



## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 29, 2013

For the 52-week fiscal year ended December 29, 2013 compared to the 53-week fiscal year ended December 30, 2012

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RONA inc. is a major Canadian retailer and distributor of hardware, building materials and home renovation products. The Corporation operates a network of over 530 corporate, franchise and affiliate stores under several different banners, and in a number of complementary formats. With its 13 distribution centers and its specialized TruServ Canada wholesaler, RONA serves its network as well as many independent dealers operating under other banners. With some 25,000 employees, the Corporation generates annual consolidated sales of \$4.2 billion. For more information, visit [rona.ca](http://rona.ca).

RONA's sales include:

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

### FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the Corporation's audited consolidated financial statements and related notes for the 52-week fiscal year ended December 29, 2013. These consolidated financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS"). The monetary amounts in these financial statements are expressed in thousands of Canadian dollars, unless otherwise indicated. The terms "RONA," "we," "us," "our" and the "Corporation" mean RONA inc. and its subsidiaries, unless otherwise indicated. RONA has filed its audited consolidated financial statements with the Canadian Securities Administrators and they can be viewed online at [www.sedar.com](http://www.sedar.com) or on RONA's website at [www.rona.ca](http://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 ended December 29, 2013 had 52 weeks. The fourth quarter of 2012 had 14 weeks, while that of 2013 had 13 weeks.

### DISCONTINUED OPERATIONS

On June 19, 2013, the Corporation entered into an agreement with Talisker Plumbing Corporation to sell the majority of the assets of its Commercial and Professional Market division. This transaction was completed on October 21, 2013 for a cash consideration of \$214 million, subject to subsequent working capital adjustments. 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 on the consolidated statement of income. The results of these operations are further detailed in Note 10 to the consolidated financial statements and briefly analyzed in the "Results from discontinued operations" section of this MD&A.

### NON-GAAP PERFORMANCE MEASURES

RONA presents certain 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 EBITDA margin; adjusted gross margin; adjusted selling, general and administrative expenses; adjusted depreciation, amortization and impairment of non-financial assets; adjusted finance costs; adjusted net income attributable to participating shares; and adjusted diluted net income per 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 fiscal 2013 and 2012.

(In thousands of dollars)	Fiscal years ended		
	December 29, 2013	December 30, 2012	\$ change from 2012
<b>Net income (loss)</b>	<b>(153,014)</b>	18,261	(171,275)
Net loss from discontinued operations	(117,417)	(5,128)	(112,289)
<b>Net income (loss) from continuing operations</b>	<b>(35,597)</b>	23,389	(58,986)
Finance costs	14,000	12,462	1,538
Depreciation, amortization and impairment of non-financial assets	113,850	107,261	6,589
Income taxes	(13,044)	8,281	(21,325)
<b>EBITDA from continuing operations</b>	<b>79,209</b>	151,393	(72,184)
Restructuring costs and other charges (excluding impairment of non-financial assets) <sup>(1)</sup>	82,879	37,261	45,618
Other costs related to implementation of the recovery plan	23,022	28,880	(5,858)
<b>Adjusted EBITDA from continuing operations</b>	<b>185,110</b>	217,534	(32,424)

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

The tables below summarize the impact of each adjustment on non-GAAP performance measures for the Corporation's continuing operations for fiscal 2013. The "Consolidated results from continuing operations" section and the "Segment results" section provide more detailed information on each adjustment by non-GAAP performance measure for fiscal 2013 and 2012. Adjustments for discontinued operations are presented in the "Results from discontinued operations" section.

(In thousands of dollars, except net income (loss) per share)	Year ended December 29, 2013	Restructuring costs, impairment of non-financial assets and other charges <sup>(1)</sup>	Other costs related to implementation of the recovery plan	Total adjustments	Adjusted year ended December 29, 2013
Gross margin	1,098,688	(1,352)	8,158	6,806	1,105,494
Selling, general and administrative expenses	(1,019,479)	84,231	14,864	99,095	(920,384)
EBITDA	79,209	82,879	23,022	105,901	185,110
Depreciation, amortization and impairment of non-financial assets	(113,850)	22,998	–	22,998	(90,852)
Finance costs	(14,000)	1,913	–	1,913	(12,087)
Net income (loss) from continuing operations attributable to participating shares	(45,902)	78,956	16,864	95,820	49,918
Diluted net income (loss) from continuing operations per share attributable to owners of RONA inc.	(0.38)	0.65	0.14	0.79	0.41

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

## HIGHLIGHTS – LAST THREE FISCAL YEARS

### SELECTED INFORMATION

(in millions of dollars, except number of shares and income (loss) per share)

	Fiscal years ended		
	December 29, 2013	December 30, 2012*	December 25, 2011
Revenues	4,192.2	4,444.2	4,402.2
Net income (loss) from continuing operations attributable to participating shares	(45.9)	12.3	(94.8)
Per share, diluted	(0.38)	0.10	(0.73)
Adjusted net income from continuing operations attributable to participating shares	49.9	73.5	78.5
Per share, diluted	0.41	0.60	0.60
Total assets	2,342.5	2,797.2	2,770.0
Long-term debt	164.5	299.5	225.9
Number of common shares outstanding at year end	120,743,836	121,408,037	127,200,189

\* Fiscal year ended December 2012 had 53 weeks.

Over the past three fiscal years, RONA has recorded significant charges related to the recovery of the Corporation's financial performance, through three successive transformation plans. A net after tax amount of \$95.8 million was recognized in 2013, \$61.2 million in 2012 and \$173.3 million in 2011. These adjustments had a significant impact on the Corporation's net income, which went from a net loss of \$94.8 million in 2011 to a net income of \$12.3 million in 2012 and a net loss of \$45.9 million in 2013. Excluding these adjustments, the adjusted net income from continuing operations fell from \$78.5 million in 2011 to \$73.5 million in 2012 and \$49.9 million in 2013. Results for the past three quarters were also affected by particularly difficult market conditions, with major declines in single-family housing starts and stiffer competition in many regions of the country.

Fiscal 2013 was a year of profound organizational transformation within RONA during a difficult period for the construction and renovation industry. Consolidated revenues from continuing operations in fiscal 2013 were \$4,192.2 million, down 5.7% from \$4,444.2 million in fiscal 2012, which had one extra week of business operations. Apart from the variance due to one less week of business, the decrease reflects the closure of underperforming stores and the impact of lower housing starts across the country. The restructuring and reorganizing measures implemented to improve profitability and save \$110 million on an annualized basis were successful. As announced, the savings were primarily invested in initiatives to stimulate sales and improve the positioning of our banners. Stringent capital management and strict controls on capital investments enabled RONA to generate free cash flows of \$30.6 million. This amount was assigned to the purchase of common shares. Fiscal 2013 was also a turning point in which RONA decided to focus on optimizing the performance of its strategic assets and to sell its Commercial and Professional Market division. The proceeds of \$214 million from this transaction, which closed in October 2013, were used to reduce the Corporation's long-term debt.

