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Consolidated interim report

For the quarter ended September 28, 2008



RONA ANNOUNCES RESULTS FOR THIRD QUARTER 2008

THE EFFICIENCY AND PROFITABILITY IMPROVEMENT PROGRAM COMPLETELY MITIGATES THE EFFECTS OF THE STRUGGLING ECONOMY

FINANCIAL HIGHLIGHTS

- Consolidated sales rose 2.3% despite a 2.3% drop in same-store sales.
- Sales and operating income in the distribution sector increased by 9.2% and 16.4%, respectively.
- In line with the objectives introduced under the PEP program, gross margin increased by 30 basis points in the third quarter and by 90 basis points since the start of the year. Excluding unusual items affecting the gross margin, the increases were 40 basis points and 100 basis points respectively.
- Disciplined balance sheet management led to an \$80-million decrease in comparable inventories, a 24% drop in capital asset investments and a \$124.7-million reduction in the net debt.
- Net earnings totalled \$53.4 million, or \$0.46 per share, compared with \$59.4 million, or \$0.51 per share, in 2007. By excluding unusual items of \$6.4 million after-tax, or \$0.05 per share, accounted for during the quarter, diluted net earnings per share remained stable at \$0.51.

Boucherville (Quebec), November 11, 2008 – RONA (TSX: RON), the largest Canadian distributor and retailer of hardware, home renovation and gardening products, announced a 2.3% increase in its consolidated sales, which stood at \$1,381.7 million in the third quarter of 2008, compared to \$1,350.5 million in 2007. Same-store sales nonetheless decreased by 2.3% in the quarter, reflecting a drop in consumer spending related to the decline in consumer confidence. Operating income was \$115.5 million in the third quarter of 2008, down 5.0% from the corresponding quarter of 2007. The EBITDA margin decreased by 65 basis points to 8.36%. Unusual items related to the cost of store closures and the cancellation of future commitments accounted for in the third quarter of 2008 amounted to \$8.5 million before interest, taxes, depreciation and amortization. Excluding these unusual items, operating income was \$124.0 million, up 2.0% from 2007, while the EBITDA margin dropped only 3 basis points, from 9.01% in 2007 to 8.98% in 2008. Net earnings reached \$53.4 million or \$0.46 per share in the third quarter of 2008, representing a 10.2% decrease over 2007. Excluding unusual items of \$6.4 million after-tax, or \$0.05 per share, net earnings were \$59.8 million, or 0.6% higher than the \$59.4 million net earnings recorded in 2007. Excluding unusual items, diluted net earnings per share remained stable at \$0.51.

"Given that the economic context proved much more difficult than anticipated since the start of the year, we are proud of the numerous efficiency and profitability improvements posted under our PEP program (productivity, efficiency, profitability). In the third quarter, this program made it possible for us to completely mitigate the negative effects arising from lower consumer confidence levels in Canada as well as from the decline in construction and renovation activities, especially in Alberta and Ontario. The diversity of our activities and the results of our ongoing efforts in recruiting independent dealer-owners have also served us well in this quarter, with our distribution sector posting a 9.2% increase in sales and a 16.4% increase in operating income," explained RONA President and CEO Robert Dutton.

"The current business environment is highly favourable to the ongoing consolidation of our market in Canada, especially through the recruitment of independent dealers that want to join a strong brand with a very promising plan for the future. Since the start of the year, we have recruited 25 independent dealers, representing annual retail sales of close to \$110 million. We have a strong pipeline of prospects and we will continue to develop this growth vector vigorously in the upcoming quarters," Mr. Dutton added.

"With all the uncertainty surrounding the global financial crisis, we will continue to be disciplined in our other development activities and in managing the company's balance sheets, by placing even greater focus on our PEP program," concluded Mr. Dutton.

While the PEP program has helped to largely offset the negative effects related to the more difficult conditions than expected since the beginning of the year, the extent of the current global financial crisis brings a high degree of

uncertainty in terms of future consumer activity. RONA management estimates that the expected decline in the economic environment over the next quarters could prevent it from achieving its low-single-digit-growth objective for earnings per share on average in the first half of the 2008–2011 business plan. Management is nevertheless optimistic about the fundamental factors that support the demand and popularity of renovation projects and expects to actively pursue the various efficiency improvement measures underway to stimulate sales and improve efficiency in the PEP program over the next quarters. Finally, management estimates that current market conditions represent major potential for consolidating Canada's construction and renovation market, especially through recruitment of independent dealers.

FINANCIAL HIGHLIGHTS, THIRD QUARTER 2008

Economic conditions

Overall, conditions were relatively favourable to renovation activity in Quebec and very favourable in the Atlantic Provinces in third quarter 2008. RONA generates almost 50% of its sales in these two regions. However, inflationary pressures continued to affect construction and renovation activities in Western Canada, particularly in Alberta, which is still wrestling with a high inventory of unsold new houses. In Ontario, single-family-home construction and renovation activities were affected by the economic difficulties of this province, which has been greatly affected by the slowdown in the automobile sector.

At the end of September, 2008, single-unit housing starts experienced a 15.6% decline in Canada's urban areas, according to CMHC estimates. The decline was particularly severe in Alberta, where single-unit housing starts were down by 46.5%, while they decreased by 9.5% in Ontario and only 4.4% in Quebec. In the Atlantic Provinces, single-unit housing starts experienced an 18.6% increase, reflecting strong economic growth in Nova Scotia and Newfoundland.

The economic situation changed significantly at the end of the third quarter. With the current ongoing global financial crisis, economic uncertainty has reached new heights, with the result that consumer confidence was hit hard according to the most recent survey published by the Conference Board of Canada. The consumer confidence index decreased by 11.9 points, or 13.9% in early October, compared with the previous month. In the United States, the confidence index declined by 18.2% in the most recent survey published by the University of Michigan.

Given the circumstances and expected decline of the consumer price index, the Bank of Canada lowered its key interest rate by 75 basis points over the last few weeks. According to the most recent Bank of Canada Monetary Policy Report published in October 2008, Canada's GDP should grow by only 0.6% in 2008, instead of 1.0% predicted in its July report, 1.4% in its April report or 1.8% predicted in January. Canada's GDP grew by 2.7% in 2007. The Bank of Canada has also revised its prediction for 2009 from 2.3%, according to its July report, to 0.6% in its most recent report.

The current interest rate environment remains favourable to high housing start and resale levels. However, access to credit is becoming more and more limited, the value of consumer stock market investments significantly declined, and as we mentioned earlier, consumer confidence and expected GDP growth are at very low levels. The most recent statistics on housing starts, resales and house price variation show greater consumer caution and lower activity in certain areas of the country, particularly Alberta and Ontario. We should mention that single-family-home renovation and construction started to slow down in Eastern Canada in 2007 following the rise of the Canadian dollar.

It is worth recalling that trends are still favourable to renovation in Canada. Over 65% of Canada's homes are over 25 years old, the Baby Boom generation (roughly 30% of the population) is making major investments in their homes and secondary dwellings, and interest in home decoration and gardening remains strong. There is also a major trend taking shape toward outdoor living, calling for decoration of exterior home areas. Finally, more and more Canadians are looking for one-stop solutions for their home renovation projects and unbeatable service in a store with a friendly atmosphere in a location near their residence. By taking account of these trends, RONA is creating new store formats, choosing appropriate products and developing innovative services.

The current business environment is very favourable for consolidation of Canada's construction and renovation market, especially through recruitment of independent dealers. We might add that RONA's recruitment results so far this year clearly show that when times are tough, many store owners are eager to join the ranks of a purchasing group that has a strong awareness, a dynamic team and a promising development plan.

Consolidated sales

Consolidated sales in the third quarter of 2008 stood at \$1,381.7 million, a \$31.2 million or 2.3% increase over the \$1,350.5 million figure in 2007. This growth can be attributed to store openings, the recruitment of new affiliate dealer-owners, acquisitions and the growth of distribution sales. Excluding the contributions of our acquisitions – Dick's Lumber, Centre de Rénovation André Lessard and Best-MAR – consolidated sales dropped by only 0.3%. The strong increase in distribution sector sales and the sales generated by new stores opened in the last 12 months have almost completely compensated for the drop in same-store sales and the loss of sales from stores closed during these last few months.

During the third quarter of 2008, same-store sales fell by 2.3%, excluding the 0.7% drop in the average price of forest products. Same-store sales include a positive effect related to statutory holidays, evaluated at 0.5%.

As mentioned earlier, this decrease in same-store sales stems from an ongoing decline in the level of consumer confidence in Canada, as well as a decline in construction and resale of single-unit homes, especially in Alberta.

Despite lower figures for in-store transactions, due to the factors mentioned above, RONA's loyalty-building and sales-boosting activities, combined with employee efforts to offer the best service and shopping experience in our industry, have helped increase our average shopping basket. Sales declined in most product categories, indicating a general decline in consumer activity during this quarter. We should mention, however, that sales of the RONA private brand increased by over 6%. Installation sales increased more than 20% during the third quarter.

Gross margin

During the third quarter of 2008, the Company's gross margin improved by 30 basis points, increasing from 28.4% in 2007 to 28.7% in 2008. This growth stems from better product-category management, increased sales of private brand products and continued improvement of purchasing conditions with our suppliers. Excluding the effect of unusual items on the gross margin, it increased by 40 basis points. As expected, the increase in gross margin is less pronounced in the second half of 2008 than in the first half, reflecting the seasonality of our activities. Furthermore, given the strong distribution sector growth during the quarter, the relative weight of this sector in calculating the consolidated gross margin has increased. The gross margin of our distribution activities was about one third of the retail sector's gross margin; this increased weight of distribution masked a more significant improvement in the retail sector's gross margin.

Unusual items

As part of a vast program to improve efficiency and optimize the existing RONA stores network, the Company made a decision to close four non-performing stores and transfer the business volume from these stores to other nearby RONA corporate stores and affiliates. Operating losses in these stores had amounted to several million dollars. Two are big-box stores: one in Richmond, British Columbia, and the other in Scarborough, Ontario. The other two are small proximity stores operating under the Cashway banner in Ontario. During the third quarter of 2008, the Company also accounted for unusual costs related to cancellation of future commitments.

At the end of the third quarter, the total estimated annual cost for these various unusual items, including a pre-tax gain of \$1.4 million posted in second quarter 2008, was \$18.8 million, \$5.8 million of which was already booked in second quarter 2008. In total for the third quarter, unusual costs of \$9.3 million were accounted for, of which \$8.5 million affected operating income, and \$0.8 million affected amortization, depreciation and financial costs. After taxes, third quarter unusual costs were \$6.4 million. Remaining costs, estimated at \$3.7 million, will be booked by the end of fiscal 2008.

This decision will allow the Company to eliminate operating losses and transfer business volume to corporate stores and affiliates in better locations with much greater potential for growth and profit. This decision represents a very good return on investment, since the payback period to recover the above-mentioned costs will be very short.

Consolidated operating income

Operating income, including the unusual items mentioned above, was \$115.5 million in third quarter 2008, down \$6.1 million or 5.0% from the \$121.6 million figure posted in 2007. The EBITDA margin declined 65 basis points, from 9.01% in 2007 to 8.36% in 2008. This decline is largely attributable to the unusual items and downward pressure on same-store sales.

Excluding unusual items, operating income was \$124.0 million in third quarter 2008, up \$2.4 million, or 2.0% from 2007. The EBITDA margin dropped only 3 basis points, from 9.01% in 2007 to 8.98% in 2008.

The numerous efficiency improvements posted under the PEP program that is the first Phase of the 2008-2011 strategic plan made it possible to compensate for the negative effect of downward pressure on sales in the construction and renovation industry. This is due to lower consumer confidence levels and the results of recently opened stores that have not yet reached their full potential. During the third quarter, the PEP program has, among other things, allowed us to improve our gross margin, reduce inventory levels, optimize the network of existing stores, improve logistics, accelerate recruitment of independent dealers and improve the process for opening new stores.

Net earnings

Net earnings, including the unusual items in the third quarter of 2008 dropped by \$6 million or 10.2% to \$53.4 million, or \$0.46 diluted earnings per share, compared to \$59.4 million in 2007, or \$0.51 diluted earnings per share. The factors that affected operating income also apply to the change in net earnings. Excluding the unusual items mentioned above, net earnings reached \$59.8 million in the third quarter of 2008, or \$0.51 diluted earnings per share, compared to \$59.4 million in 2007, or \$0.51 diluted earnings per share. This is an increase of \$0.4 million or 0.6%, reflecting the major efforts throughout this quarter to stimulate sales and improve efficiency in operations to compensate for the negative effects of downward pressure on sales in the construction and renovation industry.

