Q1-2010

READY
for the New World

Consolidated interim report

For the quarter ended March 28, 2010

RONA

RONA ANNOUNCES STRONG FIRST QUARTER GROWTH IN SALES AND PROFITS

Boucherville, Quebec, May 12, 2010 – RONA inc. (TSX: RON), the largest Canadian distributor and retailer of hardware, renovation and gardening products, today reported its financial results for the 13-week period ended March 28, 2010 (first quarter 2010). All figures in this release are in Canadian dollars.

FINANCIAL HIGHLIGHTS

Compared to the first quarter of 2009:

- Total sales increased 12.5% and same-store sales were up 10.8%
- EBITDA was up 38.4% or $9.8 million
- EBITDA margin was up 70 basis points
- $5.5 million turnaround in net earnings which went from a net loss of $2.5 million to net earnings of $3.0 million
- Earnings per share were $0.02 (diluted), compared to a net loss of $0.02 per share (diluted)
- Negative outlook recently removed by S&P credit rating agency

OPERATIONAL HIGHLIGHTS

- Continued success with in-house home renovation tax credit incentive program, RONAdvantages
- Major “Made in Canada” advertising campaign for the Vancouver 2010 Olympic Winter Games
- Penetration of RONA’s private-brand and controlled-label products reached 20%
- Two new 52,000 square-foot proximity stores were opened, one in Sherwood Park, Alberta and the other in Welland, Ontario
- A new 100,000 square-foot big-box store was opened in Aurora, Ontario
- Acquisition of plumbing specialist Plomberie Payette & Perreault in Quebec

“We are very pleased with our first quarter results,” stated Robert Dutton, President and CEO of RONA. “Not only did we achieve double digit sales growth, but we also improved our EBITDA by 38.4%, our EBITDA margin by 70 basis points and increased our net earnings by $5.5 million. The numerous productivity and efficiency improvement initiatives that we have implemented over the past two years are enabling us to rapidly and profitably exploit improving market conditions.”

FINANCIAL RESULTS

Consolidated sales for the first quarter of 2010 totalled $951.4 million, an increase of $105.4 million or 12.5% more than the $846.0 million figure posted for the same period in 2009. Sales were up due to a 12.1% increase in Corporate and Franchise Stores segment sales, to $691.8 million, and a 13.4% increase in Distribution segment sales, to $259.6 million, compared to the first quarter of 2009. Same-store sales were up 10.8%.

Sales were affected positively by a very active housing market, improved consumer confidence, favourable weather conditions, the success of RONA’s in-house incentive program, called RONAdvantages, in addition to the government home renovation tax credit programs, and a strong performance by the Commercial and Professional Market division.

Gross margin in the first quarter of 2010 increased to 28.29%, up 4 basis points from 28.25% in the first quarter of 2009. Given better terms and conditions from our suppliers and the resulting supportive effect on the growth of the network, the adjusted gross margin was up by 23 basis points, from 31.69% in the first quarter of 2009 to 31.92% in the first quarter of 2010. This improvement stems from an increase in RONA private brand and controlled-label penetration, increased imports and optimized management of product categories.

Consolidated EBITDA amounted to $35.3 million in the first quarter of 2010, up $9.8 million or 38.4% from the $25.5 million posted in the first quarter of 2009. This $9.8 million increase consisted of a $10.8 million EBITDA increase for the Corporate and Franchise Stores segment, offset partially by a $1.0 million decrease in EBITDA for the Distribution segment. The EBITDA margin increased 70 basis points, from 3.01% in 2009 to 3.71% in 2010, reflecting the combined impact of an increase in the Corporate and Franchise Stores segment EBITDA margin of 139 basis points, to 2.93%, and a decline in the Distribution segment EBITDA of 120 basis points, to 5.77%.

The improvements in consolidated EBITDA margin reflect the successful implementation over the past two years of many efficiency improvement initiatives throughout the Company under the PEP program, which were partially dampened by the increase in sales of lower margin products, such as lumber and building materials, affecting mainly the Distribution sector. In the quarter, there was a $3.8 million increase in selling, general and administrative expenses due to the timing of advertising expenses of the Company relating to the "Made in Canada" Olympic advertising campaign. In essence, this represented an advancement of spending from the remaining quarters of the year. Adjusting for this, the consolidated EBITDA margin would have been 110 basis points higher than the first quarter 2009 EBITDA margin.

Net earnings for the first quarter of 2010 were $3.0 million, up $5.5 million from the net loss of $2.5 million incurred in the first quarter of 2009, due to sales growth and improvements in efficiency and productivity, as reflected in the gross and EBITDA margin increases. Earnings per share were $0.02 per share (diluted), compared to a net loss of $0.02 per share (diluted) in 2009.

Operations generated $32.6 million of cash flow in the first quarter of 2010, compared to $26.3 million in the first quarter of 2009. Net of changes in working capital, operations used $83.9 million of cash flow compared to $68.1 million used in the first quarter of 2009. It is normal that in the first quarter of the year RONA's operations use cash because of the seasonality of the construction/renovation industry. Historically, this situation has reversed itself in the second quarter, as it is typically the strongest quarter of the year for the industry.

RONA's balance sheet was strengthened over the past year. On March 28, 2010, the ratio of total net debt to capital was 15.2%, compared to 29.0% at the end of the corresponding quarter in 2009. The ratio of equity to assets was 60.8% at the end of the first quarter of 2010, compared to 53.9% at March 29, 2009.

UPDATE ON THE COMPANY'S STRATEGIC ORIENTATION

On February 27, 2008, RONA released its strategic plan for 2008-2011. The plan was conceived to consist of two phases. Phase 1 of the plan focused on productivity, efficiency, and profitability (the "PEP program"), over the 2008-2009 period. On January 25, 2010, RONA unveiled Phase 2 of its strategic plan (the "New World program"), which places renewed emphasis on growth over the 2010-2011 period now that there are signs of an economic recovery .

RONA's management made a commitment to provide quarterly updates of the plan's progress in its management report, and an annual update in its annual report and at its annual general meeting. The information below presents the Company's main achievements in the first quarter of 2010 by growth vector.

1. Customer growth:
   - Major "Made in Canada" advertising campaign for the Vancouver 2010 Olympic Winter Games raises consumer awareness of RONA from coast to coast.
   - Penetration of RONA's private-brand and controlled-label products reached 20%.
   - Continued success with in-house home renovation tax credit incentive program, RONAdvantages.
   - Following the quarter, announced an improved version of RONAdvantages, turning it into a permanent program guaranteeing the most affordable financing options on the market and giving customers rewards and exclusive offers. It is now one of the programs with the most benefits in the industry in Canada.

2. New store construction:
   - Two new 52,000 square-foot proximity stores were opened under the RONA banner, one in Sherwood Park, Alberta and the other in Welland, Ontario.
   - A new 100,000 square-foot big-box store was opened in Aurora, Ontario under the RONA banner.

3. Development of the affiliate network:
    - Recruited two new independent dealers representing more than $5 million in annual retail sales.
    - Nine renovation/remerchandising projects completed by RONA dealers in the first quarter, with many more expansion and renovation projects to be completed in the second quarter.
    - In February, the Company launched a nationwide campaign targeting dealers with a view to acquiring their businesses or helping them develop their own succession plans based on RONA's new program.

4. Acquisitions:
    - Acquired plumbing specialist Plomberie Payette & Perreault in Quebec. This is another step towards establishing a national platform in the commercial and professional market and the first step in the Company's development plan for this market in Quebec. The acquisition not only enhances RONA's existing product and service offering in the specialized plumbing market, but it also provides recognized expertise in the distribution and sale of finishing plumbing products and as an integrated distributor-retailer.
    - Consolidation of operations from a RONA dealer with the new RONA proximity store located in Welland, Ontario.

OUTLOOK

"First quarter developments have reaffirmed our view that an economic recovery is underway and it is time for a renewed focus on growth," said Mr. Dutton. "This is the core of our New World program that we unveiled in January, which is Phase 2 of our 2008-2011 strategic plan. We intend to move quickly to take advantage of the business opportunities that we see in our sector."