In 2012, RONA introduced its *New Realities, New Solutions* plan. The plan made it possible to refine the concept of the proximity store without the need for significant investments. The plan was launched after an in-depth study to improve productivity in all RONA stores across the country. The plan generated a recurring annual benefit of \$10.5 million. The sales initiatives and positive impact of the *New Realities, New Solutions* were partially offset by the negative impact of the product mix and increased competition. Despite a slight increase in leverage, RONA's balance sheet remained strong. As at December 30, 2012, the Corporation's total debt was \$328.0 million compared to \$256.7 million in 2011. Also, in November 2011, the Corporation put in place a normal course issuer bid permitting it to purchase, between November 11, 2011 and November 10, 2012, a maximum of 11,016,854 common shares, representing 10% of its 110,168,541 public float, or 8.4% of its 130,520,489 common shares issued and outstanding on October 31, 2011. From November 2011 to November 2012, the Corporation purchased 10.4 million shares at an average price of \$9.47 per share for a total of \$98.5 million.

For fiscal 2011, consolidated revenues were \$4,402.2 million. This slight decline over 2010 stemmed from a decrease in same-store sales, partially offset by acquisitions and the opening of new corporate stores. In addition, projects to expand existing dealer-owners and improve their loyalty grew sales in the Distribution segment, despite a decrease stemming from RONA's acquisition of certain dealer-owners and a reduction in same-store sales for our affiliated dealers, which, however, was not as pronounced as that for the corporate stores.

Same-store sales were down because of poor weather in the first half of the year, the decline in housing starts, the absence of the home renovation tax credit in the first part of the year compared to the previous year, and consumer caution with respect to their home improvement projects. Market conditions gradually improved as of July, but the pressure on same-store sales continued.

## 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 represent 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. Furthermore, organizational changes were made to merchandising and store operations to improve efficiency and synergy among the teams. Lastly, as part of the Corporation's reorganization, on June 19, 2013, RONA announced that an agreement had been reached to sell the majority of the assets of the Commercial and Professional Market division. This transaction was completed on October 21, 2013 and generated proceeds of disposal of \$214 million, which were used to fully repay the amount drawn on RONA's credit facility.

As at the publication date of this MD&A, RONA had achieved its target of \$110 million in annualized cost savings. Some of these savings have already had a positive impact on the Corporation's results in 2013, including a reduction of \$67.2 million in adjusted selling, general and administrative expenses since the start of the year. Note that of that amount, \$42.7 million is attributable to the closure of underperforming stores. However, in closing these stores, we also lost the \$33.0 million which these stores contributed to the Corporation's consolidated gross margin. The net cost-savings attributable to the Corporation's recovery plan thus amounts to \$34.2 million including the effect of an additional week of activity in 2012 vs 2013.

As indicated in the "Consolidated results from continuing operations" section, the recovery plan resulted in a charge of \$130.8 million for restructuring costs, impairment of non-financial assets and other charges, or \$95.8 million after taxes, in fiscal 2013. To that amount was added \$124.5 million, or \$98.1 million after taxes, from the 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 \$255.3 million, or \$193.9 million after taxes, of which \$209.0 million was for non-cash items, was charged to 2013 results.

## FINANCIAL PRIORITIES

Our actions are always dictated by our financial priorities. This approach is focused on achieving a medium term return on capital greater than 10%. It has been harder to improve efficiency in the past 12 months given recent strategic investments in the pricing strategy, the excess inventory sell-off, 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. The decrease in adjusted selling, general and administrative expenses coming from comparable operations and the closure of underperforming stores, helped ease this pressure on results. RONA also continued to exercise disciplined management of capital. Capital investments remained lower than amortization and depreciation expense and the free cash flows generated by the Corporation were used to purchase shares under a normal course issuer bid.

## CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

The results analyzed in this section are for the 52-week period ended December 29, 2013 and, when compared, are compared to the results for the 53-week period ended December 30, 2012, unless otherwise indicated.

## ECONOMIC ENVIRONMENT

### Key statistics on the renovation and construction industry

(Changes from 2012 to 2013)

	Single-family housing starts	Home resales	Average home sales price
Western Canada	-3.0%	6.7%	4.9%
Ontario	-13.3%	1.1%	4.7%
Quebec	-24.1%	-8.0%	0.8%
Atlantic provinces	-31.0%	-7.5%	1.8%
Total – Canada	-12.0%	1.0%	5.3%

Sources: Canada Mortgage and Housing Corporation and Canadian Real Estate Corporation.

According to the Bank of Canada's *Monetary Policy Report* released in January 2014, inflation in Canada has moved further below the 2 per cent target, owing largely to significant excess supply in the economy and heightened competition in the retail sector. The Bank expects inflation to return to the 2 percent target by 2015-2016, as the effects of retail competition dissipate and excess capacity is absorbed. The report notes that In Canada, economic growth improved in the second half of 2013. However, there have been few signs of the anticipated rebalancing towards exports and business investment. Stronger U.S. demand, as well as the recent depreciation of the Canadian dollar, should help to boost exports and, similarly, business confidence and investment. Meanwhile, recent data have been consistent with the Bank's expectation of a soft landing in the housing market and a stabilization of household indebtedness relative to income. Real GDP growth is projected to pick up from 1.8 percent in 2013 to 2.5 percent in both 2014 and 2015. This implies that the economy will return gradually to capacity over the next two years.

The Bank of Canada's comments accurately reflect market conditions for the renovation and construction industry in 2013 as well as today. The data in the above table confirm a soft landing in the housing market with respect to home resales, but the situation is more difficult for single-family housing starts, which fell 12% in Canada in 2013. The data varies widely from region to region. The Quebec market, where RONA generates over 50% of its sales, was particularly hard hit, with housing starts dropping 24.1%. Home resales grew 1.0% nationally, and growth was strong in Western Canada. However, the markets in Quebec were down 8% and in the Atlantic provinces 7.5%. Lastly, the average sales price rose 5.3%. The strongest growth can be seen in Western Canada and Ontario, while Quebec's average sales price rose only 0.8%. Clearly the strike in Quebec's construction industry in June 2013 did not help, but even before the strike, the industry's key indicators were showing a strong decline in Quebec in 2013.

This decline in the construction and renovation industry's key indicators and rising competition had a direct impact on RONA's sales and profit margins. Significant measures were taken to mitigate these effects and stimulate the Corporation's sales by putting the accent on its main competitive advantages and clarifying the positioning of its various banners. The following section illustrates the competitive environment's effects on RONA's results and the steps taken to mitigate its impacts.

