

RONA INC.



ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 26, 2004

March 14, 2005

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In this Annual Information Form, “RONA” or the “Company” refers, depending on the context, either to RONA inc. or to RONA inc. together with its subsidiaries. All dollar amounts referenced herein, unless otherwise expressly stated, are expressed in Canadian dollars.

In this Annual Information Form, references to “RONA stores” or to “the Company’s stores” refer to affiliated, franchised and corporate stores, all of which are supplied by RONA’s distribution system. References to “dealer-owners” refer to dealers who own affiliated stores or all of, or a portion of, franchised stores. References to “network retail sales” reflect the combined retail sales generated by affiliated, franchised and corporate stores. Unless otherwise indicated, references to the Company’s market share and position and other similar references are based upon network retail sales. The Company’s consolidated sales do not include retail sales from dealer-owned stores except for the retail sales of stores in which RONA has an equity participation of at least 50% in accordance with Canadian generally accepted accounting principles (“GAAP”). Unless otherwise indicated, same-store sales include retail sales from both corporate and franchised stores which were part of the Company’s network for the respective periods examined.

ITEM 1 - CORPORATE STRUCTURE

A - Name and Incorporation

RONA results from the amalgamation of Marchands Ro-Na Inc. and Le Groupe Ro-Na Inc. through articles of amalgamation dated January 2, 1984 under Part IA of the ***Companies Act*** (Quebec). Following the acquisition of Dismat inc. in 1988, the Company changed its name to Le Groupe Ro-Na Dismat inc. On May 14, 1998, the Company again changed its name and is now known as RONA inc. Over the years, the Company has modified its articles of amalgamation several times to reflect changes in its authorized share capital. RONA’s head office is located at 220 chemin du Tremblay, Boucherville, Quebec, Canada J4B 8H7 and its Web site address is www.rona.ca.

The Company’s financial year is a 52 or 53 week period ending on the last Sunday of December. Except as otherwise indicated, the information contained in this Annual Information Form is based on the Company’s most recently completed financial year ended December 26, 2004.

B - Intercorporate Relationships

As at December 26, 2004, the Company’s significant subsidiaries were RONA Ontario Inc. and Cashway Building Centres Ltd. (“Cashway”), which carry on their operations in the province of Ontario, and RONA Revy Inc., which carries on its operations in Western Canada (Manitoba, Saskatchewan, Alberta and British Columbia), and Réno-Dépôt Inc. (“Réno-Dépôt”), which carries on its operations in the provinces of Quebec and Ontario. These subsidiaries are all directly or indirectly wholly owned by the Company. Cashway was incorporated pursuant to the laws of Ontario, while RONA Revy Inc., RONA Ontario Inc. and Réno-Dépôt were incorporated pursuant to the federal laws of Canada.

ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

A - RONA’s Origins and Recent Highlights

RONA was created in 1939 by a group of independent merchants under the name Les Marchands en Quincaillerie Ltée.

On March 6, 2000, RONA acquired Cashway, the third largest retailer of building materials in Ontario with 66 bannered stores and one distribution centre.

Effective June 6, 2001, RONA acquired the majority of the assets of Revy Home Centres Inc. (“Revy”), which comprised 51 stores (including 14 big-box stores) and three distribution centres in five provinces (Ontario, Manitoba, Saskatchewan, Alberta and British Columbia).

In connection with the Revy acquisition, Société générale de financement du Québec, Capital d’Amérique CDPQ inc., a wholly-owned subsidiary of Caisse de dépôt et placement du Québec, and ITM Entreprises S.A. (“ITM”), a French distribution company, invested in the equity of the Company through a share subscription as well as the purchase of subordinated debentures which have since been reimbursed in full. To the Company’s knowledge, in 2003, ITM sold all the shares it held in the share capital of RONA.

On November 5, 2002, the Company completed a public offering. The Toronto Stock Exchange then approved the listing of the Common Shares of RONA under the symbol “RON”.

On May 21, 2003, RONA completed the closing of another issue of Common Shares for an amount of approximately \$130 million.

On September 10, 2003, the Company completed the acquisition of all of the issued and outstanding shares of Réno-Dépôt for total consideration of approximately \$371 million, including closing adjustments. In connection with this acquisition, the vendors agreed not to compete with Réno-Dépôt’s operations in Quebec and Ontario for three years following the closing of the transaction.

On December 19, 2003, Standard & Poor’s confirmed the listing of RONA’s Common Shares on the S&P/TSX composite index.

On December 21, 2004, RONA announced that it intends to acquire Totem Building Supplies Ltd., a company engaged in home improvement in Alberta. The purchase price is expected to be approximately \$100 million, payable in cash, subject to adjustments at the closing of the transaction. The transaction remains subject to the satisfaction of certain customary conditions and the approval of the Competition Bureau.

B - Trends

For a discussion of industry and other trends, commitments, events or uncertainties reasonably expected to have a material effect on RONA’s business, financial condition or results of operations, see “Item 3 – Narrative Description of the Business – Industry Overview”.

ITEM 3 - NARRATIVE DESCRIPTION OF THE BUSINESS

A - Overview

RONA is a Canadian retailer and distributor of hardware, home improvement and gardening products. Through a multi-format, multi-banner network with locations throughout Canada, RONA wants to address the growing needs of virtually every consumer segment of the hardware, home improvement and gardening products market, from large metropolitan areas to small rural communities. RONA reaches the vast majority of Canadian consumers through a network comprised of 550 affiliated, franchised and corporate stores, as at February 23, 2005, totalling more than 12.5 million square feet of retail.

