

RONA ANNOUNCES ITS FIRST QUARTER RESULTS FOR 2007

- Sales up 10%.
- 4.1% decrease in operating income.
- Net earnings of \$9.0 million, or \$0.08 per share, compared to \$16.4 million or \$0.14 per share in 2006.
- Acquisition of plumbing specialist Noble Trade closed on April 2, 2007.
- Management stays on course for the 7-07 Program and implements additional measures to support earnings growth in the next quarters.

Boucherville (Quebec), May 8, 2007 – RONA (TSX: RON), the largest Canadian distributor and retailer of hardware, home renovation and gardening products, has announced a 10% increase in sales for the first quarter. Strong seasonal variations and unfavourable economic and weather conditions have, however, affected the Company's profitability. Operating income for the first quarter was down 4.1%, and net earnings amounted to \$9.0 million, or \$0.08 per share, compared to \$16.4 million, or \$0.14 per share in 2006.

"Several factors negatively affected our first quarter results," explained Robert Dutton, RONA president and CEO. "We don't have much room to manoeuvre to adapt to the changes in our business environment in the first quarter of the year because historically less than 20% of sales and less than 10% of earnings are generated during that period. Half the reduction in our net earnings can be attributed to temporary and foreseen effects that will reduce in the coming quarters. The other half is related to conditions that were more difficult to anticipate, such as unfavourable weather conditions and a more pronounced than expected slowdown of economic growth in Ontario and Quebec."

"It is part of RONA's culture to react swiftly to unfavourable developments in the marketplace. To counter the current environment and maintain earnings growth, we have put in place a number of measures to stimulate sales and improve operational efficiency over the next quarters. These measures include an intensified program to increase sales of private label products, new measures to enhance customer loyalty, and further cost reduction and productivity improvement measures," Dutton said.

"Despite the current situation, I still have confidence that we will achieve the goal of our 7-07 Program, which is to achieve \$7 billion in annualized retail sales by the end of 2007. Our business model is robust and can perform very well in any kind of market environment. For the next quarters, sales growth will mostly come from acquisitions, recruitment of independent dealer-owners and store openings," he concluded.

These are the main temporary and foreseen factors identified by management that represent half of the decrease in net earnings:

- *Increase in fixed costs related to network development*, especially depreciation and financial costs related to recent store openings and acquisitions. Since historically the first quarter represents less than 20% of annual sales and less than 10% of earnings, the effect of the increase in these fixed costs is much greater at the beginning of the year than in other quarters.
- *Increase in seasonal effect related to the sale of building materials*. The 2006 acquisitions of Curtis Lumber and Matériaux Coupal, two companies specializing in the sale of building materials, and Chester Dawe, a company with a high percentage of sales of building materials, have increased our sensitivity to this seasonal effect, which was more pronounced in the first quarter of 2007. These businesses, which are typically weak in the first quarter with much stronger results in the rest of the year – especially in the second quarter – largely account for the change. This situation should also be mitigated by last month's acquisition of Noble Trade, which operates in a less seasonal and cyclical segment.

Two other unpredictable factors contributed to the other half of the decline in net earnings:

- *Particularly bad weather conditions* in the first quarter in several areas of the country, including periods of intense cold, deep snow and variable conditions at the beginning and end of the period.
- *A greater-than-anticipated slowdown in economic growth in Eastern Canada*. Because of a drop in demand for Canadian exports and the need to adjust inventory, production growth in the country slowed down more than the Bank of Canada predicted in the second half of 2006. In its most recent bulletin, the Bank of Canada adjusted its economic growth predictions for 2007 slightly downward, to 2.2%.

Weather and economic conditions also directly impacted the sales of product categories like paint, tools, building materials and forest products. On the other hand, sales in categories like plumbing, ventilation and electrical products performed well.

Other than the factors mentioned above, the distribution sector posted good growth, with an increase of 3.5% in revenues and 10% in operating income. This performance reflects a major effort to develop the distribution network and improve efficiency.

FINANCIAL HIGHLIGHTS

Sales up \$80 million or 10%

Consolidated sales for the first quarter of 2007 stood at \$878.5 million, or 10% more than the \$798.8 million posted in 2006. This growth can mainly be attributed to acquisitions, store openings, and the recruitment of new affiliate dealer-owners. Excluding the contributions from major acquisitions, such as Chester Dawe, Curtis Lumber, Matériaux Coupal and Mountain Building Centres, consolidated sales increased by 4.7%. This internal growth comes from sales generated by new stores opened during the last 12 months and from increased sales in the distribution network.

Same-store sales declined by 0.1% during the first quarter. The effect of the drop in average lumber prices was 1.2%. Excluding this, same-store sales increased by 1.1% during the quarter. This growth came mainly from stores in the western part of the country, where economic activity continued to be higher than in Ontario and Quebec.

Operating income down \$1.7 million, or 4.1%

First quarter operating income was \$40.9 million, a decrease of \$1.7 million, or 4.1%, over 2006. This decline is rooted in the performance of corporate and franchise stores, since the distribution sector continued to perform well, with growth of 10% in operating income and continued improvement of its EBITDA margin, currently at 7.5%. This performance reflects a major effort to develop the distribution network and improve efficiency.

Part of the reduced operating profits for corporate and franchise stores can be attributed to temporary and foreseeable factors. First of all, fixed costs increased significantly year over year, reflecting the rapid growth of the network and, in particular, recent store openings and acquisitions. The second factor is the increase in the seasonal effect related to the sale of building materials. Finally, two other factors help explain the drop in operating income and the reduction in EBITDA margin: particularly unfavourable weather conditions in the first quarter and a more pronounced than expected slowdown of economic growth in Ontario and Quebec. To counter these effects, we have redoubled our efforts with investments to improve service and in promotional activities to stimulate traffic and maintain customer loyalty.

EBITDA margin declined from 5.3% in the first quarter of 2006 to 4.6% in the first quarter of 2007. Historically the EBITDA margin in the first quarter is considerably lower than in the other quarters because of the seasonal nature of our activities. The drop in comparison to the first quarter of 2006 arises from a reduction in the EBITDA margin for the corporate and franchise store sector, largely due to temporary factors. Half the drop in the sector can be attributed to seasonality and the margin level in the recently acquired specialized stores. The other half is the result of the relative weight of fixed investment costs related to the opening of new stores. Excluding these factors, EBITDA margin would have been the same as in 2006. Economic conditions and bad weather in the first quarter effectively eliminated productivity gains achieved by the network of corporate and franchise stores. The distribution sector, on the other hand, increased its EBITDA margin by 50 basis points, reflecting ongoing efficiency enhancements in the Company's distribution operations, including the expansion of the network, improved purchasing processes and the addition of more productive facilities, which reduced the costs of operating smaller satellite centres.

An exchange rate gain of \$1.2 million was recorded relating to the adoption of a new accounting standard for financial instruments (for more information please see Note 2 in the financial statements).

Net earnings down

Net income in the first quarter 2007 was \$9.0 million or \$0.08 per share, compared with \$16.4 million or \$0.14 per share in 2006. Half this decline can be attributed to foreseen and temporary conditions in the first quarter, which should be recovered in the remaining quarters. The rest of the reduction was due to conditions that were more difficult to anticipate.

The factors that affected operating income also apply to the change in net earnings. To these factors can also be added the increase in fixed costs related to the growth of the network, including depreciation and financial fees related to recent store openings and acquisitions. Since the first quarter represents less than 20% of sales and less than 10% of annual net

earnings, the effect of these charges is naturally greater at the beginning of the year. During the first quarter of 2007, the distribution sector performed very well, thanks to the development of the network and efficiency gains. Finally, a \$1.2 million pre-tax gain on exchange rates was posted in the first quarter in relation to the application of a new accounting standard for financial instruments.

CASH FLOWS AND FINANCIAL POSITION

First quarter operations generated cash flows of \$26.0 million in 2007, compared with \$29.7 million in 2006. As a result of the increase in working capital related to development of the retail and distribution networks, operations used \$131.6 million compared with \$59.0 million in 2006. This is due primarily to the increase in inventories from acquisitions and new stores. At the end of the first quarter, inventory levels were higher than anticipated at this time of the year by about \$30 million because of the unfavourable weather conditions during the quarter.

RONA's balance sheet remains strong. On April 1, 2007, the total debt-to-capital ratio used was 35.1%, compared with 33.7% at the close of the first quarter in 2006. With relatively low debt and rates fixed for 10 years on our long-term debt, we have significant liquidity and can access some \$350 million of additional credit at competitive rates. Our resources are sufficient to continue our development along our four vectors of growth: sales growth in our existing network, construction of new corporate and franchise stores, recruitment of new affiliate stores, and acquisitions.