#### CONSOLIDATED REVENUES

Consolidated revenues (in thousands of dollars, except same-store sales)	Fiscal years ended		Change		Weighting	
	December 29, 2013	December 30, 2012	\$	%	2013	2012
<b>Revenues before intersegment eliminations</b>						
Retail	3,003,669	3,230,196	(226,527)	(7.01%)	56%	57%
Distribution	2,353,169	2,418,192	(65,023)	(2.69%)	44%	43%
<b>Total</b>	<b>5,356,838</b>	<b>5,648,388</b>	<b>(291,550)</b>	<b>(5.16%)</b>	<b>100%</b>	<b>100%</b>
<b>Intersegment revenues</b>						
Retail	(14,646)	(16,866)	2,220	(13.16%)		
Distribution	(1,150,000)	(1,187,347)	37,347	(3.15%)		
<b>Total</b>	<b>(1,164,646)</b>	<b>(1,204,213)</b>	<b>39,567</b>	<b>(3.29%)</b>		
<b>Revenue distribution by business segment</b>						
Retail	2,989,023	3,213,330	(224,307)	(6.98%)	71%	72%
Distribution	1,203,169	1,230,845	(27,676)	(2.25%)	29%	28%
<b>Total</b>	<b>4,192,192</b>	<b>4,444,175</b>	<b>(251,983)</b>	<b>(5.67%)</b>	<b>100%</b>	<b>100%</b>
	<b>53 weeks</b>	<b>52 weeks</b>				
<b>Same-store sales</b>						
Retail segment	-3.91%	-2.18%				
<b>Total RONA network</b>	<b>-3.57%</b>	<b>-1.87%</b>				

Consolidated revenues from continuing operations before intersegment eliminations were \$5,356.8 million in fiscal 2013, down \$291.6 million or 5.2% from \$5,648.4 million in fiscal 2012. After intersegment eliminations of \$1,164.6 million in 2013 and \$1,204.2 million in 2012, which were primarily revenues from distributions to RONA's corporate store network, revenues from continuing operations stood at \$4,192.2 million for 2013 compared to \$4,444.2 million in 2012. This \$252.0 million or 5.7% decline stemmed from decreases of \$224.3 million or 7.0% from the retail segment and \$27.7 million or 2.3% from the distribution segment. Given the steeper decline in revenues from the retail segment, the weighting for this segment dropped from 72% of total sales in 2012 to 71% in 2013. This decrease also affected the Corporation's overall profitability, since the retail segment's gross margins are over twice those of the distribution segment. A detailed analysis of segment variances is provided in the "Analysis of segment results" section of this document, and the following table provides a detailed variance analysis of consolidated revenues.

**Consolidated revenues – Variance analysis**

(In thousands of dollars)

<b>Consolidated revenues – Fiscal 2012</b>	<b>4,444,175</b>
New stores and acquisitions, net of disposals	8,828
Closed stores	(96,050)
Recruitment, net of dealer-owner closures and departures	(4,800)
Organic growth (decrease)	(159,961)
<b>Consolidated revenues – Fiscal 2013</b>	<b>4,192,192</b>

As mentioned in the “Fiscal year” section of this document, fiscal 2012 had one more week of operations than fiscal 2013. This additional week represented \$16.1 million in revenues. The retail network’s development activities (i.e. new store acquisitions and openings, net of disposals) added \$8.8 million to consolidated revenues in fiscal 2013. The underperforming stores that were closed as part of the Corporation’s cost-reduction plan represented a \$96.1 million decrease in revenues. Lastly, recruitment, net of dealer-owner closures and departures, represented a \$4.8 million decline in revenues. Excluding all these items, revenues decreased \$160.0 million in 2013. This reduction stems mainly from a 2.2% drop in same-store sales in the retail segment. The total reduction in same-store sales for the RONA network as a whole was 1.9%. When the extra week of operations in 2012 is factored in, the reduction in same-store sales for the RONA network as a whole was 3.6% in 2013.

This decrease in same-store revenues was primarily due to adverse market conditions throughout fiscal 2013. In addition to the drop in the industry’s main indicators, as mentioned in the “Economic environment” section, sales were sluggish due to a late spring and the strike in Quebec’s construction industry in June. The decline in same-store revenues was also due to stronger competition in several regions across the country and temporary disturbances in two of our major regional banners, Réno-Dépôt in Quebec and our proximity stores under the TOTEM banner in Alberta, due to major repositioning initiatives undertaken by these banners in 2013.

**CONSOLIDATED GROSS MARGIN**

<b>Gross margin</b>	<b>Fiscal years ended</b>		<b>Change from 2012</b>	
	<b>December 29, 2013</b>	<b>December 30, 2012</b>	<b>\$</b>	<b>%</b>
(In thousands of dollars)				
Gross margin	<b>1,098,688</b>	1,191,798	(93,110)	(7.8%)
Restructuring costs and other charges (reversal) <sup>(1)</sup>	<b>(1,352)</b>	7,507	(8,859)	–
Other costs related to implementation of the recovery plan	<b>8,158</b>	2,500	5,658	–
<b>Adjusted gross margin</b>	<b>1,105,494</b>	1,201,805	(96,311)	(8.0%)

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

Gross margin from continuing operations amounted to \$1,098.7 million in 2013, a decrease of \$93.1 million from \$1,191.8 million in 2012. The change stems from adjustments of \$6.8 million in 2013 and \$10.0 million in 2012 which affected the margin. In 2013, restructuring costs and other charges (reversal) as presented in the Corporation’s consolidated financial statements in Note 5.4, represented a \$1.4 million reversal of charges in costs related to store closures. The other costs of \$8.2 million recorded in 2013 stem from the implementation of strategic priorities and include consulting fees and the cost of selling off inventory. In 2012, as presented in the Corporation’s consolidated financial statements in Note 5.4, the Corporation recorded adjustments of \$7.5 million as restructuring costs related to store closures and other costs. The other costs of \$2.5 million recorded in 2012 included the cost of selling off inventory. Excluding these adjustments, the gross margin for 2013 was \$1,105.5 million, down \$96.3 million, or 8.0%, from \$1,201.8 million in 2012. As mentioned in the analysis of consolidated revenues, given the steeper decline in revenues from the retail segment, the weighting for this segment dropped from 72% of total sales in 2012 to 71% in 2013. This decrease affected the Corporation’s overall profitability, since the retail segment’s gross margins were over twice those of the distribution segment. The following table provides a detailed analysis of consolidated adjusted gross margin.

**Adjusted gross margin – Variance analysis**

(In thousands of dollars)

<b>Adjusted gross margin - Fiscal 2012</b>	<b>1,201,805</b>
New stores and acquisitions, net of disposals	9,736
Closed stores	(32,951)
Recruitment, net of dealer-owner closures and departures	(676)
Organic growth (decrease)	(72,420)
<b>Adjusted gross margin - Fiscal 2013</b>	<b>1,105,494</b>

The retail network’s development activities (i.e. new store acquisitions and openings, net of disposals) added \$9.7 million to consolidated adjusted gross margin in fiscal 2013. The underperforming stores that were closed as part of the Corporation’s cost-reduction plan represented a \$33.0 million reduction in the margin. Lastly, recruitment, net of dealer-owner closures and departures, represented a decrease of \$0.7 million. Excluding all these items, the adjusted gross margin was down \$72.4 million in 2013.

In addition to the effect of the allocation of RONA's sales between the retail segment and the distribution segment, the decline in same-store adjusted gross margin reflects the impact on gross margin of the \$160.0 million decrease in same-store sales and the effect of the additional week of activity in 2012. The lower margin also represents impacts related to investments made in the gross margin as part of RONA's recovery plan, including the price adjustment strategy and the excess inventory sell-off during fiscal 2013. Despite the negative impact on adjusted gross margin, this sell-off and store closures helped reduce the inventory for continuing operations by \$34.0 million.