RONA's distribution system ensures the distribution of products to all of the Company's stores. RONA is a company with a pan-Canadian distribution infrastructure, which enables it to distribute to all types of stores, including big-box, traditional and specialized stores. The Company believes that this reduces retail inventory levels and increases product selection available at store locations.

B - Industry Overview

Size and Fragmented Nature of the Hardware, Home Improvement and Gardening Products Marketplace

The hardware, home improvement and gardening products industry serves a large market that includes the entire Canadian population. This industry is competitive and fragmented, with numerous local and regional businesses. The Company believes not only that it is well-positioned to compete effectively in this fragmented marketplace, but also that this fragmentation provides it with a significant opportunity for consolidation.

In 2004, according to the Company's estimates, the four largest players in Canada accounted for half of the total Canadian market, with no one company exceeding 15%. Based on companies' estimated sales and available industry data, approximately 5,000 independent operators share the other half of the total Canadian market for hardware, home improvement and gardening products.

Seasonal Nature of the Industry

RONA's industry sector is seasonal. First quarter sales are always weaker than sales in the other three quarters, due to the low level of activity in the renovation sector in winter. In addition, bad weather can impact sales, particularly of seasonal products. Moreover, fluctuations in the price of lumber and other building materials can have an impact on the Company's sales.

Industry Segments

The hardware, home improvement and gardening products segment is highly competitive. RONA's competitors are large national chains and several regional groups and independent stores. Nonetheless, management believes that RONA has demonstrated its ability to prosper in this environment and in all market segments. The Company has a number of advantages: a portfolio of banners and multiple store formats, evolving concepts, locations coast-to-coast and a major distribution network.

C - RONA's Business

The Company has two reportable segments: distribution, and corporate and franchised stores (also referred to herein as retail activities).

2004

	Distribution	Corporate and franchised stores	Total
	\$(000's)	\$(000's)	\$(000's)
Segment sales	1,922,795	2,589,028	4,511,823
Intersegment sales and royalties	(821,786)	(9,999)	(831,785)
Sales	<u>1,101,009</u>	<u>2,579,029</u>	<u>3,680,038</u>

	<u>Distribution</u>	<u>Corporate and franchised stores</u>	<u>Total</u>
	\$(000's)	\$(000's)	\$(000's)
Segment sales	1,525,315	1,766,262	3,291,577
Intersegment sales and royalties	(571,589)	(9,720)	(581,309)
Sales	<u>953,726</u>	<u>1,756,542</u>	<u>2,710,268</u>

Retail Sales Activities

In its retail sales activities, RONA uses two basic criteria: type of ownership and store format. Thus, to reach its customers, RONA offers a national network of stores under banners designed to serve the targeted profiles. As at December 26, 2004, December 28, 2003 and December 29, 2002, RONA's retail network stood as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<i>Number of RONA stores at year-end</i>			
Big-box.....	65	62	40
Traditional.....	295	301	313
Specialized	<u>176</u>	<u>172</u>	<u>185</u>
Total store count.....	<u>536</u>	<u>535</u>	<u>538</u>
Of the total store count, number of stores newly opened/remodelled/relocated.....	108	120	89

RONA stores fall within one of three types of ownership — corporate, franchised and affiliated. Each of these types of ownership has the following attributes:

<u>Ownership Type</u>	<u>RONA's Typical Equity Participation</u>	<u>RONA's Economic Interest</u>	<u>Number of RONA stores</u>		
			<u>As at December 26, 2004</u>	<u>As at December 28, 2003</u>	<u>As at December 29, 2002</u>
Corporate	More than 50%	Distribution and retail sales	136	139	122
Franchised	From 0% to 50%	Royalties on sales, distribution sales and retail sales	23	24	22
Affiliated	0%	Distribution sales	<u>377</u>	<u>372</u>	<u>394</u>
			<u>536</u>	<u>535</u>	<u>538</u>

Affiliated stores are owned by independent dealer-owners who have entered into a commercial agreement with RONA. Pursuant to these agreements, dealer-owners are committed to respecting certain RONA guidelines regarding marketing, advertising, image and buying loyalty.

Franchised stores are owned either by dealer-owners or by dealer-owners in partnership with RONA. The latter dealer-owners also enter into commercial agreements with RONA which include certain obligations relating to the affiliated stores. However, these agreements allow RONA to manage product selection and supply and product assortment and to exercise control over the site on which such stores are operated through leasing and subleasing agreements.

RONA Network Retail Sales

Big-Box Stores

Network retail sales of RONA's affiliated, franchised and corporate big-box stores represented approximately \$4.5 billion for the twelve-month period ended December 26, 2004. Moreover, for the same twelve-month period ended December 26, 2004, RONA's network retail sales for big-box stores amounted to approximately \$2.2 billion. These warehouse-type home centres offer an extensive variety of products ranging from hardware products, tools and building materials to gardening items, paint and decoration products and seasonal items.

RONA has developed the following banners for its big-box stores:

- RONA L'entrepôt/RONA Home & Garden/Réno-Dépôt: The warehouse-type stores operating under these banners generally vary from 90,000 to 165,000 square feet in size and offer over 45,000 products.
- RONA Le Régional: these stores have been adapted to respond to the needs of customers and building contractors in mid-size markets. These stores generally vary from 50,000 to 95,000 square feet in size and serve regional markets.

Traditional Stores

For the twelve-month period ended December 26, 2004, RONA's network retail sales for traditional stores amounted to approximately \$1.4 billion. RONA's traditional stores include small or medium-size neighbourhood hardware stores which are an integral part of the social fabric in their communities. Their objective is to meet the basic needs of their customers in hardware and seasonal items and to offer an extended selection of painting and interior decorating products. In addition to these hardware stores, RONA's traditional stores include renovation centres. The management and employees of the stores operating under these banners are recognized as specialists in building materials as well as colour and paint. The renovation centres offer an important range of seasonal products and a complete assortment of other basic merchandise.