Under the New World program, RONA's growth initiatives are grouped into four vectors. The first vector is customer growth – the term RONA now uses to designate organic growth or same-store growth. New store construction, development of the affiliated dealer network, and strategic acquisitions are three vectors which are focused on growth through the development of the network.

Customer growth will be stimulated by numerous initiatives to improve the customer experience – innovative store concepts, new product categories, new private brand and controlled-label products, new tools to improve customer loyalty, and new training programs for store employees. The Company's new succession planning program will also help RONA attract next-generation dealer-owners and continue to be the company that offers independent dealer-owners in Canada the best development support.

The Company's solid balance sheet and extensive financial flexibility will be clear assets in the implementation of this program.

One objective of the New World program is to increase RONA's market share in Canada from the current 17.5% to 20%. The main financial objectives of the New World program are:

- Increase the EBITDA margin by 20 to 30 basis points per year.
- Increase earnings per share by an average of 10% to 15% over the period.
- Increase the return on capital by 75 to 100 basis points over the period.
- Maintain an investment grade credit profile.

Achievement of these objectives is based on the following assumptions:

- Same-store sales will increase by 2% to 2.5% on average over the period.
- The penetration rate for private brand and controlled-label products will increase from 19% to 24%.
- Retail sales in the affiliate network will grow by $100 million to $150 million per year.
- Sales of about $80 million per year will be generated by new store construction and relocation or expansion of existing stores.
- There will be further strategic acquisitions.

The first quarter was a good start to the year and puts the Company on track to meet its four financial objectives for the 2010-2011 period. While the first quarter performance was very positive, the Company's outlook does not yet warrant a revision. As mentioned in a recent press release, the Bank of Canada is forecasting economic growth for 2011 and 2012 that is less than in 2010. The Canadian Real Estate Association in releasing its March statistics also cautioned about the remainder of the year not being quite as strong as the first quarter, citing factors such as the erosion of housing affordability in certain regions, higher mortgage interest rates, the rise in new listings in certain areas, and the implementation of the Harmonized Sales Tax in B.C. and Ontario, as possibly slowing down activity in this market. The home renovation tax credit programs also came to an end in the first quarter. Management would expect to have better visibility of developing trends after the second quarter.

Nevertheless, management expects to see generally improving market conditions going forward and is confident about demand for renovation and construction projects. Management also believes that the programs they are implementing, and that are in their plans, should position RONA well to exploit these improving market conditions.

ADDITIONAL INFORMATION

The *Management's Discussion and Analysis (MD&A)* and unaudited financial statements for the first quarter of 2010 can be found in the "Investor Relations" section of the Company's website at www.rona.ca and on the SEDAR website at www.sedar.com. The Company's Annual Report, along with other information about RONA, including its *Annual Information Form*, can also be found on the RONA and SEDAR websites.

NON-GAAP PERFORMANCE MEASURES

In this *News Release*, as in our internal management, we use the concept of "earnings before interest, taxes, depreciation, amortization and non-controlling interest" (EBITDA). This measure corresponds to "Earnings before the following items" in our consolidated financial statements. We also use the concept of "adjusted gross margin," which corresponds to sales less the cost of goods sold including all vendor rebates.

While EBITDA does not have a definition that is standardized by GAAP, it is widely used in our industry and in financial circles to measure the profitability of operations, excluding tax considerations and the cost and use of capital. Adjusted gross margin is used by RONA's management to analyze the profitability of its network, including all vendor rebates. Given that these measures are not standardized, EBITDA and adjusted gross margin cannot be compared from one company to the next. Still, we establish them in the same way for each of the segments identified, and, unless expressly mentioned, our method does not change over time. EBITDA and adjusted gross margin must not be considered separately or as a substitute for other performance measures calculated according to GAAP, but rather as additional information.

FORWARD-LOOKING STATEMENTS

This *News Release* includes "forward-looking statements" that involve risks and uncertainties. All statements other than statements of historical facts included in this *News 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 *News release* reflect the Company's expectations as at May 12, 2010, 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 nearly 700 corporate, franchise and affiliate stores of various sizes and formats. With close to 30,000 employees working under its family of banners in every region of Canada and more than 16 million square feet of retail space, the RONA store network generates over $6 billion in annual retail sales. Visit www.rona.ca.

-30-

For information:

Media
Daniel Richard
Director, Communications and Public Affairs
RONA inc.
514-599-5900 ext. 5751
daniel.richard@rona.ca

Financial Community
Stéphane Milot
Senior Director, Investor Relations
RONA inc.
514-599-5951
stephane.milot@rona.ca

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 of nearly 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 franchise retail sales
- A share of retail sales generated by franchise stores in which RONA holds an interest
- Wholesale sales generated by franchise stores (net of RONA's share in these stores)
- Wholesale sales generated by affiliate 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. RONA has filed its unaudited consolidated financial statements with the Canadian Securities Administrators for the 13-week period ended March 28, 2010. These statements can be viewed online at www.sedar.com or on RONA's website at www.rona.ca. This *Management's Discussion and Analysis ("MD&A")* should be read in conjunction with the Company's financial statements and related notes.

NON-GAAP PERFORMANCE MEASURES

In this report, as in our internal management, we use the concept of "earnings before interest, taxes, depreciation, amortization and non-controlling interest" (EBITDA). This measure corresponds to "Earnings before the following items" in our consolidated financial statements. We also use the concept of "adjusted gross margin," which corresponds to sales less the cost of goods sold, including all vendor rebates.

While EBITDA does not have a definition that is standardized by GAAP, it is widely used in our industry and in financial circles to measure the profitability of operations, excluding tax considerations and the cost and use of capital. Adjusted gross margin is used by RONA's management to analyze the profitability of our network, including all vendor rebates. Given that these measures are not standardized, EBITDA and adjusted gross margin cannot be compared from one company to the next. Still, we establish them in the same way for each of the segments identified, and, unless expressly mentioned, our method does not change over time. EBITDA and adjusted gross margin must not be considered separately or as a substitute for other performance measures calculated according to GAAP, but rather as additional information.

UPDATE ON THE COMPANY'S STRATEGIC ORIENTATION

On February 27, 2008, RONA released its strategic plan for 2008-2011. The plan was conceived to consist of two phases. Phase 1 of the plan focused on productivity, efficiency, and profitability (the "PEP program"), over the 2008-2009 period. On January 25, 2010, RONA unveiled Phase 2 of its strategic plan (the "New World program"), which places renewed emphasis on growth over the 2010-2011 period now that there are signs of an economic recovery .

RONA's management made a commitment to provide quarterly updates of the plan's progress in its management report, and an annual update in its annual report and at its annual general meeting. The information below presents the Company's main achievements in the first quarter of 2010.

5. Customer growth:
   - Major "Made in Canada" advertising campaign for the Vancouver 2010 Olympic Winter Games raises consumer awareness of RONA from coast to coast.
   - Penetration of RONA's private-brand and controlled-label products reached 20%.
   - Continued success with in-house home renovation tax credit incentive program, RONAdvantages.
   - Following the quarter, announced an improved version of RONAdvantages, turning it into a permanent program guaranteeing the most affordable financing options on the market and giving customers rewards and exclusive offers. It is now one of the programs with the most benefits in the industry in Canada.

6. Construction of new stores:
   - Two new 52,000 square-foot proximity stores were opened under the RONA banner, one in Sherwood Park, Alberta and the other in Welland, Ontario.
   - A new 100,000 square-foot big-box store was opened in Aurora, Ontario under the RONA banner.

7. Development of the affiliated dealer network:
   - Recruited two new independent dealers representing more than $5 million in annual retail sales.
   - Nine renovation/remerchandising projects completed by RONA dealers in the first quarter, with many more expansion and renovation projects to be completed in the second quarter.
   - In February, the Company launched a nationwide campaign targeting dealers with a view to acquiring their businesses or helping them develop their own succession plans based on RONA's new program.

8. Acquisitions:
   - Acquisition of plumbing specialist Plomberie Payette & Perreault in Quebec. This is another step towards establishing a national platform in the commercial and professional market and the first step in the Company's development plan for this market in Quebec. The acquisition not only enhances RONA's existing product and service offering in the specialized plumbing market, but it also provides recognized expertise in the distribution and sale of finishing plumbing products and as an integrated distributor-retailer.
   - Consolidation of operations from a RONA dealer with the new RONA proximity store located in Welland, Ontario.