FINANCIAL HIGHLIGHTS, NINE-MONTH PERIOD ENDED SEPTEMBER 28, 2008

Consolidated sales

Consolidated sales for the nine-month period ended September 28, 2008, stood at \$3,766.5 million, a \$68.4 million or 1.9% increase over the \$3,698.1 million figure in 2007. This growth can be mainly attributed to store openings, the recruitment of new affiliate dealer-owners and acquisitions. Excluding the contributions of our acquisitions – Noble Trade, Dick's Lumber, Centre de Rénovation André Lessard and Best-MAR – consolidated sales declined by 2.1%. Sales generated by new stores opened and recruited in the last 12 months have not compensated for the drop in sales from store closures and same-store sales, which declined by 4.7% during the nine-month period ended September 28, 2008, excluding the 0.6% decline in the average price of forest products.

As mentioned above, this decrease in sales (excluding acquisitions) stems from an ongoing decline in the level of consumer confidence in Canada, as well as a sharp decline in construction and resale of single-unit homes, especially in Alberta. Despite lower figures for in-store transactions, due to the factors mentioned above, RONA's loyalty-building and sales-boosting activities, combined with employee efforts to offer the best service and shopping experience in our industry, have helped increase our average shopping basket. Sales declined in most product categories, indicating a general drop in consumer activity since the year began. Private brand products and sales of installation services, however, as mentioned in the analysis of third quarter results, experienced strong growth since the beginning of the year.

Gross margin

For the nine-month period ended September 28, 2008, the Company's gross margin improved by 90 basis points, from 28.3% in 2007 to 29.2% in 2008. This growth is the result of better product-category management, increased private-brand-product sales and better terms and purchasing conditions from our suppliers. Excluding the effect of unusual items on the margin, it increased by 100 basis points since the beginning of 2008.

Unusual items

As part of a vast program to improve efficiency and optimize the existing RONA stores network, as mentioned in the analysis of third quarter results, the Company made a decision to close four non-performing stores and transfer the business volume from these stores to other nearby RONA corporate stores and affiliates. During the second quarter, the Company sold off some non core assets, earning a pre-tax gain of \$1.4 million. During the third quarter of 2008, the Company also accounted for unusual costs related to cancellation of future commitments. For the nine-month period ended September 28, 2008, net unusual costs of \$15.1 million were booked, \$11.4 million of which affected EBITDA and \$3.7 million affected amortization and depreciation and financial costs. After taxes, the unusual costs for the nine-month period ended September 28, 2008, were \$10.4 million.

Consolidated operating income

Operating income, including unusual items, was \$306.2 million for the nine-month period ended September 28, 2008, down \$18.1 million, or 5.6% from the \$324.3 million figure posted in 2007. EBITDA declined 64 basis points, from 8.77% in 2007 to 8.13% in 2008. This decline is largely attributable to unusual items and downward pressure on same-store sales.

Excluding related unusual items posted in the second and third quarters of 2008, operating income was \$317.6 million for the nine-month period ended September 28, 2008, down \$6.7 million, or 2.1%, over that of 2007. The EBITDA margin declined 34 basis points from 8.77% in 2007 to 8.43% in 2008.

This decline is largely the result of current downward pressure on sales in the construction and renovation industry due to lower consumer confidence levels. This had a more substantial impact on first quarter results than on second- and third- quarter results, since the first three months are the time of year when store traffic is lowest and variable costs are very difficult to reduce. The decline can also be attributed to results from recently opened stores that have not yet reached their full potential. Rising transportation costs and an unfavourable variance related to the exchange rate items explain the rest of the decline. However, as mentioned in the analysis of third-quarter results, the numerous efficiency improvements posted under the PEP program that is the first phase of the 2008–2011 strategic plan have helped offset the negative effects of these three factors. Since the beginning of the year, the PEP program has, among other things, allowed us to improve our gross margin, reduce inventory levels, optimize the network of existing stores, improve logistics, accelerate recruitment of independent dealers and improve the process for opening new stores.

Net earnings

Net earnings, including unusual items for the nine-month period ended September 28, 2008, dropped by 13.0% to \$134.5 million, or \$1.15 diluted earnings per share, compared to \$154.6 million, or \$1.32 diluted earnings per share in 2007. The factors affecting operating earnings also affected the net earnings variation. Additional factors include higher fixed costs related to growing our network, particularly amortization related to recent store openings and acquisitions. Excluding the unusual items mentioned in the analysis of third-quarter results, net earnings were \$144.9 million for the nine-month period ended September 28, 2008, or \$1.24 diluted earnings per share, compared to \$154.6 million, or \$1.32 diluted earnings per share in 2007. This decline of \$9.7 million or 6.2%, reflecting downward pressure on sales in the construction and renovation industry, was partly compensated for by the improved efficiency measures introduced this year.

TREASURY AND FINANCIAL POSITION

Operations generated \$84.3 million in third quarter 2008, compared to \$89.9 million in the same quarter of 2007. Excluding variations in working capital items, operations generated \$111.3 million, compared to \$110.5 million in 2007. During the third quarter of 2008 same-store and distribution centre inventories decreased by \$80 million.

During the third quarter of 2008, we invested \$39.7 million in fixed assets, compared to \$52.3 million in 2007. These investments related to the expansion of our retail network, i.e., construction of new stores as well as repairs, renovations and upgrades of existing stores to reflect our new concepts, especially for stores flying the Réno-Dépôt banner. We also invested in our information systems, in order to increase operational efficiency. The Company practised disciplined financial management for the entire quarter and strictly monitored investments in fixed assets.

For the nine-month period ended September 28, 2008, operations generated \$222.1 million, compared to \$227.4 in 2007. Excluding variations in working capital items, operations generated \$260.6 million, compared to \$148.7 million in 2007. During each of the last three quarters same-store and distribution centre inventories decreased.

After nine months of activity, RONA has invested \$129.7 million in fixed assets – \$30.8 million or 19.2% less than the \$160.5 million invested in 2007. During the second quarter of the current fiscal year, RONA decided to reduce the Company's capital spending program by 20% in 2008, in view of market conditions that were more difficult than expected. Accordingly capital spending held at approximately \$200 million for 2008, which is \$40 million less than the amount planned at the beginning of this year. Of this amount, \$160 million will be allocated to store construction, improvements or renovations, and property acquisition, while some \$40 million will be allocated for ongoing upgrades to our information systems. Given our significant improvements in managing merchandise flows and lowering inventories, we have postponed expansion of the Calgary distribution centre. Non-core assets were also sold off during the second quarter, generating an additional \$12.8 million inflow.

Due to the substantial funds generated by disciplined management of our working capital and capital spending during the third quarter and since the beginning of the year, the Company's net debt on September 28, 2008, was \$509.6 million. This is a decrease of \$124.7 million, or 19.7% compared to third quarter 2007. This is also a decline of \$72.6 million, or 12.5%, compared to the beginning of third quarter 2008, and \$143.9 million, or 22.0%, compared to early 2008.

RONA's balance sheet remains very strong. On September 28, 2008, the ratio of total debt to capital was 26.9%, compared to 33.0% at the end of the corresponding quarter in 2007. The ratio of shareholders' equity to total assets at the end of the third quarter was 54.8%, compared to 52.1% on the same date in 2007.

RONA has access to \$650 million in revolving credit since July 11, 2008. At the end of the third quarter, \$68 million had been drawn on this facility. The Company's operations produce significant cash flow. With relatively low debt and long-term fixed rates on most of our long-term debt, RONA also has significant liquidity and can borrow many millions more at advantageous rates. Our financial resources are therefore sufficient to pursue disciplined development on our four growth vectors: growing sales in our existing store network, construction of new corporate and franchise stores, recruitment of new affiliate stores and acquisitions.

OUTLOOK

As we mentioned in the section on economic conditions, the economic situation changed significantly towards the end of the third quarter. With the current ongoing global financial crisis, economic uncertainty has reached new heights, with the result that consumer confidence was hit hard according to the most recent surveys.

With the Bank of Canada recently dropping the key interest rate by 75 basis points, the current interest rate environment remains favourable to high housing starts and resale levels. However, access to credit is becoming more and more limited, the value of consumer stock market investments declined significantly, and consumer confidence and expected GDP growth are at very low levels.

While the PEP program has helped to largely offset the negative effects related to the most difficult conditions since the beginning of the year, the extent of the current global financial crisis brings a high degree of uncertainty in terms of future consumer activity. RONA management estimates that the expected decline in the economic environment over the next quarters could prevent it from achieving its low-single-digit-growth objective for earnings per share on average in the first half of the 2008–2011 business plan. Management is nevertheless optimistic about the fundamental factors that support the demand for and popularity of renovation projects and expects to actively pursue the various efficiency improvement measures underway to stimulate sales and improve efficiency in the PEP program over the next quarters. Finally, management estimates that current market conditions represent major potential for consolidating Canada's construction and renovation market, especially through recruitment of independent stores.

ADDITIONAL INFORMATION

The *Management Discussion and Analysis (MD&A)* and the financial statements for the third quarter of 2008 can be found in the "Investor Relations" section of the Company's website at www.rona.ca, and at www.sedar.com. The Company's Annual Report can also be found on the RONA website, along with other information about RONA, including its *Annual Information Form*, which can also be found on the SEDAR website.

NON-GAAP PERFORMANCE MEASURE

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

While EBITDA does not have a meaning 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. Given that it is not standardized, EBITDA cannot be compared from one company to the next. Still, we establish it in the same way for the segments identified, and, unless expressly mentioned, our method does not change over time. EBITDA must not be considered separately from, or as a substitute for, other performance measures calculated according to GAAP, but rather as additional information.

In the second and third quarters, RONA accounted for unusual items related to the cost of store closures and gains on disposal of assets. This document contains variance analyses of EBITDA, EBITDA margin, net earnings and earnings per share excluding these unusual items. While these measures do not have a meaning standardized by GAAP, the management of the Company believes they represent good indicators of the operating performance of existing activities.

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 at November 11, 2008, 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 700 franchise, affiliate and corporate stores of various sizes and formats. With over 27,000 employees working under its family of banners in every region of Canada and more than 15 million square feet of retail space, the RONA store network generates over \$6.3 billion in annual retail sales.

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MANAGEMENT DISCUSSION AND ANALYSIS FOR THIRD QUARTER 2008

THIRTEEN AND THIRTY-NINE WEEK PERIODS ENDED SEPTEMBER 28, 2008

RONA inc. ("RONA", "we" or the "Company") is Canada's leading retailer and distributor of home improvement, hardware and gardening products. The Company operates or serves a network that includes close to 700 corporate, franchise and affiliate stores, as well as nine hardware and building materials distribution centres.

RONA's sales include:

- Retail sales generated by its corporate stores
- Royalties on retail sales generated by its franchised stores
- A share of retail sales generated by franchised stores in which RONA holds an interest;
- Wholesale sales generated by franchised stores (net of RONA's share in these stores)
- Wholesale sales generated by independent affiliated dealer-owned stores

FINANCIAL STATEMENTS

RONA's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars. The Company has filed its unaudited consolidated financial statements for the 13 and 39 week periods ended on September 28, 2008, with the Canadian Securities Authorities. These statements can be viewed on RONA's website at www.rona.ca or on the SEDAR website at www.sedar.com. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the Company's financial statements and related notes.

NON-GAAP PERFORMANCE MEASURE

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

While EBITDA does not have a meaning 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. Because it is not standardized, EBITDA cannot be strictly compared from one company to the next. Still, we establish it in the same way for the segments identified, and, unless expressly mentioned, our method does not change over time.

EBITDA should not be considered separately from, or as a substitute for, other performance measures calculated according to GAAP, but rather as additional information.

In the second and third quarters 2008, RONA accounted for unusual items related to the cost of store closures and gains on disposal of assets. Unusual costs related to cancellation of future commitments were also accounted for in the third quarter. This document contains variance analyses of EBITDA, EBITDA margin, net earnings and earnings per share excluding these unusual items. While these measures do not have a meaning standardized by GAAP, the management of the Company believes they are good operating performance indicators of existing activities.