RONA has developed or acquired the following banners for its traditional stores:

- RONA Le Quincaillier/RONA Hardware: these stores serve a broad customer base and offer a complete range of hardware, painting and seasonal products over an area generally between 5,000 and 25,000 square feet.
- RONA Le Rénovateur/RONA Home Centre: These stores generally vary between 5,000 and 60,000 square feet in size.
- RONA L'express: These stores are smaller neighbourhood hardware stores offering all basic hardware, electrical and paint products.

Specialized Stores

For the twelve-month period ended December 26, 2004, RONA's network retail sales for specialized stores amounted to \$900 million. The specialized stores are adapted to the needs of specific target groups such as general contractors, tradesmen and gardeners. Specialized stores offer a selection of products which are better suited for the daily activities of experts.

RONA has developed the following banners for its specialized stores:

- RONA Cashway/RONA Lansing / RONA Building Centre/RONA L'express Matériaux: These stores mainly serve a clientele of contractors, home improvement specialists, “do-it-yourselfers”, tradesmen and craftsmen. These stores generally range in size from 5,000 to 60,000 square feet and they are specialized in lumber and building materials.
- BOTANIX: These stores offer customers advice regarding plant selection, upkeep and landscaping in order to make the best of the wide range of plants and gardening items offered. These stores offer knowledgeable staff, a large product mix and top quality ecological products.

Product Offering

RONA's product offering features over 70,000 different products from more than 2,500 suppliers. RONA purchases about 90% of its products from suppliers having at least a place of business in Canada. Furthermore, RONA offers its customers about 1,500 different house brand products that cater to the most current needs of consumers. In order to meet its customers' needs and maintain and improve its margins, RONA regularly reviews its product assortment to eliminate unprofitable and slow-moving product lines. The house brand is sold under the name “RONA.” No product represents more than 10% of RONA's purchases or sales.

Distribution Activities

RONA's Distribution System

RONA's original mission was to group hardware stores' purchase orders, in order to negotiate the lowest possible prices and to distribute products to its customers in the most efficient manner. The Company relies on a national distribution system which supports all RONA stores. The distribution system is used to minimize order sizes and increase the frequency of delivery, thereby reducing retail inventory levels and providing access to a broad product assortment.

RONA stores are supplied by two sources: direct delivery from suppliers and delivery via RONA's distribution centres. The use of each of these sources varies depending on the nature and size of the orders, the store's geographic location and the agreements with the suppliers.

RONA's integrated distribution network consists of six distribution centres in Eastern, Central and Western Canada, as follows:

<u>Distribution Centre</u>	<u>Approximate Square Footage</u>	<u>Activity</u>
Boucherville, Quebec	650,000	Distribution centre for hardware products
Dorval, Quebec	40,000	Hub for forest products and building materials
Etobicoke, Ontario	130,000	Delivery to both individuals and contractors
Halton Hills, Ontario	90,000	Hub for forest products and building materials
Calgary, Alberta	320,000	Distribution centre for hardware products
Surrey, British Columbia	85,000	Hub for forest products, building materials and hardware products

The distribution centres in Boucherville and Calgary have quality control systems that provide step-by-step processing for each order, which they simultaneously correlate where necessary with wrong-shipment claims from stores. This procedure has helped improve the efficiencies of the distribution operations by lowering

the probabilities of shipping errors, thereby minimizing losses. RONA has the possibility of significantly increasing the size of these distribution centres if the need arises.

Management Information Systems

RONA has information systems which process orders, monitor inventories and handle the distribution and transportation of goods across the supply chain. RONA is continually improving its information systems to better serve its needs and to ensure efficient cost management.

RONA's information technology department provides systems development and support to the major functional areas of the Company including the stores and the distribution centres. For many years, RONA stores have utilized point-of-sale scanners and terminals linked to in-store computers. These systems provide online access to store inventories, prices and stock-keeping units. The point-of-sale system is used to provide detailed information about buying patterns of RONA's customers, analyse the effect of merchandising programs and to process credit card transactions.

The in-store systems provide functionality to maximize sales and margins and to monitor inventory levels and costs. Automatic orders are calculated and transmitted to RONA over a communication network which also sends new product and price data from RONA to its affiliated, franchised and corporate stores.

D - Marketing

RONA's marketing activities encompass the planning and coordination of the product offering to consumers. In order to promote the sale of its products and to build customer awareness and traffic in its stores, RONA publishes and distributes weekly promotional flyers, conducts electronic promotions over the Internet and engages in radio, television, newspaper, magazine and Internet advertising and event sponsorship.

In 2004, the Company's advertising-marketing program took on a truly national dimension. Thanks to a balance of traditional and innovative activities, the Company succeeded in increasing brand awareness across Canada. Unaided awareness is now up to 87 % in Quebec, 54 % in Ontario, and 61 % in the Western provinces. These results demonstrate the effectiveness of our actions and show that we quickly win over consumers in markets where we were not present only a short time ago.

E - Trade-marks

The Company's most important trade-marks include RONA, RÉNO-DÉPÔT, RONA Cashway, RONA Hardware, RONA Home Centre, RONA L'entrepôt, RONA L'express, RONA L'express Matériaux, RONA Le Quincaillier, RONA Le Régional, RONA Le Rénovateur, RONA Lansing, RONA Building Centre, RONA Home & Garden, Boutique Ambiance, RONA Commercial and BOTANIX.

F - Human Resources

As at December 26, 2004, the entire RONA network counted approximately 16,700 employees (RONA only) and over 21,000 employees (including affiliated stores) across Canada.

