Interim Report

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Three and six-month periods
ended May 31, 2017

MESSAGE TO SHAREHOLDERS

In the second quarter ended on May 31, 2017, we continued to grow and expand through our ongoing innovation and market development strategies, the synergies created with our acquisitions and our operational efficiency. This is reflected by our good financial performance, impeccable balance sheet, and the signing of a new acquisition in Ontario.

Therefore, our net earnings attributable to shareholders rose 14.1% to $17.6 million, or $0.30 diluted per share, up 15.4%. For the first half, net earnings increased 12.6% to $29.6 million, or $0.50 diluted per share, up 13.6%.

All our markets contributed to the 11.9% increase in second quarter sales, totalling $243.3 million, with 6.7% from internal growth and 5.2% from acquisitions. For the first half, total sales grew 8.1% to $439.2 million, with 4.7% from internal growth and 3.4% from acquisitions. In Canada, sales reached $163.7 million, an increase of 10.6%, with 5.1% due to internal growth and 5.5% to acquisitions. In the United States, they were also up 10.6%, to US$59.1 million, 6.1% from internal growth and 4.5% from acquisitions.

With a working capital of $280.7 million and a ratio of 4.3:1, a net cash of $9,3 million and an average return on equity of 17.0%, Richelieu continues to be in a strong financial position.

During the first half, we repurchased shares for $4.1 million and paid dividends of $6.6 million to shareholders. We invested $29.0 million into the Ontario acquisition and $6.3 million in equipment to improve operational efficiency.

On April 18, 2017, we purchased the principal net assets of Weston Premium Woods Inc. ("Weston"), whose distribution centre is located in Brampton, near Toronto. With its team, product lines, and operations that are fully compatible with those of Richelieu, Weston strengthens our position in the Ontario market, where we now operate eight distribution centres. We are proud of this transaction, which is increasing our annual sales by approximately $60 million. A leader in its field, Weston distributes a broad range of materials, decorative products, and high-end lumber to a clientele covering the same markets as Richelieu.

We will continue to build on our business model tailored to customers' needs, our innovation strategy, our robust network, market knowledge and integration know-how to actively pursue our business strategy in North America and post healthy results in coming quarters.

NEXT DIVIDEND PAYMENT

On July 6, 2017, the Board of Directors approved payment of a quarterly dividend of 5.67¢ per share. This dividend is payable on August 3, 2017 to shareholders of record as at July 20, 2017.

Management's discussion and analysis
of operating results and financial position
for the second quarter and first semester
ended May 31, 2017

This management report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2017 in comparison with the second quarter and first six months ended May 31, 2016, as well as the Corporation's financial position at those dates. This report should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the second quarter and first six months of 2017 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2016 Annual Report. In this management's report, "Richelieu" or the "Corporation" designates, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Supplementary information, including certificates for the interim period ended May 31, 2017 signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to July 6, 2017, on which date the unaudited consolidated interim financial statements and interim management's report were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the second quarter and first six months ended May 31, 2017 have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") because this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted financial indicator of a Corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or the net earnings attributable to shareholders of the Corporation, as an indicator of financial performance or cash flows, or as a measure of liquidities. Since EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses cash flows from operating activities and cash flows from operating activities per share. Cash flows from operating activities are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) and share-based compensation expense. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. Therefore, cash flows from operating activities may not be comparable to the cash flows from operating activities of other companies.

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this management's report, including statements relating to the expected sufficiency of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context and access other external financing, the closing of new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith regarding future events. Assumptions are that economic conditions and exchange rates will not significantly deteriorate, the Corporation's deliveries will be sufficient to fulfill Richelieu's needs, the availability of credit will remain stable during the year and no extraordinary events will require supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are given, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability, as well as other factors set forth in the Corporation's 2016 Annual Report (see the "Risk Factors" section on page 33 of the 2016 Annual Report available on SEDAR at www.sedar.com).

Richelieu's actual results could differ materially from those indicated or underlying these forward-looking statements. The reader is therefore recommended not to unduly rely on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that may be announced or occur subsequent to the date hereof. Richelieu undertakes no obligation to update or revise the forward-looking statements to account for new events or new circumstances, except where provided for by applicable legislation.

GENERAL BUSINESS OVERVIEW
as at May 31, 2017

Richelieu is a leading North American importer, distributor and manufacturer of specialty hardware and related products.

Its products are targeted to an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers, and hardware retailers including renovation superstores. The residential and commercial renovation industry is the Corporation's major source of growth.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of over 110,000 different items targeted to a base of more than 80,000 customers served through 70 centres in North America - 37 distribution centres in Canada, 31 distribution centres in the United States and two manufacturing plants in Canada.

Main product categories include furniture, glass and building decorative and functional hardware, lighting systems, finishing and decorating products, ergonomic workstation components, kitchen and closet storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates and floor protection products. This offering is completed by the Corporation's two subsidiaries, Les Industries Cedan Inc. and Menuiserie des Pins Ltée, which manufacture a variety of veneer sheets and edgebanding products as well as a broad selection of decorative mouldings and components for the window and door industry. In addition, many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 2,000 people at its head office and throughout its network, close to half of whom work in marketing, sales and customer service. More than 50% of the Corporation's employees are Richelieu shareholders.

MISSION AND STRATEGY

Richelieu's mission is to create shareholder value and contribute to its customers' growth and success, while favouring a business culture focused on quality of service and results, partnership and entrepreneurship.

