

RONA inc.**Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income**

Thirteen-week periods ended March 30, 2014 and March 31, 2013

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

Consolidated Statements of Income

	2014	2013
		Restated (Note 6)
Continuing operations		
Revenues	\$ 764 292	\$ 832,871
Earnings (loss) before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges (Note 3.1)	10,004	(8,964)
Restructuring costs and other charges (Note 3.4)	(2,131)	(12,786)
Depreciation, amortization and impairment of non-financial assets (Note 3.2)	(23,374)	(23,630)
Operating loss	(15,501)	(45,380)
Finance costs	4,457	3,195
Loss before income taxes	(19,958)	(48,575)
Income tax recovery (Note 5)	5,339	13,013
Net loss from continuing operations	(14,619)	(35,562)
Discontinued operations		
Net loss from discontinued operations (Note 6)	-	(4,437)
Net loss	\$ (14,619)	\$ (39,999)
Net loss attributable to:		
Owners of RONA inc.:		
Continuing operations	\$ (14,265)	\$ (33,816)
Discontinued operations	-	(4,437)
	(14,265)	(38,253)
Non-controlling interests	(354)	(1,746)
	\$ (14,619)	\$ (39,999)
Basic and diluted net loss per share attributable to owners of RONA inc.: (Note 13)		
Continuing operations	\$ (0.14)	\$ (0.30)
Discontinued operations	-	(0.03)
	\$ (0.14)	\$ (0.33)

Consolidated Statements of Comprehensive Income

	2014	2013
		Restated (Note 6)
Net loss	\$ (14,619)	\$ (39,999)
Other comprehensive income (loss), net of income taxes :		
Items that will be reclassified subsequently to net income		
Cash flow hedges		
Gain for the period	1,855	849
Reclassification to income	165	357
Impact of foreign currency translation related to the net investment in an associate	130	(21)
	2,150	1,185
Items that will not be reclassified subsequently to net income		
Remeasurements of net defined benefit liability	(487)	(1,042)
Total other comprehensive income	1,663	143
Total comprehensive loss	\$ (12,956)	\$ (39,856)
Total comprehensive loss attributable to:		
Owners of RONA inc.	\$ (12,602)	\$ (38,110)
Non-controlling interests	(354)	(1,746)
	\$ (12,956)	\$ (39,856)

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

RONA inc.
Interim Consolidated Statements of Changes in Equity

Thirteen-week periods ended March 30, 2014 and March 31, 2013

(Unaudited and in thousands of Canadian dollars)

	Share capital ^(a)	Retained earnings	Contributed surplus	Accumulated other comprehensive (loss) income	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 29, 2013	\$ 765,203	\$ 879,415	\$ 12,972	\$ (2,158)	\$1,655,432	\$ 15,570	\$ 1,671,002
Transactions with owners							
Issuance of share capital under stock option plans	215	-	(40)	-	175	-	175
Repurchase of common shares (Note 10)	(3,146)	(4,718)	-	-	(7,864)	-	(7,864)
Dividends declared on common shares	-	(8,429)	-	-	(8,429)	-	(8,429)
Dividends declared on preferred shares, including income taxes	-	(2,317)	-	-	(2,317)	-	(2,317)
Compensation cost relating to stock option plans (Note 11)	-	-	331	-	331	-	331
Deposits on common share subscriptions received	184	-	-	-	184	-	184
Deposits on common share subscriptions refunded	(45)	-	-	-	(45)	-	(45)
Total transactions with owners	(2,792)	(15,464)	291	-	(17,965)	-	(17,965)
Net loss for the period	-	(14,265)	-	-	(14,265)	(354)	(14,619)
Other comprehensive income (loss), net of income taxes:							
Cash flow hedges							
- Gain for the period	-	-	-	1,855	1,855	-	1,855
- Reclassification to income	-	-	-	165	165	-	165
Impact of foreign currency translation related to the net investment in an associate							
-	-	-	-	130	130	-	130
Remeasurements of net defined benefit liability	-	(487)	-	-	(487)	-	(487)
Total other comprehensive income (loss) for the period	-	(487)	-	2,150	1,663	-	1,663
Balance, March 30, 2014	\$ 762,411	\$ 849,199	\$ 13,263	\$ (8)	\$1,624,865	\$ 15,216	\$ 1,640,081