ITEM 4 - DIVIDEND POLICY

The Company does not currently pay dividends on its Common Shares as it retains earnings, if any, for use in the Company's business and it does not expect to pay dividends on the Common Shares for the time being. Any determination to pay any future dividends will remain at the discretion of the Board of Directors of the Company and will be made taking into account the Company's financial condition and other factors deemed relevant by the Board of Directors.

ITEM 5 - DESCRIPTION OF SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of Class A preferred shares, issuable in series (the "Class A Preferred Shares") of which one series, designated as an unlimited number of Class A preferred shares, series 5 (the "Class A Preferred Shares, Series 5") is currently authorized, an unlimited number of Class B preferred shares (the "Class B Preferred Shares"), an unlimited number of Class C preferred shares, issuable in series (the "Class C Preferred Shares") of which one series, designated as an unlimited number of Class C preferred shares, series 1 (the "Class C Preferred Shares, Series 1") is currently authorized, an unlimited number of Class D Preferred Shares (collectively with the Class A Preferred Shares, the Class B Preferred Shares, and the Class C Preferred Shares, the "Preferred Shares"), all of which are without par value (except for the Class B Preferred Shares which have a par value of \$1.00). As at March 14, 2005, 57,065,479 Common Shares were issued and outstanding.

The following is a summary of the material terms of the Company's authorized share capital. This summary is qualified in its entirety by reference to, and is subject to, the detailed provisions of the Company's articles (the "Articles").

A - Common Shares

Voting Rights

Each holder of Common Shares is entitled to receive notice of, to attend and to vote at meetings of shareholders of the Company on the basis of one vote per share, save with respect to such meetings where only the holders of another given class or series are entitled to vote.

Liquidation Rights

In the event of the Company's liquidation or dissolution or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the Common Shares entitle their respective holders to receive, in proportion to the number of Common Shares they hold in relation to the total number of outstanding Common Shares, the balance of the property of the Company, the whole subject to the rights, privileges, conditions and restrictions attached to the Preferred Shares.

Dividends

Subject to the rights, privileges, conditions and restrictions attached to the Preferred Shares, the Common Shares entitle their respective holders to receive, in proportion to the number of Common Shares they hold in relation to the total number of outstanding Common Shares, any dividend declared by the Company.

B - Preferred Shares

Issuable in Series

The Class A Preferred Shares and Class C Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions as may be determined by the Board of Directors prior to the issue thereof.

Voting Rights

Holders of Preferred Shares are not entitled to receive notice of, or to attend, any meeting of shareholders of the Company and are not entitled to vote at any such meeting, except to the extent otherwise provided in the Articles in respect of any Preferred Shares. In connection with any matter requiring the approval of any class (or series) of Preferred Shares as a class (or as a series) pursuant to the *Companies Act* (Quebec) (the "Act"), each holder of the class (or series) of Preferred Shares in question has one vote for each share of the class (or series) in question held. Notwithstanding the foregoing, holders of Class A Preferred Shares and Class B Preferred Shares are entitled to one vote for each dollar of issue price of such shares at any meeting of holders of such shares held for the approval of amendments to the Articles as described below.

Rank

The Class A Preferred Shares of each series rank equally with the Class A Preferred Shares of all other series and rank ahead of the Class B Preferred Shares, which rank ahead of the Class C Preferred Shares, which rank ahead of the Class D Preferred Shares, which in turn rank ahead of the Common Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company. In addition, holders of Class A Preferred Shares rank prior to holders of shares of any other class of the Company ranking after the Class A Preferred Shares with respect to the payment of any return to merchant members (as such term is defined in the Articles). In the event of the liquidation, dissolution or winding-up of the Company, each holder of Preferred Shares will be entitled to receive, according to the holders' priority of rank, an amount equal to the price at which such shares were issued and (i) in the case of Class B Preferred Shares, any declared and unpaid dividends, (ii) in the case of any series of Class A Preferred Shares and Class C Preferred Shares, any accrued and unpaid dividends (if such series entitles the holders thereof to cumulative dividends) or any declared and unpaid dividends (if such series entitles the holders thereof to non-cumulative dividends), as well as the premium, if any, applicable to such series, and (iii) in the case of Class D Preferred Shares, any accrued and unpaid dividends.

Dividends

The holders of Class A Preferred Shares and Class C Preferred Shares are entitled to receive either cumulative or non-cumulative preferential dividends in such amounts and at such intervals as may be determined by the Board of Directors in respect of each series prior to the issue thereof.

The holders of Class B Preferred Shares are entitled to receive during each fiscal year of the Company, as and when declared by the Board of Directors, fixed and non-cumulative preferential dividends at the rate of \$0.06 per share per annum.

The holders of Class D Preferred Shares are entitled to receive during each fiscal year of the Company fixed and cumulative preferred dividends at the rate of four percent (4%) per annum of the subscription price per share, before any income tax deduction, as the case may be, such dividends to be payable as determined by the directors.

Redemption by the Company

Subject to the Act and to any other provision of the Articles, the Company has the right, at its option, to redeem, at any time or from time to time, part of the Class B Preferred Shares then outstanding. The redemption price consists of an amount equal to the price at which such shares were issued plus all declared and unpaid dividends with respect to such shares on the redemption date. In the event of a partial redemption, the Class B Preferred Shares to be redeemed will be chosen, to the extent possible, pro rata to the holders of all Class B Preferred Shares then outstanding.

Subject to the Act and to any other provision of the Articles, the Company is required, over a period of ten years commencing on December 2, 2003, to redeem all, and not less than all, Class D Preferred Shares then outstanding in ten equal portions, upon payment of the redemption price for each outstanding Class D Preferred Share, which redemption price consists for each share to be redeemed of an amount equal to the price at which such share was issued plus all accrued and unpaid dividends with respect to such share on the date of its redemption.