OUTLOOK

No matter how the economic environment looks, structural factors, the consolidation of our industry and the diversity of our four growth vectors make our growth strategy robust. Despite the fact that our first quarter was more difficult than expected, RONA's management will stay on course in 2007 and continue to pursue the 7-07 Program, with the goal of generating \$7 billion in annualized retail sales from our network by the end of 2007. With the inclusion of Noble Trade, annualized sales are currently close to \$6 billion. In light of the current business environment, however, management believes that sales from existing and new stores will be weaker than planned for 2007. Growth in coming quarters is expected to come from market consolidation through the recruitment of more dealer-owners, the addition of new stores, and acquisitions, all of which together should allow RONA to improve its position in the industry and continue to create value for our shareholders.

ADDITIONAL INFORMATION

The Management Discussion and Analysis and the financial statements for the first quarter of 2007 may be consulted in the investor relations section of the Company's website at www.rona.ca, and at www.sedar.com. RONA's annual report can also be found on the RONA and SEDAR websites, along with other information about RONA, including the Company's annual information form.

CONFERENCE CALL WITH THE FINANCIAL COMMUNITY

On *Tuesday, May 8, 2007, at 11:00 AM (DST)*, RONA will hold a conference call for the financial community. To join the conference, please dial 514-861-0443 or 1-866-542-4146. To follow the conference call online, please go to <http://events.startcast.com/events/153/B0015>.

ANNUAL GENERAL MEETING AND MEDIA INFORMATION SESSION

The Annual General Meeting of Shareholders will take place today, May 8, 2007, at 4:00 PM DST in the Grand Salon of the Fairmont Queen Elizabeth Hotel, 900 René-Lévesque Boulevard West in Montreal. The meeting can be followed live online at <http://events.onlinebroadcasting.com/rona/050807f/index.php>.

As part of the Annual General Meeting of Shareholders, RONA management has also invited the media to an information session at 12:30 PM DST in the Salon Matapedia of the Fairmont Queen Elizabeth Hotel at 900 René-Lévesque Boulevard West in Montreal.

NON-GAAP PERFORMANCE MEASURE

In this press release, as in our internal management, we use the concept of earnings before interest, taxes, depreciation and amortization (EBITDA), which we also refer to as operating income. This corresponds to “Earnings before the following items” in our consolidated financial statements.

While the meaning of EBITDA is not standardized by GAAP, it is widely used in our industry and financial circles to measure the profitability of operations, excluding tax considerations and the cost and use of capital. As it is not standardized, EBITDA cannot be compared from one company to the next, but we calculate it internally in the same way for every identified segment, and, unless expressly mentioned, our method does not change over time. EBITDA should not be regarded in isolation or as a substitute for other measurements of performance calculated according to GAAP, but rather as additional information.

FORWARD-LOOKING STATEMENTS

This press release includes “forward-looking statements” that involve risks and uncertainties. All statements other than statements of historical facts included in this press release, including statements regarding the prospects of the industry and prospects, plans, financial position and business strategy of the Company, may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. 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 Company’s actual results to differ from current expectations, please also refer to the Company’s public filings available at www.sedar.com and www.rona.ca. In particular, further details and descriptions of these and other factors are disclosed in the MD&A under the “Risks and Uncertainties” section and in the “Risk Factors” section of the company’s current Annual Information Form.

The forward-looking statements in this press release reflect the Company's expectations as of May 7, 2007, and are subject to change after this date. The Company 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.

ABOUT RONA

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. RONA operates a network of 668 franchise, affiliate and corporate stores of various sizes and formats. With over 26,000 employees working under its family of banners in every region of Canada and more than 14 million square feet of retail space, the RONA store network generates \$6 billion in annual retail sales.

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER 2007

FOR THE QUARTER ENDED APRIL 1ST, 2007

RONA inc. ("RONA", "the Company" or "we") is the largest retailer and distributor of hardware, home renovation and gardening products in Canada. As of May 7, 2007, its network consisted of 668 corporate, franchise and affiliate stores, as well as eight distribution centres.

RONA's sales include:

- Retail sales generated by its wholly-owned corporate stores
- Wholesale sales to affiliate stores owned by independent dealer-owners and to franchise stores (net of RONA share of ownership)
- A share of retail sales of the franchise stores in which RONA holds an interest, as well as royalties on franchise sales

FINANCIAL STATEMENTS

RONA's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars. RONA has filed its interim financial statements for the first quarter of 2007 with the Canadian Securities Administrators. These financial statements can be viewed online at www.sedar.com or on the Company's website at www.rona.ca. This interim MD&A should be read in conjunction with these financial statements and related notes.

NON-GAAP PERFORMANCE MEASURE

In this analysis, as in our internal management, we use the concept of earnings before interest, taxes, depreciation and amortization (EBITDA), which we also refer to as operating income. This corresponds to "Earnings before the following items" in our consolidated financial statements.

While the meaning of EBITDA is not standardized by GAAP, it is widely used in our industry and financial circles to measure the profitability of operations, excluding tax considerations and the cost and use of capital. As it is not standardized, EBITDA cannot be compared from one company to the next, but we calculate it internally in the same way for every identified segment, and, unless expressly mentioned, our method does not change over time.

EBITDA should not be regarded in isolation or as a substitute for other measurements of performance calculated according to GAAP, but rather as additional information.

UPDATE ON THE COMPANY'S STRATEGIC ORIENTATION

Economic conditions

Overall, Canadian economic conditions remained generally favourable to our business activity in the first quarter 2007, with significant regional differences. Domestic demand, particularly for consumer goods, continued to be the principal engine of the Canadian economy. Because of a reduced demand for Canadian exports and the need to adjust inventory, however, production growth in the country slowed down more than the Bank of Canada predicted in the second half of 2006.

Consumer confidence was shaken by more difficult economic conditions in the manufacturing sectors of Ontario and Quebec, whereas in the western part of the country, a strong economy continues to support construction and home renovations. For its part, the Bank of Canada deems the one-day interest rate, currently 4.25%, to be in line with achieving a targeted 2% rate for medium-term inflation.

Current interest rates remain favourable to high levels of housing starts and resales. In its most recent report, the Canadian Mortgage and Housing Corporation (CMHC) anticipates new housing starts in the range of 209,500 in 2007, compared to 227,395 in 2006, which is nevertheless historically very high and favourable to spending on home renovation goods. Sales of existing homes are also expected to be lower, with a forecast of 464,550 units in 2007, compared to 483,337 in 2006. This, too, remains at a historically high level. The CMHC also predicts that resale prices of housing, after their strongest showing in 17 years in 2006, will increase more moderately at around 5.9% in 2007, as the resale market approaches a point of balance. In spite of significant regional differences, the Canadian market for construction and renovation continues at a steady pace and seems much more solid than the American market, which has seen a considerable drop-off in activity in recent quarters.

The price of forest products continued to decline in the first quarter 2007. We estimate that the negative first-quarter impact of the fall in the average price of forest products was 1.2% of sales in our corporate and franchise stores and 0.8% of distribution sales.

Lastly, it is important to mention that in several areas of the country weather conditions were particularly unfavourable for sales in the first quarter 2007.

The RONA network

Table 1
RONA: Number of stores as at May 7, 2007

	Big-box stores	Proximity stores	Specialized stores – Consumers	Specialized stores – ICI*	
Corporate	RONA Le Régional RONA L'entrepôt RONA Home & Garden Réno-Dépôt	RONA Home Centre TOTEM RONA Le Rénovateur	RONA Building Centre RONA L'express Matériaux RONA Lansing RONA Cashway Chester Dawe	Curtis Lumber Matériaux Coupal Noble Trade	234
Franchise	RONA Le Régional RONA L'entrepôt	RONA Home Centre	RONA Cashway		23
Affiliate		RONA Le Quincaillier RONA Le Rénovateur RONA L'express RONA Hardware RONA Home Centre	RONA L'express Matériaux RONA Building Centre BOTANIX		411
	73	333	225	37	668
8 distribution centres					

* ICI – Institutional, Commercial and Industrial

On May 7, 2007, the RONA network comprised 668 stores. Since the beginning of the year, 29 stores were added to the network, including 20 in Ontario. The acquisition of Noble Trade, which was finalized on April 2, added 19 stores and a distribution centre. A new RONA Home & Garden store opened its doors on April 3 in Scarborough, in the Toronto area. Nine affiliate stores were recruited since the beginning of the year.

