assets	3,913	3,344	1,440	1,468
Current tax assets	24,315	15,200	15,083	7,412
Inventory (Note 4)	760,332	992,909	884,180	833,926
Prepaid expenses	21,453	30,013	20,104	20,777
Assets related to discontinued operations (Note 7)	251,191	–	–	–
Current assets	1,413,922	1,530,692	1,304,459	1,250,054
Non-current				
Investments in joint ventures and an associate	16,827	14,940	15,450	15,216
Other financial assets	8,236	9,538	10,059	8,771
Property, plant and equipment	726,410	811,413	801,406	861,222
Non-current assets held for sale (Note 8)	6,624	25,734	22,898	10,455
Goodwill	297,547	428,101	427,964	426,752
Intangible assets	135,129	143,499	143,701	126,944
Other non-current assets	5,980	3,902	5,114	5,435
Deferred tax assets	100,418	55,758	66,138	65,152
Total assets	\$ 2,711,093	\$ 3,023,577	\$ 2,797,189	\$ 2,770,001
<b>Liabilities</b>				
Current				
Bank loans	\$ 8,848	\$ 11,030	\$ 10,066	\$ 3,579
Trade and other payables	445,922	634,857	494,857	486,854
Dividends payable	2,283	10,589	2,258	2,527
Derivative financial instruments	45	2,312	3,553	691
Provisions (Note 9)	51,491	16,412	16,335	6,947
Instalments on long-term debt	6,536	12,230	10,922	18,519
Liabilities related to discontinued operations (Note 7)	38,794	–	–	–
Current liabilities	553,919	687,430	537,991	519,117
Non-current				
Long-term debt	362,155	363,618	299,491	225,948
Other non-current liabilities	30,857	35,612	34,741	33,653
Provisions (Note 9)	32,756	17,672	17,712	3,606
Deferred tax liabilities	15,432	19,990	24,163	32,456
Total liabilities	995,119	1,124,322	914,098	814,780
<b>Equity</b>				
Share capital (Note 11)	770,332	764,799	765,443	793,939
Retained earnings	895,814	1,088,207	1,071,426	1,115,801
Contributed surplus	12,640	12,020	12,521	11,386
Accumulated other comprehensive loss	(953)	(2,826)	(3,643)	(1,431)
Total equity attributable to owners of RONA inc.	1,677,833	1,862,200	1,845,747	1,919,695
Non-controlling interests	38,141	37,055	37,344	35,526
Total equity	1,715,974	1,899,255	1,883,091	1,955,221
Total liabilities and equity	\$ 2,711,093	\$ 3,023,577	\$ 2,797,189	\$ 2,770,001

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

## RONA inc.

### Notes to interim consolidated financial statements

as at September 29, 2013 and September 23, 2012

(unaudited and in thousands of Canadian dollars)

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#### 1. Reporting entity

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

The Corporation's interim consolidated financial statements for the thirteen and thirty-nine week periods ended September 29, 2013 and September 23, 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 major Canadian retailer and distributor of hardware, building materials and home renovation 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 audited 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 audited 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 audited 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 thirty-nine week periods ended September 29, 2013 (including comparative figures) were approved by the Board of Directors on November 12, 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 September 23, 2012 is also presented for comparative purposes.

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

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

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

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

**RONA inc.**

**Notes to interim consolidated financial statements**

as at September 29, 2013 and September 23, 2012

(unaudited and in thousands of Canadian dollars)

**3. Supplemental information on income statements**

**3.1 Operating profit (loss)**

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Revenues</b>	<b>\$ 1,169,215</b>	<b>\$ 1,221,737</b>	<b>\$ 3,251,081</b>	<b>\$ 3,372,652</b>
Cost of sales (Note 4)	(868,793)	(898,058)	(2,409,975)	(2,472,098)
<b>Gross profit</b>	<b>300,422</b>	<b>323,679</b>	<b>841,106</b>	<b>900,554</b>
Selling, general and administrative expenses	(262,875)	(317,953)	(907,896)	(868,845)
Net gain on disposal of assets	3,134	163	3,788	3,205
Share of income of joint ventures and an associate	340	497	1,110	1,164
Other income	5,608	6,520	16,272	19,798
<b>Operating profit (loss)</b>	<b>\$ 46,629</b>	<b>\$ 12,906</b>	<b>\$ (45,620)</b>	<b>\$ 55,876</b>

