



PRESS RELEASE
FOR IMMEDIATE RELEASE

RONA REPORTS GROWTH IN FIRST QUARTER 2012 OPERATING RESULTS

2012 business plan unfolding as expected

Boucherville, Quebec, May 9, 2012 – RONA inc. (TSX: RON, RON.PR.A), the largest Canadian distributor and retailer of hardware, renovation and gardening products, today reported its financial results for the 13-week period ending March 25, 2012, and provided an update on the progress of its business plan. All figures in this release are in Canadian dollars and presented according to IFRS accounting standards.

Highlights of first quarter 2012 compared to first quarter 2011

1. Increase of 1.8% in consolidated sales, stemming from higher distribution sales, the contribution from stores opened in 2011 and expansion of the Commercial and Professional Market division.
2. Consolidated same-store sales down 0.8%: sales were down in January, but rose in February and March. For the quarter as a whole, same-store sales rose 4.2% for building materials specialists and 2.2% for proximity stores.
3. Increase of \$3.1 million, or 37.8% in EBITDA and EBITDA margin was up by 31 basis points.
4. Net loss reduced to \$13.3 million, or \$ 0.10 per share diluted compared to \$17.6 million, or \$0.13 per share diluted in 2011. Improvement due to increase in EBITDA, and decrease of 11.0% in depreciation expense and 29.2% in finance costs.
5. Share repurchases in the normal course of business: 5.3 million shares in the first quarter at an average price of \$9.30 per share for a total of \$48.9 million, which amounts to a total of 8.9 million shares at an average price of \$9.38 per share for \$83.6 million since the share repurchase program began in November 2011.

Robert Dutton, President and Chief Executive Officer of RONA explained that “same-store sales for stores that specialize in building materials were up 4.2% for the first quarter, despite a slow start to the year in this segment. This demand for building materials bodes well for the coming months, because it usually signals the start of bigger construction and renovation projects. Also, same-store sales for all of our operations were positive in February and March, and the trend continued in April.”

“Despite the trend reversal in same-store sales since the end of fiscal 2011, it is clear that consumers are still cautious. However, we are encouraged by the early start to the season in our industry and are counting on our effective marketing, merchandising and in-store service programs, as well as our more targeted approach in the regions, to entice Canadian consumers to make RONA their primary destination for their renovation projects. Our proximity stores have performed well once again during the quarter, showing the insight of redeploying part of our store network into our new proximity and satellite store concepts,” added Mr. Dutton.

As shown in the summary table below, RONA’s quarterly results were in line with the announced financial priorities, despite a 0.8% decrease in same-store sales and a change in its sales mix involving a higher proportion of building materials with a lower profit margin.

Q1-2012 Achievements vs 2012 Financial Priorities		
Financial Priorities	Q1-2012 Achievements	In Line with Priorities
1. Improve efficiency Improve same-store sales Increase in adjusted gross margin in dollars Reduce selling and administration expenses for comparable operations Increase EBITDA margin	-0.8% vs. -12.6% ↑ \$1.3 M ↓ \$9.4 M or 3.4% 1.19% vs 0.88%	✓ ✓ ✓ ✓
2. Optimize capital structure Sell non-strategic assets Investments in property, plant & equipment = amortization and depreciation Optimize working capital (reduction in comparable inventories) Repurchase common shares	\$1.3 M \$17.0 M < \$23.4 M ↓ \$72 M 5.3 M or \$48.9 M	✓ ✓ ✓ ✓
3. Increase return on capital Increase after-tax operating income (EBIT) (past 4 quarters) Disciplined capital management (average of past 5 quarters) ⁽¹⁾ Increase average return on capital (past 4 quarters), excluding unusual items ⁽²⁾	↑ \$4.3 M or 3.7% vs. Q4-2011 ↑ \$7.7 M or 0.3% vs. Q4-2011 5.1% vs. 5.0% at the end of 2011	✓ ✓ ✓

(1) Capital = net working capital + property, plant and equipment and intangible assets + non-current assets held for sale + goodwill + current projects + other financial and non-current assets + deferred income tax assets less other non-current liabilities less deferred tax liabilities

(2) Average return on capital = after-tax EBIT, excluding unusual items/average capital.