Purchase

Subject to the Act and any other provisions of the Articles, the Company has the right, at its option, at any time or from time to time, to purchase for cancellation all or part of the Class B Preferred Shares or Class D Preferred Shares, as the case may be, without the consent of holders of other shares of the class being purchased, by mutual agreement, at the lowest price at which, in the opinion of the directors of the Company, these shares may be obtained, without, however, exceeding their redemption price.

Amendments

The class provisions of any of the Preferred Shares may be amended at any time with such approval as may be required by the Act. In addition, the Articles provide that the Company shall not create other classes of shares whose rights, privileges, restrictions and conditions entitle their holders to equal or preferential treatment in relation to any class or series of Preferred Shares already issued, or repeal, amend or broaden the attributes attached to any class or series of Preferred Shares, including by amending the attributes of lower rank Preferred Shares in terms of dividends or repayment of capital, without the approval of the holders of the class (or series) of Preferred Shares in question. Such approval must be obtained by a resolution duly adopted by not less than three quarters (or two-thirds in the case of Class A Preferred Shares) of the votes cast at a meeting of holders of such class of Preferred Shares. The Articles also provide, in respect of meetings of holders of a class (or series) of Preferred Shares, that a quorum is constituted by the holders of such number of Preferred Shares of that class or series carrying at least 25% of the voting rights attached to all the outstanding Preferred Shares of that class; however, at any adjourned meeting, in the event of failure to meet the quorum requirement, the quorum will be constituted by persons present at such adjourned meeting, irrespective of the percentage of outstanding Preferred Shares of that class or series held by such persons.

C - Class A Preferred Shares, Series 5 and Class C Preferred Shares, Series 1

Dividends

The holders of the Class A Preferred Shares, Series 5 and Class C Preferred Shares, Series 1 are entitled to receive fixed, non-cumulative, preferential cash dividends, when declared by the Board of Directors, at a rate equal to 70% of the published interest rate of a designated Canadian chartered bank for its preferred commercial clients calculated on the last business day of each of the twelve months preceding the calculation date.

Purchase

Subject to the Act, the Company has the right, at its option, at any time or from time to time, to purchase for cancellation all or part of the Class A Preferred Shares, Series 5 or the Class C Preferred Shares, Series 1, as the case may be, without the consent of holders of other shares of the series being purchased, by mutual agreement, at the lowest price at which, in the opinion of the directors of the Company, the shares may be obtained, without, however, exceeding their redemption price.

Redemption by the Company

Subject to the Act, the Company has the right, at its option, to redeem, at any time, all or, from time to time, part of the Class A Preferred Shares, Series 5 or Class C Preferred Shares, Series 1, as the case may be, then outstanding. The redemption price will consist of an amount equal to the price at which such shares were issued plus all declared and unpaid dividends with respect to such shares on the redemption date. In the event of partial redemption, the Class A Preferred Shares, Series 5 or the Class C Preferred Shares, Series 1 to be redeemed will be chosen, to the extent possible, pro rata to the holders of all Class A Preferred Shares, Series 5 or Class C Preferred Shares, Series 1, as the case may be, then outstanding.

ITEM 6 - MARKET FOR SECURITIES

RONA's Common Shares are traded on the Toronto Stock Exchange under the symbol "RON". The following table indicates, for the relevant periods, the high and low trading prices and the trading volume of the Common Shares on the Toronto Stock Exchange:

2004	Common Shares ⁽¹⁾		
	High	Low	Volume
	(\$)	(\$)	(\$)
January.....	31.80	28.05	3,794,547
February.....	35.00	29.85	3,410,342
March.....	33.60	27.50	2,794,752
April.....	30.45	28.26	2,236,314
May.....	29.79	27.05	2,315,723
June.....	29.90	27.90	2,604,836
July.....	29.49	25.50	2,245,012
August.....	31.40	27.16	2,445,919
September.....	34.37	30.24	2,154,717
October.....	35.25	33.40	2,884,645
November.....	37.60	33.65	2,478,274
December (until December 26).....	42.00	37.25	3,153,538

(1) Source: The Toronto Stock Exchange Monthly Review.

ITEM 7 - ESCROWED SHARES

On December 26, 2004, RONA and National Bank Trust Inc. as Transfer Agent, entered into escrow agreements with a certain number of RONA shareholders, who escrowed the following shares of RONA:

<u>Escrowed Shares</u>	<u>Number of Escrowed Shares</u>	<u>Percentage in Relation to the Total Number of Outstanding Common Shares at December 26, 2004</u>
Common Shares	12,427,976	21.8%

A portion of the Common Shares held by the dealer-owners is pledged to the Company as security for the payment in full of all the dealer-owners' indebtedness and for the performance of all their obligations toward the Company and its subsidiaries. The release from time to time of the pledged shares essentially depends on requirements regarding security to be given, determined in accordance with the terms of the commercial licences.

ITEM 8 - DIRECTORS AND EXECUTIVE OFFICERS

A - Name, Address and Occupation

Directors

The following table sets forth the name, province or state and country of residence, position held with the Company and principal occupation of each director of the Company. It also sets forth the period during which each director has served as director. The term of office of each of the directors of the Company is one (1) year.