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

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
Depreciation of property, plant and equipment	\$ 15,191	\$ 15,904	\$ 44,498	\$ 46,978
Depreciation of leasehold property included in property, plant and equipment	40	82	56	306
Amortization of intangible assets	7,100	6,782	22,276	18,811
Amortization of other non-current assets	132	353	393	1,054
Depreciation, amortization of non-financial assets (Note 13)	22,463	23,121	67,223	67,149
Impairment of non-financial assets (Note 3.4)	-	43	23,253	5,029
Total depreciation, amortization and impairment of non-financial assets	\$ 22,463	\$ 23,164	\$ 90,476	\$ 72,178

**3.3 Employee benefits expense**

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
Salaries	\$ 95,569	\$ 106,597	\$ 302,557	\$ 321,288
Defined benefit plans expense	548	85	1,274	246
Defined contribution plans expense	3,362	2,497	8,687	7,831
Stock-based compensation expense	2,913	1,021	6,812	2,722
Severance (Note 3.4)	-	1,013	18,728	3,117
Other fringe benefits	21,894	25,793	71,846	76,805
Total employee benefits expense	\$ 124,286	\$ 137,006	\$ 409,904	\$ 412,009

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

This note reflects the financial impacts of a series of initiatives which were approved by the Board of Directors of the Corporation to improve financial performance and to accelerate value creation for the stakeholders. I) In the fourth quarter of 2011, an initiative mainly aimed at the restructuring of a portion of the retail store network was launched. 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:

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
Items related to cost of sales				
Costs relating to the liquidation of store inventory	\$ -	\$ 2,680	\$ 1,911	\$ 8,248
Items related to selling, general and administrative expenses				
Severance (Note 3.3 and 9)	-	1,013	18,728	3,117
Impairment of non-financial assets (Note 3.2)	-	43	23,253	5,029
Onerous contracts (Note 9)	-	21,514	56,815	21,514
Reversal of straight-line lease provisions	-	(1,329)	(3,468)	(1,329)
Other charges	-	1,792	2,761	2,120
Total items related to selling, general and administrative expenses	-	23,033	98,089	30,451
Restructuring costs, impairment of non-financial assets and other charges	\$ -	\$ 25,713	\$ 100,000	\$ 38,699

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

as at September 29, 2013 and September 23, 2012

(unaudited and in thousands of Canadian dollars)

**4. Inventory**

For the thirteen and thirty-nine week periods ended September 29, 2013, an amount of \$868,793 and of \$2,409,975 of purchases, net of changes in inventory was expensed in the Consolidated Income Statements (\$898,058 and \$2,472,098 in 2012).

For the thirteen and thirty-nine week periods ended September 29, 2013, an inventory write-down charge of \$4,668 and \$25,811 (\$6,787 and \$21,043 in 2012) was recognized in the Consolidated Income Statements.

**5. Income tax**

The consolidated effective tax rate was 26.71% (26.10% in 2012) for the thirteen week period and 26.79% (26.46% in 2012) for the thirty-nine week periods ended September 29, 2013.

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 Statements of Financial Position, based on tax planning strategies and estimates of future taxable income.

**6. Business acquisition**

During the thirty-nine-week period ended September 23, 2012, the Corporation acquired the assets of a dealer located in Quebec, operating in the retail segment and acquired also the shares of another dealer located in Quebec, operating in the same segment. In 2013, there was no acquisition by the Corporation.

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

The consideration paid for these acquisitions in 2012 amounted to \$6,138. Direct acquisition costs of \$284 were recognized in selling, general and administrative expenses for the thirty-nine-week period ended September 23, 2012. The Corporation financed these acquisitions from its available cash and existing credit facilities.

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

	2012
Trade and other receivables	\$ 2,312
Inventory	4,912
Other current assets	156
Property, plant and equipment	3,862
Goodwill on acquisition	1,349
Current liabilities	(5,362)
Long-term debt	(872)
Deferred tax liabilities	(219)
Cost of acquisition	6,138
Less: Balance of purchase price	(2,141)
Cash consideration paid	\$ 3,997

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 these acquisitions. The goodwill is not deductible for tax purposes.