UPDATE ON THE COMPANY'S STRATEGIC PLAN

RONA's 2008-2011 strategic plan was unveiled to the financial community in Montreal on February 27 at RONA's 2008 Investors Day. A news release outlining the issues and objectives of the plan was released the same day. Management made a commitment to provide quarterly follow-up of achievements under the plan in its MD&A and to provide an annual follow-up in its Annual Report and at its Annual Shareholders Meeting.

This section describes the Company's achievements in third quarter 2008. Please note that some sections of the PEP program (productivity, efficiency, profitability) were grouped comparatively with the presentation of achievements in previous quarters to make reading easier.

Accomplishments in third quarter 2008

Achievement of Phase 1 initiatives: PEP program (productivity, efficiency, profitability)

1. **Improve the profitability of the corporate store network, including investments in employee training and mobilization, ongoing improvement of our information systems and integration of our most recent acquisitions:**
 - The gross margin improved by 30 basis points during the third quarter as a result of better product-category management, increased private brand products sales and continued improvement of purchasing conditions with our suppliers. Excluding the effect of unusual items on the gross margin, the gross margin increased by 40 basis points. As expected, the gross margin increase is less pronounced in the second half of the year than in the first half, because of the seasonal nature of our activities. Furthermore, given the strong distribution sector growth during the quarter, the relative weight of this sector in the calculation of the consolidated gross margin has increased. The gross margin of our distribution activities being around one-third of the retail sector's gross margin; this growth in the relative weight of distribution mitigated the effect on the consolidated gross margin of a more significant improvement in the retail sector's gross margin.
 - The gross margin improved by 90 basis points for the nine-month period that ended September 28, 2008. Excluding the effect of unusual items on the margin, the gross margin grew by 100 basis points since the beginning of the year.
 - Many new initiatives to improve the profitability of under-performing stores, particularly in terms of merchandising, targeted marketing, in-store losses (shrinkage). The process for opening new stores has also been improved since the beginning of the year.
 - The integration of the most recent acquisitions, Dick's Lumber and Best-MAR, continued to be successful: the two businesses posted a growth in EBITDA margin during the quarter.

2. **Optimizing the supply chain, including investments in employee training and mobilization, and ongoing improvement of our information systems in distribution and logistics:**
 - Same-store and distribution centre inventory reduction of \$80 million in the third quarter (excluding new stores and acquisitions) compared to the third quarter of 2007, resulting in lower operating and financing costs. As expected, inventory reduction is less pronounced than during the first half of the year, due to the seasonality of our activities. Inventories were reduced by \$25.9 million, if new stores and acquisitions are included.
 - Optimization of various available distribution channels, especially for imports and continuous flow distribution, reducing logistics costs by nearly \$1 million and by close to \$3 million since the beginning of the year.

3. Accelerate the recruitment of independent dealers:

- In the last three months, since publishing our second-quarter results on August 12, RONA has recruited 4 new independent stores, representing estimated annual retail sales of close to \$10 million. Since publishing our results for 2007 in February, RONA has recruited a total of 25 new dealers across Canada, representing annual retail sales of close to \$110 million.

4. Sales improvement and customer loyalty for the RONA network:

- 9.2% growth in distribution sector sales resulting from the recruitment of new dealers and introduction of new sales programs to step up purchases from our affiliates and accelerate the conversion process for new affiliates.
- Over 6% growth in sales of private brand products in the third quarter, representing a penetration rate of nearly 17% of sales.
- Over 20% growth in sales of installation services in the third quarter.
- Strong visibility of advertising campaign for the 2008 Beijing Olympics.
 - RONA broadcast 10 commercials during the Olympic Games, showing, among other things, its support for Canadian athletes, its commitment to the Vancouver Games in 2010, its social and community involvement and the commitment of its employees.
 - RONA's various ads reached a daily average of 1.2 million people in the 25-to-54 year-old target group on CBC and a daily average of 401,000 people on Radio-Canada.
 - In total, the English Canadian networks reached 24 million people for the 17 days of competition and the French networks reached 6 million people.
- Over 12% growth in sales to customers using Air Miles™ cards since the beginning of 2008.
- Over 13% growth in new RONA Desjardins credit cards issued and more than 15% growth in financing volume since the beginning of 2008.
- Many new environment- friendly products will be presented at RONA 2009 spring show in late November.

Achievements related to 2008-2011 financial objectives

1. Remain the industry leader in Canada with a market share of over 20% and special emphasis on Western Canada and Ontario. RONA's market share is currently estimated at 17%:

- Since publishing our results for 2007 in February, RONA has recruited a total of 25 new dealers across Canada, representing annual retail sales of close to \$110 million. Almost 50% of recruited sales volume comes from western Canada, 20% from Ontario and 30% from Quebec.
- Since the beginning of 2008, we have opened six new stores, two 100,000-square-foot big-box stores and four 52,000-square-foot proximity stores. The big-box stores are located in Halifax, Nova Scotia, and in Candiac, Quebec. The proximity stores are located in Kamloops, British Columbia, in Carleton Place and Grimsby, Ontario, and in Thetford Mines, Quebec.
- At the beginning of 2008, RONA began renovating the big-box stores under the Réno-Dépôt banner in Quebec. To date, six stores have been renovated and posted a sharp increase in sales as a result. This \$20 million program, combined with recent store openings—a Réno-Dépôt in Candiac, and new RONA stores in Pierrefonds, Brossard and Thetford Mines—as well as good performance by our corporate network stores and affiliates in Quebec, further consolidates our leadership position in this market. RONA generates 45% of its consolidated sales in Quebec.

2. To post low-single-digit annual earnings per share on average during the first half of the plan, a period when we expect to face difficult market conditions, and double-digit earnings in the following years:

- Given that market conditions were more difficult than expected since the beginning of 2008, RONA has posted a 12.9% decline in diluted earnings per share for the nine-month period ended September 28,

2008, from \$1.32 per share in 2007 to \$1.15 per share in 2008. The decline in earnings per share excluding unusual items, at \$1.24 for the same period, was much less pronounced, a decrease of \$0.08 or 6.1%, compared to the corresponding quarter in 2007.

- RONA has benefited from the various efficiency improvement measures introduced through the PEP program. During the third quarter of 2008, RONA has completely compensated for the pressure on comparable sales caused by lower consumer confidence levels and openings of new stores. The numerous efficiency improvement measures underway as part of this program will continue to produce gains over the next quarters, and will help compensate for the negative effects of the downward pressure on sales in our industry.
- While the PEP program has helped largely offset the negative effects related to the most difficult conditions since the beginning of the year, the extent of the current global financial crisis brings a high degree of uncertainty in terms of future consumer activity. RONA management estimates that the expected economic decline over the next quarters could prevent it from achieving its low-single-digit-growth objective for average earnings per share in the first half of the 2008–2011 plan. Management is nevertheless optimistic about the fundamental factors that support the demand for renovation projects and expects to actively pursue the various measures underway to stimulate sales and improve efficiency in the PEP program over the next quarters. Finally, management estimates that current market conditions represent major potential for consolidating Canada's construction and renovation market, especially through recruitment of independent stores.

3. Optimize our return on invested capital:

Since the beginning of the year, RONA has made considerable efforts to optimize its existing network, rationalize its invested capital and optimize its most recent investments. Among other things, we have sold off non-core assets, closed non-performing stores and significantly reduced inventories. We have also managed our capital spending in a disciplined manner. However, current pressure on sales and profitability has masked these promising initiatives in terms of optimizing our return on invested capital.

4. Maintain an investment grade credit rating:

- RONA has managed its balance sheet in a very disciplined manner during this quarter and since the beginning of 2008, with the result that our principal debt ratios have improved despite the continuing unfavourable market environment. We also reduced same-store inventory by \$80 million compared to third quarter 2007. These initiatives and an increase in working capital made it possible for the Company to reduce its total debt by \$124.7 million in the third quarter compared to the corresponding quarter in 2007; a reduction of 19.7%. At the end of the quarter, RONA had drawn only \$68 million on its credit facilities of \$650 million, which will be due only in 2012.
- On September 28, 2008, the ratio of total debt to capital was 26.9%, compared to 33.0% at the end of the corresponding quarter in 2007. The ratio of shareholders' equity to total assets at the end of the third quarter was 54.8%, compared to 52.1% on the same date in 2007. These are in line with the levels expected by the Company.

ANALYSIS OF CONSOLIDATED RESULTS

Economic conditions

Overall, conditions were relatively favourable to renovation activity in Quebec and very favourable in the Atlantic Provinces in third quarter 2008. RONA generates almost 50% of its sales in these two regions. However, inflationary pressures continued to affect construction and renovation activities in Western Canada, particularly in Alberta, which is still wrestling with a high inventory of unsold new houses. In Ontario, single-family-home construction and renovation activities were affected by the economic difficulties of this province, which has been greatly affected by the slowdown in the automobile sector.

At the end of September, 2008, single-unit housing starts experienced a 15.6% decline in Canada's urban areas, according to CMHC estimates. The decline was particularly severe in Alberta, where single-unit housing starts were

down by 46.5%, while they decreased by 9.5% in Ontario and only 4.4% in Quebec. In the Atlantic Provinces, single-unit housing starts experienced an 18.6% increase, reflecting strong economic growth in Nova Scotia and Newfoundland.

The economic situation changed significantly at the end of the third quarter. With the current ongoing global financial crisis, economic uncertainty has reached new heights, with the result that consumer confidence was hit hard according to the most recent survey published by the Conference Board of Canada. The consumer confidence index decreased by 11.9 points, or 13.9% in early October, compared with the previous month. In the United States, the confidence index declined by 18.2% in the most recent survey published by the University of Michigan.

Given the circumstances and expected decline of the consumer price index, the Bank of Canada lowered its key interest rate by 75 basis points over the last few weeks. According to the most recent *Bank of Canada Monetary Policy Report* published in October 2008, Canada's GDP should grow by only 0.6% in 2008, instead of 1.0 % predicted in its July report, 1.4% in its April report or 1.8% predicted in January. Canada's GDP grew by 2.7% in 2007. The Bank of Canada has also revised its prediction for 2009 from 2.3%, according to its July report, to 0.6% in its most recent report.

The current interest rate environment remains favourable to high housing start and resale levels. However, access to credit is becoming more and more limited, the value of consumer stock market investments significantly declined, and as we mentioned earlier, consumer confidence and expected GDP growth are at very low levels. The most recent statistics on housing starts, resales and house price variation show greater consumer caution and lower activity in certain areas of the country, particularly Alberta and Ontario. We should mention that single-family-home renovation and construction started to slow down in Eastern Canada in 2007 following the rise of the Canadian dollar.

It is worth recalling that trends are still favourable to renovation in Canada. Over 65% of Canada's homes are over 25 years old, the Baby Boom generation (roughly 30% of the population) is making major investments in their homes and secondary dwellings, and interest in home decoration and gardening remains strong. There is also a major trend taking shape toward outdoor living, calling for decoration of exterior home areas. Finally, more and more Canadians are looking for one-stop solutions for their home renovation projects and unbeatable service in a store with a friendly atmosphere in a location near their residence. By taking account of these trends, RONA is creating new store formats, choosing appropriate products and developing innovative services.

The current business environment is very favourable for consolidation of Canada's construction and renovation market, especially through recruitment of independent dealers. We might add that RONA's recruitment results so far this year clearly show that when times are tough, many store owners are eager to join the ranks of a purchasing group that has a strong awareness, a dynamic team and a promising development plan.

Consolidated sales

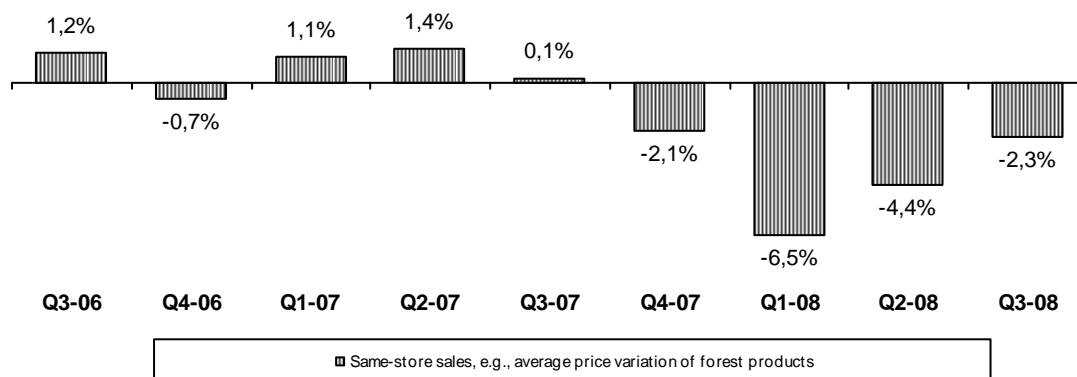
Consolidated sales in the third quarter of 2008 stood at \$1,381.7 million, a \$31.2 million or 2.3% increase over the \$1,350.5 million figure in 2007. This growth can be attributed to store openings, the recruitment of new affiliate dealer-owners, acquisitions and the growth of distribution sales. Excluding the contributions of our acquisitions – Dick's Lumber, Centre de Rénovation André Lessard and Best-MAR – consolidated sales dropped by only 0.3%. The strong increase in distribution sector sales and the sales generated by new stores opened in the last 12 months have almost completely compensated for the drop in same-store sales and the loss of sales from stores closed during these last few months.