Dominique Boies, Executive Vice President and Chief Financial Officer, said “we are pursuing our efforts to improve efficiency, optimize the capital structure and improve the return on capital. Our disciplined financial approach, which is oriented to achieving a return on capital of more than 10% in the medium term, is starting to bear fruit. Our EBITDA is up 37.8% and our EBITDA margin has increased 31 basis points, while our finance costs have fallen by 29.2% and our depreciation expense by 11.0%. Our investments in property, plant and equipment are lower than our depreciation expense and the comparable inventory levels have again improved during the quarter. These results have helped reverse the trend in return on capital, which rose from 5.0% at the end of 2011 to 5.1% in the first quarter of 2012.”

Quarterly update on the New Realities, New Solutions plan

As announced in February 2012, the theme of RONA's 2012 business plan is *New Realities, New Solutions*. It acknowledges the need to adapt the offering in our industry to the new expectations and to changes in the behaviour of many consumers. For a number of years RONA has foreseen the emergence in the market of proximity stores that meet the demands of consumers who want a higher level of service. RONA pioneered in this area by reinventing the proximity store in the early 2000s, and these stores have been a great success. This new plan capitalizes on our ongoing market research including consumer expectations and behaviours, as well as our continual experimentation with new store formats and new retail sales approaches.

“Our *New Realities, New Solutions* business plan is going forward as planned. Just two months after it was introduced, ten new prime sites have been chosen for the redeployment of business volume from identified big-box stores to our proximity and satellite stores. Also, our satellite store in Georgetown, Ontario, has already finished an expansion. We will soon be opening a satellite store in Douglasdale, Alberta, and our very first new-concept proximity store in Stony Plain, Alberta, this summer. We have also recruited a new dealer, Millwork, which has three proximity stores located in Oshawa, Ajax and Peterborough, in Ontario. These initiatives will enable us to gradually redeploy the sales volume from five of the ten big-box stores whose closures were announced in February 2012: the stores in Brampton, Mississauga and Whitby, in Ontario, and in Calgary North and Edmonton West, in Alberta. We will also be grouping the sales from our traditional store in Peterborough, Ontario, with those of the existing Millwork store recruited for that purpose at the end of April,” said Mr. Dutton.

Mr. Dutton continued, saying, “we have also made important advances with our digital platform by launching a new multi-platform integrated advertising campaign and finalizing our RONA.ca site, slated to be launched in the coming weeks. Our commercial and professional segment has also opened two new plumbing boutiques in Quebec and set up a 120,000-foot distribution centre in Langley, British Columbia. Lastly, five of our dealer shareholders opened new proximity stores during the quarter, adding more than 140,000-square feet of sales area to the total and showing, once again, their commitment and confidence in RONA’s future.”

<i>New Realities, New Solutions Plan</i> Update – as of May 9, 2012	
1. Set up new integrated digital platform	<ul style="list-style-type: none"> • Finalized the website RONA.ca, consumers and businesses, which will be officially launched within a few weeks. • Launch of new integrated multi-platform advertising campaign. • RONA’s first interactive annual report goes online (realtimereport.rona.ca).
2. Redeployed sales volume to proximity and satellite stores in close to 20% of the corporate-store network	<ul style="list-style-type: none"> • Great interest in our big-box stores now available for sub-leasing. • Ten prime sites for the redeployment of sales volume from big-box stores to proximity and satellite stores. • Expansion of satellite store in Georgetown, Ontario, just one year after it opened. • Scheduled June opening of a satellite store in Douglasdale, Alberta. Consistent with our strategy to redeploy sales volume from our big-box store in the Calgary area. • Opening slated for August of the first new-concept proximity store in Stony Plain, Alberta. Part of the strategy to redeploy sales volume from our big-box store in the Edmonton area. • Recruitment in late April of a RONA affiliated dealer store with three proximity stores in Oshawa, Ajax and Peterborough, Ontario, totalling close to \$30 million in retail sales. Consolidated the sales volume of our traditional store in Peterborough, Ontario, with that of the existing Millwork store recruited in this area. Phased closure of our store in the coming months. • Redeployment of the sales volume, over the next few months, of five of the ten big-box stores slated for closure in 2012: the stores in Brampton, Mississauga and Whitby, Ontario, and in Calgary North and Edmonton West, in Alberta.
3. Further development of the commercial and professional segment	<ul style="list-style-type: none"> • Opening of a new 120,000-square-foot distribution centre in Langley, British Columbia. • Opening of two new plumbing boutiques in Montreal and Longueuil, Quebec, under the Blan and Noble banners, and two specialized plumbing stores in Ajax and Niagara Falls, in Ontario. • Optimized recent investments: acquisitions of Don Park, MPH and Décoration 25 (20 outlets in total), addition of five outlets, 175,000-square-foot expansion of the Concord distribution centre in Ontario, and 23,000-square-foot expansion of the Montreal distribution centre, in Quebec.