To sustain its growth and remain the leader in its specialty market, the Corporation continues to implement the strategy that has benefited it until now, with a focus on:

- continuing to strengthen its product selection by annually introducing diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- expanding in North America through the opening of distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

Richelieu's solid and efficient organization, highly diversified product selection and long-term relationships with leading suppliers worldwide, position it to compete effectively in a fragmented market consisting mainly of a host of regional distributors offering a limited range of products.

FINANCIAL HIGHLIGHTS
(unaudited)

Periods ended May 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 months			6 months		
	2017 **$**	2016 $	Δ (%)	**2017** **$**	2016 $	Δ (%)
Sales	**243,269**	217,413	+11.9	**439,178**	406,322	+8.1
EBITDA(1)	**26,648**	23,074	+15.5	**44,989**	39,784	+13.1
EBITDA margin (%)	***11.0***	*10.6*		***10.2***	*9.8*	
Net earnings	**17,646**	15,478	+14.0	**29,603**	26,321	+12.5
Net earnings attributable to shareholders of the Corporation	**17,587**	15,408	+14.1	**29,585**	26,269	+12.6
• basic per share ($)	**0.30**	0.27	+11.1	**0.51**	0.45	+13.3
• diluted per share ($)	**0.30**	0.26	+15.4	**0.50**	0.44	+13.6
Net margin attributable to the shareholders of the Corporation(%)	***7.2***	*7.1*		***6.7***	*6.5*	
Cash flows from operating activities(2)	**20,893**	18,059	+15.7	**35,823**	31,431	+14.0
• diluted per share ($)	**0.36**	0.31	+16.1	**0.61**	0.53	+15.1
Dividends paid on shares	**3,287**	3,094	+6.2	**6,573**	6,212	+5.8
• per share ($)	**0.0567**	**0.0533**	+6.4	**0.1134**	**0.1066**	+6.4
Weighted average number of shares outstanding (diluted) (in thousands)	**58,751**	58,820		**58,716**	59,037	

Financial position data

As at	**May 31** **2017** $	November 30 2016 $	Δ (%)
Total assets	**510,391**	486,046	+5.0
Working capital	**280,741**	280,747	—
Current ratio	***4.3 : 1***	***4.4 : 1***	
Equity attributable to shareholders of the Corporation	**415,427**	394,268	+5.4
Return on average equity (%)	***17.0***	*16.6*	
Book value ($)	**7.18**	6.81	+5.4
Total debt	**7,064**	4,864	
Cash and cash equivalents	**16,391**	42,969	

(1) EBITDA is a non-IFRS measure, as indicated on page 2 of this report.
(2) Cash flows from operating activities and cash flows from operating activities per share are non-IFRS measures,as indicated on page 2 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2017 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2016

Consolidated sales

(in thousands of $, except exchange rate)

Periods ended May 31	3 months 2017 $	2016 $	Δ (%)	6 months 2017 $	2016 $	Δ (%)
Canada	**163,664**	148,001	+10.6	**289,300**	268,299	+7.8
United States(CA$)	**79,605**	69,412	+14.7	**149,878**	138,023	+8.6
(US$)	**59,051**	53,389	+10.6	**112,258**	102,727	+9.3
Average exchange rate	***1.3481***	*1.3001*		***1.3351***	*1.3436*	
Consolidated sales	**243,269**	217,413	+11.9	**439,178**	406,322	+8.1

Second-quarter consolidated sales amounted to $243.3 million, compared with $217.4 million for the corresponding quarter of 2016, an increase of $25.9 million or 11.9%, of which 6.7% from internal growth and 5.2% from acquisitions. At comparable exchange rates to the second quarter of 2016, the consolidated sales growth would have been 10.6% for the quarter ended May 31, 2017.

Richelieu achieved sales of $207.7 million in the **manufacturers** market, compared with $186.5 million for the second quarter of 2016, an increase of $21.2 million. All market segments contributed to this 11.4% increase, of which 5.3% resulted from internal growth and 6.1% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $35.6 million, up by $4.7 million or 15.2% over the second quarter of 2016.

In Canada, Richelieu recorded sales of $163.7 million, an increase of $15.7 million or 10.6% over the second quarter of 2016, of which 5.1% from internal growth and 5.5% from acquisitions. Sales to **manufacturers** amounted to $131.7 million compared with $120.4 million an increase of 9.4% of which 2.7% from internal growth and 6.7% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to $32.0 million, up by $4.4 million or 15.9% over the corresponding quarter of 2016. This growth results primarily from market share gain, seasonal sales and, to a lesser extent, from the increase in some selling prices.

In the United States, sales totalled US$59.1 million, compared with US $53.4 million for the second quarter of 2016, an increase of US$5.7 million or 10.6%, of which 6.1% from internal growth and 4.5% from acquisitions. Sales to **manufacturers** amounted to US$56.4 million, compared to $50.8 million, an increase of 11.0% over the second quarter of 2016, of which 6.3% from internal growth and 4.7% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 3.1% from the corresponding quarter of 2016. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $79.6 million, compared with $69.4 million, an increase of 14.7%. They accounted for 32.7% of consolidated sales for the second quarter of 2017, whereas they had represented 31.9% of the period's consolidated sales for the second quarter of 2016.

First-half, consolidated sales reached $439.2 million, an increase of $32.9 million or 8.1% over the first six months of 2016, of which 4.7% from internal growth and 3.4% from acquisitions.

