Richelieu

Interim Report 1

Three-month period
ended February 28, 2013

Message to Shareholders

Results for the first quarter ended February 28, 2013 show a 1.9% increase in net earnings attributable to shareholders, which amounted to $8.2 million, and a 1.6% growth in sales, which totalled $126.1 million. We maintain our solid financial position with a working capital of $209.3 million, up 4.6%, cash of $43.6 million, a 16.6% return on equity and almost no debt.

Covering the three months from December to February, the first quarter is historically the weakest period of the year as it includes fewer business days due to the holidays and renovation and construction work is slower during these winter months. It should also be noted that this first quarter included one less business day than the one ended February 29, 2012. Our first-quarter performance was all the more satisfactory as we also witnessed an overall market slowdown during the period.

We continue to create synergies with the acquisitions we have closed over the past few years in North America and maintain our close attention to operational efficiency and cost control. Our customer orientation underlies all our business decisions and during the quarter we intensified our market penetration initiatives in order to increase our sales.

On the strength of our sales team's solid market knowledge, our innovation strategy and our ongoing penetration in Canada and the United States with a diversified offering, we are confident we will meet any challenges in the coming periods and maintain healthy profitability. Our excellent financial position will favour our ongoing acquisition strategy in North America. On March 21, 2013, the Company closed the acquisition of the net assets of CourterCo Savannah, LLC ("CourterCo Savannah"), a small distributor of specialty and decorative hardware products operating a distribution centre in Savannah on the Georgia coast. This acquisition will enable us to more specifically target this strategic region while creating additional synergies with our operations in Georgia and South Carolina.

NEXT DIVIDEND PAYMENT

At its meeting on March 28, 2013, our Board of Directors approved the payment of a quarterly dividend of $0.13 per share. This dividend is payable on April 25, 2013 to shareholders of record as at April 11, 2013.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the first quarter ended February 28, 2013 in comparison with the first quarter ended February 29, 2012, as well as the Company's financial position as at February 28, 2013 in comparison with November 30, 2012. This report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the first quarter of 2013 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2012 Annual Report. In this management's report, "Richelieu" or the "Company" designate, 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 February 28, 2013 signed by the Company's President and Chief Executive Officer and 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 March 28, 2013, on which date the unaudited consolidated interim financial statements and interim management's report were approved by the Company'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 first quarter ended February 28, 2013 have not been audited or reviewed by the Company's auditors.

Richelieu uses earnings before income taxes, interest and amortization ("EBITDA") because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator of a company'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 Company, as an indicator of financial performance or cash flows, or as a measure of liquidity. Because 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.

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, including the assumption that economic conditions and exchange rates will not significantly deteriorate, the Company'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 written, 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 Company's 2012 Annual Report (see the "Risk Management" section on page 31 of the 2012 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 February 28, 2013

Richelieu Hardware Ltd. 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, furniture, and window and door manufacturers plus the residential and commercial woodworking industry**, as well as a large customer base of **hardware retailers, including renovation superstores**. The residential and commercial renovation industry is the Company'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 Company's product selection consists of **some 90,000 different items** targeted to a base of **nearly 70,000 customers** who are served by **60 centres in North America** – 34 distribution centres in Canada, 24 in the United States and two manufacturing plants in Canada.

Main product categories include functional cabinet hardware and assembly products for the manufacture of furniture and kitchen cabinets, decorative hardware products, high-pressure laminates, decorative and functional panels, kitchen accessories, ergonomic workstation components, finishing products, whiteboards and tackboards, and floor protection products. Richelieu also specializes in the manufacture of a wide variety of veneer sheets and edgebanding products through its subsidiary Cedan Industries Inc., and of components for the window and door industry and mouldings through Menuiserie des Pins Ltée. In addition, some of the Company's products are manufactured in Asia according to its specifications and those of its customers.

The Company employs about 1,700 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. Approximately 70% of its 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 Company 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 who distribute a limited range of products.