#### CONSOLIDATED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses	Fiscal years ended		Change from 2012	
	December 29, 2013	December 30, 2012	\$	%
(In thousands of dollars)				
Selling, general and administrative expenses	(1,019,479)	(1,040,405)	20,926	(2.0%)
Restructuring costs and other charges <sup>(1)</sup>	84,231	29,754	54,477	–
Other costs related to implementation of the recovery plan	14,864	26,380	(11,516)	–
Adjusted selling, general and administrative expenses	(920,384)	(984,271)	63,887	(6.5%)

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

Selling, general and administrative expenses from continuing operations were \$1,019.5 million in 2013, down \$20.9 million from \$1,040.4 million in 2012. Adjustments of \$99.1 million in 2013 and \$56.1 million in 2012 affected the change in selling, general and administrative expenses. In 2013, restructuring costs and other charges as presented in the Corporation's consolidated financial statements in Note 5.4, represented \$84.2 million in severance, provisions for onerous contracts, costs related to store closures, as well as other costs. The other costs of \$14.9 million recorded in 2013 stem from the implementation of strategic priorities and include costs to convert the TOTEM banner and consulting fees. In 2012, the Corporation recorded adjustments of \$29.8 million as restructuring costs and other charges as presented in the Corporation's consolidated financial statements in Note 5.4 for severance, provisions for onerous contracts, costs related to store closures, as well as other costs. The other costs of \$26.4 million recorded in 2012 included severance, the non-recurring increase in marketing costs related to the Olympic advertising campaign, consulting fees related to a competitor's unsolicited proposal and other charges. Excluding these adjustments, selling, general and administrative expenses for 2013 were down \$63.9 million, or 6.5%, compared to 2012. The following table provides a detailed analysis of the variance in selling, general and administrative expenses.

#### Adjusted selling, general and administrative expenses - Variance analysis

(In thousands of dollars)

<b>Adjusted selling, general and administrative expenses - Fiscal 2012</b>	<b>984,271</b>
New stores and acquisitions, net of disposals	2,986
Closed stores	(42,742)
Recruitment, net of dealer-owner closures and departures	323
Organic growth (decrease)	(24,454)
<b>Adjusted selling, general and administrative expenses - Fiscal 2013</b>	<b>920,384</b>

The retail network's development activities (i.e. new store acquisitions and openings, net of disposals) added \$3.0 million to selling, general and administrative expenses in 2013. The underperforming stores that were closed as part of the Corporation's cost-reduction plan represented a \$42.7 million reduction in selling, general and administrative expenses. Lastly, recruitment, net of dealer-owner closures and departures, represented a \$0.3 million increase in selling, general and administrative expenses. Excluding all these items, adjusted selling, general and administrative expenses declined \$24.5 million in 2013. This decrease, combined with the \$42.7 million reduction in expenses related to the closed stores, represents the impacts of implementing various initiatives in the Corporation's recovery plan, as mentioned in the "Update on the Corporation's strategic orientation" section as well as the effect of the additional week of activity in 2012.

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

Reconciliation of EBITDA and adjusted EBITDA	Fiscal years ended		Change from 2012	
	December 29, 2013	December 30, 2012	\$	%
(In thousands of dollars)				
Revenues	4,192,192	4,444,175	(251,983)	(5.67%)
EBITDA	79,209	151,393	(72,184)	(47.68%)
EBITDA margin	1.89%	3.41%		
Restructuring costs and other charges <sup>(1)</sup>	82,879	37,261	45,618	–
Other costs related to implementation of the recovery plan	23,022	28,880	(5,858)	–
Adjusted EBITDA	185,110	217,534	(32,424)	(14.91%)
Adjusted EBITDA margin	4.42%	4.89%		

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

For fiscal 2013, EBITDA from continuing operations amounted to \$79.2 million, down \$72.2 million from \$151.4 million in 2012. The EBITDA margin decreased from 3.4% in 2012 to 1.9% in 2013. Adjustments of \$105.9 million in 2013 and \$66.1 million in 2012 affected the variation in EBITDA and the EBITDA margin. In 2013, restructuring costs and other charges as presented in the Corporation's consolidated financial statements in Note 5.4, represented \$82.9 million in severance, provisions for onerous contracts, costs related to store closures, as well as other costs. The other costs of \$23.0 million recorded in 2013 stem from the implementation of strategic priorities and include costs to convert the TOTEM banner, consulting fees and the cost of selling off inventory. In 2012, the Corporation recorded adjustments of \$37.3 million as restructuring costs and other charges as presented in the Corporation's consolidated financial statements in Note 5.4 for severance, provisions for onerous contracts, costs related to store closures, as well as other costs. The other costs of \$28.9 million recorded in 2012 included severance, the non-recurring increase in marketing costs related to the Olympic advertising campaign, consulting fees related to a competitor's unsolicited proposal and other charges. Excluding these adjustments, EBITDA from continuing operations amounted to \$185.1 million, down \$32.4 million from \$217.5 million in 2012. The EBITDA margin decreased from 4.89% in 2012 to 4.42% in 2013, for a drop of 47 basis points. The following table provides a detailed analysis of the variance in adjusted EBITDA.

**Adjusted EBITDA – Variance analysis**

(In thousands of dollars)

<b>Adjusted EBITDA - Fiscal 2012</b>	<b>217,534</b>
New stores and acquisitions, net of disposals	6,750
Closed stores	9,791
Recruitment, net of dealer-owner closures and departures	(999)
Organic growth (decrease)	(47,966)
<b>Adjusted EBITDA - Fiscal 2013</b>	<b>185,110</b>

The retail network's development activities (i.e. new store acquisitions and openings, net of disposals) contributed an additional \$6.8 million to EBITDA in fiscal 2013. The underperforming stores that were closed as part of the Corporation's cost-reduction plan represented a \$9.8 million increase in EBITDA. Lastly, recruitment, net of dealer-owner closures and departures, represented a \$1.0 million decline in EBITDA. Excluding all these items, adjusted EBITDA decreased \$48.0 million in fiscal 2013. This decrease reflects the \$72.4 million decline in organic adjusted gross margin due to the drop in same-store sales, liquidation of excess inventory and the competitive environment which required more promotions. These elements were partially offset by the \$24.5 million reduction to organic selling, general and administrative expenses attributable to the cost-reduction plan including the effect of the additional week of activity in 2012. Including the savings from store closures, the total savings related to the plan thus represent \$34.3 million.

**CONSOLIDATED FINANCE COSTS, DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS**

Finance costs, depreciation, amortization and impairment of non-financial assets	Fiscal years ended		Change from 2012	
	December 29, 2013	December 30, 2012	\$	%
(In thousands of dollars)				
Finance costs	(14,000)	(12,462)	(1,538)	(12.3%)
Restructuring costs and other charges <sup>(1)</sup>	(1,913)	(753)	(1,160)	–
Adjusted finance costs	(12,087)	(11,709)	(378)	(3.2%)
Depreciation, amortization and impairment of non-financial assets	(113,850)	(107,261)	(6,589)	(6.1%)
Restructuring costs and other charges <sup>(1)</sup>	(22,998)	(6,254)	16,744	–
Other costs related to implementation of the recovery plan	–	(10,395)	(10,395)	–
Adjusted depreciation, amortization and impairment of non-financial assets	(90,852)	(90,612)	(240)	(0.3%)

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

Finance costs from continuing operations were \$14.0 million in 2013, up \$1.5 million from \$12.5 million in 2012. Adjustments of \$1.9 million in 2013 and \$0.8 million in 2012 affected the variation in finance costs. These adjustments represent restructuring costs and other charges as presented in the Corporation's consolidated financial statements in Note 5.4. Excluding these adjustments, finance costs from continuing operations amounted to \$12.1 million in 2013, up \$0.4 million, or 3.2%, from \$11.7 million in 2012. The change is mainly due to the increase in our average debt in the first three quarters of the year as well as slightly higher financing costs.