CONSOLIDATED RESULTS FOR FIRST QUARTER 2012

The results analyzed in this section are for the 13 weeks ended March 25, 2012 and, when compared, are compared to the results for the 13 weeks ended March 27, 2011, unless otherwise indicated.

Consolidated revenues for first quarter 2012 rose to \$934.9 million, up \$16.7 million or 1.8%, over the corresponding quarter in 2011. The increase is due to the opening in 2011 of new stores in the retail segment and new outlets in the Commercial and Professional Market division. It also stems from sales growth in the distribution segment following the recruitment of new RONA dealers and member buyers, as well as the opening of new stores by existing RONA dealers.

These items were offset by a 0.8% decrease in same-store sales for our corporate and franchise stores. After a slow start in the first part of the year, particularly for our building supply stores, the trend reversed completely in February and March, with same-store sales for the building supply stores growing by 4.2% in the first quarter. Same-store sales for our operations as a whole were positive in February and March, and continued to trend upward in April. In recent months there have been strong increases in sales of wood, building materials, paint and seasonal products. Private and controlled brands continued to perform well during the quarter, with the penetration rate rising to 30% at the end of the quarter compared to 26% last year. Note that same-store sales for our proximity stores were up 2.2% for the quarter.

First quarter EBITDA rose to \$11.1 million, compared to \$8.1 million in first quarter 2011, up \$3.1 million, or 37.8%. EBITDA margin grew by 31 basis points, from 0.88% in first quarter 2011 to 1.19% in 2012, despite a decrease in same-store sales during the quarter. Growth in EBITDA stems mainly from the efficiency improvement measures introduced in the second quarter of 2011, to a decrease in lease expense for temporary warehousing sites and shipping costs in the distribution segment, as well as the opening of new corporate stores, particularly the proximity stores, which quickly achieved the expected level of performance. Note that the increase in EBITDA would have been higher, were it not for the additional cost of major investments in the development of the commercial and professional market division for which sales have not yet been generated. RONA's corporate store network continued to show productivity gains and increased its EBITDA margin by 57 basis points.

Interest expense on long-term debt and bank loans was down \$1.8 million, or 29.2% for the quarter. The decrease is due to the interest savings generated by the \$283 million debenture repurchase at the end of 2011, and to strict management of the balance sheet and spending on property, plant and equipment. Amortization and depreciation expense were also down for the quarter, from \$26.3 million to \$23.4 million, a reduction of \$2.9 million, or 11.0%, stemming from asset write-downs at the end of fiscal 2011 and a significant reduction in capital investments in 2011 and the first quarter of 2012.

Given the improvement in EBITDA and the decrease in amortization, depreciation and financial expense, the net loss attributable to participating shares, after the dividend on preferred shares, was reduced to \$13.3 million, or \$0.10 per share diluted, compared to \$17.6 million, or \$0.13 per share diluted in 2011, a 23% improvement.

CASH FLOWS AND FINANCIAL POSITION FOR FIRST QUARTER 2012

For the first quarter of 2012, cash flow from operating activities before net change in working capital, interest received and income taxes paid was \$8.8 million compared to \$0.4 million in 2011. Given the seasonal nature of our operations, the net change in working capital was negative at \$139.9 million in 2012, compared to a negative change of \$141.5 million in 2011. After the net change in working capital, interest received and income taxes paid, operating activities used \$139.7 million in 2012, compared to \$160.9 million for the same period in 2011, an improvement of \$21.2 million.