	Share capital ^(a)	Retained earnings	Contributed surplus	Accumulated other comprehensive (loss) income	Total attributable to owners of RONA inc.	Non-controlling interests	Total equity
Balance, December 30, 2012	\$ 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	10	-	-	-	10	-	10
Issuance of share capital under stock option plans	3,189	-	(709)	-	2,480	-	2,480
Dividends declared on common shares	-	(8,512)	-	-	(8,512)	-	(8,512)
Dividends declared on preferred shares, including income taxes	-	(2,306)	-	-	(2,306)	-	(2,306)
Compensation cost relating to stock option plans (Note 11)	-	-	288	-	288	-	288
Deposits on common share subscriptions received	297	-	-	-	297	-	297
Deposits on common share subscriptions refunded	(95)	-	-	-	(95)	-	(95)
Total transactions with owners	3,401	(10,818)	(421)	-	(7,838)	-	(7,838)
Net loss for the period	-	(38,253)	-	-	(38,253)	(1,746)	(39,999)
Other comprehensive income (loss), net of income taxes:							
Cash flow hedges							
- Gain for the period	-	-	-	849	849	-	849
- Reclassification to income	-	-	-	357	357	-	357
Impact of foreign currency translation related to the net investment in an associate							
-	-	-	-	(21)	(21)	-	(21)
Remeasurements of net defined benefit liability	-	(1,042)	-	-	(1,042)	-	(1,042)
Total other comprehensive income (loss) for the period	-	(1,042)	-	1,185	143	-	143
Balance, March 31, 2013	\$ 768,844	\$ 1,021,313	\$ 12,100	\$ (2,458)	\$ 1,799,799	\$ 35,598	\$ 1,835,397

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

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

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

Thirteen-week periods ended March 30, 2014 and March 31, 2013

(Unaudited and in thousands of Canadian dollars)

	2014	2013 Restated (Note 6)
Operating activities		
Loss before income taxes	\$ (19,958)	\$ (54,606)
Loss before income taxes from discontinued operations (Note 6)	-	(6,031)
Loss before income taxes from continuing operations	(19,958)	(48,575)
Adjustments:		
Depreciation, amortization and impairment of non-financial assets (Note 3.2)	23,374	23,630
Change in provision for restructuring costs	(12,720)	9,234
Change in fair value of derivative financial instruments	(2,537)	1,697
Net gains on disposal of assets	(531)	(592)
Share of income of equity-accounted investees	(3)	(58)
Share-based payment (Note 11)	1,306	1,647
Difference between amounts paid for post-employment benefits and current period expenses	(121)	(16)
Reversal of straight-line lease provisions (Note 3.4)	-	(364)
Other	47	94
	(11,143)	(13,303)
Net change in working capital	(102,936)	(95,958)
	(114,079)	(109,261)
Interest received	1,076	879
Income taxes paid	(3,824)	(1,699)
Cash flows used for continuing operating activities	(116,827)	(110,081)
Investing activities		
Acquisition of property, plant and equipment	(6,861)	(5,546)
Acquisition of intangible assets	(3,975)	(8,496)
Acquisition of other financial assets	-	(122)
Proceeds on disposal of property, plant and equipment and non-current assets held for sale	604	578
Proceeds on disposal of intangible assets	47	156
Proceeds on disposal of other financial assets	1,563	534
Interest received	-	232
Cash flows used for continuing investing activities	(8,622)	(12,664)
Financing activities		
Bank loans	(306)	(281)
Net change in credit facilities	162,440	147,814
Repayment of other long-term debt	(598)	(2,840)
Proceeds from issuance of common shares	314	2,693
Repurchase of common shares (Note 10)	(7,864)	-
Dividends on common shares	(8,429)	(8,512)
Dividends on preferred shares	(2,264)	(2,277)
Interest paid	(534)	(2,830)
Cash flows from continuing financing activities	142,759	133,767
Net increase in cash from continuing operations	17,310	11,022
Net increase in cash from discontinued operations (Note 6)	-	2
Net change in cash during period	17,310	11,024
Cash, beginning of period	8,245	20,590
Cash, end of period	\$ 25,555	\$ 31,614

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

RONA inc.
Interim Consolidated Statements of Financial Position
As at March 30, 2014, March 31, 2013 and December 29, 2013
(Unaudited and in thousands of Canadian dollars)