<u>Name, Province/State and Country of Residence</u>	<u>Principal occupation or principal position</u>	<u>Director since</u>
Alain Bouchard ⁽⁵⁾ Quebec, Canada age 56	Chairman of the Board, President and Chief Executive Officer Alimentation Couche-Tard Inc. (chain of convenience stores)	July 2001
Jacques Bougie, O.C. ⁽¹⁾⁽³⁾⁽⁶⁾ Québec, Canada age 57	Corporate director	May 2003
Pierre Brodeur ⁽³⁾⁽⁴⁾ Quebec, Canada age 57	Corporate Director	May 2004 ⁽⁸⁾
Louise Caya ⁽²⁾ Quebec, Canada age 39	Vice-President and Secretary Thomas Caya (1982) inc. (hardware store) and Vice-President Industrie Fabco Inc.	May 2002
Simon Cloutier ⁽⁴⁾ Quebec, Canada age 48	President Matériaux Decoren Inc. (hardware store), and General Manager RONA L'Entrepôt Brossard (9065-9129 Québec inc.)	May 1998

<u>Name, Province/State and Country of Residence</u>	<u>Principal occupation or principal position</u>	<u>Director since</u>
Robert Dutton Quebec, Canada age 49	President and Chief Executive Officer RONA	May 1990
André H. Gagnon Quebec, Canada age 66	President H. Gagnon & Fils (1975) Ltée, President RONA Le Régional Saint-Hyacinthe (9066-7403 Québec inc.) and Chairman of the Board of RONA	March 1972
Jean Gaulin ⁽¹⁾⁽²⁾ Texas, United States age 62	Corporate Director	May 2004
Jean-Guy Hébert ⁽⁴⁾ Quebec, Canada age 58	President Maximat Inc. (holding company), Gestion J.G. Hébert inc. and RONA Le Régional Granby (9060-4976 Québec inc.)	May 2002 ⁽⁹⁾
Monique F. Leroux ⁽¹⁾⁽⁷⁾ Quebec, Canada age 50	Senior Executive Vice-President and Chief Financial Officer Desjardins Group	May 2003
Jim Pantelidis ⁽³⁾⁽⁴⁾ Ontario, Canada age 59	Chairman of the Board President and Chief Executive Officer Fishercast Global Corporation	May 2004
Louis A. Tanguay ⁽²⁾ Quebec, Canada age 67	Corporate Director	May 1999
Jocelyn Tremblay ⁽²⁾⁽³⁾ Quebec, Canada age 63	Vice-President Corporate Affairs Vins Philippe Dandurand Inc. (wine merchants)	May 1998

(1) Member of the Audit Committee.

(2) Member of the Human Resources and Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

(4) Member of the Development Committee.

(5) Mr. Bouchard resigned from the Board of Directors of the Company on August 27, 2004.

(6) Mr. Bougie announced his intention to resign from the Board of Directors of the Company effective May 10, 2005.

(7) Ms. Leroux announced her intention to resign from the Board of Directors of the Company effective May 10, 2005.

(8) Mr. Brodeur was also a director of the Company from 1994 to 1996.

(9) Mr. Hébert was also a director of the Company from 1986 to 2001.

During the last five years, all of the Company's directors have held the principal occupations noted above except for (i) Monique F. Leroux, who was President of Desjardins Financial Corporation Inc. (holding company) and Chief Executive Officer of the Subsidiaries from August 2001 to March 2004, Senior Executive Vice-President and Chief Operating Officer of Quebecor Inc. from May 2000 to April 2001 and Senior Vice-President, Quebec, Royal Bank Financial Group from July 1997 to May 2000, (ii) Jacques Bougie, O.C., who was President and Chief Executive Officer of Alcan Inc. from 1993 until January 2001, (iii) Louis A. Tanguay who, before December 2001, held several executive positions in the BCE Inc. group of companies, and (iv) Jean Gaulin, who was the Chairman

of the Board of Ultramar Diamond Shamrock Corporation from January 1, 2000 to January 1, 2002 and President and Chief Executive Officer of Ultramar Diamond Shamrock Corporation from January 1, 1999 to January 1, 2002.

Executive Officers

The following table sets forth the name, province and country of residence and position held with the Company of each of the Company's executive officers.

<u>Name, Province and Country of Residence</u>	<u>Position within the Company</u>
Claude Bernier Quebec, Canada age 51	Executive Vice-President, Traditional Stores
France Charlebois Quebec, Canada age 46	Corporate Secretary and General Counsel
Pierre Dandoy Quebec, Canada age 45	Executive Vice-President, Big-Box Stores
Marc Dufresne Quebec, Canada age 50	Executive Vice-President, Distribution
Normand Dumont Quebec, Canada age 50	Executive Vice-President, Marketing
Robert Dutton Quebec, Canada age 49	President and Chief Executive Officer
Jean Émond Quebec, Canada age 56	Senior Vice-President, People and Culture
Claude Guévin Quebec, Canada age 44	Executive Vice-President and Chief Financial Officer
Linda Michaud ⁽¹⁾ Quebec, Canada age 50	Senior Vice-President, Information and Technology

(1) Linda Michaud was appointed to this position in 2004.

The following is a brief biography of each of the Company's executive officers:

Claude Bernier joined RONA as Director of Marketing in 1988 and was appointed RONA's National Vice-President of Marketing in 1990. He was appointed Executive Vice-President, Traditional Stores in 2001.

France Charlebois joined the Company as Director, Legal Affairs and Secretary in 1992 and was appointed Corporate Secretary and General Counsel in 2001.

Pierre Dandoy joined RONA as Executive Vice-President, Big-Box Stores in 2002. Prior to joining the Company, he had been Regional Vice-President, Eastern Canada for Wal-Mart since the end of 2000. From 1993

to 2000, Mr. Dandoy was employed by Provigo, where he held various positions, including Vice-President of Operations for the Maxi and Maxi & Cie banners in Quebec.