ANALYSIS OF CONSOLIDATED RESULTS

Economic conditions

Economic recovery continued to progress in the first quarter of 2010. This was noted in an April 20, 2010 Bank of Canada (the "Bank") press release about its overnight lending rate where it said: "In Canada, the economic recovery is proceeding somewhat more rapidly than the Bank had projected in its January *Monetary Policy Report* (MPR). The profile for growth is more front-loaded than that presented in the January MPR. The Bank now projects that the economy will grow by 3.7 per cent in 2010 before slowing to 3.1 per cent in 2011 and 1.9 per cent in 2012." Their previous forecast for 2010 was 2.9% and for 2011 was 3.5%. It also mentioned that the Bank expects the economy to return to full capacity in the second quarter of 2011, a bit sooner than their previous prediction of the third quarter of 2011. The factors cited for the change in growth profile were "stronger near-term global growth, very strong housing activity in Canada, and the Bank's assessment that policy stimulus resulted in more expenditures being brought forward in late 2009 and early 2010 than expected."

Statistics published by the Canadian Real Estate Association ("CREA") in April 2010 support the Bank's statement about the Canadian housing market. Canadian housing resales, average home prices and housing starts for the first quarter of 2010 increased by 45.4%, 18.2% and 14.0% respectively, compared to the first quarter of 2009. To put these numbers in context, the CREA reported that housing sales of 111,110 for the quarter was the third highest level ever recorded for the first quarter of a year and new listings of 233,402 was the highest amount ever recorded for a first quarter. The average selling price of homes in the month of March was $340,920, the second highest amount ever recorded.

Consolidated sales

Consolidated sales for the first quarter of 2010 were $951.4 million, up $105.4 million or 12.5% from the $846.0 million posted in the first quarter of 2009. Sales were up due to a 12.1% increase in Corporate and Franchise Stores segment sales, to $691.8 million, and a 13.4% increase in Distribution segment sales, to $259.6 million, compared to the first quarter of 2009. Same-store sales were up 10.8% in the first quarter reflecting an increase in the number of transactions, as well as an increase in the total dollar amount spent per customer.

Compared to the first quarter of 2008, the increase in consolidated sales was 4.4% over the two year period.

Gross margin

Gross margin in the first quarter of 2010 increased to 28.29%, up 4 basis points from 28.25% in the first quarter of 2009. Given better terms and conditions from our suppliers and the resulting supportive effect on the growth of the network, the adjusted gross margin was up by 23 basis points, from 31.69% in the first quarter of 2009 to 31.92% in the first quarter of 2010. This increase stems from an increase in RONA private brand and controlled-label penetration, increased imports and optimized management of product categories.

Consolidated EBITDA

EBITDA amounted to $35.3 million in the first quarter of 2010, up $9.8 million or 38.4% from the $25.5 million posted in the first quarter of 2009. This $9.8 million increase consisted of a $10.8 million EBITDA increase for the Corporate and Franchise Stores segment, offset partially by a $1.0 million decrease in EBITDA for the Distribution segment. The EBITDA margin increased 70 basis points, from 3.01% in 2009 to 3.71% in 2010, reflecting the combined impact of an increase in the Corporate and Franchise Stores segment EBITDA margin of 139 basis points, to 2.93%, and a decline in the Distribution segment EBITDA of 120 basis points, to 5.77%.

The improvements in consolidated EBITDA margin reflect the successful implementation over the past two years of many efficiency improvement initiatives throughout the Company under the PEP program, which were partially dampened by the increase in sales of lower margin products, such as lumber and building materials, affecting mainly the Distribution sector.

In the quarter, there was a $3.8 million increase in selling, general and administrative expenses due to the timing of advertising expenditures relating to the “Made in Canada” Olympic advertising campaign. In essence, this represented an advancement of spending from the remaining quarters of the year. Adjusting for this, the consolidated EBITDA margin would have been 110 basis points higher than the first quarter 2009 EBITDA margin.

Interest, amortization and depreciation

RONA’s interest expenses on long-term debt and bank loans for the first quarter of 2010 were reduced by $0.5 million, or 7.8%, compared to the first quarter of 2009. This decline is attributable to a highly disciplined management of the balance sheet and capital investments, resulting in lower debt levels.

Amortization and depreciation costs for the first quarter of 2010 totalled $26.1 million, compared to $24.9 million for the first quarter of 2009, an increase of $1.2 million or 5.0%. This increase can be attributed to the opening of new corporate stores, the renovation program for existing corporate stores, and ongoing improvements to information systems.

Net earnings

Net earnings for the first quarter of 2010 were up $5.5 million to $3.0 million, or $0.02 per share (diluted), compared to a net loss of $2.5 million, or $0.02 per share loss (diluted) in 2009. Net earnings were up due to sales growth and improvements in efficiency and productivity, as reflected in the gross and EBITDA margin increases.

ANALYSIS OF SEGMENT RESULTS

RONA has two reportable segments: Distribution, and Corporate and Franchise Stores.

RONA: Key segment figures for the quarter ended March 28, 2010

(In thousands of dollars)	First quarter 2010	First quarter 2009	$ change from Q1 2009	% change from Q1 2009
Segment sales				
Corporate and franchise stores	691,793	617,092	74,701	12.1%
Distribution	544,609	476,374	68,235	14.3%
Total	1,236,402	1,093,466	142,936	13.1%
Intersegment sales and royalties				
Corporate and franchise stores	-	-	-	-
Distribution	(284,975)	(247,456)	(37,519)	(15.2%)
Total	(284,975)	(247,456)	(37,519)	(15.2%)
Sales				
Corporate and franchise stores	691,793	617,092	74,701	12.1%
Distribution	259,634	228,918	30,716	13.4%
Total	951,427	846,010	105,417	12.5%
EBITDA				
Corporate and franchise stores	20,300	9,527	10,773	113.1%
Distribution	14,978	15,965	(987)	(6.2%)
Total	35,278	25,492	9,786	38.4%
EBITDA margin				
Corporate and franchise stores	2.93 %	1.54 %	-	+139 b.p.
Distribution	5.77 %	6.97 %	-	-120 b.p.
Total	3.71 %	3.01 %	-	+70 b.p.

Corporate and Franchise Stores

For the first quarter of 2010, Corporate and Franchise Stores sales were $691.8 million, an increase of $74.7 million or 12.1% from the first quarter of 2009. Same-store sales were up 10.8% for this same period. Sales were affected positively by a very active housing market, improved consumer confidence, favourable weather conditions, the success of RONA's in-house incentive program, called RONAdvantages, in addition to the government home renovation tax credit programs, and a strong performance by RONA's Commercial and Professional Market division.

EBITDA for this segment was $20.3 million, compared to $9.5 million in the first quarter of 2009. The EBITDA margin grew by 139 basis points, from 1.54% to 2.93%. These improvements were due to increased sales and strong in-store execution of numerous recurring efficiency and productivity initiatives introduced under the PEP program in Phase 1 of the 2008–2011 strategic plan.

Distribution

Net of intersegment activities, Distribution sales increased 13.4% to $259.6 million in the first quarter of 2010, compared to $228.9 million in the first quarter of 2009. Same-store sales among our affiliates were also positively impacted by a very active housing market, improved consumer confidence, favourable weather conditions, and the success of RONAdvantages.

The Distribution segment generated $15.0 million in EBITDA in the first quarter of 2010, compared to $16.0 million in the first quarter of 2009, a decrease of $1.0 million or 6.2%, as lower margin products such as lumber and building materials were a much higher component of sales. This also explains the EBITDA margin decrease of 120 basis points, from 6.97% in the first quarter of 2009 to 5.77% in the first quarter of 2010.

CASH FLOWS AND FINANCIAL POSITION

Operations generated $32.6 million of cash flow in the first quarter of 2010, compared to $26.3 million in the first quarter of 2009. Net of changes in working capital, operations used $83.9 million of cash flow compared to $68.1 million used in the first quarter of 2009. It is normal that in the first quarter of the year RONA's operations use cash because of the seasonality of the construction/renovation industry. Historically, this situation has reversed itself in the second quarter, as it is typically the strongest quarter of the year for the industry.