**RONA inc.**

**Notes to interim consolidated financial statements**

as at September 29, 2013 and September 23, 2012

(unaudited and in thousands of Canadian dollars)

**7. Discontinued operations**

On June 19, 2013, the Corporation entered into an Asset Purchase Agreement with Talisker Plumbing Corporation, a subsidiary of EMCO Corporation, to sell the majority of the assets of the Commercial and Professional Market division. This division, specializing in plumbing, heating, ventilation and air conditioning (HVAC), was part of a subsidiary of the parent corporation. The transaction has been concluded on October 21, 2013 and resulted in cash proceeds of \$214 million, subject to final working capital adjustments in the coming months.

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:

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Results from operations</b>				
Revenues	\$ 113,667	\$ 111,805	\$ 316,842	\$ 308,849
Cost of sales	85,321	78,460	236,609	212,693
Gross profit	28,346	33,345	80,233	96,156
Selling, general and administrative expenses	30,291	30,018	97,908	90,758
Depreciation and amortization	1,913	1,898	5,580	5,095
Finance costs	2,424	2,241	6,710	6,147
Loss before income tax	(6,282)	(812)	(29,965)	(5,844)
Income tax recovery	1,648	215	6,985	1,545
Net loss from operations	(4,634)	(597)	(22,980)	(4,299)
<b>Measurement of assets related to discontinued operations</b>				
Transaction – related costs	–	–	(3,725)	–
Gain (loss) on measurement <sup>(1)</sup>	203	–	(112,464)	–
Gain (loss) before income tax from measurement of assets	203	–	(116,189)	–
Income tax recovery (expenses)	(42)	–	24,164	–
Net gain (loss) from measurement of assets	161	–	(92,025)	–
<b>Net loss from discontinued operations</b>	\$ (4,473)	\$ (597)	\$ (115,005)	\$ (4,299)
Loss before income tax from operations	\$ (6,282)	\$ (812)	\$ (29,965)	\$ (5,844)
Gain (loss) before income tax from measurement of assets related to discontinued operations	203	–	(116,189)	–
Loss before income tax from discontinued operations	(6,079)	(812)	(146,154)	(5,844)
Income tax recovery	1,606	215	31,149	1,545
Net loss from discontinued operations	\$ (4,473)	\$ (597)	\$ (115,005)	\$ (4,299)

<sup>(1)</sup> The gain (loss) on measurement is related to goodwill impairment.

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

	Third Quarter		Year-to-date	
	2013	2012	2013	2012
<b>Net cash flows of discontinued operations</b>				
Cash flows from (used for):				
Operating activities	\$ 2,582	\$ (3,573)	\$ (27,294)	\$ (28,180)
Investing activities	(1,114)	(2,491)	(3,008)	(8,308)
Financing activities	(1,467)	6,062	30,309	36,491
<b>Total</b>	\$ 1	\$ (2)	\$ 7	\$ 3

**RONA inc.**

**Notes to interim consolidated financial statements**

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**7. Discontinued operations (continued)**

As the sale will be recorded in the fourth quarter, 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 September 29, 2013
<b>Assets related to discontinued operations</b>	
Cash	\$ 60
Trade and other receivables	94,068
Inventory	104,322
Prepaid expenses	1,052
Property, plant and equipment	27,023
Intangible assets	6,714
Goodwill	17,952
<b>Total assets</b>	<b>\$ 251,191</b>
<b>Liabilities related to discontinued operations</b>	
Trade and other payables	\$ 38,794
<b>Total liabilities</b>	<b>\$ 38,794</b>

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

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

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

	Year-to-date	
	2013	2012
Balance at beginning	\$ 22,898	\$ 10,455
Additions	11,657	25,898
Disposals	(14,719)	(7,363)
Impairment	(566)	-
Reclassification to property, plant and equipment	(12,646)	(3,256)
Balance at end	<b>\$ 6,624</b>	<b>\$ 25,734</b>
<b>Non-current assets held for sale</b>		
Land	\$ 3,661	\$ 16,513
Buildings	2,963	9,221
Total	<b>\$ 6,624</b>	<b>\$ 25,734</b>