Marc Dufresne joined RONA as Vice-President, Strategy and Development in 2000 and was appointed Executive Vice-President, Purchasing and Logistics in 2001. From 1997 to 2000, he was Vice-President of Supplier and Manufacturer Relations at Médis. In 2004, Mr. Dufresne was promoted to the position of Executive Vice-President, Distribution.

Normand Dumont joined RONA in 1989 and was appointed Vice-President, Purchasing in 2000, then Vice-President, Marketing in 2001. Mr. Dumont was promoted to the position of Senior Vice-President, Marketing in 2003 and to the position of Executive Vice-President, Marketing in 2004.

Robert Dutton joined RONA in 1977 and was appointed Executive Vice-President and Chief Operating Officer in 1990. He was appointed President and Chief Executive Officer in 1992.

Jean Émond joined RONA as Vice-President, Human Resources & Public Affairs in 1997 and was appointed Senior Vice-President, People and Culture in 2001.

Claude Guévin joined RONA as a financial analyst responsible for special projects in 1986 and became corporate comptroller in 1991. He was appointed Vice-President, Finance and Administration in 1999 and was appointed Executive Vice-President and Chief Financial Officer in 2001.

Linda Michaud joined RONA as Vice-President, Information Systems in 1992. In 2004, Linda Michaud became Senior Vice-President, Information and Technology of RONA.

B - Security Holdings

As at December 26, 2004, the number and percentage of RONA's Common Shares beneficially owned, directly or indirectly, or over which control or direction was exercised, by directors and all the executive officers of RONA as a group were 1,064,130 and 1.87%, respectively.

C - Conflicts of Interest

The Company is not aware of any existing or potential material conflicts of interest between itself or any of its subsidiaries and a director or officer of any of the foregoing.

ITEM 9 - RISK FACTORS

In considering an investment in the Common Shares, a prospective purchaser should carefully consider the risk factors on page 27 of our 2004 Annual Report under the headings "Management's Discussion and Analysis – Risks and Uncertainties."

ITEM 10 - AUDIT COMMITTEE

A - Mandate of the Audit Committee

The Audit Committee is responsible for assisting the Board of Directors in its oversight of (i) the production of reliable financial information, (ii) the identification of the principal risks associated with the

Company's activities and the implementation of appropriate systems to manage these risks, (iii) the internal control and management information systems of the Company, (iv) the Company's compliance with the various authorities and legislation, (v) the competencies, independence and work of the external and internal auditors, and (vi) the performance of the other responsibilities set out in the Committee's mandate as well as those delegated to the Committee by the Board of Directors.

The responsibilities of the Audit Committee with respect to the review of financial information, include, among other things, (i) reviewing with management and the external auditors the annual and interim financial statements (including the notes to the financial statements), external auditors' reports (the audit report in the case of the annual financial statements and the interim review report in the case of the interim financial statements), annual and interim management's discussion and analysis, annual and interim earnings press releases, and financial information contained in prospectuses and the annual information form, (ii) recommending the approval of the above-mentioned documents by the Board of Directors before their public disclosure, (iii) reviewing the procedures in place for the review of financial information extracted or derived from the financial statements (other than the information contained in the documents listed under (i)) and periodically assessing the adequacy of those procedures, (iv) reviewing with management and the external auditors the Company's financial reporting prepared in accordance with generally accepted accounting principles, proposals for changes in accounting principles and policies of the Company, the reasonableness of provisions, reserves and estimates that may have a material effect on financial reporting and of material decisions made in connection with the presentation of the financial statements, and (v) reviewing the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

The responsibilities of the Audit Committee with respect to the oversight of the external auditors include, among other things, (i) ensuring that the external auditors report directly to the Committee, (ii) recommending to the Board of Directors the appointment or discharge of the external auditors as well as their compensation, (iii) reviewing and approving the hiring policies regarding partners, employees and former partners and employees of the present and former external auditors, (iv) having sole authority to pre-approve all non-audit services to be provided by the external auditors, (v) reviewing with the external auditors the external audit plan as well as the qualifications, independence and objectivity of the external auditors, including written statements of all relationships the external auditors have with the Company which could have an effect on independence and objectivity and recommending measures the Board of Directors should take to ensure the independence of the external auditors, (vi) being immediately responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services, including the resolution of disagreements between management and the external auditors regarding financial reporting, (vii) discussing with the external auditors the quality and not just the acceptability of the accounting principles, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the treatment preferred by the external auditors and any other material written communications between the management and the external auditors, (viii) reviewing, once a year, a report prepared by the external auditors describing their internal quality control procedures and any material issues raised by the most recent internal quality control review (or peer review) of the external auditors' firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors' firm, and any steps taken to deal with any such issues, (ix) reviewing management's actions following the recommendations of the external auditors, and (x) ensuring the rotation of lead, concurring and other audit partners, to the extent required by the Code of Ethics of the Ordre des comptables agréés du Québec.

The responsibilities of the Audit Committee with respect to the oversight of internal controls include, among other things, (i) requesting that management establish and maintain reliable internal control systems and reviewing the procedures in place to evaluate the effectiveness of such systems, (ii) reviewing with the President and Chief Executive Officer as well as the Executive Vice-President and Chief Financial Officer the process for the certifications to be provided in the Company's public disclosure documents, (iii) establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and concerns submitted by employees of the Company regarding questionable accounting or

auditing matters while ensuring the confidentiality and anonymity of communications, and (iv) reviewing the Company's insurance coverage and ensuring its adequacy.

The responsibilities of the Audit Committee with respect to risk management include, among other things, reviewing with management (i) the risk management policy and changes which should be made, (ii) its evaluation of the material risks to the Company, (iii) the programs and processes used to manage and control risks, (iv) the Company's degree of risk tolerance, and (v) the governance structure, funding, and investment policies of the Company's pension plans, and overseeing the investment management of the pension funds of the Company.