	As at March 30, 2014	As at March 31, 2013	As at December 29, 2013
Assets			
Current			
Cash	\$ 25,555	\$ 31,614	\$ 8,245
Trade and other receivables	318,842	443,834	256,299
Other financial assets	4,036	1,551	4,101
Current tax assets	23,834	30,330	13,397
Inventory (Note 4)	899,351	1,062,395	738,752
Prepaid expenses	15,491	20,897	14,996
Derivative financial instruments	1,036	-	-
Current assets	1,288,145	1,590,621	1,035,790
Non-current			
Investments in equity-accounted investees	15,531	15,483	15,399
Other financial assets	6,789	9,789	8,288
Property, plant and equipment	711,784	780,659	723,950
Non-current assets held for sale (Note 7)	3,165	31,462	-
Goodwill	298,963	427,964	298,963
Intangible assets	128,233	145,013	131,885
Other non-current assets	7,045	5,079	7,049
Deferred tax assets	120,081	68,120	121,212
Total assets	\$ 2,579,736	\$ 3,074,190	\$ 2,342,536
Liabilities			
Current			
Bank loans	\$ 2,227	\$ 9,785	\$ 2,533
Trade and other payables	479,077	650,142	358,635
Dividends payable	2,264	2,234	2,283
Derivative financial instruments	215	1,903	1,941
Provisions (Note 8)	38,440	27,059	48,667
Instalments on long-term debt	7,903	8,482	8,413
Current liabilities	530,126	699,605	422,472
Non-current			
Long-term debt	326,879	461,608	164,497
Other non-current liabilities	29,612	35,928	28,941
Provisions (Note 8)	31,295	16,880	34,024
Deferred tax liabilities	21,743	24,772	21,600
Total liabilities	939,655	1,238,793	671,534
Equity			
Share capital (Note 10)	762,411	768,844	765,203
Retained earnings	849,199	1,021,313	879,415
Contributed surplus	13,263	12,100	12,972
Accumulated other comprehensive loss	(8)	(2,458)	(2,158)
Total equity attributable to owners of RONA inc.	1,624,865	1,799,799	1,655,432
Non-controlling interests	15,216	35,598	15,570
Total equity	1,640,081	1,835,397	1,671,002
Total liabilities and equity	\$ 2,579,736	\$ 3,074,190	\$ 2,342,536

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

On behalf of the Board,

(s) Réal Brunet

Réal Brunet
Chairman of the Audit Committee

(s) Robert Chevrier

Robert Chevrier
Executive Chairman of the Board

RONA inc.

Notes to Interim Consolidated Financial Statements

As at March 30, 2014 and March 31, 2013

(unaudited and in thousands of Canadian dollars)

1. Reporting entity and nature of operations

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

The Corporation's consolidated financial statements for the thirteen-week periods ended March 30, 2014 and March 31, 2013 include financial data for RONA inc. and its subsidiaries (collectively referred to as the "Corporation" and individually referred to as the "Corporation's entities").

The Corporation is a major 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 have been prepared 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 compliance 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 compliance 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 2d) of the Corporation's audited consolidated financial statements for the year ended December 29, 2013. There has not been any major change in significant judgments and estimates or assumptions since then, except for the estimates that changed for the allocation between the Corporation's segments that are discussed in Note 12. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 29, 2013, which are included in the Corporation's 2013 annual report.

The unaudited interim condensed consolidated financial statements were prepared using the same accounting policies as those used in the Corporation's audited consolidated financial statements for the year ended December 29, 2013 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 30, 2013:

- IFRIC 21, *Levies*;
- IAS 32, *Financial Instruments: Presentation*.

Refer to Note 2c) for the effect of adopting the new standards and amended standards that are effective since December 30, 2013.

The unaudited interim condensed consolidated financial statements for the thirteen-week period ended March 30, 2014 (including comparative figures) were approved by the Board of Directors on May 13, 2014.

(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, building materials and home renovation products industry in Canada. Since the seasonal fluctuations result in significant variances for certain assets and liabilities, a statement of financial position as at March 31, 2013 is also presented for comparative purposes.