During the third quarter of 2008, same-store sales fell by 2.3%, excluding the 0.7% drop in the average price of forest products. Same-store sales include a positive effect related to statutory holidays, evaluated at 0.5%.

As mentioned earlier, this decrease in same-store sales stems from an ongoing decline in the level of consumer confidence in Canada, as well as a decline in construction and resale of single-unit homes, especially in Alberta.

Despite lower figures for in-store transactions, due to the factors mentioned above, RONA's loyalty-building and sales-boosting activities, combined with employee efforts to offer the best service and shopping experience in our industry, have helped increase our average shopping basket. Sales declined in most product categories, indicating a general decline in consumer activity during this quarter. We should mention, however, that sales of the RONA private brand increased by over 6%. Installation sales increased more than 20% during the third quarter.

Annual growth in same-store sales Last nine quarters



Note: Figures for Q4-06 and Q4-07 have been adjusted for the impact of the 14th week in Q4-06.

Gross margin

During the third quarter of 2008, the Company's gross margin improved by 30 basis points, increasing from 28.4% in 2007 to 28.7% in 2008. This growth stems from better product-category management, increased sales of private brand products and continued improvement of purchasing conditions with our suppliers. Excluding the effect of unusual items on the gross margin, it increased by 40 basis points. As expected, the increase in gross margin is less pronounced in the second half of 2008 than in the first half, reflecting the seasonality of our activities. Furthermore, given the strong distribution sector growth during the quarter, the relative weight of this sector in calculating the consolidated gross margin has increased. The gross margin of our distribution activities was about one third of the retail sector's gross margin; this increased weight of distribution masked a more significant improvement in the retail sector's gross margin.

Unusual items

As part of a vast program to improve efficiency and optimize the existing RONA stores network, the Company made a decision to close four non-performing stores and transfer the business volume from these stores to other nearby RONA corporate stores and affiliates. Operating losses in these stores had amounted to several million dollars. Two are big-box stores: one in Richmond, British Columbia, and the other in Scarborough, Ontario. The other two are small proximity stores operating under the Cashway banner in Ontario. During the third quarter of 2008, the Company also accounted for unusual costs related to cancellation of future commitments.

At the end of the third quarter, the total estimated annual cost for these various unusual items, including a pre-tax gain of \$1.4 million posted in second quarter 2008, was \$18.8 million, \$5.8 million of which was already booked in second quarter 2008. In total for the third quarter, unusual costs of \$9.3 million were accounted for, of which \$8.5 million affected operating income, and \$0.8 million affected amortization, depreciation and financial costs. After taxes, third quarter unusual costs were \$6.4 million. Remaining costs, estimated at \$3.7 million, will be booked by the end of fiscal 2008.

This decision will allow the Company to eliminate operating losses and transfer business volume to corporate stores and affiliates in better locations with much greater potential for growth and profit. This decision represents a very good return on investment, since the payback period to recover the above-mentioned costs will be very short.

Consolidated operating income

Operating income, including the unusual items mentioned above, was \$115.5 million in third quarter 2008, down \$6.1 million or 5.0% from the \$121.6 million figure posted in 2007. The EBITDA margin declined 65 basis points, from 9.01% in 2007 to 8.36% in 2008. This decline is largely attributable to the unusual items and downward pressure on same-store sales.

Excluding unusual items, operating income was \$124.0 million in third quarter 2008, up \$2.4 million, or 2.0% from 2007. The EBITDA margin dropped only 3 basis points, from 9.01% in 2007 to 8.98% in 2008.

The numerous efficiency improvements posted under the PEP program that is the first Phase of the 2008-2011 strategic plan made it possible to compensate for the negative effect of downward pressure on sales in the construction and renovation industry. This is due to lower consumer confidence levels and the results of recently opened stores that have not yet reached their full potential. During the third quarter, the PEP program has, among other things, allowed us to improve our gross margin, reduce inventory levels, optimize the network of existing stores, improve logistics, accelerate recruitment of independent dealers and improve the process for opening new stores.

Interest, amortization and depreciation

Interest on long-term debt and bank loans in the third quarter of 2008 decreased by one million dollars, or 12.4%, compared to third quarter 2007. This decrease can be attributed to the reduction of the Company's debt level, due to very disciplined management of working capital and capital spending. This can also be attributed to a decline in interest rates.

Amortization and depreciation in third quarter 2008 were \$27.5 million compared to \$23.5 million in 2007, an increase of \$4.0 million. A charge of \$0.7 million was booked in the third quarter, related to non-performing store closures. Excluding this amount, amortization and depreciation amounted to \$26.8 million in third quarter 2008, an increase of \$3.3 million or 14.0% over 2007. This stems from new corporate store start-ups, acquisitions, the renovation program for existing corporate stores and ongoing improvement of our information systems.

Income taxes

Income taxes for the third quarter amount to \$24.9 million, for an effective tax rate of 30.8%. Last year, income taxes were \$28.7 million, for an effective tax rate of 31.9%. This decrease in income tax is due largely to a cut in the federal basic income tax.

Net earnings

Net earnings, including the unusual items in the third quarter of 2008 dropped by \$6 million or 10.2% to \$53.4 million, or \$0.46 diluted earnings per share, compared to \$59.4 million in 2007, or \$0.51 diluted earnings per share. The factors that affected operating income also apply to the change in net earnings.

Excluding the unusual items mentioned above, net earnings reached \$59.8 million in the third quarter of 2008, or \$0.51 diluted earnings per share, compared to \$59.4 million in 2007, or \$0.51 diluted earnings per share. This is an increase of \$0.4 million or 0.6%, reflecting the major efforts throughout this quarter to stimulate sales and improve efficiency in operations to compensate for the negative effects of downward pressure on sales in the construction and renovation industry.

SEGMENT ANALYSIS

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

RONA: Key segment figures for the third quarter ended September 28, 2008

(In thousands of dollars)	Third quarter 2008	Third quarter 2007	\$ Variation over 2007	% Variation over 2007
Segment sales				
Corporate and franchise stores	1,061,863	1,057,494	4,369	0.4%
Distribution	635,271	619,788	15,483	2.5%
Total	1,697,134	1,677,282	19,852	1.2%
Intersegment sales and royalties				
Corporate and franchise stores	-	-	-	-
Distribution	(315,412)	(326,807)	11,395	(3.5%)
Total	(315,412)	(326,807)	11,395	(3.5%)
Sales				
Corporate and franchise stores	1,061,863	1,057,494	4,369	0.4%
Distribution	319,859	292,981	26,878	9.2%
Total	1,381,722	1,350,475	31,247	2.3%
Operating income				
Corporate and franchise stores	94,260	103,396	(9,136)	(8.8%)
Distribution	21,242	18,243	2,999	16.4%
Total	115,502	121,639	(6,137)	(5.0%)
Operating income (excluding unusual items)				
Corporate and franchise stores	102,785	103,396	(611)	(0.6%)
Distribution	21,242	18,243	2,999	16.4%
Total	124,027	121,639	2,388	2.0%
EBITDA margin				
Corporate and franchise stores	8.88%	9.78%	-	-90 b.p.
Distribution	6.64%	6.23%	-	+41 b.p.
Total	8.36%	9.01%	-	-65 b.p.
Operating income (excluding unusual items)				
Corporate and franchise stores	9.68%	9.78%	-	-10 b.p.
Distribution	6.64%	6.23%	-	+41 b.p.
Total	8.98%	9.01%	-	-3 b.p.

Note: In early 2008, the Company reviewed its segmented information analysis method and, as a result, modified the presentation of such information between segments. The 2007 comparable period was adjusted accordingly.

Corporate and franchise stores: sales up 0.4%, operating income (excluding unusual items) down 0.6% and EBITDA margin (excluding unusual items) down 10 basis points

Sales in the corporate and franchise store segment increased by \$4.4 million, or 0.4% in the third quarter of 2008, reaching \$1,061.9 million. Acquisitions completed in 2007 and early 2008 (i.e., Dick's Lumber and Centre de Rénovation André Lessard in late 2007 and Best-MAR in early 2008) contributed to this growth. Excluding contributions from these acquisitions, consolidated sales declined by 2.5%. Sales generated by new stores opened in the last 12 months have compensated for the drop in sales from store closures and same-store sales, which declined by 2.3% in the third quarter of 2008, excluding the decline in the average price of forest products. Same-store sales include a positive effect related to statutory holidays.

This decrease in same-store sales stems from an ongoing decline in the level of consumer confidence in Canada, as well as a sharp decline in housing starts and resale of single-unit homes, especially in Alberta. On the other hand, renovation of stores under the Réno-Dépôt banner in Quebec has produced very good results for the six renovated stores so far. Two other stores are under renovation and four other stores will be renovated in 2009. Finally, same-store sales in the commercial and professional sector were particularly good once again this quarter, particularly in the plumbing division.

Despite lower figures for in-store transactions, due to a decline in the level of consumer confidence in Canada, RONA's loyalty-building and sales-boosting activities, combined with employee efforts to offer the best service and shopping experience in our industry, have helped increase our average customer shopping basket.

Sales declined in most product categories, indicating a general decline in consumer activity during this quarter. We should mention, however, that sales of the RONA private brand increased by over 6%. This growth can be explained by enhanced sales training for our employees and by the great popularity of the RONA by Design projects, which include a number of private brand products. The strong demand for our Project Guide service is also influencing our private brand sales and our sale of installation services. Installation service sales grew by over 20% during the third quarter.

Operating income from retail activities, including unusual items mentioned in the consolidated results analysis, was \$94.3 million, compared to \$103.4 million in third quarter 2007. The EBITDA margin declined by 90 basis points from 9.78% in 2007 to 8.88% in 2008. This is largely due to unusual items accounted for during the quarter, because, excluding unusual items, operating income amounted to \$102.8 million in the third quarter of 2008, a decline of only \$0.6 million or 0.6% from 2007. The EBITDA margin declined 10 basis points from 9.78% in 2007 to 9.68% in 2008. The numerous initiatives implemented since early 2008 to improve efficiency, particularly increasing the gross margin, produced gains and made it possible to largely offset downward pressure on same-store sales and the negative effect due to the results posted by recently opened stores that have not yet reached their full potential. Third-quarter results also benefited from good performance by commercial and professional sector activities, including earnings from the integration of Dick's Lumber and Best-MAR.

Distribution: Sales up 9.2%, operating income up 16.4% and EBITDA margin up 41 basis points

Distribution sales, excluding intersegment activities, increased by 9.2% to \$319.9 million in third quarter 2008 compared to \$293.0 million in 2007. This increase is the result of our recruitment of independent dealers and a strong purchasing volume of our affiliate dealer-owners during the quarter. Major efforts were also made since the beginning of 2008 to accelerate the integration of the new recruited dealers and further increase the already high loyalty levels of our existing dealers. Finally, during the third quarter, the performance of our affiliate dealers, who largely operate very small stores in the regions, was less affected by the slowdown in economic growth than the corporate stores in large urban centres.

Distribution activities generated operating income of \$21.2 million in third quarter 2008, compared to \$18.2 million in the same quarter of 2007, an increase of \$3 million, or 16.4%. The EBITDA margin rose by 41 basis points. Operating income growth is due largely to additional sales volume and better demand management and supply planning, reducing the spaces required for distribution. It is also due to optimization of various available distribution channels, reducing the costs of logistics. These improvements have also allowed us to reduce inventory levels in our distribution centres by \$21 million in the third quarter, compared to third quarter 2007.