Sales to **manufacturers** grew to $372.7 million, compared with $347.0 million for the first six months of 2016, an increase of $25.7 million or 7.4%, of which 3.4% from internal growth and 4.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 12.1% or $7.2 million to total $66.5 million.

In Canada, Richelieu achieved sales of $289.3 million, compared with $268.3 million for the first six months of 2016, up by $21.0 million or 7.8%, of which 4.8% from internal growth and 3.0% from acquisitions. Sales to **manufacturers** rose to $230.1 million, up by $13.9 million or 6.4% of which 2.7% from internal growth and 3.7% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $59.2 million, compared with $52.1 million, up by $7.1 million or 13.6% over the first half of 2016. This growth results primarily from market share gain, the addition of new customers and, to a lesser extent, from the increase in some selling prices.

In the United States, the Corporation recorded sales of US$112.3 million, compared with US$102.7 million for the first six months of 2016, an increase of US$9.6 million or 9.3%, of which 5.0% from internal growth and 4.3% from acquisitions. Sales to **manufacturers** totalled US$106.8 million, compared with US$97.4 million, an increase of US$9.4 million or 9.7% over the first half of 2016, of which 5.2% from internal growth and 4.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 3.8% from the corresponding period of 2016. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $149.9 million, compared with $138.0 million for the corresponding six months of 2016, an increase of 8.6%. They accounted for 34.1% of consolidated sales for the first half of 2017, whereas they had represented 34.0% of the period's consolidated sales for the first six months of 2016.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 months 2017 $	2016 $	Δ (%)	6 months 2017 $	2016 $	Δ (%)
Sales	**243,269**	217,413	+11.9	**439,178**	406,322	+8.1
EBITDA	**26,648**	23,074	+15.5	**44,989**	39,784	+13.1
EBITDA margin (%)	***11.0***	*10.6*		***10.2***	*9.8*	

Second-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to $26.6 million, up by $3.6 million or 15.5% over the second quarter of 2016. The **gross margin** and the **EBITDA margin** improved during the second quarter of 2017. They had declined in the second quarter of 2016 because of the spike in the US and euro currencies which had an upward effect on the supply costs of some products, consequently **EBITDA margin** stood at 11.0%, compared with 10.6% for the second quarter of 2016.

First-half, earnings before income taxes, interest and amortization (EBITDA) totalled $45.0 million, up by $5.2 million or 13.1% over the first six months of 2016. The **gross margin** and the **EBITDA margin** improved during the first half of 2017 and stood at 10.2%, compared with 9.8% for the first six months of 2016.

Consolidated net earnings attributable to shareholders						
(in thousands of $, unless otherwise indicated)						
	3 months			6 months		
Periods ended	**2017**	2016		**2017**	2016	
May 31	**$**	$	Δ (%)	**$**	$	Δ (%)
EBITDA	**26,648**	23,074	+15.5	**44,989**	39,784	+13.1
Amortization of property, plant and equipment and intangible assets	**2,791**	2,317		**5,428**	4,624	
Financial cost, net	**(57)**	112		**(141)**	88	
Income taxes	**6,268**	5,167		**10,099**	8,751	
Net earnings	**17,646**	15,478	+14.0	**29,603**	26,321	+12.5
Net earnings attributable to shareholders of the Corporation	**17,587**	15,408	+14.1	**29,585**	26,269	+12.6
Net margin attributable to the shareholders of the Corporation(%)	***7.2***	*7.1*		***6.7***	*6.5*	
Non-controlling interests	**59**	70		**18**	52	
Net earnings	**17,646**	15,478	+14.0	**29,603**	26,321	+12.5

Second-quarter net earnings grew by 14.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $17.6 million, up by 14.1% over the second quarter of 2016. **Net earnings per share** rose to $0.30 basic and diluted, compared with $0.27 basic and $0.26 diluted for the second quarter of 2016, an increase of 11.1% and 15.4%.

Comprehensive income amounted to $19.3 million, considering a positive adjustment of $1.7 million on translation of the financial statements of the subsidiary in the United States, compared with $12.6 million for the second quarter of 2016, considering a negative adjustment of $2.9 million on translation of the financial statements of the subsidiary in the United States.

First-half, net earnings grew by 12.5%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $29.6 million, up by 12.6% over the corresponding six months of 2016. **Net earnings per share** amounted to $0.51 basic and $0.50 diluted, compared with $0.45 basic and 0.44 $ diluted for the first half of 2016, an increase of 13.3% and 13.6% respectively.

Comprehensive income totalled $30.1 million, considering a positive adjustment of $0.5 million on translation of the financial statements of the subsidiary in the United States, compared with $24.5 million for the first half of 2016, considering a negative adjustment of $1.8 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS

(unaudited)
(in thousands of $, except per-share amounts)

Quarters	1	2	3	4
2017				
o Sales	**195,909**	**243,269**		
o EBITDA	**18,341**	**26,648**		
o Net earnings attributable to shareholders of the Corporation	**11,998**	**17,587**		
basic per share	**0.21**	**0.30**		
diluted per share	**0.20**	**0.30**		
2016				
o Sales	188,909	217,413	220,155	217,996
o EBITDA	16,710	23,074	25,942	28,696
o Net earnings attributable to shareholders of the Corporation	10,861	15,408	17,331	19,214
basic per share	0.19	0.27	0.30	0.33
diluted per share	0.18	0.26	0.30	0.33
2015				
o Sales	159,319	190,801	199,457	200,069
o EBITDA	15,706	21,878	24,394	25,703
o Net earnings attributable to shareholders of the Corporation	10,216	14,653	16,340	17,530
basic per share	0.17	0.25	0.28	0.30
diluted per share	0.17	0.25	0.28	0.30