The 7-07 Program

RONA's development is based on four vectors of growth:

- Growth in the sales of our existing network, in particular same-store sales growth from corporate, franchise and affiliate stores
- Construction of new corporate and franchise stores
- Recruitment of new affiliate dealer-owners
- Acquisitions

At the start of 2006, we launched the "7-07 Program." The objective of this program is to maximize the four vectors of growth so that the total retail¹ sales from our network reach an annual rate of \$7 billion at the end of 2007. Sales reached nearly \$5 billion at the end of 2005, and now they are approaching \$6 billion, counting the recently closed acquisition of Noble Trade. This progression is in line with our objective.

On February 7, we announced the acquisition of Noble Trade, one of the biggest wholesalers of plumbing and heating products in Ontario, serving commercial and professional customers. The deal closed on April 2, 2007 at which point the financial statements of Noble Trade were consolidated with those of RONA. Noble Trade generated sales of approximately \$150 million over the last 12 months and has recorded an average annual growth in earnings of 27% since 1998. It employs more than 300 people in 19 branches and a distribution centre in Ontario. This acquisition fits perfectly with RONA's strategic plan. After the acquisitions of Matériaux Coupal and Curtis Lumber in 2006, the acquisition of Noble Trade further accentuates RONA's presence among specialized stores serving commercial and professional customers. Noble Trade is a very profitable company with a proven management team, and it provides a high-quality platform from which we can continue RONA's development in a market with strong potential for consolidation. The transaction offers considerable potential for synergies, particularly in terms of combined purchasing power in the plumbing and HVAC (Heating, Ventilation and Air Conditioning) categories. This transaction also allows the Company to diversify its customer base and smooth the cyclical variations of the retail sector.

Organic sales growth (consolidated sales less major acquisitions) stood at 4.7% in the first quarter of 2007. Organic sales growth was driven primarily by the construction of new corporate stores and the recruitment of new affiliate dealer-owners. Same-store sales were down slightly. Excluding the impact of lower average forest product prices, the increase was 1.1%.

In 2006, eight new stores were opened, which contributed to the growth of sales of the first quarter of 2007. These included five big-box stores: two in Quebec (Charlemagne and Rimouski), one in Ontario (Barrie), one in Manitoba (Winnipeg) and one in British Columbia (Victoria/Langford). The remaining three are corporate proximity stores in Winkler (Manitoba) and Spruce Grove and Leduc, both in Alberta. These stores have not yet reached their full potential but show a general growth in sales in spite of the economic context and seasonal effects of the first quarter.

As mentioned at the beginning of the year, the Company anticipates building 15 stores in 2007, ten of which will be big-box stores – five in Ontario, one in Alberta, one in the Atlantic provinces and three in Quebec. Six of these stores are currently under construction and one was recently opened, the RONA

¹ "Retail sales" refers to the annualized combined sales of corporate, franchise and affiliate stores in the RONA network, regardless of ownership. This differs from the "consolidated sales" referred to elsewhere in this report, which include corporate sales, RONA's share and royalties from franchise store sales, and distribution sales to franchise and affiliate stores.

Home&Garden located in Scarborough, Ontario. Construction is also under way on three of the five proximity stores planned for this year – three in Ontario, one in Quebec and one in New Brunswick. In addition, about 50 sites for new stores across the country have been approved by the Company's Board of Directors. This portfolio of approved sites assures the development of promising locations and will allow RONA to synchronize openings to seasonal variations in the market.

On April 3, just a few days after the end of the first quarter 2007, the Company opened its 165th store in Ontario. This 100,000-square-foot Home & Garden in Scarborough, Ontario, created 175 jobs and represents an investment of \$20 million. In addition to the vast interior sales area, there is a large greenhouse, a 34,000-square-foot garden centre and an inside lumberyard.

In terms of recruitment, we added nine new affiliate dealer-owners in the first quarter of 2007, expanding our network by 85,000 square feet (excluding outside storage) and more than \$35 million in annual retail sales.

We plan to start the enlargement of our Calgary Distribution Centre in 2007 in order to satisfy the growth of our distribution needs in Western Canada. The centre will double in size to 640,000 square feet by 2008, allowing the Company to consolidate satellite centres and improve efficiency.

During the first quarter of 2007, management continued its strategic planning review and expects to finalize the new 2008-2011 strategic plan during the summer and communicate it this fall.

ANALYSIS OF CONSOLIDATED RESULTS

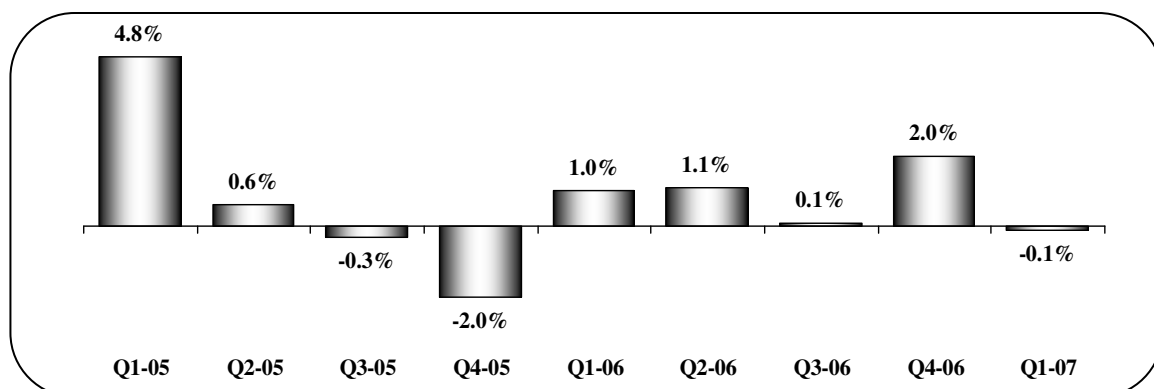
Sales up \$80 million, or 10%

RONA's consolidated sales include the wholesale sales of the distribution centres, retail sales of the corporate stores and RONA's share of sales from franchise stores.

Consolidated sales in the first quarter of 2007 were \$878.5 million, or 10% more than the \$798.8 million recorded in the first quarter of 2006. The growth can mainly be attributed to acquisitions and store openings, as well as the recruitment of new affiliate dealer-owners. Excluding the contributions from major acquisitions, such as Chester Dawe, Curtis Lumber, Matériaux Coupal and Mountain Building Centres, consolidated sales increased by 4.7%. This internal growth comes from sales generated by new stores opened during the last 12 months and from increased sales of the distribution network.

Same-store sales declined by 0.1% during the first quarter. Average forest product prices were 1.2% lower in the quarter and accounted for the negative sales growth. Excluding the impact of lower forest product prices, same-store sales increased by 1.1% during the quarter. This growth comes mainly from the stores located in the western part of the country, where economic activity continued to be higher than in Ontario and Quebec.

**Annual Sales Growth of Same-Store Sales
Nine last quarters**



Operating income down \$1.7 million, or 4.1%

First quarter operating income was \$40.9 million, a decline of \$1.7 million or 4.1% over 2006. EBITDA margin declined from 5.3% in 2006 to 4.6%. Operating income in the first quarter of 2007 reflects a \$1.2 million exchange rate gain resulting from the adoption of a new accounting standard (please see page 17 for more details). Excluding this amount, operating income would be \$39.7 million, a drop of \$2.9 million over 2006. This decline is rooted in the performance of corporate and franchise stores, since the distribution sector continued to perform well, with growth of 10% in its operating income and continued improvement of its EBITDA margin, currently at 7.5%. This performance reflects a major effort to develop the distribution network and improve efficiency.

Part of the reduced operating income for corporate and franchise stores can be attributed to temporary and foreseeable factors. First of all, fixed costs increased significantly year over year, reflecting the rapid growth of the network and in particular the recent store openings and acquisitions. Since the first quarter historically accounts for less than 20% of the year's revenues and less than 10% of profits, the impact of these costs on profitability is stronger than in the other three quarters. The second factor is the increase in the seasonal effect related to the sale of construction materials. The 2006 acquisitions of Curtis Lumber and Matériaux Coupal, two companies specialized in the sale of building materials, and Chester Dawe, a company with a high percentage of sales of construction materials, have increased our sensitivity to the seasonal effect, which is always stronger in the first quarter. Business is typically weak in the first quarter, but stronger results in the rest of the year – especially in the second quarter – largely make up for it.

Finally, two other factors help explain the drop in operating income and the reduction in EBITDA margin: particularly unfavourable weather conditions in the first quarter and a weaker-than-anticipated economy in Ontario and Quebec. To counter these effects, we had to develop promotional activities to stimulate traffic and redouble our efforts to continue to offer excellent service in order to maintain customer loyalty.