Over the past year, the Company exercised disciplined financial management and strictly monitored investments in fixed assets. In the first quarter of 2010, RONA invested $24.2 million in capital and intangible assets compared to $40.9 million invested in the first quarter of 2009. These investments were devoted to the expansion of our retail network, including the construction of new stores as well as maintenance, renovations and upgrades of existing stores. We also allotted part of these investments to ongoing improvements in our IT systems, in order to increase our operational efficiency.

Proceeds of the Company's June 2009 common share issue and disciplined management of working capital throughout the year allowed RONA to finance various investment projects and still reduce bank loans and rotating credit. As at March 28, 2010, the Company's net debt was reduced by $278.3 million compared to March 29, 2009. As at March 28, 2010, RONA had $127.3 million in cash, which will be used over forthcoming quarters to develop various growth projects in Phase 2 of the Company's 2008–2011 strategic plan. RONA also has an undrawn committed credit facility of up to $650 million.

The table below presents a synopsis of the Company's contractual obligations as at March 28, 2010, 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 in the table below. The Company has guaranteed mortgages amounting to $1.2 million. 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 $5.7 million. 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 61% of the cost of the inventories to a maximum of $71.8 million. 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 on 30 days' notice. In the opinion of Management, the likelihood that significant payments would be incurred as a result of these commitments is low. Finally, letters of credit for imports totalling over $19 million were outstanding as at March 28, 2010 for the purchase of various, mainly seasonal, products.

RONA: Contractual obligations by term
(as at March 28, 2010)

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	429,078	4,438	14,792	8,549	401,299
Obligations under capital leases	6,309	3,388	2,237	416	268
Operating and other leases	1,106,390	121,677	222,176	188,285	574,252
Other long-term obligations	11,175	5,775	5,400	-	-
Total	1,552,952	135,278	244,605	197,250	975,819

RONA: Outstanding shares
As at April 30, 2010

Common shares	129,931,783
Unexercised options	2,087,419
Total	132,019,202

RONA's balance sheet was strengthened over the past year. On March 28, 2010, the ratio of total net debt to capital was 15.2%, compared to 29.0% at the end of the corresponding quarter in 2009. The ratio of equity to assets was 60.8% at the end of the first quarter of 2010, compared to 53.9% at March 29, 2009.

The Company's operations generate substantial cash flow. With relatively low debt and long-term fixed rates on most of its long-term debt, RONA also has substantial liquidity and can borrow many millions more at competitive rates. Our financial resources are therefore sufficient to pursue disciplined development of our four growth vectors: customer growth, construction of new stores, recruitment of affiliated dealers and acquisitions.

The S&P credit rating agency recently improved its rating of RONA by removing its negative outlook.

QUARTERLY INFORMATION

RONA's results fluctuate significantly from one quarter to another due to the highly seasonal nature of renovation-construction activities. The strongest periods of the year are in spring and fall, and over 80% of the Company's net annual earnings are generated in the second and third quarters. Furthermore, sales in the first quarter are always lower than in the other three, due to low activity levels in the renovation-construction sector during the winter. Poor weather conditions can also have a major impact on sales. With the increase in the proportion of our activities related to the Corporate and Franchise Stores segment, the seasonal impact of the first quarter has been more pronounced in 2008, 2009 and 2010 than in previous years. The second quarter is always the strongest of the year, followed by the third quarter.

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

	2010	2009				2008 (restated)			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	951.4	1,140.9	1,320.5	1,369.9	846.0	1,124.6	1,381.7	1,473.3	911.5
EBITDA	35.3	78.8	105.8	122.9	25.5	75.3	112.5	150.3	26.6
EBITDA (excluding unusual items)	35.3	78.4	111.8	131.1	25.5	76.2	121.0	153.1	26.6
Net earnings (net loss)	3.0	30.9	49.1	60.8	(2.5)	29.8	52.5	76.6	(2.4)
Net earnings (net loss) (excluding unusual items)	3.0	30.6	53.3	66.5	(2.5)	30.4	58.9	80.6	(2.4)
Earnings (loss) per share ($)	0.02	0.24	0.38	0.51	(0.02)	0.26	0.45	0.66	(0.02)
Earnings (loss) per share ($) (excluding unusual items)	0.02	0.24	0.41	0.56	(0.02)	0.26	0.51	0.70	(0.02)
Diluted earnings (loss) per share ($)	0.02	0.24	0.38	0.51	(0.02)	0.25	0.45	0.66	(0.02)
Diluted earnings (loss) per share ($) (excluding unusual items)	0.02	0.23	0.41	0.55	(0.02)	0.26	0.50	0.69	(0.02)

Note: Results for 2008 have been restated to reflect the application of Section 3064, "*Goodwill and intangible assets",* of the Canadian Institute of Chartered Accountants' (CICA) Handbook.

Annual growth in same-store sales
Last nine quarters

Q1-2008	Q2-2008	Q3-2008	Q4-2008	Q1-2009	Q2-2009	Q3-2009	Q4-2009	Q1-2010
-7.0%	-4.9%	-3.5%	-1.4%	-8.5%	-6.2%	-5.3%	+0.7%	+10.8%

Note: Same-store sales have been restated for 2008 to reflect sales without adjustment for holidays and materials deflation.

OUTLOOK

First quarter developments have reaffirmed Management's view that an economic recovery is underway and that the time is appropriate for a renewed focus on growth. This is the core of the Company's New World program that was unveiled in January, which is Phase 2 of RONA's 2008-2011 strategic plan. Management intends to move quickly to take advantage of the business opportunities that it sees in its sector.

Under the New World program, RONA's growth initiatives are grouped into four vectors. The first vector is customer growth – the term RONA now uses to designate organic growth or same-store growth. New store construction, development of the affiliated dealer network, and strategic acquisitions are three vectors which are focused on growth through the development of the network.

Customer growth will be stimulated by numerous initiatives to improve the customer experience – innovative store concepts, new product categories, new private brand and controlled-label products, new tools to improve customer loyalty, and new training programs for store employees. The Company's new succession planning program will also help RONA attract next-generation dealer-owners and continue to be the company that offers independent dealer-owners in Canada the best development support.

The Company's solid balance sheet and extensive financial flexibility will be clear assets in the implementation of this program.

One objective of the New World program is to increase RONA's market share in Canada from the current 17.5% to 20%. The main financial objectives of the New World program are:

- Increase the EBITDA margin by 20 to 30 basis points per year.
- Increase earnings per share by an average of 10% to 15% over the period.
- Increase the return on capital by 75 to 100 basis points over the period.
- Maintain an investment grade credit profile.

Achievement of these objectives is based on the following assumptions:

- Same-store sales will increase by 2% to 2.5% on average over the period.
- The penetration rate for private brand and controlled-label products will increase from 19% to 24%.
- Retail sales in the affiliate network will grow by $100 million to $150 million per year.
- Sales of about $80 million per year will be generated by new store construction and relocation or expansion of existing stores.
- There will be further strategic acquisitions.

The first quarter was a good start to the year and puts the Company on track to meet its four financial objectives for the 2010-2011 period. While the first quarter performance was very positive, the Company's outlook does not yet warrant a revision. As mentioned under Economic Conditions, the Bank of Canada is forecasting economic growth for 2011 and 2012 that is less than in 2010. The Canadian Real Estate Association in releasing its March statistics also cautioned about the remainder of the year not being quite as strong as the first quarter, citing factors such as the erosion of housing affordability in certain regions, higher mortgage interest rates, the rise in new listings in certain areas, and the implementation of the Harmonized Sales Tax in B.C. and Ontario, as possibly slowing down activity in this market. The home renovation tax credit programs also came to an end in the first quarter. Management would expect to have better visibility of developing trends after the second quarter.

Nevertheless, management expects to see generally improving market conditions going forward and is confident about demand for renovation and construction projects. Management also believes that the programs they are implementing, and that are in their plans, should position RONA well to exploit these improving market conditions.

RISKS AND UNCERTAINTIES

There have been no significant changes to the Company's principal risks and uncertainties during the first quarter of 2010. Please refer to the Annual MD&A for a complete description of the risks the Company faces.