SELECTED CONSOLIDATED QUARTERLY INFORMATION
(unaudited)

Quarters ended February 28 and 29

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	**2013** **$**	2012 $	Δ %
Sales	**126,084**	124,083	+ 1.6
EBITDA [(1)]	**12,893**	13,280	– 2.9
EBITDA margin (%)	***10.2***	*10.7*	
Net earnings	**8,178**	8,028	+ 1.9
Net earnings attributable to shareholders of the Company	**8,158**	8,004	+ 1.9
• basic per share ($)	**0.39**	0.38	+ 2.6
• diluted per share ($)	**0.39**	0.38	+ 2.6
Net margin attributable to shareholders of the Company (%)	***6.5***	*6.5*	
Cash flows provided by operating activities [(2)]	**10,493**	10,317	+ 1.7
• diluted per share ($)	**0.50**	0.49	+ 2.0
Cash dividends paid on shares	**2,712**	2,505	+ 8.3
• per share ($)	**0.13**	0.12	+ 8.3
Weighted average number of shares outstanding (diluted) (in thousands)	**21,109**	21,083	

Financial position data

As at	**February 28, 2013** **$**	November 30, 2012 $	Δ %
Total assets	**358,608**	349,869	+ 2.5
Working capital	**209,306**	200,088	+ 4.6
Current ratio	***4.7:1***	*4.6:1*	
Equity attributable to shareholders of the Company	**292,538**	283,835	+ 3.1
Return on average equity (%)	**16.6**	16.9	
Book value ($)	**14.01**	13.65	+ 3.3
Total debt	**2,152**	2,563	– 16.0
Cash and cash equivalents	**43,635**	51,587	– 15.4

(1) EBITDA is a non-IFRS measure, as described on page 2 of this report.

(2) Cash flows from continuing operations and cash flows from continuing operations per share are non-IFRS measures, as described on page 2 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2013 COMPARED WITH THE FIRST QUARTER ENDED FEBRUARY 29, 2012

Consolidated sales grew by 1.6% to $126.1 million, compared with $124.1 million for the same quarter of 2012. The sales growth from the latest acquisition reached 2.4%, whereas the internal decrease was 0.8% for the quarter. It should be noted that the first quarter is historically the weakest period of the year and the equivalent quarter of the previous year had benefited from an additional business day. To these factors was added the impact of an overall market slowdown witnessed by the Company during the period.

Sales to **manufacturers** totalled $104.6 million, up 1.4% over the corresponding quarter of 2012. The contribution of the latest acquisition represented a 2.8% growth for the quarter, whereas the internal decrease was 1.4% for the aforementioned reasons. Sales to hardware retailers and renovation superstores amounted to $21.5 million, an increase of 2.5% primarily from the internal growth attributable to the additional penetration of this market in the United States.

CONSOLIDATED SALES

(in thousands of $)

Quarters ended February 28 and 29	2013 $	2012 $	Δ %
Canada	**94,907**	97,766	– 2.9
United States (CA$)	**31,177**	26,317	+ 18.5
(US$)	**31,257**	26,035	+ 20.1
Average exchange rate	***0.9974***	*1.0108*	
Consolidated sales	**126,084**	124,083	+ 1.6

Sales in **Canada** totalled $94.9 million, a decrease of 2.9% from the corresponding quarter of 2012 due to the aforementioned factors. Sales to **manufacturers** amounted to $76.2 million, down 2.4% from the corresponding quarter of 2012. Sales to hardware **retailers** and renovation superstores amounted to $18.7 million, down 5.2% from the first quarter of 2012.