Depreciation, amortization and impairment of non-financial assets amounted to \$113.9 million in 2013, up \$6.6 million from \$107.3 million in 2012. This increase stems from adjustments related to the current restructuring and implementation of the recovery plan. Excluding these adjustments, depreciation, amortization and impairment of non-financial assets stood at \$90.9 million, up \$0.2 million from \$90.6 million in 2012.

## CONSOLIDATED NET INCOME

Net income	Fiscal years ended		Change from 2012	
	December 29, 2013	December 30, 2012	\$	%
<i>(In thousands of dollars, except net income per share)</i>				
Net income (loss) from continuing operations attributable to owners of RONA inc.	<b>(36,614)</b>	21,603	(58,217)	–
Dividends on preferred shares, including related income taxes	<b>(9,288)</b>	(9,268)	(20)	–
Net income (loss) from continuing operations attributable to participating shares	<b>(45,902)</b>	12,335	(58,237)	–
Restructuring costs, impairment of non-financial assets and other charges, net of taxes	<b>78,956</b>	32,404	46,552	–
Other costs related to the implementation of the recovery plan, net of taxes	<b>16,864</b>	28,749	(11,885)	–
Adjusted net income from continuing operations attributable to participating shares	<b>49,918</b>	73,488	(23,570)	(32.1%)
Net loss from discontinued operations	<b>(117,417)</b>	(5,128)	(112,289)	–
Adjusted net income (loss) attributable to participating shares	<b>(67,499)</b>	68,360	(135,859)	–
Diluted net income (loss) from continuing operations per share attributable to owners of RONA inc.	<b>(0.38)</b>	0.10	(0.48)	–
Diluted net loss from discontinued operations per share attributable to owners of RONA inc.	<b>(0.96)</b>	(0.04)	(0.92)	–
Diluted net income (loss) per share attributable to owners of RONA inc.	<b>(1.34)</b>	0.06	(1.40)	–
Adjusted diluted net income from continuing operations per share attributable to owners of RONA inc.	<b>0.41</b>	0.60	(0.19)	(31.7%)

In 2013, the net loss from continuing operations attributable to the owners of RONA inc. was \$36.6 million, compared to net income of \$21.6 million in 2012. After the \$9.3 million in dividends on preferred shares in 2012 and 2013, the net loss from continuing operations attributable to participating shares in fiscal 2013 was \$45.9 million, compared to net income of \$12.3 million in fiscal 2012. These results were affected by after tax adjustments totalling \$95.8 million in 2013 (\$79.0 million in restructuring costs, impairment of non-financial assets and other costs and \$16.9 million in other costs related to implementation of the recovery plan), as well as \$61.2 million in 2012 (\$32.4 million in restructuring costs, impairment of non-financial assets and other costs and \$28.7 million in other costs related to implementation of the recovery plan).

Excluding the above adjustments, the net income from continuing operations attributable to participating shares was \$49.9 million in 2013, compared to \$73.5 million in 2012. As noted in the EBITDA analysis above, this decrease is attributable mainly to the retail segment and stems primarily from difficult market conditions and a lower gross margin related to promotions and inventory sell-off, as set out in the RONA recovery plan. This decrease was, however, offset by the reduction in selling, general and administrative expenses. Diluted net loss from continuing operations per share attributable to owners of RONA inc. was \$0.38, compared to net income of \$0.10 in 2012. Adjusted diluted net income from continuing operations per share attributable to owners of RONA inc. was \$0.41 in 2013, compared to \$0.60 in 2012.

## SEGMENT RESULTS FROM CONTINUING OPERATIONS

*This section presents an analysis of segment results for the fiscal year ended December 29, 2013, which are compared with the year ended December 30, 2012, unless otherwise indicated. RONA has two reportable segments: (1) retail and (2) distribution.*

### RETAIL SEGMENT

RETAIL SEGMENT RESULTS	Fiscal years ended		Change from 2012	
	December 29, 2013	December 30, 2012	\$	%
<i>(In thousands of dollars)</i>				
Revenues	<b>2,989,023</b>	3,213,330	(224,307)	(6.98%)
EBITDA	<b>17,996</b>	89,303	(71,307)	(79.85%)
EBITDA margin	<b>0.60%</b>	2.78%		
Restructuring costs and other charges <sup>(1)</sup>	<b>79,231</b>	36,808	42,423	–
Other costs related to implementation of the recovery plan	<b>18,747</b>	22,593	(3,846)	–
Adjusted EBITDA	<b>115,974</b>	148,704	(32,730)	(22.01%)
Adjusted EBITDA margin	<b>3.88%</b>	4.63%		

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

## Retail Segment – Variance analysis

(In thousands of dollars)

	Revenues	Adjusted EBITDA
<b>2012 Results</b>	<b>3,213,330</b>	<b>148,704</b>
New stores and acquisitions, net of disposals	11,044	6,885
Closed stores	(96,050)	9,791
Organic growth (decrease)	(139,301)	(49,406)
<b>2013 Results</b>	<b>2,989,023</b>	<b>115,974</b>

Revenues in the retail segment declined from \$3,213.3 million in 2012 to \$2,989.0 million in 2013. The activities involved in developing the retail network, that is, the acquisitions and new store openings, net of asset disposals, contributed an additional \$11.0 million to segment revenues in 2013. The underperforming stores closed under the Corporation's cost-savings plan reduced revenues by \$96.1 million. Excluding these items, revenues were down by \$139.3 million in 2013. This decrease stems from a 2.2% decline in same-store sales in the retail segment, due to both a decline in the number of transactions and in the average basket throughout the network. As noted in the analysis of consolidated results, the decrease in same-store sales stems primarily from fairly unfavourable conditions throughout fiscal 2013. In addition to the decrease in the main indicators for our industry, as mentioned in the *Economic environment* section, sales were affected by a late spring and a June strike in the Quebec construction industry. The decrease in same-store revenues is also due to a more competitive environment in several regions across the country, as well as temporary disturbances in two of our major regional banners related to important repositioning work on these banners during the year. Despite these items, revenues for our stores in Ontario as a whole recorded growth in same-store sales in 2013. Note that the Alberta stores, excluding the TOTEM banner which was temporarily affected by the transition to the RONA banner, also recorded growth in same-store sales.

EBITDA in the retail segment fell from \$89.3 million in 2012 to \$18.0 million in 2013. In 2013, restructuring costs and other charges as presented in the Corporation's consolidated financial statements in Note 5.4, represented \$79.2 million in severance, provisions for onerous contracts, costs related to store closures, as well as other costs. The other costs of \$18.7 million recorded in 2013 stem from the implementation of strategic priorities and include costs to convert the TOTEM banner, consulting fees and the cost of selling off inventory. In 2012, the Corporation recorded adjustments of \$36.8 million as restructuring and other charges as presented in the Corporation's consolidated financial statements in Note 5.4 for severance, provisions for onerous contracts, costs related to store closures, as well as other costs. The other costs of \$22.6 million recorded in 2012 include severance, the non-recurring increase in marketing costs related to the Olympic advertising campaign, consulting fees related to a competitor's unsolicited proposal and other costs. Excluding these adjustments, EBITDA from continuing operations stood at \$116.0 million, down 32.7 million from \$148.7 million in 2012. The adjusted EBITDA margin went from 4.63% in 2012 to 3.88% in 2013, a decrease of 75 basis points.