**9. Provisions and contingent liabilities**

	Litigation	Onerous contracts	Product warranties	Restructuring <sup>(a)</sup>		Total
				Severance	Onerous contracts	
Balance, December 30, 2012	\$ 4,036	\$ 5,389	\$ 1,441	\$ 1,426	\$ 21,755	\$ 34,047
Provisions created during the period	1,659	-	214	19,378	56,122	77,373
Provisions used during the period	(580)	(1,245)	-	(12,099)	(9,820)	(23,744)
Change in estimates	(357)	(3,106)	41	(650)	783	(3,289)
Accretion expense	-	(50)	-	-	(90)	(140)
Balance, September 29, 2013	4,758	988	1,696	8,055	68,750	84,247
Current	4,758	988	1,696	8,055	35,994	51,491
Non-current	-	-	-	-	32,756	32,756
	<b>\$ 4,758</b>	<b>\$ 988</b>	<b>\$ 1,696</b>	<b>\$ 8,055</b>	<b>\$ 68,750</b>	<b>\$ 84,247</b>

(a) Refer to Note 3.4 for additional information.

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

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

	Litigation	Onerous contracts	Product warranties	Restructuring <sup>(a)</sup>		Total
				Severance	Onerous contracts	
Balance, December 26, 2011	\$ 3,792	\$ 5,710	\$ 1,051	\$ -	\$ -	\$ 10,553
Provisions created during the period	1,525	1,400	533	3,117	21,514	28,089
Provisions used during the period	(877)	(1,612)	(16)	(1,604)	-	(4,109)
Provisions reversed during the period	(524)	-	-	-	-	(524)
Accretion expense	-	75	-	-	-	75
Balance, September 23, 2012	3,916	5,573	1,568	1,513	21,514	34,084
Current	3,916	1,773	1,568	1,513	7,642	16,412
Non-current	-	3,800	-	-	13,872	17,672
	\$ 3,916	\$ 5,573	\$ 1,568	\$ 1,513	\$ 21,514	\$ 34,084

(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 the second quarter 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 5.05%. 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 5.05% (4.35% in 2012). The lease, still in effect, expires in 2024.

In the third quarter of fiscal 2013, the Company entered into a sublease agreement for a commercial store which results in a \$3,106 reversal of the existing onerous contract provision. The favorable impact was accounted for as a reduction of selling, general and administrative expenses.

**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 \$46,011. In the event of recourse, this inventory would be sold in the ordinary course of the Corporation's operations. These agreements have undetermined periods but may be cancelled by the Corporation with a 30-day advance notice. In the opinion of management, the likelihood that significant payments would be incurred as a result of these commitments is low.

**Contingencies**

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

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

**RONA inc.**

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**11. Share capital**

**Authorized**

Unlimited number of shares

Common without par value

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

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

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

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

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

Class C preferred shares, issuable in series

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

Class D preferred shares, without par value, 4% cumulative dividend, redeemable at the Corporation's option at their issuance price. Since 2003, they are redeemable at their issuance price over a maximum period of ten years on the basis of 10% per year and are included in long-term debt

**Issued and fully paid:**

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

	Common shares		Preferred shares <sup>(b)</sup>		Deposits on common share subscriptions <sup>(a)</sup>		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 30, 2012 (Restated – Note 15)	121,408,037	\$ 590,763	6,900,000	\$ 172,500	–	\$ 2,180	128,308,037	\$ 765,443
Issuance in exchange of cash	18,227	210	–	–	–	–	18,227	210
Issuance under stock option plans	275,850	3,598	–	–	–	–	275,850	3,598
Issuance in exchange of common share subscription deposits	199,078	2,118	–	–	–	(2,118)	199,078	–
Deposits on common share subscriptions received	–	–	–	–	–	1,208	–	1,208
Deposits on common share subscriptions refunded	–	–	–	–	–	(127)	–	(127)
Balance, September 29, 2013	121,901,192	\$ 596,689	6,900,000	\$ 172,500	–	\$ 1,143	128,801,192	\$ 770,332

- (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 September 29, 2013, the number of outstanding common shares would have increased by 99,871.
- (b) Class A preferred shares, Series 6.