(c) New and revised standards that are effective since December 30, 2013

The Corporation has adopted the following new standards, amendments and interpretations to existing standards that are effective since December 30, 2013:

i) IFRIC 21, *Levies*

IFRIC 21 identifies the obligating event for the recognition of a liability for a levy imposed by a government and provides guidance on when to recognize the liability.

ii) IAS 32, *Financial Instruments: Presentation*

The amendment to IAS 32 clarifies the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement" in the application of the offsetting requirements.

The application of these new standards, amendments and interpretations to existing standards has not had a material impact on the consolidated financial statements for the periods ended March 30, 2014 and March 31, 2013.

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

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted earlier by the Corporation.

Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements are provided in note 2g) to the Corporation's audited consolidated financial statements for the year ended December 29, 2013.

RONA inc.**Notes to Interim Consolidated Financial Statements**

As at March 30, 2014 and March 31, 2013

(unaudited and in thousands of Canadian dollars)

3. Supplemental information on consolidated statement of income**3.1 Earnings (loss) before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges**

	2014	2013
		Restated (Note 6)
Revenues	\$ 764,292	\$ 832,871
Cost of sales (Note 4)	(565,836)	(610,216)
Gross profit	<u>198,456</u>	<u>222,655</u>
Selling, general and administrative expenses		
Employee benefits expense (Note 3.3)	(116,243)	(130,217)
Rent and occupancy costs	(53,341)	(57,324)
Net gains on disposal of assets	531	592
Share of income of equity-accounted investees	3	58
Finance income	1,684	1,457
Other income	3,339	2,934
Other ^(a)	(24,425)	(49,119)
	<u>(188,452)</u>	<u>(231,619)</u>
Earnings (loss) before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges	<u>\$ 10,004</u>	<u>\$ (8,964)</u>

(a) Includes advertising and selling expenses, information technology expenses and professional fees.

3.2 Depreciation, amortization and impairment of non-financial assets

	2014	2013
		Restated (Note 6)
Depreciation of property, plant and equipment	\$ 15,554	\$ 15,383
Depreciation of leasehold property included in property, plant and equipment	3	10
Amortization of intangible assets	7,650	7,153
Amortization of other non-current assets	131	130
Depreciation, amortization and impairment of non-financial assets	<u>23,338</u>	<u>22,676</u>
Impairment of non-financial assets related to restructuring costs and other charges (Note 3.4)	36	954
Total depreciation, amortization and impairment of non-financial assets	<u>\$ 23,374</u>	<u>\$ 23,630</u>

3.3 Employee benefits expense

	2014	2013
		Restated (Note 6)
Salaries	\$ 101,896	\$ 109,914
Share-based payment	1,306	1,647
Defined contribution plans expense	1,753	2,624
Defined benefit plans expense	298	285
Other fringe benefits	25,506	28,011
Employee benefits expense	<u>130,759</u>	<u>142,481</u>
Severance related to restructuring costs and other charges (Note 3.4)	(188)	3,555
Total employee benefits expense	<u>130,571</u>	<u>146,036</u>
Included in cost of sales	14,328	15,819
Included in selling, general and administrative expenses (Note 3.1)	116,243	130,217
Total employee benefits expense	<u>\$ 130,571</u>	<u>\$ 146,036</u>

RONA inc.

Notes to Interim Consolidated Financial Statements

As at March 30, 2014 and March 31, 2013

(unaudited and in thousands of Canadian dollars)

3. Supplemental information on consolidated statement of income (continued)

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. 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.

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

	2014	2013
Items related to cost of sales		
Reversal relating to the liquidation of store inventory	\$ -	\$ (326)
Items related to selling, general and administrative expenses		
Severance (Note 3.3)	(188)	3,555
Onerous contracts (Note 8)	1,066	8,867
Reversal of straight-line lease provisions	-	(364)
Other charges	1,253	1,054
Total items related to selling, general and administrative expenses	2,131	13,112
Restructuring costs and other charges	2,131	12,786
Impairment of non-financial assets (Note 3.2)	36	954
Accretion expense on onerous contracts	768	-
Restructuring costs, impairment of non-financial assets and other charges	\$ 2,935	\$ 13,740

4. Inventory

For the thirteen-week period ended March 30, 2014, an amount of \$565,836 of purchases, net of changes in inventory and after restructuring costs, was expensed in the consolidated statement of income (\$609,890 in 2013).