The Corporation continued to exercise disciplined financial management and strictly monitored investments in property, plant and equipment. For the first quarter of 2012, RONA invested \$17.0 million in property, plant and equipment, and intangible assets, which is \$5.1 million, or 23.1%, less than in 2011. These investments were used to expand operations in the Commercial and Professional Market Division, to upgrade its computer systems in order to augment operational efficiency and for maintenance work. Note that the level of investment in property, plant and equipment and intangible assets is lower than amortization and depreciation expense, which stood at \$23.4 million in first quarter 2012.

In fiscal 2011 and during the first quarter of 2012, RONA took a number of steps to optimize its capital structure. Also, in November 2011, the Corporation set up a program to repurchase, in the normal course of its activities between November 11, 2011 and November 10, 2012, up to 11,016,854 common shares, representing 10% of its 110,168,541 public float or 8.4% of its 130,520,489 common shares issued and outstanding on October 31, 2011. Shareholders may obtain, free of charge, copies of the repurchase documents filed with the Toronto Stock Exchange by writing to RONA's secretary. In the first quarter of 2012, RONA repurchased 5.3 million shares at an average price of \$9.30 per share for a total of \$48.9 million. Since the repurchase program was instituted in November 2011, the Corporation has bought back 8.9 million shares at an average price of \$9.38 per share for a total of \$83.6 million at May 9, 2012. These shares were cancelled. In December 2011, RONA renewed its revolving unsecured credit facility for a period of five years. The facility, which matured in 2012, was renewed to 2016 and the total amount available was increased from \$650 million to \$950 million.

RONA's balance sheet remains strong. On March 25, 2012, the Corporation's total debt was \$456.5 million, compared to \$435.4 million on March 27, 2011. The ratio of total net debt to capital was 19.5%, compared to 17.4% in 2011. The ratio of total debt to EBITDA (past 12 months), excluding unusual items, was 1.7 at March 25, 2012 compared to 1.5 in 2011.

DIVIDENDS ON PREFERRED SHARES

At its meeting on May 9, 2012, RONA's Board of Directors declared a quarterly dividend of \$0.3299 per share on cumulative 5-year rate reset Class A preferred shares, series 6. The dividend will be paid on July 2, 2012 to holders of record on June 15, 2012.

OUTLOOK FOR 2012:

- In the immediate future we will benefit from the measures introduced in second quarter 2011, which will have a positive impact on efficiency and on the optimization of our capital structure. Note that the repurchase of debentures, in particular, will save close to \$2.5 million in interest expense each quarter.
- We have observed a slight upward trend in the past few months/quarters in same-store sales, but we are still conservative in our outlook for fiscal 2012, given consumer caution and low confidence levels.
- We are encouraged by the early start to the season in our industry and are counting on our effective marketing, merchandising and in-store service programs, as well as our more targeted approach in the regions, to persuade Canadian consumers to make RONA their primary destination for their renovation projects.
- Our proximity stores have again outperformed all of our other stores in recent quarters. The *New Realities, New Solutions* plan will have a positive impact on sales and operating efficiency. The additional EBITDA contribution coming from this plan is estimated at \$40 million. This contribution will start to materialize and gradually increase in coming quarters, with the major part of the recurring benefit associated with the plan being recorded in 2013 and the full impact materializing in 2014.
- There are also many opportunities for regional market consolidation. RONA has a unique distribution and affiliate dealer network that is very well positioned to take advantage of these opportunities. RONA dealers plan to invest more than \$60 million in 2012.
- The offering for dealers who wish to join RONA is also very attractive given the roll-out of the new proximity store concept, excellent buying conditions, an experienced support team, an integrated and adaptable regional development strategy, and a pioneering succession program.

ADDITIONAL INFORMATION

The *Management's Discussion and Analysis (MD&A)*, financial statements and notes for first quarter 2012 can be found in the "Investor Relations" section of the Corporation's website at www.rona.ca and on the SEDAR website at www.sedar.com. The Corporation's Annual Information form, along with other information about RONA, can also be found on the RONA and SEDAR websites.