Interest and depreciation

Interest expense in the first quarter 2007 was \$7.0 million, compared with \$5.0 million in 2006. This is due partly to increased debt resulting from the Company's expansion and to a slight rise in interest rates during the first half of 2006.

Depreciation in the first quarter 2007 was \$21.6 million, an increase of \$6.0 million over 2006. This stems from acquisitions, investments in the distribution infrastructure, new corporate store start-ups, renovation of existing corporate stores, and the ongoing improvement of our information systems. Since historically the first quarter represents less than 20% of annual sales and less than 10 % of profits, these fixed costs temporarily affect our profitability at the beginning of the year.

Taxes

Income taxes for the period amount to \$3.7 million, for an effective tax rate of 30.1%. Last year, taxes were \$6.5 million, for an effective rate of 29.8%.

Net earnings

Net income in the first quarter 2007 was \$9.0 million or \$0.08 per share, compared with \$16.4 million or \$0.14 per share in 2006. Half of the decline can be attributed to foreseen and temporary conditions of the first quarter, which will be recovered in the remaining quarters. The rest of the reduction was due to conditions that were more difficult to anticipate.

The factors that affected the operating income also apply to the change in net earnings. To these factors can also be added the increase in fixed costs related to the growth of the network, including depreciation and financial expenses related to recent store openings and acquisitions. Since the first quarter historically represents less than 20% of annual sales and less than 10 % of net earnings, it is to be expected that the effect of these charges will be greater at the beginning of the year than during the other quarters. During the first quarter of 2007, the distribution sector performed very well, thanks to the development of the network and efficiency gains. Finally, a \$1.2 million pre-tax exchange rate gain was recorded in the first quarter related to the adoption of a new accounting standard for financial instruments (for more information, please see page 17 of this management report).

SEGMENT ANALYSIS

RONA has two distinct business segments: distribution and corporate and franchise stores.

Table 2
RONA: key segment figures for the period ended April 1, 2007

(in thousands of dollars)	First quarter 2007	First quarter 2006	\$ Change over 2006	% Change over 2006
Segment sales				
Corporate and franchise stores	647,195	575,057	72,138	12.5%
Distribution	489,528	446,889	42,639	9.5%
Total	1,136,723	1,021,946	114,777	11.2%
Intersegment sales and royalties				
Corporate and franchise stores	(2,320)	(2,043)	(277)	13.6%
Distribution	(255,907)	(221,117)	(34,790)	15.7%
Total	(258,227)	(223,160)	(35,067)	15.7%
Sales				
Corporate and franchise stores	644,875	573,014	71,861	12.5%
Distribution	233,621	225,772	7,849	3.5%
Total	878,496	798,786	79,710	10.0%
Operating income				
Corporate and franchise stores	23,387	26,702	(3,315)	(12.4%)
Distribution	17,463	15,879	1,584	10.0%
Total	40,850	42,581	(1,731)	(4.1%)
EBITDA margin				
Corporate and franchise stores	3.6%	4.7%	-	(1.1%)
Distribution	7.5%	7.0%	-	0.5%
Total	4.6%	5.3%	-	(0.7%)

Corporate and franchise stores: sales up 12.5%, operating income down 12.4%

Retail sales of corporate and franchise stores increased by \$71.9 million, or 12.5%, during the first quarter of 2007, reaching \$644.9 million. The acquisitions completed in 2006 were an important growth factor, in particular those of Chester Dawe, Curtis Lumber and Matériaux Coupal. Slowed by the decrease in average forest product prices, organic growth (excluding acquisitions) amounted to 2.9%. At constant average forest product prices, growth was 4.1% over 2006. Organic growth came from the new corporate and franchise stores opened during the last year in Victoria/Langford (British Columbia), Spruce Grove and Leduc (Alberta), Winkler and Winnipeg (Manitoba), Barrie (Ontario), and Charlemagne and Rimouski (Quebec). At constant average forest product prices, same-store growth increased by 1.1% over 2006. After taking into account the decrease in average forest product prices, the sector showed a marginal decline of 0.1%.

Operating income for retail activities was \$23.4 million, compared with \$26.7 million in the first quarter of 2006. As mentioned in the analysis of the consolidated results, this \$3.3 million or 12.4% decline is the result of the increase in fixed costs related to the growth of the network, and particularly recent store openings and acquisitions. It can also be attributed to the increase in the seasonal effect related to the sale of construction materials following the acquisitions of Curtis Lumber, Matériaux Coupal and Chester Dawe, three companies with a high proportion of revenues drawn from the sale of

construction materials. Historically these companies post very weak results in the first quarter, making up for them with better results the rest of the year, especially in the second quarter.

Finally, two other factors help explain the drop in operating income: particularly unfavourable weather conditions in the first quarter and a weaker-than-anticipated economy in Ontario and Quebec. To counter these effects, we had to develop promotional activities to stimulate traffic and redouble our efforts to continue to offer excellent service in order to maintain customer loyalty.

The EBITDA margin for corporate and franchise stores fell from 4.7% in the first quarter 2006 to 3.6% in 2007. This is significantly below the annual margin due to seasonal fluctuations in the industry, a situation made worse by temporary conditions in 2007. Roughly half of the decline can be attributed to the time of year and to lower margins in the recently acquired specialized stores. The other half can be attributed to the fixed costs related to the opening of new stores. Excluding these factors, EBITDA margin would have been the same as in 2006. Economic conditions and bad weather in the first quarter effectively eliminated productivity gains achieved by the network of corporate and franchise stores.

Distribution: sales up 3.5%, operating income up 10%

Distribution sales including intersegment sales refer to all sales made by the RONA distribution infrastructure to corporate, franchise or affiliate stores. Distribution sales net of intersegment sales include only sales to affiliate and franchise stores, net of RONA's share where applicable.

Distribution sales increased 9.5% to \$489.5 million in the first quarter of 2007. At constant average forest product prices, the increase was 10.3%. This growth reflects the expansion of the network and the performance of the affiliate stores. The affiliates recruited in 2006 and at the beginning of 2007 are integrated into the RONA network and support the growth of distribution sales.

Net of intersegment transactions, distribution sales amounted to \$233.6 million in 2007, an increase of 3.5% or 4.3% at constant average forest product prices.

Since the first quarter of 2006, RONA has acquired all or the majority of the shares of a number of affiliate stores in order to add to our presence in certain regions of the country. Taken in isolation, this change in ownership caused an increase in intersegment sales (which rose by 15.7% in the first quarter 2007) and a reduction in net sales.

Distribution activities generated operating income of \$17.5 million in the first quarter of 2007, compared to \$15.9 million in the corresponding quarter of 2006 – an increase of \$1.6 million or 10%. The EBITDA margin increased from 7% in the first quarter of 2006 to 7.5% in 2007, reflecting ongoing efficiency enhancements including the expansion of the network, improved purchasing processes and more productive facilities, which reduced the costs of operating smaller satellite centres.

CASH FLOWS AND FINANCIAL POSITION

First quarter operations generated cash flows of \$26 million in 2007, compared with \$29.7 million in 2006. Net of the increase in working capital related to development of the retail and distribution networks, operations used \$131.6 million compared with \$59 million in 2006. This is due primarily to the increase in inventories from acquisitions and new stores. At the end of the first quarter, inventory levels were higher than anticipated at this time of the year by about \$30 million, because of the unfavourable weather conditions during the quarter.

During the first quarter of 2007, \$42.8 million was invested in fixed assets. These investments related to the expansion of our retail network, namely construction of new stores as well as repairs, renovations

and upgrades for existing stores to reflect our new concepts. Significant investments were also approved for the continuous improvement of the information systems in order to increase our operational effectiveness.

Table 3 presents a synopsis of the Company's contractual obligations on April 1, 2007, including off-balance sheet operating leases used in the normal course of business. The Company has also concluded off-balance sheet arrangements such as inventory repurchase agreements and guaranteed mortgage loans for certain customers (arrangements which do not appear in table 3). For a detailed description of these arrangements, see note 5 in the interim consolidated financial statements.

Table 3
RONA: Contractual obligations by term
(April 1, 2007)

Contractual obligations	Payments by term (thousands of dollars)				
	Total	Less than 1 year	1-2 years	3-4 years	5 years and more
Long-term debt	556,675	4,911	9,973	9,986	531,805
Obligations under capital leases	18,755	7,425	8,628	2,539	163
Operating and other leases	1,282,495	108,633	206,767	192,858	774,237
Other long-term obligations	80,789	22,669	33,487	21,275	3,358
Total	1,938,714	143,638	258,855	226,658	1,309,563

Table 4
RONA: Shares outstanding on May 4, 2007

Common shares	115,393,163
Unexercised options	2,996,052
Total	118,389,215

RONA's balance sheet remains strong. On April 1, 2007, the total debt-to-capital ratio used was 35.1%, compared with 33.7% at the close of the first quarter in 2006.