CHANGES IN ACCOUNTING POLICIES

No major change has occurred since the publication of the Annual Management's Discussion and Analysis for the year ended December 27, 2009.

NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED

International Financial Reporting Standards

In 2009, the Accounting Standards Board of Canada (AcSB) confirmed that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS, which will go into effect during 2011. 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 IFRS applicable on the conversion date are known. According to the newsletter issued in December 2009 by the AcSB, however: "The International Accounting Standards Board (IASB) recently reviewed its work plan and adjusted the timing for several active projects to amend IFRS. As a result of those adjustments, it now seems clear that no further significant changes to IFRS will be mandatory for 2011 calendar years."

For the Company, conversion to IFRS will be required for financial statements for periods beginning on December 27, 2010. Comparative data will have to be restated to comply with IFRS. As a result, the Company has developed a plan to convert its financial statements to IFRS that focuses on the key areas of impact, including financial reporting, company operations, systems and processes, and internal controls, as well as communications and training. The four phases of the plan are 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 is currently in the process of completing Phases 2 and 3 of the conversion plan – Detailed Evaluation and Definition of the Solution – and has begun Phase 4, Implementation.

To carry out a detailed evaluation of the potential impact, IFRS have been grouped by topic and distributed among 11 task forces comprising employees from every affected sector of the Company. Members of each task force are responsible for evaluating the impact of the differences between Canadian GAAP and IFRS and for recommending accounting policies to management.

The Company plans to have most of its conversion plan completed before the end of the second quarter of 2010.

The table below provides a summary of the main activities and the completion status of the Company's conversion plan.

Main activities	Completion status
Financial reporting	
• Identify differences between IFRS and the Company's current accounting policies, choose IFRS accounting policies and analyse the impact on the Company's financial statements.	• Preliminary analyses of the differences and choices of accounting policies with a potentially material impact on the Company's financial statements were prepared and presented to the Audit Committee in 2009. The Company was assisted in this task by external IFRS experts.
• Analyse and choose the IFRS 1 exemptions to retain on changeover to IFRS.	• The IFRS 1 exemptions were analysed in early 2009 and preliminary choices were presented to the Audit Committee.
• Prepare the opening balance sheet, the transition note, and the model IFRS financial statements.	• The preliminary unaudited opening balance sheet for internal use was prepared at the beginning of 2010 and presented to the Audit Committee on May 11, 2010. A preliminary version of the transition note and the model financial statements are being prepared. They will be presented to the Audit Committee in August 2010.
• Prepare interim 2010 financial statements using IFRS.	• Preliminary interim 2010 financial statements using IFRS will be prepared for internal use and presented to the Audit Committee in 2010.
• Prepare an accounting policy and procedures manual.	• An accounting policy and procedures manual is being prepared.
Company operations	
• Review major contracts, particularly those related to financing, to ensure certain covenants are met after the transition to IFRS.	• The review is underway but the Company does not anticipate any major impacts.
• Verify the impact of changes on compensation programs.	• The short-term compensation programs vary with year-over-year changes in results and adherence to budget. Both the 2010 results and the 2011 budget will be prepared using IFRS. Long-term compensation programs are primarily based on a comparison of the return on net assets of the Company with that of a group of publicly traded Canadian companies. Therefore the Company does not anticipate any impact on the calculation of amounts to be granted under these programs.
Systems and processes	
• Identify changes required in the Company's information systems and processes.	• The impacts on systems and processes were reviewed by the various task forces and the required adjustments will be carried out in 2010, in particular, a new fixed assets ledger is being implemented. A special procedure will be required in 2010 to produce two sets of parallel financial statements. To do so, the Company is planning to use its consolidation system and manual processes. • Several modifications will be required in the worksheets used to prepare the financial statements and the notes to the financial statements based on IFRS.

Internal controls	
• For all changes in accounting policies and procedures, evaluate internal controls related to financial information and communications controls and procedures from the standpoint of design and effectiveness.	• The proposed changes to the accounting policies are approved by management and presented to the Audit Committee. • New internal controls, those affected by the new accounting policies and those required during the transition period, were identified and updated by the various task forces.
• Implement required changes over the course of 2010.	• Efficiency tests for the controls will be carried out in fiscal years 2010 and 2011. Special attention will be given to controls that affect major changes in the organization's accounting policies, those related to new processes or systems, and those specific to the transition period.
Communications and training	
• Train employees who participate in the task forces.	• In 2009, specific training was given to employees involved in the task forces by specialized external IFRS consultants.
• Raise awareness among accounting staff of the changes ahead.	• Controllers in the main subsidiaries were met in 2009 to be informed of the changes ahead.
• Train employees affected by changes in policies and procedures.	• Specific training will be given to these employees in 2010 when the accounting policies and procedures have been defined and approved.
• Inform members of the Company's Management Committee of the impacts of the transition to IFRS.	• The Management Committee was informed of the major changes in accounting policies in 2009 and will be given more details when the accounting policies and procedures have been defined and approved.

Possible effects of implementation

Most of the differences between IFRS and the Canadian standards that will affect the Company have been quantified, but some differences that we deem less significant have yet to be fully evaluated. The impacts outlined below have not yet been audited and consequently, could be modified.

IFRS 1, First-time Adoption of International Financial Reporting Standards, provides for optional exemptions and mandatory exceptions to the general requirement of full retrospective application of IFRS. The Company has analysed the various possible accounting methods and will implement those considered most suitable. Most of the adjustments required for the transition to IFRS will be applied retrospectively to opening retained earnings at the date of the first balance sheet prepared under IFRS.

The table below summarizes the main IFRS 1 exemptions that the company intends to avail itself of:

Area of application	Summary of exemptions
Business Combinations	Possible choice: The Company can choose not to apply IFRS 3, Business Combinations, retrospectively at the date of changeover or else apply it at an earlier date of its choosing. RONA's preliminary choice: IFRS 3 will be applied as of the date of changeover, that is December 28, 2009, so no impact is anticipated at the transition date.
Share-based Payment	Possible choice: IFRS 2, Share-based Payment, applies with no possible choices to equity instruments granted after November 7, 2002, and that will be vested after the transition date. The Company can choose to apply IFRS 2 retrospectively to equity instruments granted before November 7, 2002, or to all those vested at the transition date. RONA's preliminary choice: The Company has elected to apply IFRS 2 only to grants after November 7, 2002, that will be vested after the transition date.

Area of application	Summary of exemptions (continued)
Fair value as deemed cost	Possible choice: The Company may choose to measure its property, plant and equipment on the basis of deemed cost, which could be fair value at the transition date for each asset taken individually, rather than use historic cost. RONA's preliminary choice: The Company has not yet decided whether it will use this exemption.
Employee benefits	Possible choice: The Company can choose to recognize all unamortized actuarial gains and losses in retained earnings at the transition date. RONA's preliminary choice: The Company intends to avail itself of this exemption. The defined benefit asset will therefore be reduced by $10.2 million.
Borrowing costs	Possible choice: The Company can capitalize borrowing costs incurred during the construction of eligible assets as of the transition date or as of an earlier date of its choosing. RONA's preliminary choice: The Company intends to avail itself of this exemption and will derecognize interest capitalized before the transition date. The carrying value of land and buildings as well as certain intangible assets will be reduced. The Company estimates that the application of this exemption will have a significant impact on opening retained earnings.

The table below sets out the differences between the Canadian and international accounting standards that may have a major impact on the Company's consolidated financial statements, resulting from modifications required on the changeover to IFRS. The list and comments present only the highlights of the main differences between the accounting standards as noted by the Company to date. Our analysis of the changes is not yet complete, and some decisions remain to be made about the choices of accounting policies offered. The differences outlined below are based on Canadian GAAP and IFRS in effect as of December 27, 2009. At present, the Company cannot definitively evaluate the overall impact of these differences on its consolidated financial statements, and in addition, other differences could arise.