For the thirteen-week period ended March 30, 2014, a net inventory write-down charge of \$5,532 (\$4,428 in 2013) of which nil (reversal of \$326 in 2013) is included in restructuring costs (Note 3.4) was recognized in the consolidated statement of income.

5. Income taxes

The consolidated effective tax rate was 26.75% (26.75% in 2013) for the thirteen-week period ended March 30, 2014.

In the interim periods, the income tax provision is based on an estimate of the earnings that 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.

6. 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 was concluded on October 21, 2013 for a total consideration of \$219,610, composed of \$213,667 of cash and a balance due of \$5,943. This consideration included the final working capital adjustments finalized on April 14, 2014.

RONA inc.**Notes to Interim Consolidated Financial Statements**

As at March 30, 2014 and March 31, 2013

(unaudited and in thousands of Canadian dollars)

6. Discontinued operations (continued)

Revenues, expenses and gains and losses relating to the discontinuation of the Commercial and Professional Market division have been removed from the 2013 results of continuing operations and are shown as a single line item as "Net loss from discontinued operations" in the consolidated statement of income. The results from discontinued operations were attributable to owners of RONA inc. and were as follows for the thirteen-week period ended March 31, 2013:

	2013
Results from discontinued operations	
Revenues	\$ 96,527
Loss before interest, taxes, depreciation, amortization and impairment of non-financial assets	(2,232)
Depreciation, amortization and impairment of non-financial assets	(1,767)
Operating loss	(3,999)
Finance costs	2,032
Loss before income tax recovery from discontinued operations	(6,031)
Income tax recovery	1,594
Net loss from discontinued operations	\$ (4,437)

The cash flows of discontinued operations have been removed from the consolidated statement of cash flows and are summarized as follows for the thirteen-week period ended March 31, 2013:

	2013
Net cash flows of discontinued operations	
Cash flows from (used for):	
Operating activities	\$ (12,369)
Investing activities	(638)
Financing activities	13,009
Total	\$ 2

The disposition price allocation, including the final working capital adjustments, was established as follows:

	2013
Assets	
Cash	\$ 58
Trade and other receivables	94,990
Inventory	101,859
Prepaid expenses	1,536
Property, plant and equipment	27,053
Intangible assets	6,662
Goodwill	130,416
Total assets	\$ 362,574
Liabilities	
Trade and other payables	\$ 31,935
Loss on disposal	111,029
	\$ 219,610
Disposal price	
Cash	213,667
Balance due, included in trade and other receivables	5,943
Total consideration	\$ 219,610

RONA inc.

Notes to Interim Consolidated Financial Statements

As at March 30, 2014 and March 31, 2013
(unaudited and in thousands of Canadian dollars)

7. 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:

	As at March 30, 2014	As at March 31, 2013
Balance, beginning of period	\$ -	\$ 22,898
Additions	3,165	11,657
Reclassification to property, plant and equipment	-	(3,093)
Balance, end of period	<u>3,165</u>	<u>31,462</u>
Non-current assets held for sale		
Land and parking lots	1,572	15,721
Buildings	1,593	15,741
Total	<u>\$ 3,165</u>	<u>\$ 31,462</u>

8. Provisions and contingent liabilities

	Litigation	Onerous contracts	Product warranties	Restructuring ^(a)		Total
				Severance	Onerous contracts	
Balance, December 29, 2013	\$ 4,967	\$ 567	\$ 1,846	\$ 4,351	\$ 70,960	\$ 82,691
Provisions created during the period	1,039	-	60	40	-	1,139
Provisions used during the period	(141)	(361)	-	(3,166)	(11,200)	(14,868)
Provisions reversed during the period	(169)	-	(299)	(142)	-	(610)
Change in estimates	-	(68)	(302)	(86)	1,066	610
Accretion expense	-	5	-	-	768	773
Balance, March 30, 2014	<u>5,696</u>	<u>143</u>	<u>1,305</u>	<u>997</u>	<u>61,594</u>	<u>69,735</u>
Current	5,696	143	1,305	997	30,299	38,440
Non-current	-	-	-	-	31,295	31,295
Balance, March 30, 2014	<u>\$ 5,696</u>	<u>\$ 143</u>	<u>\$ 1,305</u>	<u>\$ 997</u>	<u>\$ 61,594</u>	<u>\$ 69,735</u>

(a) Refer to Note 3.4 for additional information.