Quarterly variations in earnings - The first quarter closed at the end of February is generally the year's weakest for Richelieu in light of the smaller number of business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

FINANCIAL POSITION

Analysis of principal cash flows for the second quarter and first six months ended May 31, 2017

Change in cash and cash equivalents and capital resources				
(in thousands of $, unless otherwise indicated)				
	3 months		6 months	
Periods ended May 31	**2017 $**	2016 $	**2017 $**	2016 $
Cash flows provided by (used for):				
Operating activities	**17,181**	15,751	**19,718**	9,410
Financing activities	**(6,038)**	(6,436)	**(10,919)**	(23,755)
Investing activities	**(31,114)**	(7,346)	**(35,290)**	(14,900)
Effect of exchange rate fluctuations	**(53)**	93	**(87)**	19
Net change in cash and cash equivalents	**(20,024)**	2,062	**(26,578)**	(29,226)
Cash and cash equivalents, beginning of period	**36,415**	(1,834)	**42,969**	29,454
Cash and cash equivalents end of period	**16,391**	228	**16,391**	228

	As at May 31 2017 $	As at November 30 2016 $
Working capital	**280,741**	280,747
Renewable line of credit (CA$)	**50,000**	26,000
Renewable line of credit (US$)	**6,000**	6,000

Operating activities

Second-quarter cash flows from operating activities (before net change in working capital balances) amounted to $20.9 million or $0.36 per share, compared with $18.1 million or $0.31 per share for the second quarter of 2016, an increase of 15.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $3.7 million, reflecting the change in inventories and accounts payable ($4.4 million), whereas the change in accounts receivable and other items used cash flows of $8.1 million. Consequently, operating activities provided cash flows of $17.2 million, compared with $15.8 million for the second quarter of 2016.

First-half, cash flows from operating activities (before net change in working capital balances) reached $35.8 million or $0.61 per share, compared with $31.4 million or $0.53 per share for the first six months of 2016, an increase of 15.1% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $16.1 million, primarily representing changes in accounts receivable. Consequently, operating activities provided cash flows of $19.7 million compared with $9.4 million for the first six months of 2016.

Financing activities

Second-quarter financing activities used cash flows of $6.0 million, compared with $6.4 million for the second quarter of 2016. This change mainly reflects the Corporation's repurchase of common shares for cancellation for $2.9 million during the second quarter of 2017 compared with $3.7 million for the corresponding quarter of 2016.

First-half, financing activities used cash flows of $10.9 million, compared with $23.8 million for the first half of 2016. During the first half of the year, Richelieu repurchased common shares for cancellation for $4.1 million, compared with $17.7 million in the first half of 2016. The Corporation paid dividends to shareholders of $6.6 million, up by 5.4% over the first six months of 2016.

Investing activities

Second-quarter investing activities represented a cash outflow of $31.1 million, of which $29.0 million for a business acquisition and $2.1 million, primarily for equipment to improve operational efficiency.

First-half, investing activities represented a total cash outflow of $35.3 million, of which $29.0 million for a business acquisition and $6.3 million, primarily for equipment to improve operational efficiency.

Sources of financing

As at May 31, 2017, cash and cash equivalents amounted to $16.4 million, compared with $43.0 million as at November 30, 2016. This change primarily reflects the investing activities made over the period. The Corporation posted a **working capital** of $280.7 million for a current ratio of 4.3:1, compared with $280.7 million (4.4:1 ratio) as at November 30, 2016.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities between now and the end of 2017. The Corporation benefits from an authorized line of credit of $50 million as well as a line of credit of US$6 million renewable annually and bearing interest respectively at prime and base rates. In addition, Richelieu considers it could obtain access to other outside financing if necessary.

Analysis of financial position as at May 31, 2017

Summary financial position

(in thousands of $, except exchange rate)

As at	**May 31 2017 $**	November 30 2016 $
Current assets	**366,463**	362,803
Non-current assets	**143,928**	123,243
Total	**510,391**	486,046
Current liabilities	**85,722**	82,056
Non-current liabilities	**5,350**	5,679
Equity attributable to shareholders of the Corporation	**415,427**	394,268
Non-controlling interests	**3,892**	4,043
Total	**510,391**	486,046
Exchange rate on translation of a subsidiary in the United States	***1.350***	*1.343*

Assets

Total assets amounted to $510.4 million as at May 31, 2017, compared with $486.0 million as at November 30, 2016. **Current assets** increased by 1.0% or $3.7 million from November 30, 2016. **Non-current assets** increased by 16.8%. This change is mainly due to the increase in intangible assets resulting from the business acquisition carried out during the second quarter of 2017.

Cash position

(in thousands of $)

As at	**May 31 2017 $**	November 30 2016 $
Current portion of long-term debt	**6,844**	4,336
Long term-debt	**220**	528
Total debt	**7,064**	4,864
Cash and cash equivalents	***16,391***	*42,969*

The Corporation continues to benefit from a healthy and solid financial position. As at May 31, 2017**, total debt** was $7.1 million, of which $0.2 million in long-term debt and $6.8 million in short-term debt representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $415.4 million as at May 31, 2017, compared with $394.3 million as at November 30, 2016, an increase of $21.2 million stemming primarily from a growth of $19.0 million in retained earnings which amounted to $355.8 million, and of $1.7 million in share capital and contributed surplus, whereas accumulated other comprehensive income increased by $0.5 million. As at May 31, 2017, **the book value per share** was $7.18, up by 5.4% over November 30, 2016.