IFRS standard	Impact of adoption
IFRS 3 – Business Combinations	Possible choice of accounting policy: Non-controlling interests may be measured: a) at fair value or b) at the proportionate share of the acquiree's net identifiable assets. RONA's preliminary choice: Proportionate share of the acquiree's net identifiable assets. Consequently, the Company does not anticipate any impact in this regard. Difference impacting RONA: IFRS 3 requires that transaction costs on business acquisitions be expensed as incurred. Under Section 1581, *Business combinations*, of the Canadian GAAP currently applied by the Company, the direct costs related to acquisitions are included in the capitalizable costs of the transaction. Anticipated impact at transition: None. Anticipated future impact: The impact on earnings will change based on the number and size of acquisitions.
IAS 31 – Interests in Joint Ventures	Possible choice of accounting policy: Method of recognizing interests in jointly controlled entities: a) proportionate consolidation or b) equity method of accounting. RONA's preliminary choice: proportionate consolidation. Anticipated impact at transition: None Anticipated future impact: None
IAS 16 – Property, Plant and Equipment	Possible choice of accounting policy: Evaluation method: a) cost model or b) revaluation model. RONA's preliminary choice: cost model Differences impacting RONA: 1) Under IAS 16, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. The Company will adopt component accounting for its buildings at the date of conversion to IFRS. 2) Certain costs incurred prior to management's decision to acquire a site do not meet the conditions for recognition as an asset. Anticipated impact at transition: 1) Component accounting for buildings will slightly increase their undepreciated carrying values. 2) Costs incurred prior to acquisition decisions will be derecognized, which will reduce the value of certain parcels of land. Anticipated future impact: The annual depreciation charge for buildings will be reduced and costs incurred prior to acquiring land will be expensed.

IFRS standard	Impact of adoption (continued)
IAS 17 – Leases	Possible choice of accounting policy: None Difference impacting RONA: IAS 17 indicates that for all sale and leaseback transactions at fair value, which result in a simple lease contract for the lessee, all gains must be immediately recorded in income. Under Section 3065, Rental Contracts, of Canadian GAAP, a gain from a sale is deferred and recorded in income over the duration of the lease. Anticipated impact at transition: The deferred gain as at December 28, 2009 of $11.3 million, currently recorded in other liabilities, will be reversed to retained earnings along with the deferred costs of the sale and leaseback transaction recorded in other assets in the amount of $2.6 million. Anticipated future impact: The Company's before-tax results will be reduced by $0.9 million annually until 2020.
IAS 39 – Financial Instruments: Recognition and Measurement	Possible choice of accounting policy: None Difference impacting RONA: Under IAS 39, a foreign currency derivative embedded in a purchase contract that provides for payments drawn in a relatively stable, liquid currency that is routinely used for trade outside the country where the transaction takes place cannot be accounted for separately. Under Section 3855, Financial Instruments – Recognition and Measurement, entities may choose whether to account for embedded derivatives separately. In 2007, when Section 3855 came into effect, RONA elected to account separately for derivatives embedded in purchase orders. Anticipated impact at transition: Embedded derivatives accounted for in purchase orders from Asia will be reversed to retained earnings, which will result in a $0.8 million reduction in assets. Anticipated future impact: In early 2010, to recognize the changes in the fair value of hedge instruments in the same accounting period as the currency gains and losses related to disbursements, the Company introduced a cash flow hedge accounting strategy for IFRS purposes only.
IAS 19– Employee Benefits	Possible choice of accounting policy: Actuarial gains or losses can be accounted for as follows: a) recognition in earnings of a portion of the excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets through amortization over the average remaining service period of the active employees (the "corridor approach"); b) recognized immediately in earnings or c) recognized immediately in comprehensive income without subsequent reversal to earnings. RONA's preliminary choice: The Company will use the corridor approach, which is the method currently used in compliance with Canadian GAAP. Anticipated impact at transition: None due to the choice of policy. The impact of the transition can be attributed to the application of the IFRS 1 exemption discussed above. Anticipated future impact: No major impact is anticipated.
IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Possible choice of accounting policy: None Differences impacting RONA: 1) Under IFRIC 14, an entity cannot recognize a defined benefit asset if it does not have an unconditional right to the surplus in the event of the closure of the plan, for example, and if it does not have the right to reduce future contributions. 2) If an entity is obliged to pay contributions to cover an existing deficit under services already performed and it does not have the unconditional right to the surplus, the entity must record a liability when the obligation arises. Following a number of consultations, we have come to the conclusion that IFRIC 14 applies to most of RONA's defined benefit pension plans. Anticipated impact at transition: The defined benefit asset will potentially be reversed and an additional liability equivalent to the minimum funding obligation will potentially be recorded for the plans affected by IFRIC 14. The adjustment amounts will be known later this year after the actuarial valuations are prepared as at December 31, 2009. Anticipated future impact: The amount of the minimum funding liability will have to be adjusted each year and the difference recorded in earnings.

IFRS standard	Impact of adoption (continued)
IAS 36 – Impairment of Assets	Possible choice of accounting policy: None Differences impacting RONA: 1) For long-term finite-life assets, IFRS require a one-step impairment test to be carried out to determine whether there is impairment and to measure it by comparing the carrying value of an asset with the higher of the value in use and the fair value less costs to sell. Under Canadian GAAP, impairment is based on discounted cash flows only if the non-discounted cash flows are lower than the carrying value. 2) Previously recognized impairment losses are reversed when a change of situation indicates that the impairment has been reduced, other than for goodwill and intangible assets with indefinite lives. Anticipated impact at transition: A few fixed assets will likely be devalued at the transition date because of discounted cash flows. The Company does not expect the impact to be significant. Anticipated future impact: The IFRS one-step impairment test may lead to more frequent impairment losses or gains.

In conclusion, preparations for the transition to IFRS are advancing rapidly and according to plan. A number of adjustments to the financial statements are foreseen as soon as IFRS are adopted. The Company will soon be able to provide additional quantitative data on the impact of IFRS on its financial statements. According to the results to date, the Company is confident that the transition will be completed according to plan and will meet all requirements.

SIGNIFICANT ACCOUNTING ESTIMATES

No major change has occurred since the publication of the Annual Management's Discussion and Analysis for the year ended December 27, 2009.

Internal control over financial reporting

During the first quarter ended March 28, 2010, 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 impact 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 impact 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 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 May 12, 2010, and are subject to change after this date. The Company expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ADDITIONAL INFORMATION

This MD&A was prepared on May 12, 2010. 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.

Claude Guévin (signed)

Claude Guévin, CA
Executive Vice President
Chief Financial Officer

Robert Dutton (signed)

Robert Dutton
President
Chief Executive Officer

RONA inc.
Consolidated Earnings
For the thirteen-week periods ended March 28, 2010 and March 29, 2009
(Unaudited, in thousands of dollars)

	2010	2009
Sales	$ 951,427	$ 846,010
Earnings before the following items (Note 4)	35,278	25,492
Interest on long-term debt	4,856	5,325
Interest on bank loans	565	556
Depreciation and amortization	26,136	24,890
	31,557	30,771
Earnings (loss) before income taxes and non-controlling interest	3,721	(5,279)
Income taxes	1,094	(1,605)
Earnings (loss) before non-controlling interest	2,627	(3,674)
Non-controlling interest	(396)	(1,157)
Net earnings (loss) and comprehensive income	$ 3,023	$ (2,517)
Net earnings (loss) per share (Note 13)		
Basic and diluted	$ 0.02	$ (0.02)

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

RONA inc.
Consolidated Retained Earnings
Consolidated Contributed Surplus
For the thirteen-week periods ended March 28, 2010 and March 29, 2009
(Unaudited, in thousands of dollars)

		2010		2009
Consolidated Retained Earnings				
Balance, beginning of period	$	1,161,808	$	1,028,876
Net earnings (loss)		3,023		(2,517)
Balance, end of period	$	1,164,831	$	1,026,359
Consolidated Contributed Surplus				
Balance, beginning of period	$	13,475	$	12,563
Compensation cost relating to stock option plans		303		302
Exercise of stock options		(6)		–
Balance, end of period	$	13,772	$	12,865

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

RONA inc.
Consolidated Cash Flows
For the thirteen-week periods ended March 28, 2010 and March 29, 2009
(Unaudited, in thousands of dollars)