	Common shares		Preferred shares <sup>(b)</sup>		Deposits on common share subscriptions <sup>(a)</sup>		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 26, 2011 (Restated – Note 15)	127,200,189	\$ 618,934	6,900,000	\$ 172,500	–	\$ 2,505	134,100,189	\$ 793,939
Issuance in exchange of cash	5,011	55	–	–	–	–	5,011	55
Issuance under stock option plans	970,725	3,480	–	–	–	–	970,725	3,480
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	–	–	–	–	–	1,609	–	1,609
Deposits on common share subscriptions refunded	–	–	–	–	–	(27)	–	(27)
Balance, September 23, 2012	121,402,282	\$ 590,689	6,900,000	\$ 172,500	–	\$ 1,610	128,302,282	\$ 764,799

- (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 September 23, 2012, the number of outstanding common shares would have increased by 134,655.
- (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 thirty-nine-week period ended September 23, 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.

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**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 September 23, 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 thirty-nine-week period ended September 23, 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 September 29, 2013, the 4,640,387 options granted (3,713,452 options in 2012) have exercise prices ranging from \$9.38 to \$23.58 (same range in 2012) and of this number, 462,900 options have been exercised (183,150 options in 2012), 619,758 options have expired (619,758 options in 2012) and 1,859,844 options have been forfeited (1,038,994 options in 2012).

The weighted average fair value of stock options granted of \$3.42 for the thirty-nine-week period ended September 29, 2013 (\$2.64 in 2012) was estimated for each option tranche at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the options granted during the period:

	2013	2012
Share price at date of grant	<b>\$11.11</b>	\$9.39
Risk-free interest rate	<b>1.56 to 2.69 %</b>	1.55 to 1.96%
Expected share price volatility	<b>27.93 to 28.52 %</b>	27.65 to 27.70%
Expected dividend rate	<b>1.25 to 1.29%</b>	1.50%
Expected life	<b>7 to 10 years</b>	7 to 10 years
Exercise price at date of grant	<b>\$11.04</b>	\$9.38

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

Compensation cost expensed with respect to this plan amounted to \$292 and \$919 for the thirteen and thirty-nine-week periods ended September 29, 2013 (\$114 and \$669 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:

	Year-to-date			
	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	748,500	11.04	471,100	9.38
Exercised	(275,850)	10.14	(970,725)	3.55
Forfeited	(767,975)	15.22	(203,000)	12.33
Outstanding, end of period	1,697,885	11.82	1,871,550	13.38
Options exercisable, end of period	549,745	\$ 13.47	1,073,435	\$ 14.81

The weighted average price of the common shares acquired by option holders having exercised 275,850 options (970,725 options in 2012) for the thirty-nine-week period ended September 29, 2013 was \$10.87 (\$9.37 in 2012).

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

The following table summarizes information relating to stock options outstanding as at September 29, 2013:

Exercise price	Expiration date	Options outstanding	Options exercisable
\$ 9.38	March 5, 2022	240,375	65,125
\$ 9.97	September 21, 2021	60,000	30,000
\$ 10.62	March 11, 2019	137,800	137,800
\$ 10.78	August 23, 2023	165,700	-
\$ 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	54,375	54,375
\$ 14.29	December 16, 2013	63,800	63,800
\$ 14.33	March 7, 2021	131,850	72,420
\$ 15.44	March 9, 2020	94,700	75,075
\$ 20.27	December 22, 2014	16,500	16,500
\$ 23.58	March 8, 2017	34,650	34,650
		<u>1,697,885</u>	<u>549,745</u>

**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 Statements 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.

	Year-to-date	
	2013	2012
Number of restricted share units:		
Outstanding, beginning of period	982,368	1,117,225
Granted	884,454	588,100
Expired	(146,848)	-
Forfeited	(167,579)	(201,670)
Paid	(955)	(372,150)
Outstanding, end of period	<u>1,551,440</u>	<u>1,131,505</u>

For the thirteen and thirty-nine-week periods ended September 29, 2013, an expense of \$1,838 and \$3,922 was recorded in the Consolidated Income Statements (\$154 and \$498 in 2012).

**Share unit plan for directors**

The Corporation offers a deferred share units (DSUs) 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.