Sales in the **United States** totalled US$31.3 million, an increase of 20.1% over the first quarter of 2012, of which 8.7% from internal growth reflecting sustained market penetration with a diversified product offering and 11.4% from the contribution of the latest acquisition. Sales to **manufacturers** amounted to US$28.5 million, up 14.7% over the corresponding quarter of 2012. In the hardware **retailers** and renovation superstores market, sales more than doubled over the first quarter of 2012. Considering exchange rate fluctuations, U.S. sales expressed in Canadian dollars amounted to $31.2 million, compared with $26.3 million for the first quarter of the previous year. Thus, they accounted for 24.7% of the period's consolidated sales, versus 21.2% for the first quarter of 2012.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Quarters ended February 28 and 29	2013 $	2012 $	Δ %
Sales	**126,084**	124,083	+ 1.6
EBITDA	**12,893**	13,280	– 2.9
EBITDA margin (%)	***10.2***	*10.7*	

Earnings before income taxes, interest and amortization (EBITDA) totalled $12.9 million, down 2.9% from the corresponding quarter of 2012. **The gross margin** declined slightly from the first quarter of 2012 due mainly to the lower gross margin of certain prior acquisitions having a different product mix in the United States and the higher proportion of sales in the United States where the product mix is also different. Should also be noted the impact of the significant share price appreciation on the compensation expense related to the current deferred share unit plan and of one less business day in this quarter than in the same period of 2012. Thus, **the EBITDA margin** stood at 10.2%, compared with 10.7% for the first quarter of 2012.

Income taxes amounted to $3.0 million, down by $0.3 million from the first quarter of 2012. The reduction in the tax burden is due to fluctuations in results by region where the Company and its subsidiaries are subject to tax rates and tax regulations differing from one another.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

Quarters ended February 28 and 29	2013 $	2012 $	Δ %
EBITDA	**12,893**	13,280	– 2.9
Amortization of property, plant and equipment and intangible assets	**1,874**	2,010	– 6.8
Financial costs, net	**(119)**	(46)	
Income taxes	**2,960**	3,288	
Net earnings	**8,178**	8,028	+ 1.9
Net earnings attributable to shareholders of the Company	**8,158**	8,004	+ 1.9
Net margin attributable to shareholders of the Company (%)	***6.5***	*6.5*	
Non-controlling interests	**20**	24	
Net earnings	**8,178**	8,028	+ 1.9

Net earnings increased by 1.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Company** totalled $8.2 million, up 1.9% over the corresponding quarter of 2012. **Earnings per share** amounted to $0.39 (basic and diluted), compared with $0.38 (basic and diluted) for the first quarter of 2012, an increase of 2.6%.

Comprehensive income stood at $9.9 million, on account of a positive adjustment of $1.7 million on translation of the financial statements of the subsidiary in the United States, compared with $6.8 million for the corresponding quarter of 2012, on account of a negative adjustment of $1.2 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
2013				
Sales	**126,084**			
EBITDA	**12,893**			
Net earnings attributable to shareholders of the Company	**8,158**			
basic per share	**0.39**			
diluted per share	**0.39**			
2012				
Sales	124,083	147,107	148,782	145,826
EBITDA	13,280	18,617	19,636	19,630
Net earnings attributable to shareholders of the Company	8,004	11,997	12,761	12,642
basic per share	0.38	0.57	0.61	0.61
diluted per share	0.38	0.57	0.60	0.60
2011				
Sales	113,192	139,178	136,132	135,284
EBITDA	12,018	17,075	19,153	18,903
Net earnings attributable to shareholders of the Company	6,989	10,015	11,411	11,311
basic per share	0.33	0.48	0.54	0.54
diluted per share	0.33	0.47	0.54	0.54

Quarterly variations in earnings – The first quarter closed at the end of February is generally the weakest period of the year 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 historically represent the year's most active periods.

FINANCIAL POSITION

Analysis of principal cash flows for the first quarter ended February 28, 2013

Change in cash and cash equivalents and capital resources
(in thousands of $)

Quarters ended February 28 and 29	2013 $	2012 $
Cash flows provided by (used for):		
Operating activities	**(5,392)**	2,592
Financing activities	**(1,488)**	(4,700)
Investing activities	**(755)**	(1,102)
Effect of exchange rate fluctuations	**(317)**	(114)
Net change in cash and cash equivalents	**(7,952)**	(3,324)
Cash and cash equivalents, beginning of period	**51,587**	29,095
Cash and cash equivalents, end of period	**43,635**	25,771
Working capital	**209,306**	172,669
Renewable line of credit (CA$)	**26,000**	26,000
Renewable line of credit (US$)	**6,000**	5,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) totalled $10.5 million or $0.50 per share, compared with $10.3 million or $0.49 per share for the first quarter of 2012, an increase of 1.9% primarily from the net earnings growth. Net change in non-cash working capital items used cash flows of $15.9 million, compared with $7.7 million for the first quarter of 2012, due primarily to a cash outflow required by the increase in inventories as at February 28, 2013 in view of the second quarter which is historically a busier period for sales. Other items represented a cash outflow of $2.6 million. Consequently, operating activities used cash flows of $5.4 million, whereas for the first quarter of 2012, they had provided cash flows of $2.6 million.