As at May 31, 2017, at the close of markets, the Corporation's **share capital** consisted of 57,883,916 common shares (57,920,466 shares as at November 30, 2016). During the first half of 2017, the Corporation issued 109,650 common shares at an average price of $8.42 (281,559 in 2016 at an average price of $8.42) upon the exercise of options under its stock option plan. As at May 31, 2017, 1,863,311 stock options were outstanding (1,650,086 as at November 30, 2016). Furthermore, during the first half of 2017, the Corporation repurchased 146,200 common shares for cancellation for a cash consideration of $4.1 million, compared with 1,004,700 common share repurchase for an amount of $17.7 million during the year of 2016.

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth on page 32 of the Corporation's 2016 Annual Report, available on SEDAR at www.sedar.com. For 2017 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2016 Annual Report, available on SEDAR at www.sedar.com**,** management has designed and evaluated internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P) to provide reasonable assurance that the Corporation's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings*, the design and the effectiveness of internal controls over financial reporting as at November 30, 2016. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting (ICFR and DC&P) were effective. During the quarter ended May 31, 2017, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and may not prevent or detect misstatements. In addition, projections of an assessment of effectiveness in future periods carry the risk that controls will become inappropriate as a result of changes in conditions or if the degree of conformity with standards and methods should deteriorate.

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim consolidated financial statements for the quarter ended May 31, 2017 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended May 31, 2017 presents the accounting policies recently released and applicable in the future.

The interim consolidated financial statements were prepared in accordance with the accounting methods that the Corporation adopted for the establishment of its consolidated financial statements as at November 30, 2016 and for the year ended on that date and require management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and appearing in the accompanying notes, which could be modified. The estimates are based on management's knowledge of current events, on the measures the Corporation could take in the future and on other factors deemed relevant and reasonable.

Risk factors are described in the "Risk Factors" section on page 33 of Richelieu's 2016 Annual Report, available on SEDAR at www.sedar.com.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at www.sedar.com.

President and Chief Executive Officer	Vice-President and Chief Financial Officer
Richard Lord	**Antoine Auclair**

July 6, 2017

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the periods of three and six months ended May 31, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]
[Unaudited]

	Notes	As at May 31, 2017 $	As at November 30, 2016 $
ASSETS			
Current assets			
Cash and cash equivalents		**16,391**	42,969
Accounts receivable		**132,408**	109,867
Inventories		**214,238**	207,803
Prepaid expenses		**3,426**	2,164
		366,463	362,803
Non-current assets			
Property, plant and equipment		**35,937**	33,258
Intangible assets		**33,001**	22,881
Goodwill		**69,721**	62,256
Deferred taxes		**5,269**	4,848
		510,391	486,046
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**78,127**	75,764
Income taxes payable		**751**	1,956
Current portion of long-term debt		**6,844**	4,336
		85,722	82,056
Non-current liabilities			
Long-term debt		**220**	528
Deferred taxes		**3,239**	3,239
Other liabilities		**1,891**	1,912
		91,072	87,735
Equity			
Share capital	4	**37,122**	36,050
Contributed surplus		**2,074**	1,417
Retained earnings		**355,813**	336,835
Accumulated other comprehensive income	5	**20,418**	19,966
Equity attributable to shareholders of the Corporation		**415,427**	394,268
Non-controlling interests		**3,892**	4,043
		419,319	398,311
		510,391	486,046

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board of Directors :

Richard Lord
Director

Mathieu Gauvin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the three and six-month periods ended May 31 [In thousands of dollars, except earnings per share]
[Unaudited]

		For the three months ended May 31,		For the six months ended May 31,	
		2017	2016	**2017**	2016
	Notes	**$**	$	**$**	$
Sales		**243,269**	217,413	**439,178**	406,322
Operating expenses excluding amortization	6	**216,621**	194,339	**394,189**	366,538
Earnings before amortization, financial costs and income taxes		**26,648**	23,074	**44,989**	39,784
Amortization of property, plant and equipment		**1,869**	1,573	**3,685**	3,153
Amortization of intangible assets		**922**	744	**1,743**	1,471
Financial costs, net		**(57)**	112	**(141)**	88
		2,734	2,429	**5,287**	4,712
Earnings before income taxes		**23,914**	20,645	**39,702**	35,072
Income taxes		**6,268**	5,167	**10,099**	8,751
Net earnings		**17,646**	15,478	**29,603**	26,321
Net earnings attributable to:					
Shareholders of the Corporation		**17,587**	15,408	**29,585**	26,269
Non-controlling interests		**59**	70	**18**	52
		17,646	15,478	**29,603**	26,321
Net earnings per share attributable to shareholders of the Corporation					
Basic		**0.30**	0.27	**0.51**	0.45
Diluted		**0.30**	0.26	**0.50**	0.44

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six-month periods ended May 31 [In thousands of dollars]
[Unaudited]