The responsibilities of the Audit Committee with respect to the oversight of the internal auditors include, among other things, (i) annually reviewing and approving the charter of the internal auditors, (ii) ensuring that the internal auditors are accountable to the Committee, (iii) reviewing and approving the annual internal audit plan, (iv) receiving and examining material internal audit reports, observations and recommendations, (v) reviewing management's actions following recommendations of the internal auditors, (vi) reviewing the independence of the internal auditors, (vii) reviewing, with the internal audit manager, difficulties encountered during the audit with respect to the scope of the mandate and access to information, and (viii) reviewing all changes with respect to the scope of the audit projects of the internal audit manager.

Finally, the responsibilities of the Audit Committee with respect to the monitoring of compliance with legal and regulatory requirements include, among other things, (i) reviewing and discussing with management, external and internal auditors and the General Counsel the effectiveness of policies and procedures to ensure compliance with laws and regulations and financial commitments, (ii) reviewing the list of the Company's material litigation as well as the measures taken by management, and (iii) reviewing tax planning that has a material financial impact on the Company.

The Audit Committee must be composed of three to five members of the Board. Each member of the Audit Committee must be an independent director and be financially literate. At least one member should have accounting or related financial expertise.

The terms "independence" and "financial literacy" have the meanings given to them in sections 1.4 and 1.5 respectively of Multilateral Instrument 52-110 Audit Committees of the Canadian Securities Administrators.

Meetings of the Audit Committee are held at least four times a year and as required. Meetings are held at the request of the Chair of the Audit Committee, any of its members, the Chairman of the Board or the President and Chief Executive Officer. Meetings are called by the Corporate Secretary of the Company, to whom a request is sent in writing. The quorum at meetings of the Committee is a majority of its members in office. From time to time, the Committee meets with management and the external and internal auditors, separately and in private. The Audit Committee periodically reports to the Board on its meetings and its recommendations.

The Audit Committee has the authority: (i) to engage independent counsel and other advisors as it sees fit to carry out its duties, (ii) to fix and pay the compensation of any advisors employed by the Audit Committee and to obtain the necessary funds from the Company, and (iii) to communicate directly with the internal and external auditors.

The Audit Committee must review this mandate at least once a year and submit any changes to the Board of Directors.

Every year, the Audit Committee assesses and reviews its performance in conjunction with the Nominating and Corporate Governance Committee. The Audit Committee reports annually to the Board of Directors on its mandate.

B - Members of the Audit Committee

The Audit Committee currently consists of three outside directors, all of whom are unrelated. The members of the Audit Committee are Monique F. Leroux, Jacques Bougie, O.C. and Jean Gaulin.

C - Description of the Financial Literacy of Members

All the members of the Audit Committee are financially literate and can understand the accounting principles used by the Company in its financial statements and assess the general application of those principles. They also have relevant experience in preparing, auditing, analysing and evaluating financial statements that present a level of complexity generally comparable with that of the Company's financial statements, or in supervising persons engaged in such activities. The members also understand the procedures and internal controls regarding the disclosure of financial information.

All the members of the Audit Committee have acquired relevant experience through their university studies, as members of the Board of Directors and as chief executives of various companies. Moreover, a number of them are or have been members of the audit committees of various companies. Thus, they have all acquired the experience and knowledge necessary to properly fulfil their role as members of the Audit Committee.

D - Auditors' Fees

The Company paid \$772,500 as fees and disbursements for audit services and the review of interim financial statements to Raymond Chabot Grant Thornton ("Raymond Chabot"), Chartered Accountants, during the financial year ended December 26, 2004. During the same year, the Company also paid Raymond Chabot \$253,493 as audit fees, \$295,597 for tax services and \$39,500 for other services.

During the financial year ended December 28, 2003, the Company paid \$578,000 as audit fees and disbursements to Raymond Chabot. During the same year, the Company also paid Raymond Chabot \$261,000 as audit fees, \$359,000 for tax services and \$80,000 for other services.

The Audit Committee must approve any engagement of the Company's external auditors.

ITEM 11 - TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is National Bank Trust Inc. at its principal offices in Montreal and Toronto.

ITEM 12 - ADDITIONAL INFORMATION

Additional information, including remuneration of directors and executive officers, loans to directors and officers, principal holders of the Company's securities, as well as options and interests of insiders in material transactions, where applicable, is contained in the Company's management proxy circular (dated March 14, 2005) for the annual general shareholders' meeting involving the election of directors to be held on May 10, 2005.

In addition, the following documents may be obtained, upon request, from the Corporate Secretary and General Counsel of the Company:

- One copy of the Annual Information Form of the Company, together with one copy of any document or the pertinent pages of any document incorporated by reference in the Annual Information Form.
- One copy of the comparative financial statements of the Company for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Company that have been filed, if any, for any period after the end of its most recently completed financial year.
- One copy of the Company's management proxy circular in respect of its most recent annual meeting of shareholders that involved the election of directors.

The Company reserves the right to request a fee for the transmission of the information set forth above, unless the request is made by a security holder of the Company or during the course of a distribution of the Company's securities by means of a prospectus. In such cases, the transmission of information will be made free of charge.

Other financial information is included in the annual financial statements of RONA for the years ended December 26, 2004 and December 28, 2003 and in the corresponding Management's Discussion and Analysis.

The documents mentioned above are available from the Corporate Secretary and General Counsel of the Company at the following address:

220 chemin du Tremblay
Boucherville, Quebec, Canada
J4B 8H7
Telephone: (514) 599-5100
or on the Company's web site address: www.rona.ca or on SEDAR: www.sedar.com.