RONA's equity/asset ratio stood at 49.4% at the end of the first quarter of 2007, compared with 48.4% a year ago.

The Company's operations produce significant cash flows. With relatively low debt and rates fixed for 10 years on our long-term debt, we have significant liquidity and can access some \$350 million of additional credit at competitive rates. Our resources are sufficient to continue our development along our four vectors of growth: sales growth in our existing network, construction of new corporate and franchise stores, recruitment of new affiliate stores, and acquisitions.

In 2007, our capital program will be around \$240 million. Of this sum, approximately \$175 million will be allocated to the construction, upgrade or renovation of big-box, proximity and specialized stores. Approximately \$25 million will be allocated to expansion of the distribution network and some \$40 million will go to the continuous improvement of our information systems.

QUARTERLY RESULTS

Table 5
RONA: Consolidated quarterly financial results
(in millions of dollars, except earnings per share)

	2007	2006				2005			
	Q1	Q4*	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	878.5	1,141.3	1,265.8	1,346.0	798.8	1,008.6	1,109.3	1,200.5	708.0
Operating income	40.9	86.7	109.6	145.0	42.6	73.9	98.1	124.9	36.7
Net earnings	9.0	38.1	56.1	80.0	16.4	37.6	53.0	70.4	14.2
Earnings per share (\$)	0.08	0.33	0.49	0.70	0.14	0.33	0.46	0.62	0.12
Diluted earnings per share (\$)	0.08	0.33	0.48	0.69	0.14	0.32	0.46	0.61	0.12

* Q4 2006 consisted of 14 weeks. All others were 13 weeks.

As mentioned at the end of 2006, RONA's sector of activity varies greatly from one quarter to another. Sales in the first quarter are always lower than in the three others because of the low level of renovation and building activity in winter. Moreover, unfavourable weather conditions can have a significant impact on sales. With the growth of our activities in corporate and franchise stores, as well as a higher proportion of building materials products, the seasonal effect of the first quarter has been greater in 2007 than in the previous year. This situation should, however, be partially compensated by the acquisition in April of Noble Trade, a company operating in an industry sector that is less seasonal and cyclical than our traditional retail activities.

OUTLOOK

As described in the 2006 annual report, RONA's long-term growth benefits from favourable structural factors. Canada's working population (age 25 to 55) is devoting more and more time to home renovations and gardening projects. In addition, the all-important baby boomers, who account for 25% of the population, are arriving at their anticipated retirement in better physical and financial shape than any preceding generation. In Canada, the existing housing stock is also aging: over 70% of homes are more than 20 years old and will require major maintenance work in the near future. Moreover, new housing starts, housing resales and the average selling price of homes have all seen big increases in the three last years. The Canadian market is therefore looking at many new owners with higher borrowing power, representing a highly favourable environment for the home improvement business.

The factors affecting the economic situation, however, are less clear for the moment. The growth of the Canadian economy was weaker than foreseen in the second half of 2006. The Bank of Canada forecasts growth in the Canadian economy of 2.2% in 2007. The central bank has left its overnight rate unchanged since the beginning of the year and in its most recent report indicated no need to modify it. Interest rates are currently low compared to historical levels. The current interest rate environment remains favourable to high levels of new housing starts and resales. In a recent report, the CMHC predicted that housing starts will be lower in 2007 but will still remain at historically very high levels that are favourable for renovation expenditures. The CMHC sees a similar situation for housing resales.

No matter how the economic environment looks, structural factors, the consolidation of our industry and the diversity of our four vectors of growth make our growth strategy robust. Despite the fact that our first quarter was more difficult than expected, RONA's management will stay on course in 2007 and continue to pursue the 7-07 Program, with the goal of generating \$7 billion in retail sales from our network by the end of 2007. With the inclusion of Noble Trade, annualized sales are currently nearly \$6 billion.

In light of the current business environment, however, management believes that sales from existing and new stores will be weaker than planned for 2007. It is part of RONA's culture to react swiftly to unfavourable developments in the marketplace, so because of the first quarter experience, and in order to minimize the fall-out from a more pronounced economic slowdown than expected over the next three quarters, management has put in place a number of measures to stimulate sales and improve operating efficiency. These measures include an intensified program to increase sales of private label products, new measures to enhance customer loyalty, and further cost reduction and productivity improvement measures. We are also confident that efforts to improve in-store service will bear fruit over the next few quarters.

Growth in these quarters is expected to come from market consolidation and the recruitment of more dealer-owners, from the addition of new stores and from acquisitions. Specialist teams are currently in place across the country working toward these goals, which will enable RONA to continue to create value for its shareholders.

RISKS AND UNCERTAINTIES

The hardware, home renovation and gardening segment is very competitive. RONA's competitors include large national and multinational chains, regional groups and independent stores. The presence of new, major players in the home improvement and the gardening market in Canada in 2007 could lead to a temporary imbalance between supply and demand in some parts of the country, related to demographic changes, population displacements and changes in spending patterns in these areas. As mentioned in the 2006 MD&A, management believes that RONA has demonstrated its capacity to thrive in such a context in all market segments. The Company has a number of advantages: a portfolio of banners and multi-format stores, evolutionary concepts, coast-to-coast presence and a major distribution network. With its offer of recruitment for independent merchants, RONA can also establish a more competitive environment in many areas.

There have been no significant changes to the Company's principal risks and uncertainties during the first quarter of 2007.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, in accordance with applicable transitional provisions, the Company retroactively adopted without restatement of prior period financial statements the following new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook:

Financial instruments

Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation* describe standards for the classification, recognition, measurement, disclosure and presentation of financial instruments (including derivatives) and non-financial derivatives in the financial statements.

The adoption of these new standards resulted in the following changes in the classification and measurement of the Company's financial instruments, previously recorded at cost:

- Cash is classified as a “financial asset held for trading” and is measured at fair value. All changes in fair value are recognized in earnings. This change had no impact on the Company's consolidated financial statements.

- Accounts receivable and long-term loans and advances and redeemable preferred shares (included in investments) are classified as “loans and receivables” and are recorded at cost which at initial measurement corresponds to fair value. Subsequent revaluations of accounts receivable are recorded at amortized cost which generally corresponds to initial measurement less all allowances for doubtful accounts. Subsequent revaluations of long-term loans and advances and redeemable preferred shares are recorded at amortized cost using the effective interest method less any amortization. This change had no impact on the Company’s consolidated financial statements.
- Bank loans and accounts payable and accrued liabilities are classified as “other financial liabilities”. They are initially measured at fair value and subsequent revaluations are recorded at amortized cost using the effective interest method. This change had no impact on the Company’s consolidated financial statements.
- Long-term debt is classified as “other financial liabilities”. It is measured at amortized cost which corresponds to initial measurement plus accumulated amortization of financing costs. Initial measurement corresponds to the principal amount of the debt less applicable financing costs. This change resulted in a decrease of \$4.9 million in deferred financing costs previously included in other assets, a decrease of \$4.8 million in long-term debt and an increase of \$46,000 (\$31,000, net of future income taxes) in opening retained earnings.

The Company also adopted the following accounting policies:

- Transaction costs related to other financial liabilities are recorded as a reduction in the book value of the related financial liability.
- The Company records as a separate asset or liability only those derivatives embedded in hybrid financial instruments issued, acquired or substantially modified by the Company as at December 29, 2002 when these hybrid instruments are not recorded as held for trading and remain outstanding at January 1, 2007. Embedded derivatives that are not closely related to the host contracts must be separated from the host contract, classified as a financial instrument held for trading and measured at fair value with changes in fair value recorded in earnings. The Company has not identified any embedded derivatives to be separated other than derivatives embedded in purchase contracts concluded in foreign countries and settled in a foreign currency that is not the conventional currency of either of the two principal parties to the contract. Although the payments are made in a foreign currency that is routinely used in the economic environment where the transaction occurred, the Company has opted to separate the embedded derivatives. This policy change resulted in an increase in short-term liabilities of \$2.4 million and a decrease in Retained earnings of \$2.4 million (\$1.6 million net of future income taxes) at January 1, 2007. For the quarter ended April 1, 2007 this policy change resulted in an increase in earnings before interest, depreciation and amortization, income taxes and non-controlling interest of \$1.2 million.

Comprehensive income

Section 1530, *Comprehensive Income* describes standards for the presentation of comprehensive income and its components. Comprehensive income is the change in shareholders’ equity, which results from transactions and events from sources other than the Company’s shareholders. The adoption of the new recommendation had no impact on the Company’s consolidated financial statements.