		For the three months ended May 31,		For the six months ended May 31,	
		2017	2016	**2017**	2016
	Notes	**$**	$	**$**	$
Net earnings		**17,646**	15,478	**29,603**	26,321
Other comprehensive income that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	5	**1,674**	(2,902)	**452**	(1,809)
Comprehensive income		**19,320**	12,576	**30,055**	24,512
Comprehensive income attributable to:					
Shareholders of the Corporation		**19,261**	12,506	**30,037**	24,460
Non-controlling interests		**59**	70	**18**	52
		19,320	12,576	**30,055**	24,512

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended May 31 [In thousands of dollars]
[Unaudited]

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
	$	$	$	$	$	$	$
Notes	4			5			
Balance as at November 30, 2015	33,566	1,265	308,904	19,150	362,885	3,922	366,807
Net earnings	—	—	26,269	—	26,269	52	26,321
Other comprehensive income	—	—	—	(1,809)	(1,809)	—	(1,809)
Comprehensive income	—	—	26,269	(1,809)	24,460	52	24,512
Shares repurchased	(462)	—	(17,277)	—	(17,739)	—	(17,739)
Stock options exercised	616	(132)	—	—	484	—	484
Share-based compensation expense	—	313	—	—	313	—	313
Dividends *[note 9]*	—	—	(6,212)	—	(6,212)	(67)	(6,279)
Other liabilities	—	—	—	—	—	(1)	(1)
	154	181	(23,489)	—	(23,154)	(68)	(23,222)
Balance as at May 31, 2016	33,720	1,446	311,684	17,341	364,191	3,906	368,097
Balance as at November 30, 2016	**36,050**	**1,417**	**336,835**	**19,966**	**394,268**	**4,043**	**398,311**
Net earnings	**—**	**—**	**29,585**	**—**	**29,585**	**18**	**29,603**
Other comprehensive income	**—**	**—**	**—**	**452**	**452**	**—**	**452**
Comprehensive income	**—**	**—**	**29,585**	**452**	**30,037**	**18**	**30,055**
Shares repurchased	**(93)**	**—**	**(4,034)**	**—**	**(4,127)**	**—**	**(4,127)**
Stock options exercised	**1,165**	**(242)**	**—**	**—**	**923**	**—**	**923**
Share-based compensation expense	**—**	**899**	**—**	**—**	**899**	**—**	**899**
Dividends *[note 9]*	**—**	**—**	**(6,573)**	**—**	**(6,573)**	**(190)**	**(6,763)**
Other liabilities	**—**	**—**	**—**	**—**	**—**	**21**	**21**
	1,072	**657**	**(10,607)**	**—**	**(8,878)**	**(169)**	**(9,047)**
Balance as at May 31, 2017	**37,122**	**2,074**	**355,813**	**20,418**	**415,427**	**3,892**	**419,319**

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six-month periods ended May 31 [In thousands of dollars]
[Unaudited]

	Notes	For the three months ended May 31,		For the six months ended May 31,	
		2017	2016	**2017**	2016
		$	$	**$**	$
OPERATING ACTIVITIES					
Net earnings		**17,646**	15,478	**29,603**	26,321
Items not affecting cash					
Amortization of property, plant and equipment		**1,869**	1,573	**3,685**	3,153
Amortization of intangible assets		**922**	744	**1,743**	1,471
Deferred taxes		**(204)**	—	**(401)**	(69)
Share-based compensation expense	4	**660**	264	**1,193**	555
		20,893	18,059	**35,823**	31,431
Net change in non-cash working capital balances		**(3,712)**	(2,308)	**(16,105)**	(22,021)
		17,181	15,751	**19,718**	9,410
FINANCING ACTIVITIES					
Repayment of long-term debt		**(267)**	—	**(952)**	(221)
Dividends paid to Shareholders of the Parent Corporation	9	**(3,287)**	(3,094)	**(6,573)**	(6,212)
Other dividends paid		—	—	**(190)**	(67)
Common shares issued		**392**	341	**923**	484
Common shares repurchased for cancellation		**(2,876)**	(3,683)	**(4,127)**	(17,739)
		(6,038)	(6,436)	**(10,919)**	(23,755)
INVESTING ACTIVITIES					
Business acquisitions	3	**(29,000)**	(4,597)	**(29,000)**	(8,859)
Additions to property, plant and equipment and intangible assets		**(2,114)**	(2,749)	**(6,290)**	(6,041)
		(31,114)	(7,346)	**(35,290)**	(14,900)
Effect of exchange rate changes on cash and cash equivalents		**(53)**	93	**(87)**	19
Net change in cash and cash equivalents		**(20,024)**	2,062	**(26,578)**	(29,226)
Cash and cash equivalents, beginning of period		**36,415**	(1,834)	**42,969**	29,454
Cash and cash equivalents, end of period		**16,391**	228	**16,391**	228
Supplementary information					
Income taxes paid		**5,194**	5,147	**11,707**	12,056
Interest paid (received), net		**(57)**	112	**(141)**	88

See accompanying notes to the interim consolidated financial statements.

May 31, 2017 and 2016 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Corporation"] is incorporated under the laws of Quebec, Canada. The Corporation is a distributor, importer, and manufacturer of specialty hardware and complementary products. Its products are targeted to an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers and hardware retailers including renovation superstores. The Corporation's head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Corporation's interim consolidated financial statements, presented in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"], more specifically with IAS 34, *Interim Financial Reporting.*

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing the annual consolidated financial statements as at November 30, 2016 and for the year ended at this date, and requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable. In management's opinion, these interim consolidated financial statements reflect all the adjustments required for a fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year as the operating level of the Corporation is subject to seasonal fluctuations. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes included in the Corporation's annual report for the fiscal year 2016.