The retail network's development activities (i.e. new store acquisitions and openings, net of disposals) added \$6.9 million to the 2013 EBITDA. The underperforming stores that were closed as part of the Corporation's cost-reduction plan represented a \$9.8 million improvement in EBITDA. Excluding these items, the adjusted EBITDA decreased by \$49.4 million in 2013. As noted in the analysis of consolidated results, this decrease reflects the decrease in the same-store adjusted gross margin stemming from the decline in same-store sales, from liquidation of excess inventory and from the competitive environment which necessitated more promotions. This was partially offset by the reduction in selling, general and administrative expenses achieved through the cost-savings plan and the effect of the additional week of activity in 2012.

## DISTRIBUTION SEGMENT

DISTRIBUTION SEGMENT RESULTS	Fiscal years ended		Change from 2012	
	December 29, 2013	December 30, 2012	\$	%
(In thousands of dollars)				
Revenues	1,203,169	1,230,845	(27,676)	(2.25%)
EBITDA	61,213	62,090	(877)	(1.41%)
EBITDA margin	5.09%	5.04%		
Restructuring costs and other charges <sup>(1)</sup>	3,648	453	3,195	–
Other costs related to implementation of the recovery plan	4,275	6,287	(2,012)	–
Adjusted EBITDA	69,136	68,830	306	0.44%
Adjusted EBITDA margin	5.75%	5.59%		

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

## Distribution Segment – Variance analysis

(In thousands of dollars)

	Revenues	Adjusted EBITDA
<b>2012 Results</b>	<b>1,230,845</b>	<b>68,830</b>
Acquisition of dealer-owners by RONA <sup>(1)</sup>	(2,217)	(135)
Recruitment, net of dealer-owner closures and departures	(4,800)	(999)
Organic growth (decrease)	(20,659)	1,440
<b>2013 Results</b>	<b>1,203,169</b>	<b>69,136</b>

<sup>(1)</sup> Resulting from the loss of volume in the Distribution segment following dealer-owner acquisitions. However, a positive impact is reflected in the Retail segment and is presented in *New stores and acquisitions, net of disposals*.

Revenues in the distribution segment declined from \$1,230.8 million in 2012 to \$1,203.2 million in 2013. RONA's dealer-owner acquisitions led to a \$2.2 million loss in sales volume in this segment, and the recruitment of new dealer-owners, net of closures and departures of existing dealer-owners, resulted in a \$4.8 million decrease in revenues. Finally, the decrease in same-store sales across the network of affiliated stores led to a \$20.7 million decrease in sector revenues.

EBITDA for the distribution segment went from \$62.1 million in 2012 to \$61.2 million in 2013. The EBITDA margin rose 5 basis points, from 5.04% in 2012 to 5.09% in 2013. In 2013, restructuring costs and other charges as presented in the Corporation's consolidated financial statements in Note 5.4, represented \$3.6 million in severance as well as other costs. The other costs of \$4.3 million recorded in 2013 stem from the implementation of strategic priorities and include consulting fees. In 2012, the Corporation recorded adjustments of \$0.5 million as restructuring and other charges as presented in the Corporation's consolidated financial statements in Note 5.4 for severance and other costs. The other costs of \$6.3 million recorded in 2012 include severance, the non-recurring increase in marketing costs related to the Olympic campaign as well as consulting fees related to a competitor's unsolicited proposal. Excluding these adjustments, EBITDA for the distribution segment was \$69.1 million, up \$0.3 million from \$68.8 million in 2012. The EBITDA margin rose 16 basis points, from 5.59% in 2012 to 5.75% in 2013.

RONA's dealer-owner acquisitions represented a decrease of only \$0.1 million, while recruitment, net of closures and owner-dealer departures, resulted in a decrease of \$1.0 million in adjusted EBITDA. Excluding these items, the adjusted EBITDA for the distribution segment rose \$1.4 million despite a decrease of \$20.7 million in same-store sales. In fiscal 2013, numerous cost-savings measures implemented in the distribution segment, including the closure of temporary distribution centres, improved the segment's same-store performance.

## RESULTS FROM DISCONTINUED OPERATIONS

In fiscal 2013, RONA recorded a net loss from discontinued operations of \$117.4 million, compared to a net loss of \$5.1 million in 2012. Most of the decrease, i.e., \$98.1 million after income taxes, is due to the goodwill impairment related to these operations as well as expenses incurred in the sale of the operations. Excluding these adjustments, the net loss amounted to \$19.3 million, versus \$5.1 million in 2012. The decrease is due to pressure on the gross margin given the upsurge in competition in this market.

## CASH FLOWS AND FINANCIAL POSITION

Main cash flows for fiscal 2013	Fiscal years ended		Change from 2012	
	December 29, 2013	December 30, 2012	\$	%
(In thousands of dollars)				
Cash flows from continuing operating activities before net change in working capital (after interest received and income taxes paid)	108,609	136,123	(27,514)	-20.2%
Net change in working capital	(33,497)	(13,745)	(19,752)	-
Cash flows from continuing operating activities	75,112	122,378	(47,266)	-38.6%
Maintenance investments in property, plant and equipment and intangible assets	(35,274)	(38,498)	3,224	-8.4%
Dividends on preferred shares	(9,263)	(9,062)	(201)	-2.2%
Free cash flow <sup>(1)</sup>	30,575	74,818	(44,243)	-59.1%
Growth investments in property, plant and equipment and intangible assets	(26,476)	(37,225)	10,749	-28.9%
Dividends on common shares	(17,043)	(17,191)	148	-0.9%
Share repurchase in the normal course of business	(15,375)	(66,767)	51,392	-77.0%
Usage of debt	(28,319)	(46,365)	18,046	38.9%

<sup>(1)</sup> Free cash flows = cash flows from continuing operations activities less maintenance investments in property, plant and equipment and intangible assets and dividends on preferred shares.

For the fiscal year ended December 29, 2013, cash flows from continuing operating activities before net change in working capital and after interest received and income taxes paid stood at \$108.6 million versus \$136.1 million in 2012. The \$27.5 million decrease stems mainly from lower results for continuing operating activities.

The net change in working capital was a negative \$33.5 million in 2013, compared to a negative change of \$13.7 million in 2012. With respect to continuing operating activities alone, this change in 2013 stems mainly from an \$81.5 million decrease in trade and other payables, attributable to the difference in timing of payment of certain major accounts. This was partially offset by a decrease of \$14.2 million in trade and other receivables and of \$36.3 million in inventory. The reduction in inventory is part of the recovery plan implemented in June 2013.

After the net change in working capital, interest received and income taxes paid, operating activities thus generated \$75.1 million in 2013, compared to \$122.4 million fiscal 2012.

The Corporation continued to exercise disciplined financial management and tightly controlled its investments in property, plant and equipment. For fiscal 2013, RONA invested \$61.8 million in property, plant and equipment and intangible assets, which was \$14.0 million or 18.5% less than in 2012. These amounts were invested in the Corporation's information systems to increase operational efficiency, as well as in maintenance work. Note that the level of investment in property, plant and equipment and intangible assets remains lower than adjusted depreciation, amortization and impairment of non-financial assets, which amounted to \$90.9 million in 2013.

