



**2009 ANNUAL MEETING OF SHAREHOLDERS
April 22, 2009**

**SPEAKING NOTES FOR CLAUDE GUÉVIN
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER**

Colleagues and Co-shareholders,
Ladies and Gentlemen,

- By now you have all had the opportunity to review our financial statements and management report for 2008. These documents are available in hard copy in our Annual Report, which you can find at the door and online at rona.ca and sedar.com.
- I won't repeat the information in the report but I'd like to draw your attention to a few key figures to sum up 2008:
- First of all, sales growth of 2.2%. This growth stems mainly from the expansion of our store network, good performance in our affiliate network and the impact of acquisitions.
- Second, same-store sales were down by 4%, a drop that was experienced particularly in Western Canada. On the other hand, our affiliate stores, which are mainly in the East, posted same-store growth of 3.8%.
- Operating income, excluding unusual items, was \$389 million, compared to \$400 million last year. Our operating margin was down slightly, to 8% from 8.4% in 2007.
- Net earnings, excluding unusual items, were \$171 million, or \$1.47 per share, compared to \$1.59 a year earlier.
- It's important to remember that unusual items representing an after-tax amount of \$11 million, or \$0.10 per share, were accounted for this year.
- These items are related to the cost of closing two big-box stores and two proximity stores, net of the gain on the disposition of the assets.
- I would like to remind you that these stores were closed as part of the ongoing optimization of our store network, and that the business volume from these stores was transferred to other nearby RONA corporate or affiliate stores.
- Net earnings including these unusual items stood at \$160 million, or \$1.37 per share.
- These figures illustrate the challenging economic situation in 2008. Even more so, they illustrate our coherent plan for dealing with this difficult environment.
- Don't worry, I will not go over the details of the unfavourable economic situation we experienced in 2008. We all hear enough about that in the media every day.
- But I would like to say a few words about certain issues that affect RONA in particular.

- For example, housing starts for single family dwellings were down by 18.1% in Canada in 2008. This decline was especially dramatic in the West, where housing starts for single family dwellings actually dropped by 31% last year.
- On the other hand, residential construction was only down slightly in Quebec, where we still get 45% of our sales.
- A further reduction in housing starts is predicted for Canada in 2009. Every region of the country will be affected, but again Quebec should not be as hard hit as Ontario and the West.
- The spectacular financial crisis in fall 2008 and the subsequent downgrading of financial assets made the climate even more pessimistic than it had been. Consumer confidence is at an historic low, and the retail business is feeling the pain.
- But since real estate is still the major investment of many Canadians, homeowners are still investing in the maintenance and renovation of their most valuable asset.
- Mortgage rates are also very low, so consumers can finance their renovation work at rates that compare very favourably to historically low levels.
- As well, new federal and provincial renovation tax credits have been announced – and quickly topped up by RONA. These measures should boost renovation activities in 2009 and partially counter the projected slowdown.
- Finally, we were no more able than anyone else to predict the financial crisis that unfolded last fall, and we were not able to anticipate the severity of the current recession.
- But we did expect a significant downturn in the Canadian economy, and we took the right steps to prepare for it. Robert will speak to you about that in a few moments.
- I want to point out, however, that thanks to the steps we took, and thanks to our operational and financial discipline, we have the flexibility to get through the current situation, and even to take advantage of it.
- We have substantially reduced our inventory – by a full \$93 million in absolute terms. On a like-for-like basis, the reduction was \$118 million, or nearly 14% compared to 2007.
- We have slowed down our capital investments: \$196 million in 2008, compared to \$234 million the year before.
- But we are still preparing for future growth. In 2008 we opened six new stores. We did major renovations in 10 stores, including eight Réno-Dépôt. And we continued to invest in our information technology.
- We're going to ease back on our investments again in 2009, especially in terms of opening new stores.
- But we're not going to neglect our future potential: we're still planning to invest \$150 million in the expansion and renovation of our store network and our information systems.
- Thanks to our managerial discipline and belt-tightening, this year generated unprecedented cash flows of \$350 million.

- And that is why we have been able to continue to invest significant amounts and still reduce our net debt by more than \$160 million, or 25%.
- As a measure of our financial flexibility, our net debt-to-capital ratio dropped from 33% at the end of 2007 to less than 25% at the end of 2008.
- Most of our debt is in the form of \$396 million debentures that come due in 2016.
- At the end of 2008, we had access to unused credit facilities totalling over \$600 million that will only mature in 2012.
- The current recession will be long gone by the time we have to re-finance.
- Our balance sheet is solid: we have access to financial resources that will allow us to continue to invest in our future, to seize opportunities that arise and to deal with unexpected events.
- We have instilled a level of increased discipline in all our operations, and we will continue along that road.
- So we have the capacity to change this recession into an opportunity to prepare for recovery.
- We have a good plan, which served us well in 2008. We plan to focus on its implementation in 2009.
- Thank you for your attention. Now I will pass the floor to our President and CEO Robert Dutton.