ANALYSIS OF CONSOLIDATED RESULTS FOR NINE- MONTH PERIOD ENDED SEPTEMBER 28, 2008

Consolidated sales

Consolidated sales for the nine-month period ended September 28, 2008, stood at \$3,766.5 million, a \$68.4 million or 1.9% increase over the \$3,698.1 million figure in 2007. This growth can be mainly attributed to store openings, the recruitment of new affiliate dealer-owners and acquisitions. Excluding the contributions of our acquisitions – Noble Trade, Dick's Lumber, Centre de Rénovation André Lessard and Best-MAR – consolidated sales declined by 2.1%.

Sales generated by new stores opened and recruited in the last 12 months have not compensated for the drop in sales from store closures and same-store sales, which declined by 4.7% during the nine-month period ended September 28, 2008, excluding the 0.6% decline in the average price of forest products.

As mentioned above, this decrease in sales (excluding acquisitions) stems from an ongoing decline in the level of consumer confidence in Canada, as well as a sharp decline in construction and resale of single-unit homes, especially in Alberta. Despite lower figures for in-store transactions, due to the factors mentioned above, RONA's loyalty-building and sales-boosting activities, combined with employee efforts to offer the best service and shopping experience in our industry, have helped increase our average shopping basket. Sales declined in most product categories, indicating a general drop in consumer activity since the year began. Private brand products and sales of installation services, however, as mentioned in the analysis of third quarter results, experienced strong growth since the beginning of the year.

Gross margin

For the nine-month period ended September 28, 2008, the Company's gross margin improved by 90 basis points, from 28.3% in 2007 to 29.2% in 2008. This growth is the result of better product-category management, increased private-brand-product sales and better terms and purchasing conditions from our suppliers. Excluding the effect of unusual items on the margin, it increased by 100 basis points since the beginning of 2008.

Unusual items

As part of a vast program to improve efficiency and optimize the existing RONA stores network, as mentioned in the analysis of third quarter results, the Company made a decision to close four non-performing stores and transfer the business volume from these stores to other nearby RONA corporate stores and affiliates. During the second quarter, the Company sold off some non core assets, earning a pre-tax gain of \$1.4 million. During the third quarter of 2008, the Company also accounted for unusual costs related to cancellation of future commitments. For the nine-month period ended September 28, 2008, net unusual costs of \$15.1 million were booked, \$11.4 million of which affected EBITDA and \$3.7 million affected amortization and depreciation and financial costs. After taxes, the unusual costs for the nine-month period ended September 28, 2008, were \$10.4 million.

Consolidated operating income

Operating income, including unusual items, was \$306.2 million for the nine-month period ended September 28, 2008, down \$18.1 million, or 5.6% from the \$324.3 million figure posted in 2007. EBITDA declined 64 basis points, from 8.77% in 2007 to 8.13% in 2008. This decline is largely attributable to unusual items and downward pressure on same-store sales.

Excluding related unusual items posted in the second and third quarters of 2008, operating income was \$317.6 million for the nine-month period ended September 28, 2008, down \$6.7 million, or 2.1%, over that of 2007. The EBITDA margin declined 34 basis points from 8.77% in 2007 to 8.43% in 2008.

This decline is largely the result of current downward pressure on sales in the construction and renovation industry due to lower consumer confidence levels. This had a more substantial impact on first quarter results than on second- and third- quarter results, since the first three months are the time of year when store traffic is lowest and variable costs are very difficult to reduce. The decline can also be attributed to results from recently opened stores that have not yet reached their full potential. Rising transportation costs and an unfavourable variance related to exchange rate items explain the rest of the decline. However, as mentioned in the analysis of third-quarter results, the numerous efficiency improvements posted under the PEP program that is the first phase of the 2008–2011 strategic plan have helped offset the negative effects of these three factors. Since the beginning of the year, the PEP program has, among other things, allowed us to improve our gross margin, reduce inventory levels, optimize the network of existing stores, improve logistics, accelerate recruitment of independent dealers and improve the process for opening new stores.

Interest, amortization and depreciation

Interest on long-term debt and bank loans for the nine-month period ended September 28, 2008, remained relatively stable at \$24.0 million, compared to \$24.1 million for the corresponding period in 2007. The higher interest costs in early 2008, resulting from the increase in debt related to the Company's expansion, particularly the acquisition of Noble Trade in April 2007 and Dick's Lumber in December 2007, were compensated for by rigorous management of the balance sheet and capital spending, resulting in a decrease of the indebtedness level since the second quarter of the year. It was also compensated by lower interest rates.

Amortization and depreciation for the nine-month period ended September 28, 2008, amounted to \$81.9 million compared to \$67.5 million in 2007, an increase of \$14.4 million over 2007. This includes a charge of \$3.3 million booked during the period related to our non-performing store closures. Excluding this amount, amortization and depreciation amounted to \$78.6 million for the nine-month period ended September 28, 2008, an increase of \$11.1 million, or 16.4% over 2007. This stems from new corporate store start-ups, acquisitions, the renovation program for existing corporate stores, ongoing improvement of our information systems, and investment in our distribution infrastructure.

Income taxes

Income taxes for the nine-month period ended September 28, 2008 amount to \$61.7 million, for an effective tax rate of 30.8%. Last year, income taxes were \$74.2 million, for an effective tax rate of 31.9%. This decrease in income tax is due largely to a cut in the federal basic income tax.

Net earnings

Net earnings, including unusual items for the nine-month period ended September 28, 2008, dropped by 13.0% to \$134.5 million, or \$1.15 diluted earnings per share, compared to \$154.6 million, or \$1.32 diluted earnings per share in 2007. The factors affecting operating earnings also affected the net earnings variation. Additional factors include higher fixed costs related to growing our network, particularly amortization related to recent store openings and acquisitions.

Excluding the unusual items mentioned in the analysis of third-quarter results, net earnings were \$144.9 million for the nine-month period ended September 28, 2008, or \$1.24 diluted earnings per share, compared to \$154.6 million, or \$1.32 diluted earnings per share in 2007. This decline of \$9.7 million or 6.2%, reflecting downward pressure on sales in the construction and renovation industry, was partly compensated for by the improved efficiency measures introduced this year.

SEGMENT ANALYSIS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 28, 2008

RONA: Key segment figures for the nine-month period ended September 28, 2008

(In thousands of dollars)	Year to date 2008	Year to date 2007	\$ Variation over 2007	% Variation over 2007
Segment sales				
Corporate and franchise stores	2,874,911	2,825,523	49,388	1.7%
Distribution	1,843,654	1,830,466	13,188	0.7%
Total	4,718,565	4,655,989	62,576	1.3%
Intersegment sales and royalties				
Corporate and franchise stores	—	—	—	—
Distribution	(952,055)	(957,918)	5,863	(0.6%)
Total	(952,055)	(957,918)	5,863	(0.6%)
Sales				
Corporate and franchise stores	2,874,911	2,825,523	49,388	1.7%
Distribution	891,599	872,548	19,051	2.2%
Total	3,766,510	3,698,071	68,439	1.9%
Operating income				
Corporate and franchise stores	244,049	263,301	(19,252)	(7.3%)
Distribution	62,138	60,966	1,172	1.9%
Total	306,187	324,267	(18,080)	(5.6%)
Operating income (excluding unusual items)				
Corporate and franchise stores	255,418	263,301	(7,883)	(3.0%)
Distribution	62,138	60,966	1,172	1.9%
Total	317,556	324,267	(6,711)	(2.1%)
EBITDA margin				
Corporate and franchise stores	8.49%	9.32%	—	-83 b.p.
Distribution	6.97%	6.99%	—	-2 b.p.
Total	8.13%	8.77%	—	-64 b.p.
Operating income (excluding unusual items)				
Corporate and franchise stores	8.88%	9.32%	—	-44 b.p.
Distribution	6.97%	6.99%	—	-2 b.p.
Total	8.43%	8.77%	—	-34 b.p.

Note: In early 2008, the Company reviewed its segmented information analysis method and, as a result, modified the presentation of such information between segments. The 2007 comparable period was adjusted accordingly.

Corporate and franchise stores: sales up 1.7%, operating income (excluding unusual items) down 3.0% and EBITDA margin (excluding unusual items) down 44 basis points

For the nine-month period ended September 28, 2008, sales in the corporate and franchise store segment reached \$2,874.9 million, an increase of \$49.4 million, or 1.7% over 2007. Acquisitions completed in 2007 and early 2008—Noble Trade in early 2007, Dick's Lumber and Centre de Rénovation André Lessard in late 2007 and Best-MAR in early 2008—played an important role in this growth. Excluding contributions from these acquisitions, consolidated sales dropped by 2.8%. Sales generated by new stores opened in the last 12 months have not compensated for the drop in sales from store closures and same-store sales, which declined by 4.7% during the nine-month period ended September 28, 2008, not counting the 0.6% decline in the average price of forest products. This decrease in same-store sales stems from an ongoing decline in the level of consumer confidence in Canada, as well as a sharp decline in housing starts and resale of single-unit homes, especially in Alberta. Many initiatives were implemented since early

2008 to stimulate sales and offset this downward pressure on sales in our industry. These initiatives, such as project Guide, new RONA by Design projects, new private brand products, including a line of environmentally friendly products, gave very good results and made it possible to increase the average shopping basket of consumers who visited our stores since the beginning of 2008. However, these various initiatives could not entirely eliminate the drop in the number of store visits, caused by the decline of economic growth in Canada and consumer confidence.

For the nine-month period ended September 28, 2008, operating income from retail activities was \$244.0 million, compared to \$263.3 million in 2007. Despite a major gross margin increase and other gains in efficiency, the EBITDA margin for retail activities declined by 83 basis points from 9.32% in 2007 to 8.49% in 2008. Excluding unusual items mentioned in the analysis of consolidated results, operating income amounted to \$255.4 million for the nine-month period ended September 28, 2008, a decline of \$7.9 million or 3.0% from 2007. The EBITDA margin declined 44 basis points from 9.32% in 2007 to 8.88% in 2008. This decline can be attributed to downward pressure on same-store sales and the results of recently opened stores that have not yet reached their full potential, as well as to the effects of an unfavourable variance in exchange rate.

Distribution: Sales up 2.2%, operating income up 1.9% and EBITDA margin down 2 basis points

Distribution sales, excluding intersegment activities increased by 2.2% to \$891.6 million for the nine-month period ended September 28, 2008, compared to \$872.5 million in 2007. This increase is the result of our recruitment of independent dealers and the strong purchasing volume of our affiliate dealers in the third quarter. Major efforts were also made since the beginning of 2008 to accelerate the integration of the new recruited dealers and further increase the already high loyalty levels of our existing dealers. Finally, during the third quarter, the performance of our affiliate dealers, who largely operate small stores in the regions seems to have been less affected by decreased consumer confidence than the corporate stores in large urban centres.

Distribution activities generated operating income of \$62.1 million for the nine-month period ended September 28, 2008, compared to \$61.0 million in 2007, an increase of \$1.1 million, or 1.9%. The EBITDA margin dropped by only 2 basis points. Operating income growth is due largely to additional sales volume and better demand management and supply planning, reducing the spaces required for distribution. It is also due to optimization of various available distribution channels, reducing the costs of logistics. These improvements have also allowed us to significantly reduce inventory levels in our distribution centres since the beginning of 2008.

TREASURY AND FINANCIAL POSITION

Operations generated \$84.3 million in third quarter 2008, compared to \$89.9 million in the same quarter of 2007. Excluding variations in working capital items, operations generated \$111.3 million, compared to \$110.5 million in 2007. During the third quarter of 2008 same-store and distribution centre inventories decreased by \$80 million.

During the third quarter of 2008, we invested \$39.7 million in fixed assets, compared to \$52.3 million in 2007. These investments related to the expansion of our retail network, i.e., construction of new stores as well as repairs, renovations and upgrades of existing stores to reflect our new concepts, especially for stores flying the Réno-Dépôt banner. We also invested in our information systems, in order to increase operational efficiency. The Company practised disciplined financial management for the entire quarter and strictly monitored investments in fixed assets.

For the nine-month period ended September 28, 2008, operations generated \$222.1 million, compared to \$227.4 million in 2007. Excluding variations in working capital items, operations generated \$260.6 million, compared to \$148.7 million in 2007. During each of the last three quarters same-store and distribution centre inventories decreased.

After nine months of activity, RONA has invested \$129.7 million in fixed assets – \$30.8 million or 19.2% less than the \$160.5 million invested in 2007. During the second quarter of the current fiscal year, RONA decided to reduce the Company's capital spending program by 20% in 2008, in view of market conditions that were more difficult than expected. Accordingly capital spending held at approximately \$200 million for 2008, which is \$40 million less than the amount planned at the beginning of this year. Of this amount, \$160 million will be allocated to store construction, improvements or renovations, and property acquisition, while some \$40 million will be allocated for ongoing upgrades

to our information systems. Given our significant improvements in managing merchandise flows and lowering inventories, we have postponed expansion of the Calgary distribution centre. Non-core assets were also sold off during the second quarter, generating an additional \$12.8 million inflow.