	Litigation	Onerous contracts	Product warranties	Restructuring ^(a)		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	1,664	-	291	4,145	8,632	14,732
Provisions used during the period	(773)	(402)	-	(1,684)	(1,504)	(4,363)
Provisions reversed during the period	(188)	-	-	(590)	-	(778)
Change in estimates	-	60	-	-	235	295
Accretion expense	-	6	-	-	-	6
Balance, March 31, 2013	<u>4,739</u>	<u>5,053</u>	<u>1,732</u>	<u>3,297</u>	<u>\$ 29,118</u>	<u>43,939</u>
Current	4,739	3,003	1,732	3,297	14,288	27,059
Non-current	-	2,050	-	-	14,830	16,880
Balance, March 31, 2013	<u>\$ 4,739</u>	<u>\$ 5,053</u>	<u>\$ 1,732</u>	<u>\$ 3,297</u>	<u>\$ 29,118</u>	<u>\$ 43,939</u>

(a) Refer to Note 3.4 for additional information.

8. Provisions and contingent liabilities (continued)

Litigation

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

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

Onerous contracts

Restructuring

Following store closures in 2012 and 2013, provisions for onerous contracts were recognized for non-cancellable operating leases for commercial stores which are no longer used or scheduled for closing. The provisions were estimated using contractual obligations at the time of initial recognition and sublease revenue assumptions based on market data and discounted using a weighted average discount rate of 4.45% (4.20% in 2013). The remaining terms of these leases vary from one to fifteen 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 discount rate of 4.45% (4.20% in 2013). The lease, still in effect, expires in 2024.

9. 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 \$45,411. 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. 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.

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10. Share capital

Authorized

Unlimited number of shares

Common without par value

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

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

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

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

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

Class C preferred shares, issuable in series

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

Class D preferred shares, without par value, 4% cumulative dividend, redeemable at their issuance price over a maximum period of ten years from the sixth anniversary of their date of issuance, on the basis of 10% per year.

Issued and fully paid:

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

	Common shares		Preferred shares ^(b)		Deposits on common share subscriptions ^(a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 29, 2013	120,743,836	\$ 591,173	6,900,000	\$ 172,500	–	\$ 1,530	127,643,836	\$ 765,203
Issuance of share capital under stock option plans	16,950	215	–	–	–	–	16,950	215
Issuance in exchange of common share subscription deposits	128,394	1,483	–	–	–	(1,483)	128,394	–
Repurchase of common shares for cancellation	(642,300)	(3,146)	–	–	–	–	(642,300)	(3,146)
Deposits on common share subscriptions received	–	–	–	–	–	184	–	184
Deposits on common share subscriptions refunded	–	–	–	–	–	(45)	–	(45)
Balance, March 30, 2014	120,246,880	\$ 589,725	6,900,000	\$ 172,500	–	\$ 186	127,146,880	\$ 762,411

(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 March 30, 2014, the number of outstanding common shares would have increased by 16,632.

(b) Class A preferred shares, Series 6.

	Common shares		Preferred shares ^(b)		Deposits on common share subscriptions ^(a)		Share capital	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, December 30, 2012	121,408,037	\$ 590,763	6,900,000	\$ 172,500	–	\$ 2,180	128,308,037	\$ 765,443
Issuance of share capital in exchange of cash	908	10	–	–	–	–	908	10
Issuance of share capital under stock option plans	245,000	3,189	–	–	–	–	245,000	3,189
Issuance in exchange of common share subscription deposits	199,078	2,118	–	–	–	(2,118)	199,078	–
Deposits on common share subscriptions received	–	–	–	–	–	297	–	297
Deposits on common share subscriptions refunded	–	–	–	–	–	(95)	–	(95)
Balance, March 31, 2013	121,853,023	\$ 596,080	6,900,000	\$ 172,500	–	\$ 264	128,753,023	\$ 768,844

(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 March 31, 2013, the number of outstanding common shares would have increased by 24,014.

(b) Class A preferred shares, Series 6.

On November 12, 2013, the Board of Directors and the Toronto Stock Exchange authorized the Corporation to purchase in the normal course of its activities, from November 18, 2013 to November 17, 2014, up to 8,578,384 of its common shares, representing 10% of its 85,783,842 public float or 7.04% of its 121,905,319 common shares issued and outstanding on November 12, 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. The common shares thereby purchased will be cancelled.