Equity

Section 3251, *Equity* describes standards for the presentation of equity and changes in equity in the period. The adoption of the new recommendation had no impact on the Company's consolidated financial statements.

Accounting changes

On January 1, 2007, in accordance with applicable transitional provisions, the Company adopted the new recommendations of CICA Handbook, Section 1506, *Accounting Changes*. This section establishes the criteria for changing accounting policies together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

Accounting by a vendor for consideration given to a customer (volume rebates)

At the beginning of fiscal year 2006, the Company adopted EIC-156 "*Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)*", which provides guidance as to the circumstances under which a consideration is an adjustment of the selling price of the vendor's products or services and under which it is a cost incurred by the vendor to sell his products. EIC-156 was applied retroactively, with restatement of prior years. Volume rebates to customers, previously presented as a reduction of earnings before interest, depreciation and amortization, income taxes and non-controlling interest are now presented as a reduction of sales.

SIGNIFICANT ACCOUNTING ESTIMATES

No significant changes have been noted since the publication of the 2006 MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter ended April 1, 2007, no change to internal control over financial reporting has occurred that has materially affected, or is reasonably likely to have materially affected, such control.

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 Company, 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 Company 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 effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. For example, they do not include the effect 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 Company's actual results to differ from current expectations, please also refer to the Company's public

filings available at www.sedar.com and www.rona.ca. In particular, further details and descriptions of these and other factors are disclosed in this MD&A under the “Risks and Uncertainties” section and in the “Risk Factors” section of the Company’s 2006 Annual Information Form.

The forward-looking statements in this MD&A reflect the Company’s expectations as of May 7, 2007, and are subject to change after this date. The Company expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ADDITIONAL INFORMATION

This MD&A was prepared on May 7, 2007. The reader will find additional information concerning RONA, including the Company’s Annual Information Form, on the Company’s Web site at www.rona.ca or on SEDAR at www.sedar.com.



Claude Guévin CA
Executive Vice-President
and Chief Financial Officer



Robert Dutton
President and Chief Executive Officer

RONA inc.**Consolidated Earnings**

For the thirteen-week periods ended April 1, 2007 and March 26, 2006

(Unaudited, in thousands of dollars, except earnings per share)

	<u>2007</u>	<u>2006</u>
Sales	\$ 878,496	\$ 798,786
Earnings before the following items	40,850	42,581
Interest on long-term debt	6,247	4,294
Interest on bank loans	784	714
Depreciation and amortization	21,605	15,650
	28,636	20,658
Earnings before income taxes and non-controlling interest	12,214	21,923
Income taxes	3,678	6,537
Earnings before non-controlling interest	8,536	15,386
Non-controlling interest	(491)	(994)
Net earnings	\$ 9,027	\$ 16,380
Earnings per share (Note 10)	\$ 0.08	\$ 0.14
Diluted earnings per share (Note 10)	\$ 0.08	\$ 0.14

The accompanying notes are an integral part of the interim consolidated financial statements.

RONA inc.**Consolidated Retained Earnings****Consolidated Contributed Surplus**

For the thirteen-week periods ended April 1, 2007 and March 26, 2006
(Unaudited, in thousands of dollars)

	2007	2006
Consolidated Retained Earnings		
Balance, beginning of period, as previously reported	\$ 709,467	\$ 518,883
Financial instruments - recognition and measurement (Note 2)	(1,589)	-
Restated balance, beginning of period	707,878	518,883
Net earnings	9,027	16,380
Balance, end of period	\$ 716,905	\$ 535,263
Consolidated Contributed Surplus		
Balance, beginning of period	\$ 9,182	\$ 6,618
Compensation cost relating to stock-based compensation plans	471	428
Exercise of stock options	(219)	(16)
Balance, end of period	\$ 9,434	\$ 7,030

The accompanying notes are an integral part of the interim consolidated financial statements.

RONA inc.**Consolidated Cash Flows**

For the thirteen-week periods ended April 1, 2007 and March 26, 2006

(Unaudited, in thousands of dollars)

	2007	2006
Operating activities		
Net earnings	\$ 9,027	\$ 16,380
Non-cash items		
Depreciation and amortization	21,605	15,650
Derivative financial instruments	(1,224)	-
Future income taxes	(4,281)	(1,351)
Net loss (gain) on disposal of assets	60	(19)
Compensation cost relating to stock-based compensation plans	471	428
Non-controlling interest	(491)	(994)
Other items	819	(406)
	<u>25,986</u>	29,688
Changes in working capital items	(157,543)	(88,659)
Cash flows from operating activities	<u>(131,557)</u>	(58,971)
Investing activities		
Business acquisitions (Note 3)	(3,023)	(85,373)
Advances to joint ventures and other advances	4,025	(182)
Fixed assets	(42,780)	(38,033)
Other assets	(1,493)	(1,753)
Disposal of assets	1,270	1,190
Cash flows from investing activities	<u>(42,001)</u>	(124,151)
Financing activities		
Bank loans and revolving credit	123,038	206,121
Other long-term debt	922	1,243
Repayment of other long-term debt and redemption of preferred shares	(9,742)	(5,044)
Issue of common shares	2,220	1,143
Cash flows from financing activities	<u>116,438</u>	203,463
Net increase (decrease) in cash	<u>(57,120)</u>	20,341
Cash, beginning of period	58,486	4,120
Cash, end of period	<u>\$ 1,366</u>	<u>\$ 24,461</u>
Supplementary information		
Interest paid	\$ 6,668	\$ 4,795
Income taxes paid	\$ 37,462	\$ 33,719

The accompanying notes are an integral part of the interim consolidated financial statements.

RONA inc.**Consolidated Balance Sheets**

April 1, 2007, March 26, 2006 and December 31, 2006

(In thousands of dollars)

	2007 April 1 (unaudited)	2006 March 26 (unaudited)	2006 December 31
Assets			
Current assets			
Cash	\$ 1,366	\$ 24,461	\$ 58,486
Accounts receivable	266,320	236,240	205,808
Income taxes receivable	22,254	19,899	-
Inventory	943,878	849,507	790,496
Prepaid expenses	27,165	25,888	23,454
Future income taxes	15,627	8,158	10,859
	1,276,610	1,164,153	1,089,103
Investments	14,793	17,236	17,642
Fixed assets	662,102	459,784	634,131
Goodwill	317,399	288,372	316,558
Trademarks	1,326	-	1,380
Other assets	25,321	17,719	30,314
Future income taxes	18,438	22,691	19,254
	\$ 2,315,989	\$ 1,969,955	\$ 2,108,382
Liabilities			
Current liabilities			
Bank loans	\$ 27,813	\$ 33,702	\$ 21,221
Accounts payable and accrued liabilities	485,485	487,922	394,103
Income taxes payable	-	-	7,242
Derivative financial instruments (Note 2)	1,158	-	-
Future income taxes	971	205	3,314
Instalments on long-term debt	25,883	16,878	29,511
	541,310	538,707	455,391
Long-term debt	565,431	433,313	455,310
Other long-term liabilities	21,282	15,438	20,386
Future income taxes	20,491	13,677	19,402
Non-controlling interest	22,980	14,686	23,527
	1,171,494	1,015,821	974,016
Shareholders' equity			
Capital stock (Note 4)	418,156	411,841	415,717
Retained earnings	716,905	535,263	709,467
Contributed surplus	9,434	7,030	9,182
	1,144,495	954,134	1,134,366
	\$ 2,315,989	\$ 1,969,955	\$ 2,108,382

The accompanying notes are an integral part of the interim consolidated financial statements.

RONA inc.

Notes to Interim Consolidated Financial Statements

April 1, 2007 and March 26, 2006

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

1. Basis of presentation

The accompanying unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all the information required for complete financial statements. They are also consistent with the policies outlined in the Company's audited financial statements for the years ended December 31, 2006. The interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2006. The interim operating results do not necessarily reflect the results for the full fiscal year. Accordingly, the comparative balance sheet as March 26, 2006 is also included to reflect seasonal fluctuations that characterize the hardware, renovation and home garden industry. When necessary, the financial statements include amounts based on estimated information and management's best judgments. Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

2. Changes in accounting policies

On January 1, 2007, in accordance with applicable transitional provisions, the Company retroactively adopted without restatement of prior period financial statements the following new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook:

Financial instruments

Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation* describe standards for the classification, recognition, measurement, disclosure and presentation of financial instruments (including derivatives) and non-financial derivatives in the financial statements.