Due to the substantial funds generated by disciplined management of our working capital and capital spending during the third quarter and since the beginning of the year, the Company's net debt on September 28, 2008, was \$509.6 million. This is a decrease of \$124.7 million, or 19.7% compared to third quarter 2007. This is also a decline of \$72.6 million, or 12.5%, compared to the beginning of third quarter 2008, and \$143.9 million, or 22.0%, compared to the beginning of the year.

The table below presents a synopsis of the Company's contractual obligations as at September 28, 2008, including off-balance-sheet operating lease agreements used in the normal course of business. The Company has also concluded other off-balance-sheet arrangements (such as inventory buyback agreements and guaranteed mortgage loans), which do not appear on the table below. For a detailed description of these arrangements, please see note 8 in the interim consolidated financial statements.

**RONA: Contractual obligations by term
(As at September 28, 2008)**

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 loans	496,199	4,037	8,610	76,788	406,764
Obligations under capital leases	12,989	5,429	6,322	1,139	99
Operating and other leases	1,286,599	118,444	235,325	211,327	721,503
Other long-term obligations	57,423	30,509	22,114	4,763	37
Total	1,853,210	158,419	272,371	294,017	1,128,403

**RONA: Shares outstanding
As at November 7, 2008**

Common shares	115,818,373
Unexercised options	3,014,027
Total	118,832,400

RONA's balance sheet remains very strong. On September 28, 2008, the ratio of total debt to capital was 26.9%, compared to 33.0% at the end of the corresponding quarter in 2007. The ratio of shareholders' equity to total assets at the end of the third quarter was 54.8%, compared to 52.1% on the same date in 2007.

RONA has access to \$650 million in revolving credit since July 11, 2008. At the end of the third quarter, \$68 million had been drawn on this facility. The Company's operations produce significant cash flow. With relatively low debt and long-term fixed rates on most of our long-term debt, RONA also has significant liquidity and can borrow many millions more at advantageous rates. Our financial resources are therefore sufficient to pursue disciplined development on our four growth vectors: growing sales in our existing store network, construction of new corporate and franchise stores, recruitment of new affiliate stores and acquisitions.

QUARTERLY INFORMATION

RONA: Consolidated Quarterly Financial Results (In millions of dollars, except earnings per share)

	2008			2007				2006	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4*	Q3
Sales	1,381.7	1,473.3	911.5	1,087.0	1,350.5	1,469.1	878.5	1,141.3	1,265.8
Operating income	115.5	157.3	33.4	75.9	121.6	161.8	40.9	86.7	109.6
Net earnings	53.4	80.1	1.0	30.5	59.4	86.2	9.0	38.1	56.1
Earnings per share (\$)	0.46	0.69	0.01	0.26	0.52	0.75	0.08	0.33	0.49
Diluted earnings per share (\$)	0.46	0.69	0.01	0.26	0.51	0.74	0.08	0.33	0.48

* Q4 2006 comprised 14 weeks, compared to 13 weeks for the other quarters.

RONA's results vary greatly from one quarter to another due to the strong seasonality of construction and renovation activities. The strongest periods of the year are posted in the spring and autumn, with the result that almost 80% of the Company's net annual earnings are generated during the second and third quarters of the year. Furthermore, sales in the first quarter of the year are always considerably lower than in the other three quarters, because of the low activity levels in the construction/renovation sector during the winter. Finally, weather conditions can have a major impact on sales. With the increase in the proportion of our activities related to the corporate stores and franchise segment and the greater proportion of building material products, the seasonal effect of the first quarter has also been more pronounced in 2007 and 2008 than in previous years. The second quarter, however, is usually the strongest quarter in the fiscal year, followed by the third quarter.

OUTLOOK

As we mentioned in the section on economic conditions, the economic situation changed significantly towards the end of the third quarter. With the current ongoing global financial crisis, economic uncertainty has reached new heights, with the result that consumer confidence was hit hard according to the most recent surveys.

With the Bank of Canada recently dropping the key interest rate by 75 basis points, the current interest rate environment remains favourable to high housing starts and resale levels. However, access to credit is becoming more and more limited, the value of consumer stock market investments declined significantly, and consumer confidence and expected GDP growth are at very low levels.

While the PEP program has helped to largely offset the negative effects related to the most difficult conditions since the beginning of the year, the extent of the current global financial crisis brings a high degree of uncertainty in terms of future consumer activity. RONA management estimates that the expected decline in the economic environment over the next quarters could prevent it from achieving its low-single-digit-growth objective for earnings per share on average in the first half of the 2008–2011 plan. Management is nevertheless optimistic about the fundamental factors that support the demand for and popularity of renovation projects and expects to actively pursue the various efficiency improvement measures underway to stimulate sales and improve efficiency in the PEP program over the next quarters. Finally, management estimates that current market conditions represent major potential for consolidating Canada's construction and renovation market, especially through recruitment of independent stores.

RISKS AND UNCERTAINTIES

There have been no significant changes to the Company's principal risks and uncertainties during the third quarter of 2008. Please refer to the *Annual MD&A* for a complete description of the risks the Company faces.

CHANGES IN ACCOUNTING POLICIES

At the beginning of the year, without restatement of prior period financial statements, the Company retroactively adopted the following new recommendations of the Canadian Institute of Chartered Accountants' (CICA) Handbook:

Financial instruments – Disclosures and presentation

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. Section 3863, *Financial Instruments – Presentation* establishes standards for presentation of financial instruments and non-financial derivatives. These Sections complement the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3865, *Hedges* and replace the presentation 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.

Inventories

Section 3031, *Inventories*, replaces Section 3030 of the same title and prescribes the basis and method for measuring inventories. It allows for the reversal of any previous write-down of inventories as a result of an increase in value. Finally, the Section prescribes new requirements on the disclosure of the accounting policies adopted, carrying amounts, amounts recognized as an expense, the amount of any write-down and the amount of any reversal of a write-down.

The adoption of the new recommendations had no material impact on the Company's results, financial position and cash flow.

ACCOUNTING STANDARDS NOT YET IMPLEMENTED

Goodwill and Intangible Assets

In February 2008, the CICA published Section 3064 *Goodwill and Intangible Assets* which replaces Section 3062 of the same title. The section applies to fiscal years beginning on or after October 1, 2008 or first quarter 2009 for the Company. The new section confirms that at the time of initial recognition, an intangible asset can only be recognized as such if it meets both the definition of an intangible asset and the recognition criteria. Furthermore, Section 3064 provides guidance for the recognition of internally generated intangible assets.

The Company is currently evaluating the impact of the new section on its consolidated financial statements. Based on analyses to date, certain assets included on the Company's balance sheet will no longer meet the requirements of the new section, notably, pre-opening expenses for stores and distribution centres (included in Other assets), advertising costs for store openings and costs incurred for the sponsorship of the Olympic and Paralympic Games (included in Prepaid expenses). In first quarter 2009, the balances in these asset accounts as at December 31, 2007, will be restated and included in Retained Earnings (at the beginning of first quarter 2008) and the results of operations of 2008 will also be restated to conform to the 2009 presentation.

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP for publicly accountable entities will be replaced by IFRS, which will go into effect during the 2011 calendar year. IFRS use a conceptual framework similar to that of Canadian GAAP, but include major differences with respect to recognition, measurement, presentation and disclosure. In the period prior to conversion, the International Accounting Standards Board (IASB) will

continue to publish new accounting standards, and as a result, the final impact of IFRS on the Company's consolidated financial statements will be evaluated only when all IFRSs applicable on the conversion date will be known.

For the Company, conversion to IFRS will be required for financial statements in first quarter 2011. Comparative data will have to be restated to comply with IFRS. As a result, the Company developed a plan to convert its financial statements to IFRS in four phases: Phase 1 – Preliminary Diagnosis, planning and definition of the scope, Phase 2 – Detailed Evaluation, Phase 3 – Definition of the solution and Phase 4 – Implementation

The Company has started Phase 2 of its conversion plan. Changes in accounting policies are probable and likely to have a notable impact on the Company's consolidated financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES

No significant changes have been noted since the publication of the *MD&A* for the year ended December 30, 2007.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the third quarter ended September 28, 2008, 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 current Annual Information Form.

The forward-looking statements in this MD&A reflect the Company's expectations as at November 11, 2008, 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 November 11, 2008. The reader will find additional information concerning RONA, including the Company's Annual Information Form, on the Company's website at www.rona.ca or on the SEDAR website at www.sedar.com.<http://www.rona.ca/>

Executive Vice-President
and Chief Financial Officer,



Claude Guévin CA

President and Chief Executive Officer,



Robert Dutton

RONA inc.**Consolidated Earnings**

For the thirteen and thirty-nine-week periods ended September 28, 2008 and September 30, 2007
(Unaudited, in thousands of dollars, except earnings per share)

	Third Quarter		Year-to-date	
	2008	2007	2008	2007
Sales	\$ 1,381,722	\$ 1,350,475	\$ 3,766,510	\$ 3,698,071
Earnings before the following items (Note 3)	115,502	121,639	306,187	324,267
Interest on long-term debt	6,490	7,261	22,412	21,671
Interest on bank loans	567	793	1,544	2,435
Depreciation and amortization (Note 3)	27,539	23,487	81,899	67,504
	34,596	31,541	105,855	91,610
Earnings before income taxes and non-controlling interest	80,906	90,098	200,332	232,657
Income taxes	24,920	28,730	61,703	74,205
Earnings before non-controlling interest	55,986	61,368	138,629	158,452
Non-controlling interest	2,618	1,958	4,127	3,852
Net earnings and comprehensive income	\$ 53,368	\$ 59,410	\$ 134,502	\$ 154,600
Net earnings per share (Note 14)				
Basic	\$ 0.46	\$ 0.52	\$ 1.16	\$ 1.34
Diluted	\$ 0.46	\$ 0.51	\$ 1.15	\$ 1.32

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

RONA inc.

**Consolidated Retained Earnings
Consolidated Contributed Surplus**

For the thirty-nine-week periods ended September 28, 2008 and September 30, 2007
(Unaudited, in thousands of dollars)

	2008	2007
Consolidated Retained Earnings		
Balance, beginning of period, as previously reported	\$ 892,967	\$ 709,467
Financial instruments - recognition and measurement	-	(1,589)
Restated balance, beginning of period	892,967	707,878
Net earnings	134,502	154,600
Balance, end of period	\$ 1,027,469	\$ 862,478
Consolidated Contributed Surplus		
Balance, beginning of period	\$ 11,045	\$ 9,182
Compensation cost relating to stock option plans	1,138	1,545
Exercise of stock options	-	(219)
Balance, end of period	\$ 12,183	\$ 10,508

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

RONA inc.**Consolidated Cash Flows**

For the thirteen and thirty-nine-week periods ended September 28, 2008 and September 30, 2007

(Unaudited, in thousands of dollars)

	Third Quarter		Year-to-date	
	2008	2007	2008	2007
Operating activities				
Net earnings	\$ 53,368	\$ 59,410	\$ 134,502	\$ 154,600
Non-cash items				
Depreciation and amortization	27,539	23,487	81,899	67,504
Derivative financial instruments	86	328	181	(3,302)
Future income taxes	(138)	2,341	(37)	(138)
Net loss (gain) on disposal of assets	(379)	1,070	(1,870)	889
Compensation cost relating to stock option plans	380	537	1,138	1,545
Non-controlling interest	2,618	1,958	4,127	3,852
Other items	813	772	2,206	2,427
	84,287	89,903	222,146	227,377
Changes in working capital items	27,011	20,582	38,440	(78,655)
Cash flows from operating activities	111,298	110,485	260,586	148,722
Investing activities				
Business acquisitions (Note 4)	(173)	(4,679)	(4,059)	(175,340)
Advances to joint ventures and other advances	228	231	8,157	4,871
Other investments	-	-	(2,440)	(588)
Fixed assets	(39,703)	(52,343)	(129,682)	(160,487)
Other assets	(2,123)	(2,694)	(6,295)	(5,925)
Disposal of assets	1,770	4,213	17,619	7,133
Cash flows from investing activities	(40,001)	(55,272)	(116,700)	(330,336)
Financing activities				
Bank loans and revolving credit	(54,089)	(105,932)	(106,164)	139,640
Other long-term debt	-	-	1,977	933
Repayment of other long-term debt and redemption of preferred shares	(5,740)	(4,318)	(18,042)	(18,871)
Issue of common shares	1,428	846	4,398	4,158
Issue of equity securities to non controlling interest	-	-	-	750
Cash flows from financing activities	(58,401)	(109,404)	(117,831)	126,610
Net increase (decrease) in cash	12,896	(54,191)	26,055	(55,004)
Cash, beginning of period	16,025	57,673	2,866	58,486
Cash, end of period	\$ 28,921	\$ 3,482	\$ 28,921	\$ 3,482
Supplementary information				
Interest paid	\$ 12,975	\$ 14,299	\$ 31,624	\$ 25,622
Income taxes paid	\$ 15,459	\$ 14,490	\$ 67,253	\$ 77,170

