



ANNUAL MEETING OF SHAREHOLDERS – MAY 14, 2013

ADDRESS BY ROBERT SAWYER PRESIDENT AND CHIEF EXECUTIVE OFFICER

Ladies and gentlemen,

It is a great pleasure for me to be here with you today and I am very proud to be RONA's new President and Chief Executive Officer.

I took on my new duties last April 8, barely five weeks ago. It's a short period of time but that's more than enough to see RONA's strong potential.

I have been meeting with employees and several dealer-owners in the network, and visiting stores and distribution centers, to get a better grasp of the RONA business model.

I was given an incredible welcome and I'd like to thank everyone I met for their warm reception.

I was impressed by the very high degree of motivation everyone showed; by their pride and their strong sense of allegiance to RONA; by their conviction that they are helping make RONA a great Canadian company. At RONA, we want to win. You can see it, hear it and feel it.

No matter what the industry, it is the people and their know-how and motivation that are the first key factors in the success of any enterprise.

I was pleased to see that we have all that: we can count on a skilled, loyal and motivated workforce; we have franchised and affiliated dealers who are dynamic, financially sound and highly integrated into their communities; indeed, they are often second or third-generation entrepreneurs.

We also have strong, well-known brands with excellent reputations, and a network of stores that allows us to reach several different market segments. And RONA has a very strong balance sheet that gives it the power to act.

In short, we have all the ingredients for success. Now we need to optimize the recipe to achieve the full potential of this magnificent organization.

I am still in the process of evaluating every area of our organization and I am doing so in continuity with the strategic review begun last year.

As Mr. Chevrier mentioned earlier, in December of 2012, RONA's management established three strategic priorities with their attendant concrete benefits. Without going into details, I'd like to quickly outline these three priorities and the work accomplished since they were adopted.

The first priority clearly identifies that the strategic operations for the future development of RONA are distribution to affiliate and franchise dealers, the operation of small and mid-sized stores in Canada, and the operation of big-box stores in Quebec.

After reviewing the situation, we agreed – as announced by press release earlier this morning – that we won't be selling big-box stores outside Quebec. Instead, we will implement a recovery plan to ensure a positive performance. We will provide more details next quarter.



With respect to our Commercial and Professional Market division, also known as Noble, the optimal option for creating value for all stakeholders will be decided on in the coming weeks.

The second priority is to modify our administrative support model in order to simplify our organization and make it more efficient. We have identified \$35 to \$45 million in potential savings that can be achieved by workforce reductions and the renegotiation of major agreements.

To date, we have achieved savings of nearly \$17 million on an annualized basis. This means that we have reached more than 40% of our target in just four months. Our management team is confident that the target will be reached within the expected time frame.

The third priority addresses the Corporation's medium- and long-term potential by improving the customer experience and our network's performance. Efficiency and cost reductions are not all. In the medium and long-term, our success will be driven by growth in profitable sales. Our teams have made considerable progress in this area recently.

We have started the repositioning of our Réno-Dépôt banner in Quebec as a real warehouse, with less product variety, but with bigger quantities at better prices. We are also finalizing the integration of the TOTEM banner as new proximity stores that will combine the best aspects of both TOTEM and RONA.

But a great deal more work needs to be done. It will include an in-depth review of the product category, pricing and differentiation strategies of the entire RONA store network: corporate, franchised and affiliated.

Given this context, I am delighted that Alain Brisebois will be joining us on May 27 as our Executive Vice President and Chief Commercial Officer.

I will be glad to draw on his extensive background in retail sales during this pivotal period in our history. Alain is a veteran of the retail industry and he has held many strategic positions over the past 30 years. We welcome his arrival.

Within a few weeks I will be able to make recommendations to accelerate the current transformation. These recommendations will focus on:

- Making RONA the top-performing hardware and building materials store in Canada.
- Making RONA the hardware store that satisfies its customers every day.

To make this vision a reality, we must focus on four pillars in our daily operations:

1. First, make our customers central to everything we do.
2. Second, have the best in-store execution.
3. Third, have the best team.
4. And lastly, generate returns and growth for our shareholders.

← --- Mise en forme : Puces et numéros

The future is very promising for RONA. Despite the pressure on our results, we have the flexibility we need to act in this pivotal period because we have a strong balance sheet and continue to generate considerable cash flow from operations.

The steps we take today will make us the best-performing hardware and building materials retailer in Canada.

Thank you.

I would now like to turn the podium over to Mr. Chevrier for the conclusion of this meeting.