	Year-to-date	
	2013	2012
Number of deferred share units:		
Balance, beginning of period	310,128	234,968
Granted	125,115	96,685
Paid	-	(33,206)
Balance, end of period	<u>435,243</u>	<u>298,447</u>

The expense recorded in the Consolidated Income Statements for the thirteen and thirty-nine-week periods ended September 29, 2013 amounted to \$783 and \$1,971 (\$753 and \$1,555 in 2012).

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**13. Segment Information from continuing operations**

	Third Quarter					
	2013			2012 <sup>(a)</sup>		
	Retail	Distribution	Total	Retail	Distribution	Total
Segment revenues	\$ 866,451	\$ 600,847	\$ 1,467,298	\$ 905,540	\$ 626,191	\$ 1,531,731
Intersegment revenues and royalties	(4,019)	(294,064)	(298,083)	(4,251)	(305,743)	(309,994)
Revenues from external customers	862,432	306,783	1,169,215	901,289	320,448	1,221,737
Operating profit before finance costs, income tax expense and depreciation, amortization and impairment of non-financial assets	51,523	19,198	70,721	21,537	16,008	37,545
Restructuring costs and other charges (Note 3.4)	-	-	-	25,670	-	25,670
Income before the following items:	51,523	19,198	70,721	47,207	16,008	63,215
Depreciation, amortization of non-financial assets (Note 3.2)			(22,463)			(23,121)
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)			-			(25,713)
Finance income			(1,629)			(1,475)
Operating profit			46,629			12,906
Finance income			1,629			1,475
Finance costs			(2,646)			(2,756)
Income before income tax			\$ 45,612			\$ 11,625

	Year-to-date					
	2013			2012 <sup>(a)</sup>		
	Retail	Distribution	Total	Retail	Distribution	Total
Segment revenues	\$ 2,319,944	\$ 1,845,563	\$ 4,165,507	\$ 2,429,806	\$ 1,891,804	\$ 4,321,610
Intersegment revenues and royalties	(10,663)	(903,763)	(914,426)	(12,586)	(936,372)	(948,958)
Revenues from external customers	2,309,281	941,800	3,251,081	2,417,220	955,432	3,372,652
Operating profit before finance costs, income tax expense and depreciation, amortization and impairment of non-financial assets	1,943	47,274	49,217	78,911	53,073	131,984
Restructuring costs and other charges (Note 3.4)	73,099	3,648	76,747	33,670	-	33,670
Income before the following items:	75,042	50,922	125,964	112,581	53,073	165,654
Depreciation, amortization of non-financial assets (Note 3.2)			(67,223)			(67,149)
Restructuring costs, impairment of non-financial assets and other charges (Note 3.4)			(100,000)			(38,699)
Finance income			(4,361)			(3,930)
Operating profit (loss)			(45,620)			55,876
Finance income			4,361			3,930
Finance costs			(9,385)			(8,238)
Income (loss) before income tax			\$ (50,644)			\$ 51,568

(a) Restated, see Notes 7 and 15.

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**14. Income per share**

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

	Third Quarter		Year-to-date	
	2013	2012 <sup>(c)</sup>	2013	2012 <sup>(c)</sup>
Net income (loss) from continuing operations attributable to owners of RONA inc. <sup>(a)</sup>	\$ 32,282	\$ 7,656	\$ (37,874)	\$ 36,424
Dividends on preferred shares, including related income taxes	(2,316)	(2,139)	(6,933)	(6,779)
Net income (loss) from continuing operations attributable to participating shares	29,966	5,517	(44,807)	29,645
Net loss from discontinued operations	(4,473)	(597)	(115,005)	(4,299)
Net income (loss) for the period attributable to participating shares	25,493	4,920	(159,812)	25,346
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.	121,895	121,394	121,797	122,938
Effect of dilutive stock options <sup>(b)</sup>	12	43	11	-
Weighted average number of shares used to compute diluted net income (loss) per share attributable to owners of RONA inc.	121,907	121,437	121,808	122,938
Net income (loss) per share attributable to owners of RONA inc. – basic and diluted				
Continuing operations	\$ 0.25	\$ 0.05	\$ (0.37)	\$ 0.24
Discontinued operations	(0.04)	(0.01)	(0.94)	(0.03)
	\$ 0.21	\$ 0.04	\$ (1.31)	\$ 0.21

- (a) For the thirteen and thirty-nine-week periods ended September 29, 2013, these amounts include restructuring costs, impairment of non-financial assets and other charges totalling \$0 and \$100,000 pre-tax (\$25,713 and \$38,699 in 2012) (Note 3.4).
- (b) As at September 29, 2013, 1,500,085 stock options (1,494,800 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.