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

RONA inc.**Consolidated Balance Sheets**

September 28, 2008, September 30, 2007 and December 30, 2007

(In thousands of dollars)

	2008 September 28 (Unaudited)	2007 September 30 (Unaudited)	2007 December 30
Assets			
Current assets			
Cash	\$ 28,921	\$ 3,482	\$ 2,866
Accounts receivable	329,488	304,710	237,043
Income taxes receivable	11,197	–	5,684
Inventory (Note 5)	846,078	871,954	856,326
Prepaid expenses	54,880	39,890	27,913
Derivative financial instruments (Note 11)	194	2,360	1,168
Future income taxes	12,092	14,230	12,279
	<u>1,282,850</u>	<u>1,236,626</u>	<u>1,143,279</u>
Investments	9,644	12,852	11,901
Fixed assets	836,683	743,544	816,919
Fixed assets held for sale (Note 6)	35,848	–	–
Goodwill	456,345	437,878	454,882
Trademarks	3,884	3,539	4,145
Other assets	28,051	26,393	28,685
Future income taxes	22,406	19,889	22,635
	<u>\$ 2,675,711</u>	<u>\$ 2,480,721</u>	<u>\$ 2,482,446</u>
Liabilities			
Current liabilities			
Bank loans	\$ 9,601	\$ 20,096	\$ 19,574
Accounts payable and accrued liabilities	586,830	468,130	421,446
Income taxes payable	–	4,173	–
Derivative financial instruments (Note 11)	274	1,441	1,067
Future income taxes	4,239	2,827	3,650
Instalments on long-term debt	26,363	31,032	34,239
	<u>627,307</u>	<u>527,699</u>	<u>479,976</u>
Long-term debt	502,553	586,639	602,537
Other long-term liabilities	27,222	23,319	24,526
Future income taxes	22,739	22,239	23,781
Non-controlling interest	30,646	27,745	26,420
	<u>1,210,467</u>	<u>1,187,641</u>	<u>1,157,240</u>
Shareholders' equity			
Capital stock (Note 7)	425,592	420,094	421,194
Retained earnings	1,027,469	862,478	892,967
Contributed surplus	12,183	10,508	11,045
	<u>1,465,244</u>	<u>1,293,080</u>	<u>1,325,206</u>
	<u>\$ 2,675,711</u>	<u>\$ 2,480,721</u>	<u>\$ 2,482,446</u>

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

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

(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 year ended December 30, 2007. The interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 30, 2007. The interim operating results do not necessarily reflect the results for the full fiscal year. Accordingly, the comparative balance sheet at as September 30, 2007 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.

2. Changes in accounting policies

At the beginning of 2008 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 – Disclosures and presentation

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. Section 3863, *Financial Instruments – Presentation* establishes standards for presentation of financial instruments and non-financial derivatives. These Sections complement the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3865, *Hedges* and replace the presentation 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.

Inventories

Section 3031, *Inventories*, replaces Section 3030 of the same title and prescribes the basis and method for measuring inventories. It allows for the reversal of any previous write-down of inventories as a result of an increase in value. Finally, the Section prescribes new requirements on the disclosure of the accounting policies adopted, carrying amounts, amounts recognized as an expense, the amount of any write-down and the amount of any reversal of a write-down.

The adoption of the new recommendations had no material impact on the results, financial position and cash flows of the Company.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

3. Store closing costs

Exit and disposal costs and write-down of assets

In April 2008, management approved a detailed plan to close four of its stores included in the corporate and franchised stores segment by the end of the year. During the thirteen and thirty-nine-week period ended September 28, 2008, the Company recognized the following costs:

	Third Quarter		Year-to-date	
	2008	2007	2008	2007
Lease obligations	\$ 4,231	\$ -	\$ 4,231	\$ -
Inventory write-down	157	-	2,114	-
Termination benefits	38	-	264	-
Total recorded in earnings before the following items	4,426	-	6,609	-
Fixed assets write-down	554	-	2,857	-
Total costs	\$ 4,980	\$ -	\$ 9,466	\$ -

Additional estimated costs of \$3,204 relating to store closures, principally lease obligations, will be recorded by the Company when the criteria for recognition have been met.

The liability for exit and disposal costs and write-down of assets is as follows:

	2008	2007
Balance, beginning of period	\$ -	\$ -
Costs recognized:		
Lease obligations	4,231	-
Termination benefits	264	-
Less: cash payments	(468)	-
Balance, end of period	\$ 4,027	\$ -

Other closing costs

During the thirteen and thirty-nine week periods ended September 28, 2008, in addition to the exit and disposal costs and write-down of assets, the Company recorded operating costs, including interest and depreciation, for the liquidation of the assets of these stores in the amount of \$1,690 and \$4,101. The Company estimated that additional costs of \$525 will be incurred in the next quarter to complete the liquidation of these stores' assets.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

4. Business acquisitions

During the thirty-nine-week period ended September 28, 2008, the Company acquired two companies (four companies in 2007), operating in the corporate and franchised stores segment, by way of asset purchases (share and asset purchases in 2007). Taking direct acquisition costs into account, these acquisitions were for a total consideration of \$5,623 (\$183,929 in 2007). 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 purchase price allocation of the acquisitions was established as follows:

	2008	2007
Current assets	\$ 5,708	\$ 62,104
Fixed assets	4,618	10,507
Goodwill	2,816	121,812
Trademarks	-	2,321
Future income taxes	-	755
Current liabilities	(4,411)	(10,046)
Long-term debt	(3,108)	(3,524)
	<u>5,623</u>	<u>183,929</u>
Less : Accrued direct acquisition costs	(64)	(258)
Balance of purchase price	(1,500)	(8,331)
Cash consideration paid	<u>\$ 4,059</u>	<u>\$ 175,340</u>

On September 28, 2008, based on additional information obtained concerning the purchase price allocation of acquisitions of the fourth quarter of 2007, the Company reduced Goodwill by \$1,353, reduced other net assets acquired by \$1,520 and reduced Balance of purchase price, accordingly.

The Company expects that an amount of \$953 of goodwill will be deductible for tax purposes.

5. Inventory

For the thirteen and thirty-nine-week periods ended September 28, 2008, \$985,504 and \$2,667,915 of inventory was expensed in the consolidated results (\$966,644 and \$2,651,558 as at September 30, 2007). These amounts include an inventory write-down charge of \$15,159 and \$38,912 (\$13,837 and \$34,587 as at September 30, 2007).

6. Fixed assets held for sale

The Company has decided to dispose of land and buildings in the corporate and franchised store segment which are no longer used in operations, and accordingly, established a detailed plan to sell. The Company expects to dispose of these assets within the next twelve-month period.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

7. Capital stock

Issued and fully paid:

The following tables present changes in the number of outstanding common shares and their aggregate stated value:

	September 28, 2008	
	Number of shares	Amount
Balance, beginning of period	115,412,766	\$ 418,246
Issuance in exchange for common share subscription deposits	197,854	3,349
Issuance under stock option plans	89,000	309
Issuance in exchange for cash	117,140	1,538
Balance before elimination of reciprocal shareholdings	115,816,760	423,442
Elimination of reciprocal shareholdings	(72,396)	(435)
Balance, end of period	115,744,364	423,007
Deposits on common share subscriptions, net of eliminations of joint ventures ^(a)		2,585
		\$ 425,592

	September 30, 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 option plans	339,327	1,876
Issuance in exchange for cash	4,127	95
Balance before elimination of reciprocal shareholdings	115,399,738	418,026
Elimination of reciprocal shareholdings	(56,841)	(341)
Balance, end of period	115,342,897	417,685
Deposits on common share subscriptions, net of eliminations of joint ventures ^(a)		2,409
		\$ 420,094

	December 30, 2007	
	Number of shares	Amount
Balance, beginning of year	114,935,569	\$ 413,542
Issuance in exchange for common share subscription deposits	120,715	2,513
Issuance under stock option plans	339,327	1,876
Issuance in exchange for cash	17,155	315
Balance before elimination of reciprocal shareholdings	115,412,766	418,246
Elimination of reciprocal shareholdings	(70,319)	(401)
Balance, end of year	115,342,447	417,845
Deposits on common share subscriptions, net of eliminations of joint ventures ^(a)		3,349
		\$ 421,194

(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.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

7. Capital stock (continued)

Stock option plan of May 1, 2002

The Company adopted a stock option 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. As at September 28, 2008 the 2,920,000 options granted have an exercise price of \$3.47 and of this number, 1,538,500 options (1,449,500 options as at September 30, 2007) 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 was \$1.10 per option according to this method.

No compensation cost was expensed with respect to this plan for the thirty-nine-week periods ended September 28, 2008 and September 30, 2007.

Stock option plan of October 24, 2002

On October 24, 2002, the Board of Directors approved another stock option plan for designated senior executives of the Company and for certain 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 the stock option plan of May 1, 2002. 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, approved by the shareholders at the annual shareholders' meeting on May 8, 2007, establish that this plan is no longer applicable to the designated directors of the Company and provide for the replacement of the terms and conditions for granting options under the plan by a more flexible mechanism for setting the terms and conditions for granting options. The Board of Directors will adopt the most appropriate terms and conditions relative to each type of grant. For the options granted on March 8, 2007 and February 29, 2008, the Board approved the option grants with vesting over a four-year period following the anniversary date of the grants at 25% per year.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

7. Capital stock (continued)

As at September 28, 2008, the 1,944,052 options (1,700,852 options as at September 30, 2007) granted have exercise prices ranging from \$14.18 to \$26.87 (\$14.29 to \$26.87 as at September 30, 2007) and of this number, 85,100 options (85,100 options as at September 30, 2007) have been exercised and 226,425 options (149,050 options as at September 30, 2007) have been forfeited.

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>September 28, 2008</u>	<u>September 30, 2007</u>
Weighted average fair value per option granted	\$4.42	\$8.50
Risk-free interest rate	3.25 %	3.90 %
Expected volatility in stock price	26 %	26 %
Expected annual dividend	0 %	0 %
Expected life (years)	6	6

Compensation costs expensed with respect to this plan were \$380 and \$1,138 for the thirteen and thirty-nine-week periods ended September 28, 2008 (\$537 and \$1,545 as at September 30, 2007).

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

7. Capital stock (continued)

A summary of the situation of the Company's stock option plans and the changes that occurred during the periods then ended is presented below:

	September 28, 2008	
	Options	Weighted average exercise price
Balance, beginning of period	2,922,552	\$ 11.31
Granted	243,200	14.18
Exercised	(89,000)	3.47
Forfeited	(62,725)	20.33
Balance, end of period	3,014,027	11.59
Options exercisable, end of period	1,965,569	\$ 7.22

	September 30, 2007	
	Options	Weighted average exercise price
Balance, beginning of period	3,162,479	\$ 10.16
Granted	196,000	23.58
Exercised	(339,327)	4.88
Forfeited	(81,950)	20.85
Balance, end of period	2,937,202	11.36
Options exercisable, end of period	1,895,994	\$ 6.24

	December 30, 2007	
	Options	Weighted average exercise price
Balance, beginning of year	3,162,479	\$ 10.16
Granted	196,000	23.58
Exercised	(339,327)	4.88
Forfeited	(96,600)	20.94
Balance, end of year	2,922,552	11.31
Options exercisable, end of year	2,011,194	\$ 6.70

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

7. Capital stock (continued)

The following table summarizes information relating to stock options outstanding as at September 28, 2008:

Exercise price	Expiration date	Options outstanding	Options exercisable
\$ 3.47	December 31, 2012	1,381,500	1,381,500
\$ 14.18	February 29, 2018	233,700	–
\$ 14.29	December 16, 2013	432,550	432,550
\$ 20.27	December 22, 2014	397,750	103,750
\$ 21.21	February 24, 2016	358,500	–
\$ 21.78	September 1, 2016	17,576	4,394
\$ 23.58	March 8, 2017	169,375	43,375
\$ 23.73	April 5, 2015	5,500	–
\$ 26.87	February 24, 2016	17,576	–
		<u>3,014,027</u>	<u>1,965,569</u>

8. 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 an amount of \$1,985. 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 \$5,888.