During the thirteen-week period ended March 30, 2014, the Corporation redeemed for cancellation a total of 642,300 common shares (none in 2013) for a total cost of \$ 7,864. Of the total cost, \$ 3,146 represents the stated value of common shares. The remaining \$ 4,718 was recorded in retained earnings.

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11. Share-based plans**Stock option plan of October 24, 2002**

On October 24, 2002, the Board of Directors approved the current stock option plan (the "2002 plan") for designated senior executives of the Corporation. The 2002 plan was approved by the shareholders of the Corporation on May 14, 2003. The total number of stock options, each exercisable for one common share, which may be issued pursuant to the plan will not, without the approval of the shareholders, exceed 10% of the common shares issued and outstanding. These options become vested at 25% per year, if the market price of the common share has traded, for at least twenty 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 four-year period following the anniversary date of the grants at 25% per year.

As at March 30, 2014, the 5,076,987 options granted (4,474,687 options in 2013) have exercise prices ranging from \$9.38 to \$26.87 (\$9.38 to \$26.87 in 2013) and of this number, 483,900 options have been exercised (432,050 options in 2013), 683,558 options have expired (619,758 options in 2013) and 1,987,519 options have been forfeited (1,696,019 options in 2013).

The weighted average fair value of stock options granted of \$3.54 for the thirteen-week period ended March 30, 2014 (\$3.35 in 2013) 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:

	2014	2013
Share price at date of grant	\$ 11.51	\$ 11.18
Risk-free interest rate	1.92 to 2.40 %	1.56 to 1.76 %
Expected share price volatility	27.38 to 28.29 %	27.93 to 28.51 %
Expected dividend rate	1.22 %	1.25 %
Expected life	7 to 10 years	7 to 10 years
Exercise price at date of grant	\$ 11.55	\$ 11.11

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 \$331 for the thirteen-week period ended March 30, 2014 (\$288 in 2013).

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

	As at March 30, 2014		As at March 31, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	1,561,360	\$ 11.76	1,993,210	\$ 13.19
Granted	436,600	11.55	582,800	11.11
Exercised	(16,950)	10.33	(245,000)	10.12
Forfeited	(59,000)	12.06	(604,150)	15.62
Outstanding, end of period	1,922,010	11.72	1,726,860	12.08
Options exercisable, end of period	688,359	\$ 12.75	638,895	\$ 13.73

The weighted average price of the common shares acquired by option holders having exercised 16,950 options (245,000 options in 2013) for the thirteen-week period ended March 30, 2014 was \$ 11.51 (\$ 10.77 in 2013).

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11. Share-based plans (continued)

Stock option plan of October 24, 2002 (continued)

The following table summarizes information relating to stock options outstanding as at March 30, 2014:

Exercise price	Expiration date	Options outstanding	Options exercisable
\$ 9.38	March 5, 2022	197,575	101,475
\$ 9.97	September 21, 2021	60,000	30,000
\$ 10.62	March 11, 2019	118,100	118,100
\$ 10.78	August 23, 2023	165,700	-
\$ 11.11	March 28, 2023	487,300	121,825
\$ 11.15	November 19, 2022	25,000	6,250
\$ 11.33	November 20, 2022	128,435	32,109
\$ 11.55	March 3, 2024	436,600	-
\$ 14.18	March 1, 2018	50,875	50,875
\$ 14.33	March 7, 2021	114,900	90,200
\$ 15.44	March 9, 2020	88,275	88,275
\$ 20.27	December 22, 2014	16,500	16,500
\$ 23.58	March 8, 2017	32,750	32,750
		1,922,010	688,359

Share unit plan for officers and key employees

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/or 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 amount to trade and other payables in the consolidated statement of financial position. RSUs that have been vested will be payable, at the Corporation's option, in cash or common shares, purchased on the secondary market, with an aggregate value equal to the amount that would have been paid in cash.

	As at March 30, 2014	As at March 31, 2013
Number of restricted share units:		
Outstanding, beginning of period	1,494,823	982,368
Granted	474,666	810,876
Forfeited	(45,983)	(99,129)
Outstanding, end of period	1,923,506	1,694,115

For the thirteen-week period ended March 30, 2014, an expense of \$1,313 was recorded in the consolidated statement of income (\$436 in 2013).