In fiscal 2013, RONA took a number of steps to optimize its capital structure and increase value creation for its shareholders. Among other measures, in November 2013, the Corporation set up a program to repurchase, in the normal course of its activities between November 18, 2013 and 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 at November 12, 2013.

During fiscal 2013, RONA bought back and cancelled 1,177,300 shares at an average price of \$13.06 per share for a total of \$15.4 million.

The Corporation generated \$30.6 million of free cash flows in 2013, compared to \$74.8 million in 2012. In 2013, these cash flows, combined with use of the credit facility, were used to invest \$26.5 million in tangible and intangible growth capital expenditures, the \$17.0 million dividend on common shares and the repurchase in the normal course of business of \$15.4 million common shares.

#### LONG-TERM DEBT

On November 22, 2013, the Corporation permanently reduced its credit facility from \$950 million to \$700 million due to projected lower usage than originally expected when the facility was arranged. All other terms and conditions of the credit agreement remain the same. On October 21, 2013, the Corporation sold the assets of its Commercial and Professional Market division for proceeds of disposal of \$214 million. This amount was used to pay down the credit facility, such that at the end of fiscal 2013, this term facility had a balance of \$45.0 million excluding letters of guarantee of \$1.2 million. Given the cash flows generated by the Corporation and the funds available from the credit facility, the Corporation deems it has access to sufficient liquidity to pursue its operations and growth.

#### CONTRACTUAL OBLIGATIONS

The table below presents a synopsis of the Corporation's contractual obligations as at December 29, 2013, including the off-balance-sheet arrangements used in the normal course of business.

Contractual obligations	Payments by term (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	181,904	7,582	174,184	138	–
Obligations under finance leases	604	236	334	34	–
Operating leases	639,295	107,265	181,727	143,795	206,508
Other long-term obligations	10,452	8,344	938	–	1,170
<b>Total</b>	<b>832,255</b>	<b>123,427</b>	<b>357,183</b>	<b>143,967</b>	<b>207,678</b>

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. These loans have an indefinite term and no assets have been given as security. Pursuant to the terms of inventory repurchase agreements, the Corporation is committed towards financial institutions to buy back the inventory of certain customers at an average of 65% of the cost of the inventories to a maximum of \$46.0 million. In the event of recourse, this inventory would be sold in the normal course of the Corporation's operations. These agreements have an undetermined period 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 \$11.3 million were outstanding as at December 29, 2013 for the purchase of various, mainly seasonal, products.

## CAPITAL STRUCTURE

(In thousands of dollars, except ratios)	December 29, 2013	December 30, 2012
Cash	8,245	20,590
Credit facilities	44,960	171,900
Debentures	116,341	116,202
Other debt	14,142	32,377
Debt net of cash	167,198	299,889
Equity	1,671,002	1,883,091
Total capital	1,838,200	2,182,980
Ratio of net debt to total capital	0.09x	0.14x
Ratio of net debt to adjusted EBITDA	0.90x	1.38x

RONA continues to maintain a solid balance sheet. At December 29, 2013, the total debt amounted to \$175.4 million, compared to \$320.5 million in 2012; the Corporation's net debt was \$167.2 million, compared to \$299.9 million at December 30, 2012.

The decrease in the debt is primarily due to the cash inflow of \$214 million from the sale of the Commercial and Professional Market division and disciplined capital management. The ratio of net debt to total capital was 0.09x compared to 0.14x in 2012. The ratio of net debt to adjusted EBITDA fell from 1.38x in 2012 to 0.90x in 2013.

On March 12, 2013, RONA's credit rating was downgraded by DBRS from BBB (low) to BB (high) and on April 12, 2013 by S&P from BBB- to BB+. RONA is determined to improve its capital structure and will be in a good position to improve its credit profile as cost improvement initiatives are rolled out and profitability and market conditions improve.

Credit rating	December 29, 2013	December 30, 2012
<b>Senior unsecured medium term notes due in 2016</b>		
DBRS	BB (high)	BBB (low)
Outlook	Negative	Negative
Standard and Poor's	BB +	BBB -
Outlook	Stable	Negative
<b>Series 6 Class A Preferred Shares</b>		
DBRS	Pfd-4 (high)	Pfd-3 (low)
Outlook	Negative	Negative
Standard and Poor's	P4 (high)	Pfd-3

## 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 annual net income is 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

(In millions of dollars, except income (loss) per share)

	2013				2012				2011
	Q4	Q3	Q2	Q1	Q4 <sup>(1)</sup>	Q3	Q2	Q1	Q4 <sup>(2)</sup>
Revenues	941.1	1,169.2	1,249.0	832.9	1,071.5	1,221.7	1,308.6	842.3	1,169.2
EBITDA	30.0	70.7	0.2	(21.8)	19.4	37.5	84.7	9.8	37.2
Adjusted EBITDA	36.1	70.7	76.6	1.6	39.4	75.7	92.7	9.8	65.9
Net income (loss) from continuing operations attributable to participating shares	(1.1)	30.0	(38.7)	(36.1)	(17.3)	5.5	35.6	(11.5)	(153.6)
Adjusted net income (loss) from continuing operations attributable to participating shares	4.6	30.0	33.6	(18.3)	6.4	33.5	45.1	(11.5)	19.7
Diluted net income (loss) from continuing operations per share	(0.01)	0.25	(0.32)	(0.30)	(0.14)	0.05	0.29	(0.09)	(1.19)
Adjusted diluted net income (loss) from continuing operations per share	0.04	0.25	0.28	(0.15)	0.05	0.28	0.37	(0.09)	0.15

<sup>(1)</sup> Q4 2012 had 14 weeks versus 13 for the other quarters.

<sup>(2)</sup> Results for 2011 have not been restated to reflect the application of IFRS 11 *Joint Arrangements*, the amendments to IAS 19 *Employee Benefits* and recognition of discontinued operations.

## Annual variation in same-store sales

### Last nine quarters

	Q4-2013 <sup>(1)</sup>	Q3-2013	Q2-2013	Q1-2013	Q4-2012 <sup>(1)</sup>	Q3-2012	Q2-2012	Q1-2012	Q4-2011
Retail segment	-3.1%	-2.3%	-0.7%	-3.7%	-0.8%	-2.3%	-1.5%	-1.3%	-2.8%
Total RONA network	-3.5%	-2.3%	-1.0%	-1.1%	0.1%	-1.3%	+0.4%	-0.7%	-1.6%

<sup>(1)</sup> Q4 2012 had 14 weeks versus 13 for the other quarters. Comparable sales for the fourth quarter of 2012 and 2013 represent sales for a comparable 13-week period.

## 2013 FOURTH QUARTER RESULTS

For the 13-week period ending December 29, 2013, consolidated revenues from continuing operations amounted to \$941.1 million, compared to revenues of \$1,071.5 million for the 14-week period ending December 30, 2012. On a comparable basis, sales were down 3.5% due to poor weather conditions in Ontario and Quebec in December and a decline in housing starts.