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 inventory to a maximum of \$63,446. 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.

9. 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 thirty-nine-week period ended September 30, 2008, the Company recognized an amount of \$4,703 (\$8,085 as at September 30, 2007) which was estimated based on the attainment of specified requirements to receive the rebates.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

10. Capital disclosures

The Company maintains a level of capital that is sufficient to meet several objectives, including an acceptable debt-to-capital ratio to provide access to adequate funding sources to support current operations, pursue its internal growth strategy and undertake targeted acquisitions.

Total debt includes bank loans and long-term debt. The Company's capital includes total debt and equity.

As at September 28, 2008, the Company's debt-to-capital ratio is 26.9% (33.0% as at September 30, 2007).

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to reduce debt.

The Company's credit facilities include certain covenants affecting, among others, the leverage ratio and the interest coverage ratios. These ratios are submitted to the Board of Directors each quarter and, as at September 28, 2008, the Company is in compliance with the ratios. Other than covenants related to its credit facilities, the Company is not subject to any other externally imposed capital requirements.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

11. Financial instruments

The carrying amounts and fair values of financial instruments were as follows:

	September 28, 2008		September 30, 2007		December 30, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held for trading						
Cash	\$ 28,921	\$ 28,921	\$ 3,482	\$ 3,482	\$ 2,866	\$ 2,866
Derivative financial instruments	194	194	2,360	2,360	1,168	1,168
Loans and receivables						
Accounts receivable	329,488	329,488	304,710	304,710	237,043	237,043
Redeemable preferred shares	–	–	1,400	1,400	1,071	1,071
Financial liabilities						
Bank loans	9,601	9,601	20,096	20,096	19,574	19,574
Accounts payable and accrued liabilities	586,830	586,830	468,130	468,130	421,446	421,446
Revolving credit	64,009	64,009	142,329	142,329	160,200	160,200
Debentures	396,090	300,542	395,734	371,407	395,821	372,145
Mortgage loans and balance of purchase price	51,323	51,323	57,499	57,499	60,438	60,438
Preferred shares	5,000	5,000	6,000	6,000	5,000	5,000
Financial liabilities held for trading						
Derivative financial instruments	274	274	1,441	1,441	1,067	1,067

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

- The fair value of accounts receivable, bank loans and accounts payable and accrued liabilities is comparable to their carrying amount, given the short maturity periods;
- The fair value of loans and advances, substantially all of which have been granted to dealer-owners, has not been determined because such transactions have been conducted to maintain or to develop favourable trade relationships and do not necessarily reflect terms and conditions which would have been negotiated with arm's length parties. Moreover, the Company holds sureties on certain investments which provide it with potential recourse regarding the operations of the dealer-owners in question;
- The fair value of the revolving credit, mortgage loans and balance of purchase price is equivalent to their carrying amount given that significant loans bear interest at rates that fluctuate with the market rate;

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

11. Financial instruments (continued)

- The fair value of debentures was determined using market prices;
- The fair value of class C preferred shares, Series 1 and class D preferred shares, included in long-term debt, approximates their redemption value;
- The fair value of derivative instruments was determined by comparing the original rates of the derivatives with rates prevailing at the revaluation date for contracts having equal values and maturities.

The revenues, expenses, gains and losses resulting from financial assets and liabilities recorded in net earnings are as follows:

	Third Quarter		Year-to-date	
	2008	2007	2008	2007
Interest on accounts receivable	\$ (683)	\$ (644)	\$ (2,273)	\$ (2,372)
Interest on long-term loans and advances	(559)	(735)	(2,804)	(2,158)
Dividends on redeemable preferred shares	-	(21)	(29)	(63)
Interest on cash and bank loans	567	793	1,544	2,435
Interest on long - term debt	6,490	7,261	22,412	21,671
Loss (gain) on fair value of derivative financial instruments	(417)	(519)	1,670	(3,647)

Credit risk

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

To manage credit risk from accounts receivable and loans and advances receivable, the Company has mortgages on some movable and immovable property owned by the debtors as well as guarantees. It examines their financial stability on a regular basis. The Company records allowances, determined on a client-per-client basis, at the balance sheet date to account for potential losses.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

11. Financial instruments (continued)

As at September 28, 2008, the aging of accounts receivable is as follows:

Current	\$ 271,500
Past due 0 - 30 days	32,196
Past due 31-120 days	17,055
Past due over 121 days	13,987
Trade accounts receivable	<u>334,738</u>
Less allowance for doubtful accounts	<u>13,604</u>
	<u>\$ 321,134</u>

The following table provides the change in allowance for doubtful accounts for trade accounts receivable:

Balance as at December 30, 2007	\$ 10,181
Variance in allowance for doubtful accounts	<u>3,423</u>
Balance as at September 28, 2008	<u>\$ 13,604</u>

Liquidity risk

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

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

11. Financial instruments (continued)

The following table presents the financial liability instalments payable when contractually due, excluding future interest payments but including accrued interest as at September 28, 2008:

	Carrying amount	Less than 1 year	1 - 2 years	3 - 4 years	5 years and more
Revolving credit	\$ 64,009	\$ -	\$ -	\$ 64,009	\$ -
Debentures	400,000	-	-	-	400,000
Mortgage loans and balance of purchase price	51,575	20,295	11,737	12,779	6,764
Obligations under capital leases	12,989	5,429	6,322	1,139	99
Preferred shares	5,000	1,000	2,000	2,000	-
Bank loans	9,601	9,601	-	-	-
Accounts payable and accrued liabilities	586,830	586,830	-	-	-
Derivative financial instruments	274	274	-	-	-
Total	\$ 1,130,278	\$ 623,429	\$ 20,059	\$ 79,927	\$ 406,863

Exchange risk

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

As at September 28, 2008, the par value of forward exchange contracts is US \$26,400. The average rate of these contracts is 1.0432 and they expire on various dates until April 2009.

On September 28, 2008, a 1% increase or decrease in the exchange rate of the Canadian dollar compared to the U.S. dollar, assuming that all other variables are constant, would have resulted in a \$72 decrease or increase in the Company's net earnings for the thirteen and thirty-nine-week periods ended September 28, 2008.

Interest rate risk

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

On September 28, 2008, a 25-basis-point increase or decrease in interest rates, assuming that all other variables are constant, would have resulted in a \$24 and \$212 decrease or increase in the Company's net earnings for the thirteen and thirty-nine-week periods ended September 28, 2008.

RONA inc.

Notes to Interim Consolidated Financial Statements

September 28, 2008 and September 30, 2007

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

12. Employee future benefits

As at September 28, 2008, the Company has eight defined contribution pension plans and four defined benefit pension plans. The net pension expense for the benefit plans is as follows:

	Third Quarter		Year-to-date	
	2008	2007	2008	2007
Cost recognized for defined contribution pension plans	\$ 2,077	\$ 2,074	\$ 6,388	\$ 6,346
Cost recognized for defined benefit pension plans	342	329	880	983
Net employee future benefit costs	\$ 2,419	\$ 2,403	\$ 7,268	\$ 7,329

13. 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

September 28, 2008 and September 30, 2007

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

13. Segmented information (continued)

	Third Quarter		Year-to-date	
	2008	2007	2008	2007
Segment sales ^(a)				
Corporate and franchised stores	\$ 1,061,863	\$ 1,057,494	\$ 2,874,911	\$ 2,825,523
Distribution	635,271	619,788	1,843,654	1,830,466
Total	1,697,134	1,677,282	4,718,565	4,655,989
Intersegment sales and royalties ^(a)				
Corporate and franchised stores	-	-	-	-
Distribution	(315,412)	(326,807)	(952,055)	(957,918)
Total	(315,412)	(326,807)	(952,055)	(957,918)
Sales ^(a)				
Corporate and franchised stores	1,061,863	1,057,494	2,874,911	2,825,523
Distribution	319,859	292,981	891,599	872,548
Total	1,381,722	1,350,475	3,766,510	3,698,071
Earnings before interest, depreciation and amortization, rent, income taxes and non-controlling interest ^(a)				
Corporate and franchised stores	126,623	130,273	333,684	343,657
Distribution	27,022	23,812	79,275	77,440
Total	153,645	154,085	412,959	421,097
Earnings before interest, depreciation and amortization, income taxes and non-controlling interest ^(a)				
Corporate and franchised stores	94,260	103,396	244,049	263,301
Distribution	21,242	18,243	62,138	60,966
Total	115,502	121,639	306,187	324,267
Acquisition of fixed assets				
Corporate and franchised stores	29,938	48,905	109,860	154,615
Distribution	13,733	3,575	24,440	15,225
Total	43,671	52,480	134,300	169,840
Goodwill				
Corporate and franchised stores	(1,500)	(239)	1,463	121,812
Distribution	-	-	-	-
Total	(1 500)	(239)	1,463	121,812
Total assets				
Corporate and franchised stores			2,197,905	2,054,373
Distribution			477,806	426,348
Total			\$ 2,675,711	\$ 2,480,721

(a) During the first quarter of 2008, the Company reviewed its segmented information analysis method and, as a result, modified the presentation of such information between segments. The 2007 comparable period was adjusted accordingly.

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

September 28, 2008 and September 30, 2007

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

14. Earnings per share

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

	Third Quarter		Year-to-date	
	2008	2007	2008	2007
Net earnings	\$ 53,368	\$ 59,410	\$ 134,502	\$ 154,600
Number of shares (in thousands)				
Weighted average number of shares used to compute basic net earnings per share	115,668.5	115,342.4	115,609.3	115,270.2
Effect of dilutive stock options ^(a)	1,049.0	1,397.5	1,091.7	1,497.7
Weighted average number of shares used to compute diluted net earnings per share	116,717.5	116,739.9	116,701.0	116,767.9
Net earnings per share - basic	\$ 0.46	\$ 0.52	\$ 1.16	\$ 1.34
Net earnings per share - diluted	\$ 0.46	\$ 0.51	\$ 1.15	\$ 1.32

(a) As at September 28, 2008, 1,199,977 common share stock options (613,152 options as at September 30, 2007) were excluded from the calculation of diluted net earnings per share since the unrecognized future compensation cost of these options has an antidilutive effect.

RONA inc.
Notes to Interim Consolidated Financial Statements
September 28, 2008 and September 30, 2007
(Unaudited, in thousands of dollars, except amounts per share)

15. Effect of new accounting standards not yet implemented

Goodwill and intangible assets

In February 2008, the CICA published Section 3064 *Goodwill and Intangible Assets* which replaces Section 3062 of the same title. The section applies to fiscal years beginning on or after October 1, 2008 or first quarter 2009 for the Company. The new section confirms that at the time of initial recognition, an intangible asset can only be recognized as such if it meets both the definition of an intangible asset and the recognition criteria. Furthermore, Section 3064 provides guidance for the recognition of internally generated intangible assets.

The Company is currently evaluating the impact of the new section on its consolidated financial statements. Based on analyses to date, certain assets included on the Company's balance sheet will no longer meet the requirements of the new section, notably, pre-opening expenses for stores and distribution centres (included in Other assets), advertising costs for store openings and costs incurred for the sponsorship of the Olympic and Paralympic Games (included in Prepaid expenses). In first quarter 2009, the balances in these asset accounts as at December 31, 2007, will be restated and included in Retained Earnings (at the beginning of first quarter 2008) and the results of operations of 2008 will also be restated to conform to the 2009 presentation.

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert its Canadian GAAP to IFRS in the first quarter of 2011 when the Company will prepare both the current and comparative information using IFRS. The Company expects this transition to have an impact on its accounting policies, financial reporting and information systems. The Company is currently evaluating the impact of these new standards on its consolidated financial statements.

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. RONA operates a network of close to 700 corporate, franchise and affiliate stores of various sizes and formats. With over 27,000 employees working under its family of banners in every region of Canada and more the 15 million square feet of retail space, the RONA store network generates over \$6.3 billion in annual retail sales.



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