2012 ANNUAL SHAREHOLDERS' MEETING
May 9, 2012

SPEAKING NOTES FOR DOMINIQUE BOIES
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Thank you, Mr. Chairman.
Fellow shareholders, colleagues, ladies and gentlemen, greetings!

At the back of the hall, you'll find printed copies of the *Management's Discussion and Analysis* for 2011, as well as the financial statements for the fiscal year ended last December 25. You'll also find copies of the official notice for this meeting and our management proxy circular. Last but not least, you can find our *Real-time Report* online at realtimereport.rona.ca, and our *Annual Information Form* at rona.ca.

1. 2011: A year of challenges

Fiscal 2011 has been a tough year. What with the first half of the year, sales and earnings are both down. Our whole sector is going through a period where there's really no room for manoeuvre. Given this environment, in order to create value for our shareholders and deliver the best possible return on their investment in RONA, we're carrying on with three financial priorities: first, improving our operational efficiency; second, optimizing our capital structure; and third, improving our return on capital.

First: Improve our operational efficiency.

At the end of the first semester of 2011, we set four targets for the second half of the year. These targets were challenging but realistic because they were about things we ourselves could control – our gross margin, selling costs, operating margin and earnings per share. All of these targets have been met.

- We wanted to increase our gross margin, and we've increased it by 45 basis points.
- We were determined to lower our sales and administrative expenses for same-store activities, and we got them down by $25 million, or 4.7% compared to the corresponding period a year earlier.
- We aimed to maintain our operating margin, compared to the previous year. And despite continual downward pressure on same-store sales, it was nearly identical to the second half of 2010, that is, 6.8%.
- Last but not least, we also wanted to keep our earnings per share the same as in the preceding year. And we succeeded at doing this. Our

diluted earnings figure is 51 cents per share for the second half of 2011 – results identical to 2010.

Our second financial goal is to optimize our capital structure. In this regard, we’ve taken several important steps.

We’ve repurchased $283 million worth of our debentures ahead of their expiry date in 2016. This decision will enable us to reduce our annual interest payments by $10 million and grow our earnings per share, as a result, by 5 cents annually, or 7%.

We’ve established a share buyback program as part of our regular business activity, with the goal of reducing our shares outstanding by 11 million. If we complete the program, it will generate a further increase of 5 cents per share in our annual earnings. To date, we’ve repurchased 8.9 million shares at an average price of $9.38 per share, for a total of $83.6 million.

We’ve renegotiated our bank credit facilities that were terming out in 2012. The ceiling has been raised from $650 million to $950 million, which gives us all the flexibility we need to invest in high-return projects.

Thirdly, we’re determined to grow RONA’s return on capital. This goal translated into three key targets for the second half of 2011.

- We announced that CAPEX would be restricted to depreciation and amortization level. For fiscal 2011, it totalled $109 million, while depreciation and amortization amounted to $107 million. Which is definitely on target.
- We announced a tighter management of comparable inventories to get them down by $100 million. They were down $110 million. Target exceeded!
- And we announced that we would sell off non-core assets. Our disposal of such assets in fiscal 2011 exceeded $10 million.

2. A disciplined plan to deliver results in 2012

In a few moments, our CEO will present an overview of the *New Realities, New Solutions* plan we announced in February. This plan is designed first of all to establish the basis for our growth in the years ahead, but it’s also based on achieving our three financial goals: more operational efficiency, an optimized financial structure and a higher return on capital.

For example, the redeployment of sales volume in certain regions, besides serving consumers better, will have the effect of improving our network’s operational efficiency in those regions. By capitalizing more on smaller-sized stores, the new plan will reduce the total retail sales space by 750,000 square feet. This will result in higher productivity, a better return on our capital and a more efficient capital structure.

In addition, the *New Realities, New Solutions* plan entails the continuation of our program to sell off non-core assets, which will also improve our capital structure and return on capital. At the same time, we'll continue our ongoing share buyback program, which will have the same effect. So far, we've already disposed of $10 million worth of non-core assets in 2012.

All told, the benefits associated with this new plan are significant. We anticipate positive impact amounting to over $40 million in EBITDA per year by the end of the plan. This represents more than 15% growth over current EBITDA.

Please note that this plan applies to nearly 20% of our store network. If market conditions improve even minimally – say, same-store sales keep pace with the rate of inflation – the results for the other 80% will also improve in a major way. So you can see that our stock, at its current price, is largely undervalued and has major potential for appreciation. I should add that this is why we've been so keen on our buyback program as part of the normal course of business in recent months.

3. First quarter results in 2012

A few words now, about the results for our first quarter in 2012.

Historically, the first quarter of the year is generally the weakest, in terms of sales and earnings alike. Our consolidated sales were up $1.8 million this year, owing, among other things, to income from new points of sale and increased sales in distribution. Our operating profit, on the other hand, increased 38% thanks to a great performance in our retail and distribution activities. Our net loss was lowered to 10 cents per share, compared to 13 cents a year earlier.

As was the case in the second half of 2011, we've been keeping our three key financial priorities in mind.

In terms of efficiency, we've grown our consolidated sales and very nearly held the line on same-store sales, after a noticeable decline a year ago. We've increased our adjusted gross margin in absolute terms. And we've reduced our selling costs, which in turn has boosted our operating margin.

In terms of optimizing our capital structure, our fixed assets depreciated by less than $5 million. We've reduced comparable inventories by $72 million. We've continued to sell off non-core assets and repurchase common shares.

As for return on capital, for the 12 months ended March 25, the rate was 5.1%. That's 10 basis points higher than in the 12 months ended December 25, 2011. This increase represents both a 3.7% higher operating profit and a 0.3% lower employment of capital.

We’ve succeed, then, in reversing the trend with regard to our return on capital, and we have every reason to believe that our new plan will strengthen this recovery.

New Realities, New Solutions is a realistic plan.

I say so first of all because we have the financial flexibility and resources to see it through. At the end of the first quarter in 2012, we have unused bank credit totalling $637 million. At its highest point in annual terms, our net indebtedness is $456 million while our equity is nearly $2 billion. What’s more, we generated $170 million in free cash flow throughout last year. In the second place, the *New Realities, New Solutions* plan will produce rapid results. In fact, we’ll be seeing the impact on our results by the fourth quarter this year. And it will keep on getting stronger all through 2013, and reach its full potential in 2014.

To put it simply, we have a good plan. We have a solid balance sheet and the financial resources to carry it out. We have clear financial goals and criteria to guide our operations and investments. And this plan will be getting results by the end of this year.

Thank you for your attention. I’d like now to turn over the mike to our president and CEO, Robert Dutton.