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(unaudited and in thousands of Canadian dollars)

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

The impact on the Consolidated Income Statements for the thirteen week period ended September 23, 2012 is as follows:

	Third Quarter 2012					
	As reported	Joint arrangements	Employee benefits	Subtotal	Discontinued operations (Note 7)	Continuing operations (Restated)
Revenues	\$ 1,336,560	\$ 3,018	\$ -	\$ 1,333,542	\$ 111,805	\$ 1,221,737
Operating profit	14,815	202	278	14,335	1,429	12,906
Finance income	1,481	6	-	1,475	-	1,475
Finance costs	(5,103)	(106)	-	(4,997)	(2,241)	(2,756)
Income (loss) before income tax	11,193	102	278	10,813	(812)	11,625
Income tax recovery (expense)	(2,993)	(102)	(72)	(2,819)	215	(3,034)
Net income (loss)	\$ 8,200	\$ -	\$ 206	\$ 7,994	\$ (597)	\$ 8,591
Basic and diluted net income (loss) per share attributable to owners of RONA inc.	\$ 0.04	\$ -	\$ -	\$ 0.04	\$ (0.01)	\$ 0.05

The impact on the Other Comprehensive Income for the thirteen week period ended September 23, 2012 is as follows:

	Third Quarter 2012			
	As reported	Joint arrangements	Employee benefits	Restated <sup>(a)</sup>
Net income	\$ 8,200	\$ -	\$ 206	\$ 7,994
Other comprehensive income (loss) net of income taxes:				
Items that will be reclassified to net income				
Cash flow hedges				
- Loss for the period	(1,999)	-	-	(1,999)
- Reclassification to income	(84)	-	-	(84)
Impact of foreign currency translation related to the net investment in an associate	-	79	-	(79)
	(2,083)	79	-	(2,162)
Items that will not be reclassified to net income				
Actuarial loss	(1,421)	-	(206)	(1,215)
Total other comprehensive income (loss)	(3,504)	79	(206)	(3,377)
Total comprehensive income	\$ 4,696	\$ 79	\$ -	\$ 4,617

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

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**Notes to interim consolidated financial statements**

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

The impact on the Consolidated Income Statement Income for the thirty-nine-week period ended September 23, 2012 is as follows:

	Year-to-date 2012					Discontinued operations (Note 7)	Continuing operations (Restated)
	As reported	Joint arrangements	Employee benefits	Subtotal			
Revenues	\$ 3,688,631	\$ 7,130	\$ -	\$ 3,681,501	\$ 308,849	\$ 3,372,652	
Operating profit	57,506	493	834	56,179	303	55,876	
Finance income	3,954	24	-	3,930	-	3,930	
Finance costs	(14,718)	(333)	-	(14,385)	(6,147)	(8,238)	
Income (loss) before income tax	46,742	184	834	45,724	(5,844)	51,568	
Income tax recovery (expense)	(12,503)	(184)	(217)	(12,102)	1,545	(13,647)	
Net income (loss)	\$ 34,239	\$ -	\$ 617	\$ 33,622	(4,299)	37,921	
Basic and diluted net income (loss) per share attributable to owners of RONA inc.	\$ 0.21	\$ -	\$ -	\$ 0.21	\$ (0.03)	\$ 0.24	

The impact on the Other Comprehensive Income for the thirty-nine-week period ended September 23, 2012 is as follows:

	Year-to-date 2012			
	As reported	Joint arrangements	Employee benefits	Restated <sup>(a)</sup>
Net income	\$ 34,239	\$ -	\$ 617	\$ 33,622
Other comprehensive income (loss) net of income taxes:				
Items that will be reclassified to net income				
Cash flow hedges				
Loss for the period	(1,971)	-	-	(1,971)
Reclassification to income	786	-	-	786
Impact of foreign currency translation related to the net investment in an associate	-	210	-	(210)
	(1,185)	210	-	(1,395)
Items that will not be reclassified to net income				
Actuarial loss	(3,856)	-	(617)	(3,239)
Total other comprehensive income (loss)	(5,041)	210	(617)	(4,634)
Total comprehensive income	\$ 29,198	\$ 210	\$ -	\$ 28,988