TELEPHONE CONFERENCE WITH THE FINANCIAL COMMUNITY

On Wednesday, May 9, 2012, at 3:30 p.m. (EST), RONA will hold a telephone conference for the financial community. To join the conference, please call 416-340-2216 or 1 866 226-1792. To listen to the call online, please go to <http://webcasts.pqm.net/client/rona/event/416/en/>.

NON-GAAP PERFORMANCE MEASURES

In this *Press Release* as in our internal management, RONA uses the concept of “earnings before interest, taxes, depreciation, amortization and non-controlling interests” (EBITDA). RONA also uses the concept of “adjusted gross margin,” which corresponds to revenues less the cost of goods sold, plus adjustments for network support. While EBITDA does not have a definition that is standardized by IFRS, it is widely used in our industry and in financial circles to measure the profitability of operations, excluding tax considerations and the cost and use of capital. Adjusted gross margin is used by RONA’s management to analyze the profitability of our network, after adjustments for network support. Given that these measures are not standardized, EBITDA and adjusted gross margin cannot be compared from one company to the next. Still, we establish them in the same way for each of the segments identified, and, unless expressly mentioned, our method does not change over time. EBITDA and adjusted gross margin must not be considered separately or as a substitute for other performance measures calculated according to IFRS, but rather as additional information.

The following table shows the reconciliation of these two measures to IFRS:

Reconciliation of non-GAAP measures

(Unaudited, in thousands of dollars, except margins in %)	Quarters ended			
	March 25, 2012	March 27, 2011	\$ change from 2011	% change from 2011
Revenues	934,934	918,211	16,723	1.8%
Cost of sales	(667,720)	(652,087)	(15,633)	(2.4%)
Gross profit	267,214	266,124	1,090	0.4%
Gross margin (gross profit/revenues)	28.58%	28.98%	-	-40 b.p.
Adjustments for network support ⁽¹⁾	19,365	19,142	223	1.2%
Adjusted gross profit	286,579	285,266	1,313	0.5%
Adjusted gross margin (adjusted gross profit/revenues)	30.65%	31.07%	-	-42 b.p.
Adjusted selling, general and administrative expense	(275,466)	(277,203)	1,737	0.6%
Rent	40,510	41,580	(1,070)	(2.6%)
EBITDA before rent	51,623	49,643	1,980	4.0%
EBITDA margin before rent (EBITDA before rent/revenues)	5.52%	5.41%	-	11 b.p.
EBITDA	11,113	8,063	3,050	37.8%
EBITDA margin (EBITDA/revenues)	1.19%	0.88%	-	31 b.p.
Finance income	(1,104)	(1,371)	267	19.5%
Amortization and depreciation of non-financial assets	(23,406)	(26,297)	2,891	11.0%
Operating profit	(13,397)	(19,605)	6,208	(31.7%)

⁽¹⁾ Corresponds to other costs incurred in bringing the inventory to its present location and condition.

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 Corporation 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 Corporation’s actual results to differ from current expectations, please also refer to the Corporation’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 Corporation’s current Annual Information Form.

The forward-looking statements in this *Press Release* reflect the Corporation’s expectations as at May 9, 2012, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ABOUT RONA

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. The Corporation operates a network of close to 800 corporate, franchise and affiliate stores of various sizes and formats under several banners, and a network of 14 hardware and construction materials distribution centres which are flexible and perfectly adapted to the diverse needs of its clientele. RONA is also a leader in the specialized plumbing and HVAC market, primarily serving commercial and professional customers with a network of close to 60 sales outlets and four distribution centres across the country.

In total, RONA supplies nearly 1,500 sales outlets, of which more than 830 are under one of its banners, as well as close to 600 clients, independent dealers, in its distribution network. With close to 30,000 employees working under its family of banners in every region of Canada, the RONA store network generates consolidated sales of \$4.8 billion and over \$6 billion taking into account the total impact of the retail sales of franchise dealers, affiliates and other independent dealers who buy their supplies at RONA. For more information, please visit rona.ca.

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