The adoption of these new standards resulted in the following changes in the classification and measurement of the Company's financial instruments, previously recorded at cost:

- Cash is classified as a "financial asset held for trading" and is measured at fair value. All changes in fair value are recognized in earnings. This change had no impact on the Company's consolidated financial statements.
- Accounts receivable and long-term loans and advances and redeemable preferred shares (included in investments) are classified as "loans and receivables" and are recorded at cost which at initial measurement corresponds to fair value. Subsequent revaluations of accounts receivable are recorded at amortized cost which generally corresponds to initial measurement less all allowances for doubtful accounts. Subsequent revaluations of long-term loans and advances and redeemable preferred shares are recorded at amortized cost using the effective interest method less any amortization. This change had no impact on the Company's consolidated financial statements.
- Bank loans and accounts payable and accrued liabilities are classified as "other financial liabilities". They are initially measured at fair value and subsequent revaluations are recorded at amortized cost using the effective interest method. This change had no impact on the Company's consolidated financial statements.

RONA inc.

Notes to Interim Consolidated Financial Statements

April 1, 2007 and March 26, 2006

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

2. Changes in accounting policies (continued)

- Long-term debt is classified as “other financial liabilities”. It is measured at amortized cost which corresponds to initial measurement plus accumulated amortization of financing costs. Initial measurement corresponds to the principal amount of the debt less applicable financing costs. This change resulted in a decrease of \$4,870 in deferred financing costs previously included in other assets, a decrease of \$4,824 in long-term debt and an increase of \$46 (\$31, net of future income taxes) in opening retained earnings.

The Company also adopted the following accounting policies:

- Transaction costs related to other financial liabilities are recorded as a reduction in the book value of the related financial liability.
- The Company records as a separate asset or liability only those derivatives embedded in hybrid financial instruments issued, acquired or substantially modified by the Company as at December 29, 2002 when these hybrid instruments are not recorded as held for trading and remain outstanding at January 1, 2007. Embedded derivatives that are not closely related to the host contracts must be separated from the host contract, classified as a financial instrument held for trading and measured at fair value with changes in fair value recorded in earnings. The Company has not identified any embedded derivatives to be separated other than derivatives embedded in purchase contracts concluded in foreign countries and settled in a foreign currency that is not the conventional currency of either of the two principal parties to the contract. Although the payments are made in a foreign currency that is routinely used in the economic environment where the transaction occurred, the Company has opted to separate the embedded derivatives. This policy change resulted in an increase in short-term liabilities of \$2,382 and a decrease in Retained earnings of \$2,382 (\$1,620 net of future income taxes) at January 1, 2007. For the quarter ended April 1, 2007 this policy change resulted in an increase in earnings before interest, depreciation and amortization, income taxes and non-controlling interest of \$1,224.

Comprehensive income

Section 1530, *Comprehensive Income* describes standards for the presentation of comprehensive income and its components. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Company's shareholders. The adoption of the new recommendation had no impact on the Company's consolidated financial statements.

Equity

Section 3251, *Equity* describes standards for the presentation of equity and changes in equity in the period. The adoption of the new recommendation had no impact on the Company's consolidated financial statements.

RONA inc.

Notes to Interim Consolidated Financial Statements

April 1, 2007 and March 26, 2006

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

2. Changes in accounting policies (continued)

Accounting changes (Note 12)

On January 1, 2007, in accordance with applicable transitional provisions, the Company adopted the new recommendations of CICA Handbook, Section 1506, *Accounting Changes*. This section establishes the criteria for changing accounting policies together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

Accounting by a vendor for consideration given to a customer (volume rebates)

At the beginning of fiscal year 2006, the Company adopted EIC-156 "*Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)*", which provides guidance as to the circumstances under which a consideration is an adjustment of the selling price of the vendor's products or services and under which it is a cost incurred by the vendor to sell his products. EIC-156 was applied retroactively, with restatement of prior years. Volume rebates to customers, previously presented as a reduction of earnings before interest, depreciation and amortization, income taxes and non-controlling interest are now presented as a reduction of sales.

3. Business acquisitions

During the period, the Company acquired two companies, operating in the corporate and franchised stores segment, by way of share or asset purchase. These acquisitions were for a total consideration of \$3,133. The Company financed these acquisitions from its existing credit facilities. The results of operations of these companies are consolidated from their date of acquisition.

The preliminary allocation of the purchase price of the acquisitions was established as follows:

Current assets	\$ 6,424
Fixed assets	2,378
Goodwill	841
Future income taxes	163
Current liabilities	(3,149)
Long-term debt	(3,524)
	<hr/>
	3,133
Less: Balance of purchase price	(110)
Cash consideration paid	<hr/>
	\$ 3,023

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

April 1, 2007 and March 26, 2006

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

4. Capital stock**Issued and fully paid:**

The following tables present changes in the number of outstanding common shares and their aggregate stated value from December 25, 2005 to April 1, 2007:

	April 1, 2007	
	Number of shares	Amount
Balance, beginning of period	114,935,569	\$ 413,542
Issuance in exchange for common share subscription deposits	120,715	2,513
Issuance under stock-based compensation plans	334,327	1,859
Issuance in exchange for cash	2,350	55
Balance before elimination of reciprocal shareholdings	115,392,961	417,969
Elimination of reciprocal shareholdings	(56,841)	(341)
Balance, end of period	115,336,120	417,628
Deposits on common share subscriptions, net of eliminations of joint ventures ^(a)		528
		\$ 418,156

	March 26, 2006	
	Number of shares	Amount
Balance, beginning of period	114,412,744	\$ 408,943
Issuance in exchange for common share subscription deposits	101,696	2,192
Issuance under stock-based compensation plans	138,000	527
Issuance in exchange for cash	10,757	245
Balance before elimination of reciprocal shareholdings	114,663,197	411,907
Elimination of reciprocal shareholdings	(78,884)	(455)
Balance, end of period	114,584,313	411,452
Deposits on common share subscriptions, net of eliminations of joint ventures ^(a)		389
		\$ 411,841

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

April 1, 2007 and March 26, 2006

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

4. Capital stock (continued)

	December 31, 2006	
	Number of shares	Amount
Balance, beginning of year	114,412,744	\$ 408,943
Issuance in exchange for common share subscription deposits	101,696	2,192
Issuance under stock-based compensation plans	400,550	1,952
Issuance in exchange for cash	20,579	455
Balance before elimination of reciprocal shareholdings	114,935,569	413,542
Elimination of reciprocal shareholdings	(54,920)	(301)
Balance, end of year	114,880,649	413,241
Deposits on common share subscriptions, net of eliminations of joint ventures ^(a)		2,476
		\$ 415,717

^(a) Deposits on common share subscriptions represent amounts received during the year from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis.

Stock-based compensation plan of May 1, 2002

The Company adopted a stock option purchase plan for designated senior executives which was approved by the shareholders on May 1, 2002. A total of 2,920,000 options were granted at that date. Options granted under the plan may be exercised since the Company made a public share offering on November 5, 2002. The Company can grant options for a maximum of 3,740,000 common shares. At April 1, 2007 the 2,920,000 options granted have an exercise price of \$3.47 and of this number, 1,444,500 options (916,323 options at March 26, 2006) were exercised.

The fair value of each option granted was estimated at the grant date using the Black-Scholes option-pricing model. Calculations were based upon a market price of \$3.47, an expected volatility of 30%, a risk-free interest rate of 4.92%, an expected life of four years and 0% expected dividend. The fair value of options granted is \$1.10 per option according to this method.

No compensation cost was expensed with respect to this plan for the thirteen-week periods ended April 1, 2007 and March 26, 2006.

RONA inc.

Notes to Interim Consolidated Financial Statements

April 1, 2007 and March 26, 2006

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

4. Capital stock (continued)

Stock-based compensation plan of October 24, 2002

On October 24, 2002, the Board of Directors approved another stock-based compensation plan for designated senior executives of the Company and for designated directors. The total number of common shares which may be issued pursuant to the plan will not exceed 10% of the common shares issued and outstanding less the number of shares subject to options granted under a previous stock option plan. These options become vested at 25% per year, if the market price of the common share has traded, for at least 20 consecutive trading days during the twelve-month period preceding the grant anniversary date, at a price equal to or higher than the grant price plus a premium of 8% compounded annually.

On March 8, 2007 the Board of Directors approved certain modifications to the plan. These modifications are subject to shareholder approval at the annual shareholders meeting on May 8. Among others, these modifications establish that this plan is no longer applicable to the designated directors of the Company and also provide for the replacement of the terms and conditions for the granting of options under the plan by a more flexible mechanism for setting the terms and conditions for the granting of options. The Board of Directors will be able to adopt the most appropriate terms and conditions relative to each type of option. For the options granted on March 8, the Board approved the option grant where vesting will occur over a four-year period following the anniversary date of the grant at 25% per year, all subject to the approval by the shareholders as mentioned above.