(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 September 23, 2012		
	As reported	Joint arrangements	Restated
<b>Assets</b>			
Current	\$ 1,538,312	\$ 7,620	\$ 1,530,692
Investments in joint ventures and an associate	-	(14,940)	14,940
Other non-current assets	1,495,671	17,726	1,477,945
	\$ 3,033,983	\$ 10,406	\$ 3,023,577
<b>Liabilities</b>			
Current liabilities	\$ 690,712	\$ 3,282	\$ 687,430
Non-current liabilities	443,431	6,539	436,892
	1,134,143	9,821	1,124,322
<b>Equity</b>	1,899,840	585	1,899,255
	\$ 3,033,983	\$ 10,406	\$ 3,023,577

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

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**Notes to interim consolidated financial statements**

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

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

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

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

	As at	As at	As at
	September 23, 2012	December 30, 2012	December 26, 2011
<b>Equity as reported:</b>	\$ 1,899,840	\$ 1,883,576	\$ 1,955,624
Restatement of prior periods:			
Share capital	-	-	-
Treasury shares	523	523	475
Deposits on common share subscriptions	28	38	48
Accumulated other comprehensive income	-	-	-
Impact of foreign currency translation related to the net investment in an associate	(1,136)	(1,046)	(926)
<b>Equity as restated</b>	<u>\$ 1,899,255</u>	<u>\$ 1,883,091</u>	<u>\$ 1,955,221</u>

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

	Third Quarter 2012				
	As reported	Joint arrangements	Subtotal	Discontinued operations (Note 7)	Continuing operations (restated)
Cash flow from operating activities	\$ 149,410	\$ (185)	\$ 149,595	(3,573)	153,168
Cash flow from investing activities	(18,517)	(345)	(18,172)	(2,491)	(15,681)
Cash flow from financing activities	(74,177)	136	(74,313)	6,062	(80,375)
Net increase (decrease) in cash	56,716	(394)	57,110	(2)	57,112
Cash (bank overdraft), beginning of period	(6,306)	1,525	(7,831)		
Cash, end of period	<u>\$ 50,410</u>	<u>\$ 1,131</u>	<u>\$ 49,279<sup>(a)</sup></u>		

(a) Includes cash of discontinued operations.

	Year-to-date 2012				
	As reported	Joint arrangements	Subtotal	Discontinued operations (Note 7)	Continuing operations (restated)
Cash flow from operating activities	\$ 48,928	\$ 1,028	\$ 47,900	(28,180)	76,080
Cash flow from investing activities	(56,233)	(407)	(55,826)	(8,308)	(47,518)
Cash flow from financing activities	40,566	(360)	40,926	36,491	4,435
Net increase in cash	33,261	261	33,000	3	32,997
Cash, beginning of period	17,149	870	16,279		
Cash, end of period	<u>\$ 50,410</u>	<u>\$ 1,131</u>	<u>\$ 49,279<sup>(a)</sup></u>		

(a) Includes cash of discontinued operations.

**16. Subsequent events**

As discussed in note 7, the asset purchase agreement to sell the majority of the assets of the Commercial and Professional Market division has been concluded on October 21, 2013 and resulted in a cash consideration of \$214 million. The consideration is, however, subject to final working capital adjustments in the coming months.

Moreover, on November 12, 2013, the Corporation announced a normal course issuer bid under which it may purchase for cancellation, from November 18, 2013 to November 17, 2014, up to 8,578,384 common shares, representing 10% of its 85,783,842 public float, or 7.04% of its 121,905,319 common shares issued and outstanding as at October 31, 2013. Under this issuer bid, the purchases will be made at market prices through the facility of the Toronto Stock Exchange or alternative Canadian trading platforms, in accordance with the requirements of the Toronto Stock Exchange. This bid is subject to the approval of the Toronto Stock Exchange.