Share unit plan for directors

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

Under the DSU plan, outside directors are granted, as of the last day of each fiscal quarter of the Corporation, a number of DSUs determined on the basis of the amount of deferred remuneration payable to directors in respect of such quarter divided by the value of a DSU, which is the average of the closing prices of the common shares on the Toronto Stock Exchange of the five trading days immediately preceding the last day of each fiscal quarter of the Corporation. Directors to whose accounts DSUs stand credited will be credited with additional DSUs whenever cash dividends are paid on common shares. DSUs granted under the DSU plan will be redeemable, and the value thereof payable, only after the holder of DSUs ceases to act as a director of the Corporation.

	As at March 30, 2014	As at March 31, 2013
Number of deferred share units:		
Balance, beginning of period	423,285	310,128
Granted	35,342	60,036
Paid	(30,141)	-
Balance, end of period	428,486	370,164

The expense (recovery) recorded in the consolidated statement of income for the thirteen-week period ended March 30, 2014 amounted to \$(338) (\$923 in 2013).

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12. Segment Information from continuing operations

	2014			2013		
	Retail	Distribution	Total	Retail	Distribution	Total
				Restated (Note 6)		
Segment revenues	\$ 501,044	\$ 531,850	\$ 1,032,894	\$ 549,997	\$ 560,358	\$ 1,110,355
Intersegment revenues and royalties	(2,518)	(266,084)	(268,602)	(2,489)	(274,995)	(277,484)
Revenues from external customers	498,526	265,766	764,292	547,508	285,363	832,871
Earnings (loss) before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges	(2,169)	12,173	10,004	(12,596)	3,632	(8,964)
Restructuring costs and other charges (Note 3.4)	(2,131)	-	(2,131)	(11,395)	(1,391)	(12,786)
Earnings (loss) before interest, taxes, depreciation, amortization, impairment of non-financial assets	(4,300)	12,173	7,873	(23,991)	2,241	(21,750)
Depreciation, amortization and impairment of non-financial assets (Note 3.2)			(23,374)			(23,630)
Operating loss			(15,501)			(45,380)
Finance costs			(4,457)			(3,195)
Loss before income taxes			\$ (19,958)			\$ (48,575)

Revision to the allocation of certain intersegment costs

In the first quarter of 2014, following important changes that affected the Corporation during 2013, notably the restructuring initiatives and the sale of the Commercial and Professional Market division in October 2013, the Corporation reviewed the allocation of the cost of goods sold and administrative expenses between the two reporting segments, retail and distribution. The new allocation results in an improved assessment of the financial performance of the Corporation's two reporting segments.

The segmented results were therefore reviewed to take into account the growing impact of the retail segment on the procurement conditions of the entire Corporation and to take into account a slightly modified allocation basis for administrative expenses.

For comparative purposes, this revised allocation was also reflected in the results of the first quarter of 2013. The reported earnings (loss) before interest, taxes, depreciation, amortization, impairment of non-financial assets for the retail segment was therefore increased by \$ 8,846 in 2013 while the distribution segment was reduced by the same amount. This new allocation results in an increase in earnings (loss) before interest, taxes, depreciation, amortization, impairment of non-financial assets, restructuring costs and other charges of \$ 8,591 and an increase in restructuring charges and other costs of \$ 255.

13. Net loss per share

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

	2014	2013
		Restated (Note 6)
Net loss from continuing operations attributable to owners of RONA inc.	\$ (14,265)	\$ (33,816)
Dividends on preferred shares, including income taxes	(2,264)	(2,306)
Net loss from continuing operations attributable to participating shares	(16,529)	(36,122)
Net loss from discontinued operations	-	(4,437)
Net loss attributable to participating shares	\$ (16,529)	\$ (40,559)
Number of shares		
Weighted average number of shares used to compute basic and diluted net loss per share attributable to owners of RONA inc. (a)	120,448,681	121,642,295
Basic and diluted net loss per share attributable to owners of RONA inc.		
Continuing operations	\$ (0.14)	\$ (0.30)
Discontinued operations	-	(0.03)
	\$ (0.14)	\$ (0.33)

(a) As at March 30, 2014, 1,922,010 stock options (1,726,860 options in 2013) were excluded from the calculation of diluted net loss per share attributable to the Corporation's owners since these options have an antidilutive effect.