2. CHANGES IN ACCOUNTING METHODS

Adopted in 2017

IAS 1, Presentation of Financial Statements

IAS 1 *Presentation of Financial Statements* clarifies materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. The Corporation considers that the application of IAS 1 has no significant impact on its consolidated financial statements.

Recently issued and not yet adopted

IFRS 9, Financial Instruments

In July 2014, IFRS 9 *Financial Instruments* replaced IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 introduces a revised approach for the classification of financial assets based on the characteristics of the contractual cash flows of the financial assets. IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk-management activities. IFRS 9 is effective for fiscal years beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 15, Revenue from contracts with customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue,* IAS 11, *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 is effective for fiscal years beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 16, Leases

IFRS 16 *Leases* brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations and is effective for fiscal years beginning on or after January 1st, 2019, with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

The Corporation will assess, in due course, the impact these new standards will have on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

2017

On April 18, 2017, the Corporation purchased the principal net assets of Weston Premium Woods Inc., a distributor of materials, decorative products and hardwoods located in Brampton, Ontario.

During the six-month period ending May 31, 2017, this acquisition generated sales of $8.2 million. If this acquisition had been acquired on December 1st, 2016, management believes that the sales included in the consolidated statement of earnings would have been approximately $30 million.

2016

On August 18, 2016, the Corporation purchased the principal net assets of Neils Sorenson Hardware, Inc., a specialty hardware distributor located in Portland, Maine.

On May 16, 2016, the Corporation purchased the principal net assets of Eveready Hardware Manufacturing Co., Inc., a specialty hardware distributor located in Long Island City, New York.

On April 18, 2016, the Corporation purchased the principal net assets of JFH Corporation, a specialty hardware distributor located in Memphis, Tennessee.

On December 14, 2015, the Corporation acquired all outstanding common shares of Cabinetmakers Supply, Inc. (doing business as Cornerstone Hardware & Supplies), a specialty hardware distributor located in Houston, Texas.

The purchase price allocations, at the transaction date is summarized as follows:

	2017
	$
Current assets acquired	**15,117**
Non current assets acquired	**19,262**
	34,379
Non-current liabilities assumed	**1,879**
Net assets acquired	**32,500**
Considerations	
Cash, net of cash acquired	**29,000**
Considerations payable	**3,500**
	32,500

4. SHARE CAPITAL

Authorized

Unlimited number of:

Common shares, participating, entitling the holder to one vote per share.

Non-voting first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Changes in common shares are summarized as follows:

(in thousands)	Number of shares	$
Outstanding, November 30, 2015	58,644	33,566
Issued	282	3,062
Repurchased	(1,005)	(578)
Outstanding, November 30, 2016	**57,921**	**36,050**
Issued	**110**	**1,165**
Repurchased	**(146)**	**(93)**
Outstanding, May 31, 2017	**57,885**	**37,122**

During the six-month period ended May 31, 2017, the Corporation issued 109,650 common shares [2016 - 281,559] at an average price of $8.42 per share [2016 - $8.42] pursuant to the exercise of options under the share option plan. In addition, during the six-month period ended May 31, 2017, the Corporation repurchased 146,200 common shares for cancellation in consideration of $4,127, which resulted in a premium on the redemption in the amount of $4,034, recorded in reduction of retained earnings [2016 - 1,004,700 common shares in consideration of $17,739 which resulted in a premium on the redemption in the amount of $17,277].

Stock option plan

Changes in stock options are summarized as follows:

(in thousands)	Number of options	Weighted average share price $
Outstanding, November 30, 2015	1,579	10.70
Granted	357	22.31
Exercised	(282)	8.42
Cancelled	(4)	18.93
Outstanding, November 30, 2016	**1,650**	**13.58**
Granted	**330**	**25.71**
Exercised	**(110)**	**8.42**
Cancelled	**(7)**	**22.12**
Outstanding, May 31, 2017	**1,863**	**16.00**

Stock options granted during the six-month period ended May 31, 2017 have an average fair value of $5.93 per option [2016 - $4.21] as determined using the Black & Scholes option pricing model using an expected dividend yield of 0.9% [2016 - 1.0%], a volatility of 20% [2016 - 20%], a risk free interest rate of 1.86% [2016 - 1.24%] and an expected life of 7 years [2016 - 7 years]. For the three and six-month periods ended May 31, 2017, the compensation expense related to stock options amounted to $487 and $899 [2016 - $154 and $313] and is recognized under *Operating expenses excluding amortization and financial costs*. As at May 31, 2017, stock options outstanding had exercise price varying from $5.57 to $26.29 [stock options outstanding as at November 30, 2016 had an exercise price varying from $5.57 to $26.29].

Deferred share unit plan

The financial liability resulting from the DSU plan of $6,844 [November 30, 2016 - $5,847] is presented under the *Accounts payable and accrued liabilities*. As at May 31, 2017, the fair value of the equity swaps amounted to an asset of $244 [November 30, 2016 - amounted to an asset of $467] and is presented under *Accounts receivable*. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSUs during the three and six-month periods ended May 31, 2017, amounted to $173 and $294 [2016 - $110 and $242] and is recognized under *Operating expenses excluding amortization*.