At April 1, 2007, the 1,700,852 options (1,487,276 options at March 26, 2006) granted have exercise prices ranging from \$14.29 to \$26.87 (\$14.29 to \$23.73 in 2006) and of this number, 85,100 options (16,400 options at March 26, 2006) have been exercised and 95,200 options (60,850 options at March 26, 2006) have been cancelled.

The fair value of stock options granted was estimated at the grant date using the Black-Scholes option-pricing model on the basis of the following weighted average assumptions for the stock options granted during the period:

	<u>April 1, 2007</u>	<u>March 26, 2006</u>
Weighted average fair value per option granted	\$8.50	\$7.63
Risk-free interest rate	3.90%	4.07%
Expected volatility in stock price	26%	28%
Expected annual dividend	0%	0%
Expected life (years)	6	6

Compensation cost expensed with respect to this plan was \$471 for the thirteen-week period ended April 1, 2007 (\$428 at March 26, 2006).

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

April 1, 2007 and March 26, 2006

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

4. Capital stock (continued)

A summary of the situation from December 25, 2005 to April 1, 2007 of the Company's stock option plans and the changes that occurred during the periods then ended is presented below:

	April 1, 2007	
	Options	Weighted average exercise price
Balance, beginning of period	3,162,479	\$10.16
Granted	196,000	23.58
Exercised	(334,327)	4.90
Cancelled	(28,100)	19.62
Balance, end of period	2,996,052	11.53
Options exercisable, end of period	1,896,600	\$ 6.20

	March 26, 2006	
	Options	Weighted average exercise price
Balance, beginning of period	3,131,327	\$ 7.84
Granted	446,076	21.21
Exercised	(138,000)	3.71
Cancelled	(25,700)	17.78
Balance, end of period	3,413,703	9.68
Options exercisable, end of period	2,370,827	\$ 5.44

	December 31, 2006	
	Options	Weighted average exercise price
Balance, beginning of year	3,131,327	\$ 7.84
Granted	463,652	21.45
Exercised	(400,550)	4.43
Cancelled	(31,950)	18.34
Balance, end of year	3,162,479	10.16
Options exercisable, end of year	2,230,927	\$ 6.00

RONA inc.

Notes to Interim Consolidated Financial Statements

April 1, 2007 and March 26, 2006

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

4. Capital stock (continued)

The following table summarizes information relating to stock options outstanding at April 1, 2007:

<u>Exercise price</u>	<u>Expiration date</u>	<u>Options outstanding</u>	<u>Options exercisable</u>
\$ 3.47	December 31, 2012	1,475,500	1,475,500
\$14.29	December 16, 2013	435,400	317,350
\$20.27	December 22, 2014	427,000	103,750
\$23.73	April 5, 2015	11,000	-
\$21.21	February 24, 2016	416,000	-
\$26.87	February 24, 2016	17,576	-
\$21.78	September 1, 2016	17,576	-
\$23.58	March 8, 2017	196,000	-
		2,996,052	1,896,600

5. Guarantees

In the normal course of business, the Company reaches agreements that could meet the definition of “guarantees” in AcG-14.

The Company guarantees mortgages for certain customers to an amount of \$6,009. The terms of these loans extend until 2012 and the net carrying amount of the assets held as security, which mainly include land and buildings, is \$15,102.

Pursuant to the terms of inventory repurchase agreements, the Company is committed towards financial institutions to buy back the inventory of certain customers at an average of 62% of the cost of the inventories to a maximum of \$56,979. In the event of recourse, this inventory would be sold in the normal course of the Company’s operations. These agreements have undetermined periods but may be cancelled by the Company 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.

6. Vendor rebates

In accordance with EIC-144 “Accounting by a customer (including a reseller) for certain consideration received from a vendor”, the Company must disclose the amount recognized for which the full requirements for vendor rebate entitlement have not yet been met. For the thirteen-week period ended April 1, 2007, the Company recorded an amount of \$6,234 (\$5,734 at March 26, 2006) which was estimated based on the attainment of specified requirements to receive the rebates.

RONA inc.

Notes to Interim Consolidated Financial Statements

April 1, 2007 and March 26, 2006

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

7. Employee future benefits

At April 1, 2007, the Company had nine defined contribution pension plans and four defined benefit pension plans. The net pension expense for the benefit plans is as follows:

	<u>2007</u>	<u>2006</u>
Costs recognized for defined contribution pension plans	\$ 2,084	\$ 1,551
Costs recognized for defined benefit pension plans	326	310
Net employee future benefit costs	\$ 2,410	\$ 1,861

8. Contingencies

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

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

9. Segmented information

The Company has two reportable segments: distribution and corporate and franchised stores. The distribution segment relates to the supply activities to affiliated, franchised and corporate stores. The corporate and franchised stores segment relates to the retail operations of the corporate stores and the Company's share of the retail operations of the franchised stores in which the Company has an interest.

The accounting policies that apply to the reportable segments are the same as those described in accounting policies. The Company evaluates performance according to earnings before interest, depreciation and amortization, rent, income taxes and non-controlling interest, i.e. sales less chargeable expenses. The Company accounts for intersegment operations at fair value.

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

April 1, 2007 and March 26, 2006

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

9. Segmented information (continued)

	2007		
	Distribution	Corporate and franchised stores	Total
Segment sales	\$ 489,528	\$ 647,195	\$ 1,136,723
Intersegment sales and royalties	(255,907)	(2,320)	(258,227)
Sales	<u>233,621</u>	<u>644,875</u>	<u>878,496</u>
Earnings before interest, depreciation and amortization, rent, income taxes and non-controlling interest	22,115	48,850	70,965
Earnings before interest, depreciation and amortization, income taxes and non-controlling interest	17,463	23,387	40,850
Total assets	475,332	1,840,657	2,315,989
Acquisition of fixed assets	4,558	39,446	44,004
Goodwill	-	841	841
			2006
	Distribution	Corporate and franchised stores	Total
Segment sales	\$ 446,889	\$ 575,057	\$ 1,021,946
Intersegment sales and royalties	(221,117)	(2,043)	(223,160)
Sales	<u>225,772</u>	<u>573,014</u>	<u>798,786</u>
Earnings before interest, depreciation and amortization, rent, income taxes and non-controlling interest	21,903	47,744	69,647
Earnings before interest, depreciation and amortization, income taxes and non-controlling interest	15,879	26,702	42,581
Total assets	440,303	1,529,652	1,969,955
Acquisition of fixed assets	10,480	33,828	44,308
Goodwill	-	36,035	36,035

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

April 1, 2007 and March 26, 2006

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

10. Earnings per share

The following tables present a reconciliation of earnings per share and diluted earnings per share.

			2007
	Earnings	Weighted average number of shares (in thousands)	EPS
Earnings per share:			
Net earnings	\$9,027	115,129.1	\$0.08
Diluted earnings per share:			
Effect of dilutive securities			
Impact of exercising stock options ^(a)	-	1,635.1	
Net earnings available for common shareholders	\$9,027	116,764.2	\$0.08

			2006
	Earnings	Weighted average number of shares (in thousands)	EPS
Earnings per share:			
Net earnings	\$16,380	114,481.4	\$0.14
Diluted earnings per share:			
Effect of dilutive securities			
Impact of exercising stock options ^(a)	-	1,916.5	-
Net earnings available for common shareholders	\$16,380	116,397.9	\$0.14

(a) At April 1, 2007, 658,152 common share stock options (916,076 at March 26, 2006) were excluded from the calculation of diluted earnings per share since the unrecognized future compensation cost of these options has an antidilutive effect.

RONA inc.

Notes to Interim Consolidated Financial Statements

April 1, 2007 and March 26, 2006

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

11. Subsequent event

The Company has received all required regulatory approvals to complete the acquisition of all of the assets of Noble Trade Inc., a private company operating in the corporate and franchised stores and distribution segments. Previously announced on February 7, 2007, the transaction closed on April 2, 2007 and the results of operations will be consolidated as of this date.

12. Effect of new accounting standards not yet implemented

In December 2006, the CICA issued the following new recommendations which apply to fiscal years beginning on or after October 1, 2007. During the next quarters, the Company will evaluate the impact of the adoption of these new sections on its consolidated financial statements.

Financial instruments – disclosures

Section 3862, *Financial Instruments - Disclosures* describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement*.

Financial instruments – presentation

Section 3863, *Financial Instruments – Presentation* establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of Section 3861, *Financial Instruments – Disclosure and Presentation*.

Capital disclosures

Section 1535, *Capital Disclosures* establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.