	2010	2009
Operating activities		
Net earnings (loss)	$ 3,023	$ (2,517)
Non-cash items		
Depreciation and amortization	26,136	24,890
Derivative financial instruments	(110)	(1,242)
Future income taxes	2,311	7,757
Net gain on disposal of assets	(93)	(1,654)
Compensation cost relating to stock option plans	303	302
Compensation cost relating to share unit plans	1,207	(595)
Non-controlling interest	(396)	(1,157)
Other items	222	535
	32,603	26 319
Changes in working capital items	(116,458)	(94,400)
Cash flows from operating activities	(83,855)	(68,081)
Investing activities		
Business acquisitions (Note 6)	(3,062)	–
Advances to joint ventures and other advances	–	(419)
Other investments	–	(526)
Fixed assets	(18,854)	(33,401)
Intangible assets	(5,374)	(7,542)
Other assets	(600)	(1,380)
Disposal of fixed assets	325	2,171
Disposal of investments	401	471
Cash flows from investing activities	(27,164)	(40,626)
Financing activities		
Bank loans and revolving credit	4,342	113,665
Other long-term debt	–	188
Repayment of other long-term debt and redemption of preferred shares	(5,800)	(2,204)
Issue of common shares	564	348
Cash flows from financing activities	(894)	111,997
Net increase (decrease) in cash	(111,913)	3,290
Cash, beginning of period	239,257	12,345
Cash, end of period	$ 127,344	$ 15,635
Supplementary information		
Interest paid	$ 13,590	$ 12,208
Income taxes paid	$ 10,281	$ 13,804

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

RONA inc.
Consolidated Balance Sheets
March 28, 2010, March 29, 2009 and December 27, 2009
(In thousands of dollars)

	March 28, 2010 (Unaudited)	March 29, 2009 (Unaudited)	December 27, 2009
Assets			
Current assets			
Cash	$ 127,344	$ 15,635	$ 239,257
Accounts receivable	322,810	281,566	250,845
Income taxes receivable	13,935	29,641	2,436
Inventory (Note 3)	927,132	904,697	726,262
Prepaid expenses	27,190	28,853	18,114
Derivative financial instruments	1,092	290	801
Future income taxes	15,281	11,660	15,914
	1,434,784	1,272,342	1,253,629
Investments	11,645	10,356	11,978
Fixed assets	868,057	804,840	868,359
Fixed assets held for sale (Note 7)	13,349	63,926	13,242
Goodwill	456,775	454,889	455,572
Intangible assets	89,782	61,503	89,828
Other assets	29,578	27,669	29,682
Future income taxes	26,862	23,893	27,593
	$ 2,930,832	$ 2,719,418	$ 2,749,883
Liabilities			
Current liabilities			
Bank loans	$ 9,553	$ 9,622	$ 5,211
Accounts payable and accrued liabilities	601,597	556,278	427,817
Derivative financial instruments	957	139	776
Future income taxes	4,426	4,318	4,900
Instalments on long-term debt	10,864	15,866	9,996
	627,397	586,223	448,700
Long-term debt	427,479	589,015	430,524
Other long-term liabilities	31,689	29,207	31,317
Future income taxes	28,856	20,804	27,542
Non-controlling interest	32,500	27,811	32,761
	1,147,921	1,253,060	970,844
Shareholders' equity			
Capital stock (Note 8)	604,308	427,134	603,756
Retained earnings	1,164,831	1,026,359	1,161,808
Contributed surplus	13,772	12,865	13,475
	1,782,911	1,466,358	1,779,039
	$ 2,930,832	$ 2,719,418	$ 2,749,883

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

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 27, 2009. The interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 27, 2009. The interim operating results do not necessarily reflect the results for the full fiscal year. Accordingly, the comparative balance sheet as at March 29, 2009 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. Effect of new accounting standards not yet implemented

International financial reporting standards (IFRS)

In 2009, the Accounting Standards Board of Canada confirmed that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS, which will go into effect during 2011. When converting from Canadian GAAP to IFRS, the Company will prepare both 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.

3. Inventory

For the thirteen-week period ended March 28, 2010, an amount of $682,237 of inventory was expensed in the consolidated results ($606,998 in 2009). This amount includes an inventory write-down charge of $7,217 ($6,863 in 2009).

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

4. 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. Three of these stores were closed in 2008 and one was closed in the second quarter of 2009. During the thirteen-week period ended March 29, 2009, the Company recognized costs of $525 relating to an inventory write-down. No charges were recorded in the thirteen-week period ended March 28, 2010.

The liability for exit and disposal costs and write-down of assets, included in accounts payable and accrued liabilities, is as follows:

	2010	2009
Balance, beginning of period	$ 14,340	$ 3,575
Less: cash payments	(1,061)	(352)
Balance, end of period	$ 13,279	$ 3,223

5. Vendor rebates

In accordance with EIC-144, *Accounting by a customer (including a reseller) for certain consideration received from a vendor,* the Company must disclose the amount recognized for which the full requirements for vendor rebate entitlement have not yet been met. For the thirteen-week period ended March 28, 2010, the Company recognized an amount of $4,123 ($3,954 in 2009) which was estimated based on the attainment of specified requirements to receive the rebates.

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

6. Business acquisitions

During the thirteen-week period ended March 28, 2010, the Company acquired two companies (no acquisitions in 2009), operating in the corporate and franchised stores segment, by way of asset purchases. Taking direct acquisition costs into account, these acquisitions were for a total consideration of $6,531. 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 these acquisitions was established as follows:

	2010
Accounts receivable	$ 1,835
Inventory	3,563
Other current assets	122
Fixed assets	327
Goodwill	1,203
Intangible assets	418
Current liabilities	(937)
	6,531
Less: Accrued direct acquisition costs	(75)
Balances of purchase prices	(3,394)
Cash consideration paid	$ 3,062

The Company expects that an amount of $1,037 of goodwill will be deductible for tax purposes.

7. 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 had initially expected to dispose of these assets within the next twelve-month period. However, given the deterioration of the real estate market in the last months, certain assets have been held for sale for over a year and this, despite the fact that the Company has taken the necessary measures to address these new market conditions. The Company intends to maintain ongoing efforts to dispose of these assets.

During the period ended March 29, 2009, the Company disposed of two parcels of land and two buildings which had been held for sale and recorded a gain on disposal of $1,521. There were no disposals in the period ended March 28, 2010.

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

8. Capital stock

Issued and fully paid:

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

	March 28, 2010	
	Number of shares	Amount
Balance, beginning of period	129,653,383	$ 600,459
Issuance in exchange for common share subscription deposits	250,979	3,842
Issuance under stock option plans	26,325	112
Issuance in exchange for cash	922	15
Balance before elimination of reciprocal shareholdings	129,931,609	604,428
Elimination of reciprocal shareholdings	(84,384)	(593)
Balance, end of period	129,847,225	603,835
Deposits on common share subscriptions, net of eliminations of joint ventures [(a)]		473
		$ 604,308

	March 29, 2009	
	Number of shares	Amount
Balance, beginning of period	115,819,699	$ 423,477
Issuance in exchange for common share subscription deposits	328,692	3,744
Issuance in exchange for cash	10,360	120
Balance before elimination of reciprocal shareholdings	116,158,751	427,341
Elimination of reciprocal shareholdings	(80,251)	(524)
Balance, end of period	116,078,500	426,817
Deposits on common share subscriptions, net of eliminations of joint ventures [(a)]		317
		$ 427,134

	December 27, 2009	
	Number of shares	Amount
Balance, beginning of year	115,819,699	$ 423,477
Issuance in exchange for common share subscription deposits	328,692	3,744
Issuance under stock option plans	113,775	502
Issuance in exchange for cash [(b)]	13,391,217	172,736
Balance before elimination of reciprocal shareholdings	129,653,383	600,459
Elimination of reciprocal shareholdings	(80,251)	(524)
Balance, end of year	129,573,132	599,935
Deposits on common share subscriptions, net of eliminations of joint ventures [(a)]		3,821
		$ 603,756

(a) Deposits on common share subscriptions represent amounts received during the period from affiliated and franchised merchants in accordance with commercial agreements. These deposits are exchanged for common shares on an annual basis. If the subscription deposits had been exchanged for common shares as at March 28, 2010, the number of outstanding common shares would have increased by 30,093 shares.