Share purchase plan

Compensation expense related to the share purchase plan amounted to $151 and $312 for the three and six-month periods ended May 31, 2017 [2016 - $135 and $282] and is recognized under *Operating expenses excluding amortization*.

Net earnings per share

Net earnings per share, basic and diluted, were calculated based on the following number of shares:

	For the three months ended May 31,		For the six months ended May 31,	
(in thousands)	**2017**	2016	**2017**	2016
Weighted average number of shares outstanding - Basic	**57,923**	58,007	**57,928**	58,229
Dilutive effect under stock option plan	**828**	813	**788**	808
Weighted average number of shares outstanding - Diluted	**58,751**	58,820	**58,716**	59,037

5. ACCUMULATED COMPREHENSIVE INCOME

The accumulated other comprehensive income, including the following items and their variances, were as follows:

	For the three months ended May 31,		For the six months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Balance at the beginning of the period	**18,744**	20,243	**19,966**	19,150
Exchange differences on translation of foreign operations	**1,674**	(2,902)	**452**	(1,809)
Balance at the end of the period	**20,418**	17,341	**20,418**	17,341

6. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair value

The carrying value of long-term debt approximates their fair value because of the short maturity on balances of sale payable. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

As at May 31, 2017, the fair value of the foreign exchange forward contracts amounted to an asset of $82 [asset of $228 as at November 30, 2016] representing the amount the Corporation would collect on settlement of these contracts at spot rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

May 31, 2017 and 2016 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Credit risk

The Corporation sells its products to numerous customers in Canada, and in a lesser proportion in the United States. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Corporation. The average days outstanding of accounts receivable, as at May 31, 2017 is acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of customers and generally does not require collateral. The allowance for doubtful accounts has increased by $658 and $1,252 [2016 - $647 and $1,206] during the three and six-month periods ended May 31, 2017 for a total of $7,575 as at May 31, 2017 [November 30, 2016 - $6,323].

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and euro. Operating expenses included, for the three and six-month periods ended May 31, 2017, an exchange gain of $231 and $757 [2016 - gain of $107 and a loss of $71].

The Corporation's policy is to maintain its purchase price and selling prices of its commercial activities by mitigating its exposure by use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange contracts are used. Major exchange risks are covered by a centralized cash flow management. Exchange rate risks are managed in accordance with the Corporation's policy on exchange risk management. The goal of this policy is to protect the Corporation's profits by reducing the exposure to exchange rate fluctuations. The Corporation's policy does not allow speculative trades.

As at May 31, 2017, a decrease of 5% of the Canadian dollar against the US dollar and the euro on translation of monetary assets and liabilities, all other variables remaining the same, would have had no significant impact on consolidated net earnings [no significant impact as at May 31, 2016] and would have increased the consolidated comprehensive income by $6,187 [$6,008 as at May 31, 2016] . The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at May 31, 2017.

Liquidity risk

The Corporation manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, if required. During the previous years, the Corporation has financed its growth, its acquisitions, and its payout to shareholders by using the cash generated by the operating activities.

Operating expenses excluding amortization and financial charges

	For the three months ended May 31,		For the six months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Inventories from the distribution, imports and manufacturing activities	**177,686**	159,565	**321,246**	299,537
Salaries and related charges	**33,037**	29,697	**62,586**	57,338
Other charges	**5,898**	5,077	**10,357**	9,663
	216,621	194,339	**394,189**	366,538

For the three and six-month periods ended May 31, 2017, an expense of $896 and $1,642 [2016 - $824 and $1,535] for inventory obsolescence is included in Inventories from the distribution, imports and manufacturing activities.

7. CAPITAL MANAGEMENT

The Corporation's objectives are:

- Maintain a low debt ratio to preserve its capacity to pursue its growth both internally and through acquisitions;
- Provide an adequate return to shareholders.

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. As at May 31, 2017 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.7 % [1.2 % as at November 30, 2016] [Long-term debt/ Equity]
- Return on average shareholder's equity of 17.0% over the last 12 months [16.6% for the year ended November 30, 2016]

The Corporation's capital management objectives remained unchanged from the previous fiscal year.

8. GEOGRAPHIC INFORMATION

During the three and six-month periods ended May 31, 2017, near 66% of sales had been made in Canada [2016 - 66%]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to $79,605 and $149,878 [2016 - $69,412 and $138,023] in Canadian dollars and to $59,051 and $112,258 [2016 - $53,389 and $102,727] in US dollars.

As at May 31, 2017, out of the total amount in property, plant and equipment, $3,086 [November 30, 2016 - $3,080] are located in the United States. In addition, intangible assets located in the United States amounted to $14,512 [November 30, 2016 - $15,410] and goodwill to $13,228 [November 30, 2016 - $13,159] in Canadian dollars and to $10,749 [November 30, 2016 - $11,476] and goodwill to $9,799 [November 30, 2016 - $9,799] in US dollars.

9. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the three and six-month periods ended May 31, 2017, the Corporation paid a quarterly dividend of 5.67¢ per share to common shareholders [2016 - quarterly dividend of 5.33¢ per share] for a total amount of $3,287 and $6,573 [2016 - $3,094 and $6,212].

10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and six-month periods ended May 31, 2017 (including the comparative figures) were approved for issue by the Board of Directors on July 6, 2017.

11. COMPARATIVE FIGURES

Some figures disclosed for the three and six-month periods ended May 31, 2016 have been reclassified to conform to the presentation adopted in the three and six-month periods ended May 31, 2017.