RONA
2008 ANNUAL MEETING
SPEAKING NOTES FOR CLAUDE GUÉVIN
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Wednesday, April 23, 2008

Colleagues and co-shareholders, ladies and gentlemen,

You have all had the opportunity to review our financial statements and management report for 2007. These documents appear in print form in our annual report, which you can pick up at the door. They are also available online at rona.ca and at sedar.com.

Without repeating all the detailed financial information, please allow me to point out a few key figures that will provide a general overview of 2007:

- First, sales growth of 7.1%, calculated on a weekly basis to eliminate the effect of the 53rd week in 2006. This growth is due to the expansion of our corporate and franchise store network following acquisitions and new store openings.
- Organic growth – without contributions from acquisitions – was 2.9%, adjusted for the 53rd week in 2006. Our growth was improved by stores opened in the last 18 months across Canada but especially in Ontario and out west.
- Same-store sales decreased by 0.8%, after adjusting for the 53rd week in 2006 and for changes in forest product prices. This was a setback for everyone in our sector.
- Operating income increased by 6.3%, after adjusting for the additional week in 2006. We maintained our operating margin of 8.4% of consolidated sales.
- Net earnings stood at $185 million or $1.59 per share after dilution, compared to $1.64 for 2006 which, as I mentioned, had an extra week.

- Our cash flow was $277 million, a little less than in 2006.
- We invested $460 million in our future growth in fixed assets and acquisitions.

From all these perspectives, our performance in 2007 compares very positively with our major publicly traded competitors. Whether we're talking sales growth, same-store sales growth, EBITDA margin or changes in earnings per share, our 2007 results are clearly superior to our direct competitors from the US.

Paradoxically, shares in those same companies are trading at higher valuation multiples than we are. Which is why we've met a number of value-type investors in the past few months because they see RONA as an excellent long-term investment opportunity.

2007 capped off a long period of accelerated growth for RONA. From 2002 to 2007, our consolidated sales rose by 16% a year, more than doubling in five years. Our operating income increased an average of 27% every year, more than tripling in five years. And our operating margin went from 5.6% to 8.4% of consolidated sales.

Our net earnings more than quadrupled – an average growth of 38% a year. And our earnings per share almost tripled. Finally, our cash flows from operations increased 3.3 times in five years. You really do have to say that our progress in the last five years has been nothing short of spectacular in so many ways.

And despite this accelerated growth, our financial situation remains very healthy. Our debt to capital ratio was around 33% at the end of 2007, while our equity represents about 53% of our total assets, a higher ratio than in 2002.

Our financial situation is solid, giving us the means to finance our growth in the years to come. Our capital expenditure budget for 2008 is $240 million, which is lower than our cash flow generated in 2007. We also have access to over $300 million of credit at competitive rates, as part of a revolving credit facility that matures in 2012, and we have an excellent credit rating.

In summary, despite a more difficult business environment, we have a solid balance sheet, we generate significant funds from our operations, we have a borrowing capacity of over $300 million, and we have an excellent credit rating. And we still apply very strict criteria in our search for target acquisitions.

We continue to manage the company's finances prudently and rigorously, so we can pursue our growth no matter what the economic situation looks like.

Thank you for your attention. I will now pass the floor over to our president and CEO Robert Dutton.