(b) In June 2009, the Company issued 13,374,500 common shares at a price of $12.90 per share for total gross proceeds of $172,531.

9. Stock-based compensation

Stock option plans

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 could grant options for a maximum of 3,740,000 common shares. As at March 28, 2010, the 2,920,000 options granted have an exercise price of $3.47 and of this number, 1,670,500 options (1,538,500 options in 2009) 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 thirteen-week periods ended March 28, 2010 and March 29, 2009.

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 subsequently, the Board approved the option grants with vesting over a four-year period following the anniversary date of the grants at 25% per year.

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

9. Stock-based compensation (continued)

Stock option plans (continued)

As at March 28, 2010, the 2,857,452 options (2,475,752 options in 2009) granted have exercise prices ranging from $10.62 to $26.87 (same range in 2009) and of this number, 93,200 options (85,100 options in 2009) have been exercised and 1,017,151 options (611,325 options in 2009) have been forfeited.

The fair value of stock options granted of $5.32 ($4.11 in 2009) was estimated at the grant date using the Black-Scholes option-pricing model on the basis of the following assumptions for the stock options granted during the period:

	2010	2009
Risk-free interest rate	2.9%	1.98 %
Expected volatility in stock price	28.5%	35 %
Expected annual dividend	0%	0 %
Expected life (years)	6	6

Compensation cost expensed with respect to this plan amounts to $303 for the thirteen-week period ended March 28, 2010 ($302 in 2009).

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

9. Stock-based compensation (continued)

Stock option plans (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:

	March 28, 2010	
	Options	Weighted average exercise price
Balance, beginning of period	2,966,852	$ 10.47
Granted	381,700	15.44
Exercised	(26,325)	4.01
Forfeited	(325,626)	21.32
Balance, end of period	2,996,601	9.98
Options exercisable, end of period	2,087,419	$ 8.35

	March 29, 2009	
	Options	Weighted average exercise price
Balance, beginning of period	2,981,002	$ 11.46
Granted	516,700	10.62
Forfeited	(336,875)	19.98
Balance, end of period	3,160,827	10.41
Options exercisable, end of period	2,040,944	$ 7.64

	December 27, 2009	
	Options	Weighted average exercise price
Balance, beginning of year	2,981,002	$ 11.46
Granted	516,700	10.62
Exercised	(113,775)	4.11
Forfeited	(417,075)	19.47
Balance, end of year	2,966,852	10.47
Options exercisable, end of year	1,906,969	$ 7.72

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

9. Stock-based compensation (continued)

Stock option plans (continued)

The following table summarizes information relating to stock options outstanding as at March 28, 2010:

Exercise price	Expiration date	Options outstanding	Options exercisable
$ 3.47	January 1, 2012	1,249,500	1,249,500
$ 10.62	March 11, 2019	492,300	123,075
$ 10.86	December 9, 2018	15,000	3,750
$ 14.18	March 1, 2018	197,100	98,550
$ 14.29	December 16, 2013	404,650	404,650
$ 15.44	March 9, 2020	381,700	–
$ 20.27	December 22, 2014	96,000	96,000
$ 21.78	September 1, 2016	17,576	4,394
$ 23.58	March 8, 2017	142,775	107,500
		2,996,601	2,087,419

Share unit plan for officers

The Company offers a share unit plan to officers and key employees of the Company and its subsidiaries under which restricted share units (RSUs) are granted. The RSUs are vested over a maximum term of three years based on performance targets. The RSUs are recognized as a compensation expense on a straight-line basis over the vesting period based on the forecasted attainment of targets. The RSUs are revalued at fair market value at the end of each reporting period until the vesting date using the market price of the Company's common shares. Fair market value changes are accounted for as compensation expense with a corresponding charge to accounts payable and accrued liabilities. RSUs that have been vested will be payable, at the Company's option, in cash or common shares, purchased on the secondary market, with an aggregate value equal to the amount that would have been paid in cash.

	2010	2009
Number of restricted share units:		
Balance, beginning of period	682,540	229,360
Granted	438,800	378,250
Forfeited	–	(11,790)
Balance, end of period	1,121,340	595,820

The expense recorded in the consolidated statement of earnings for the thirteen-week period ended March 28, 2010 amounts to $916 (a reversal of $748 in 2009).

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

9. Stock-based compensation (continued)

Share unit plan for directors

The Company offers a deferred share unit (DSU) plan for external directors. Under this plan, directors may elect to receive in the form of DSUs any percentage up to 100% of their fees payable in respect of serving as director. When a director elects to participate in this plan, the Company credits the director's account for a number of units equal to the deferred compensation divided by the average closing market price of the common shares of the Company during the five trading days immediately preceding the last day of each reporting period of the Company. Fair market value changes are accounted for as a compensation expense with a corresponding charge to accounts payable and accrued liabilities in the consolidated balance sheet. DSUs granted under this plan will be redeemable and the value of the units will be payable only when the unitholder ceases to be a director.

	2010	2009
Number of deferred share units:		
Balance, beginning of period	149,139	103,421
Directors' compensation	11,969	17,009
Balance, end of period	161,108	120,430

The expense recorded in the consolidated statement of earnings for the thirteen-week period ended March 28, 2010, is $291 ($153 in 2009).

10. 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 $1,160. 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 $5,650.

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 61% of the cost of the inventories to a maximum of $71,768. 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.

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

11. Employee future benefits

As at March 28, 2010, the Company has seven defined contribution pension plans (nine in 2009) and four defined benefit pension plans (four in 2009). The net pension expense for the benefit plans is as follows:

	2010	2009
Cost recognized for defined contribution pension plans	$ 2,343	$ 2,372
Cost recognized for defined benefit pension plans	484	402
Net employee future benefit costs	$ 2,827	$ 2,774

12. 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.

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

12. Segmented information (continued)

	2010	2009
Segment sales		
Corporate and franchised stores	$ 691,793	$ 617,092
Distribution	544,609	476,374
Total	1,236,402	1,093,466
Intersegment sales and royalties		
Corporate and franchised stores	–	–
Distribution	(284,975)	(247,456)
Total	(284,975)	(247,456)
Sales		
Corporate and franchised stores	691,793	617,092
Distribution	259,634	228,918
Total	951,427	846,010
Earnings before interest, depreciation and amortization, rent, income taxes and non-controlling interest		
Corporate and franchised stores	50,265	38,002
Distribution	20,615	21,417
Total	70,880	59,419
Earnings before interest, depreciation and amortization, income taxes and non-controlling interest		
Corporate and franchised stores	20,300	9,527
Distribution	14,978	15,965
Total	35,278	25,492
Acquisition of fixed assets and intangible assets		
Corporate and franchised stores	16,988	31,499
Distribution	7,985	9,444
Total	24,973	40,943
Goodwill		
Corporate and franchised stores	1,203	–
Distribution	–	–
Total	1,203	–
Total assets		
Corporate and franchised stores	2,262,987	2,192,280
Distribution	667,845	527,138
Total	$ 2,930,832	$ 2,719,418

13. Net earnings per share

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

	2010	2009
Net earnings (loss)	$ 3,023	$ (2,517)
Number of shares (in thousands)		
Weighted average number of shares used to compute basic net earnings (loss) per share	129,826.4	116,076.1
Effect of dilutive stock options [(a)]	1,147.3	–
Weighted average number of shares used to compute diluted net earnings (loss) per share	130,973.7	116,076.1
Net earnings (loss) per share - basic and diluted	$ 0.02	$ (0.02)

(a) As at March 28, 2010, 638,051 common share stock options (3,160,827 options in 2009) were excluded from the calculation of diluted net earnings (loss) per share since these options have an antidilutive effect.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the period.

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. RONA operates a network of nearly 700 corporate, franchise and affiliate stores of various sizes and formats. With close to 30,000 employees working under its family of banners in every region of Canada and more than 16 million square feet of retail space, the RONA store network generates over $6 billion in annual retail sales.

RONA inc.
220 chemin du Tremblay, Boucherville, Quebec, Canada J4B 8H7
Telephone: 514-599-5100 – Facsimile : 514-599-5110
www.rona.ca