Adjusted EBITDA from continuing operations amounted to \$36.1 million, or 3.8% of revenues, compared to \$39.4 million, or 3.7% of revenues a year earlier. While the difference in monetary terms reflects the decrease in revenue, the increase as a percentage of revenue is due to the impact of the extra week in 2012. The decrease in EBITDA attributable to the reduction in same-store sales was partially offset by the positive impact from the recovery plan.

The adjusted net income from continuing operations attributable to participating shares was \$4.6 million, or \$0.04 per basic and diluted share, compared to \$6.4 million, or \$0.05 per basic and diluted share a year earlier.

## DIVIDEND ON PREFERRED SHARES

At its meeting on February 18, 2014, RONA's Board of Directors declared a quarterly dividend of \$0.3281 per share on cumulative 5-year rate reset Class A preferred shares, series 6. The dividend will be paid on March 31, 2014 to shareholders of record on March 17, 2014.

## DIVIDEND ON COMMON SHARES

At its meeting on February 18, 2014, the Board declared a semi-annual dividend of \$0.07 per share on the Corporation's common shares. The dividend will be paid on March 25, 2014 to shareholders of record on March 10, 2014.

## RISKS AND UNCERTAINTIES

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

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

## STRATEGIC RISKS

### Market and competition

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

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

### Economic situation

A significant portion of spending in the renovation, hardware and gardening sector is discretionary and therefore sensitive to the strength of the economy and consumer confidence and purchasing power. In addition, the price of lumber, commodities and other construction materials fluctuates with market demand, which in turn affects the Corporation's sales. Even though the economy has started to recover, 2013 has seen a gradual decline in consumer confidence and a slowing in housing starts and home resales. The Corporation has no control over economic fluctuations and adjusts its business and marketing plans in response to changing conditions.

### **Business strategies**

A critical part of RONA's business strategy is to ensure that steps are taken to obtain short-term and longer-term results to improve the Corporation's financial performance. However, business strategies involve risk. Neither consumer reactions or improved profitability can be predicted with certainty. RONA's strategies are designed to improve its positioning with respect to its core activities and, in the longer term, to achieve sustained growth in profitability. Steps are being implemented to redefine the operational support model, improve efficiency and define the value of surplus assets. This involves a complete overhaul of RONA's operational model, which could have material short-term impacts on the Corporation's results and financial position.

### **Acquisition, Recruitment, Integration and Development**

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

### **Affiliate and franchise dealer-owners**

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

## **OPERATIONAL RISKS**

### **Human resources and labour relations**

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

### **Safety of employees and customers**

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

### **Information technology**

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

### **Business continuity**

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

## Merchandising

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

## Supply chain and distribution

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

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

## FINANCIAL RISK

### Availability of financing

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

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

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

### Credit risk

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

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

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

### Liquidity risk

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

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

As at December 29, 2013	Carrying amount	Total	Less than 1 year	1 – 2 years	3 – 4 years	5 years and more
Bank loans	\$ 2,533	\$ 2,533	\$ 2,533	\$ -	\$ -	\$ -
Trade and other payables	358,635	358,635	358,635	-	-	-
Dividends payable	2,283	2,283	2,283	-	-	-
Debentures	116,341	134,511	6,291	128,220	-	-
Credit facilities	44,960	44,960	-	44,960	-	-
Mortgage loans and balances of purchase prices	11,056	11,056	8,204	1,544	138	1,170
Obligations under finance leases	553	604	236	334	34	-
Derivative financial instruments	1,941	1,941	1,941	-	-	-
Total	\$ 538,302	\$ 556,523	\$ 380,123	\$ 175,058	\$ 172	\$ 1,170

As at December 30, 2012 – Restated	Carrying amount	Total	Less than 1 year	1 – 2 years	3 – 4 years	5 years and more
Bank loans	\$ 10,066	\$ 10,066	\$ 10,066	\$ –	\$ –	\$ –
Trade and other payables	494,857	494,857	494,857	–	–	–
Dividends payable	2,258	2,258	2,258	–	–	–
Debentures	116,202	140,854	6,291	12,583	121,980	–
Credit facilities	171,900	171,900	–	–	171,900	–
Mortgage loans and balances of purchase prices	21,495	21,495	10,631	6,043	3,015	1,806
Obligations under finance leases	816	907	317	421	169	–
Derivative financial instruments	3,553	3,553	3,553	–	–	–
Total	\$ 821,147	\$ 845,890	\$ 527,973	\$ 19,047	\$ 297,064	\$ 1,806

### Exchange risk and foreign currency sensitivity

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

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

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

As at December 30, 2012					
Instruments	Maturity		Currency	Average rate	Notional
Foreign exchange forward contracts	Up to June 2013	buy/sell	USD/CAD	0.9978	85,800 USD

On December 29, 2013, a 1% increase (decrease) in the exchange rate of the Canadian dollar compared to the U.S. dollar, assuming that all other variables were constant, would not have a significant impact on net income, but would have resulted in a \$819 (\$849 as at December 30, 2012) increase (decrease) in the consolidated statement of other comprehensive income and equity.

### Interest rate risk

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

The carrying amount of these instruments is as follows:

	As at December 29, 2013	As at December 30, 2012 Restated
<b>Fixed rate instruments</b>		
Financial liabilities	\$ (127,648)	\$ (132,214)
	\$ (127,648)	\$ (132,214)
<b>Floating rate Instruments</b>		
Financial assets	\$ 20,450	\$ 32,089
Financial liabilities	(47,795)	(178,199)
	\$ (27,345)	\$ (146,110)

On December 29, 2013, a 25-basis-point increase or decrease in interest rates, assuming that all other variables were constant, would have resulted in a \$50 (\$310 as at December 30, 2012) decrease or increase in the net income and equity.

### Use of estimates and judgments

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

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

- Note 3(d) – Inventory
- Note 3(e) – Vendor rebates
- Note 3(l) – Impairment of non-current assets
- Note 3(m) – Leased assets
- Note 3(o) – Income taxes
- Note 3(p) – Provisions, contingent liabilities and contingent assets
- Note 3(r) (s) (t) – Measurement of share-based payment
- Note 3(v) – Financial Instruments (allowance for doubtful accounts)
- Note 3(y) – Employee benefits

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

## **OTHER RISKS**

### **Legal and regulatory requirements**

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

### **Legal proceedings**

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

### **Ethics and business conduct**

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

## **DISCLOSURE OF FINANCIAL INFORMATION**

The work related to Canadian Securities Authorities Multilateral Instrument 52-109, "Certification of disclosure in issuer's annual and interim filings" ("MI 52-109") is being carried out in accordance with the recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) control framework and more specifically, for the technological portion, in accordance with the IT Governance Institute's IT Control Objectives for Sarbanes-Oxley guidelines.

## **DISCLOSURE CONTROLS AND PROCEDURES**

RONA has evaluated its disclosure controls and procedures in accordance with the MI 52-109 guidelines. On December 29, 2013, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

RONA has evaluated the effectiveness of internal control over financial reporting as at December 29, 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 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](http://www.sedar.com) and [www.rona.ca](http://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.

The forward-looking statements in this MD&A reflect the Corporation's expectations as at February 18, 2014, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

#### **ADDITIONAL INFORMATION**

This MD&A was prepared as at February 18, 2014. The reader will find additional information concerning RONA, including the Corporation's Annual Information Form, on the Corporation's website at [www.rona.ca](http://www.rona.ca) or on the SEDAR website at [www.sedar.com](http://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