Financing activities represented a cash outflow of $1.5 million, compared with $4.7 million for the corresponding quarter of 2012. The Company paid shareholder dividends of $2.7 million, up 8.3% on account of the dividend increase announced in January 2013. Also during the quarter, Richelieu issued common shares for $1.4 million upon the exercise of options under its stock option plan, compared with $0.6 million during the corresponding quarter of 2012.

Investing activities represented a cash outflow of $0.8 million for the first quarter, primarily for equipment needed for operations, compared with $1.1 million for software and operational equipment during the first quarter of 2012.

Sources of financing

As at February 28, 2013, **cash and cash equivalents** amounted to $43.6 million, compared with $51.6 million as at November 30, 2012. The Company posted a working capital of $209.3 million for a current ratio of 4.7:1, compared with $200.1 million (4.6:1 ratio) as at November 30, 2012.

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 planned for 2013. The Company continues to benefit from an authorized line of credit of CA$26 million as well as a line of credit of US$6 million renewable annually and bearing interest respectively at prime rate and at base rate. In addition, the Company estimates it could obtain access to other outside financing if necessary.

Analysis of financial position as at February 28, 2013

Summary financial position
(in thousands of $)

As at	February 28, 2013 $	November 30, 2012 $
Current assets	**265,444**	256,210
Non-current assets	**93,164**	93,659
Total	**358,608**	349,869
Current liabilities	**56,138**	56,122
Non-current liabilities	**5,833**	5,805
Equity attributable to shareholders of the Company	**292,538**	283,835
Non-controlling interests	**4,099**	4,107
Total	**358,608**	349,869
Exchange rate on translation of a subsidiary in the United States	***1.0314***	*0.9936*

Assets

Total assets amounted to $358.6 million as at February 28, 2013, compared with $349.9 million as at November 30, 2012, an increase of 2.5%. **Current assets** grew by 3.6% or $9.2 million over November 30, 2012. This growth came notably from the increase of $13.3 million in inventories, $1.2 million in income taxes receivable, $1.7 million in accounts receivable and $1.0 million in prepaid expenses, whereas cash and cash equivalents decreased by $8.0 million.

Net cash (in thousands of $) As at	**February 28, 2013** **$**	November 30, 2012 $
Current portion of long-term debt	**1,332**	1,743
Long-term debt	**820**	820
Total	**2,152**	2,563
Cash and cash equivalents	***43,635***	*51,587*
Total net cash	**41,483**	49,024

Total debt amounted to $2.2 million, of which the current portion of long-term debt of $1.3 million representing balances payable on prior acquisitions. Deducting this total debt, net cash stood at $41.5 million as at February 28, 2013. The Company continues to benefit from a healthy and solid financial position so as to pursue its business strategy in its sector.

Equity attributable to shareholders of the Company totalled $292.5 million as at February 28, 2013, up from $283.8 million as at November 30, 2012, an increase of 3.1% stemming mainly from the $5.4 million growth in retained earnings which reached $264.2 million as at February 28, 2013, the increase of $3.2 million in share capital and $1.7 million in accumulated other comprehensive income, less the $1.7 million decrease in contributed surplus. At the close of the first quarter, **the book value per share** was $14.01, compared with $13.65 as at November 30, 2012.

As at February 28, 2013, the Company's **share capital** consisted of 20,878,594 common shares (20,794,484 shares as at November 30, 2012). In the first three months of the year, the Company issued 84,110 common shares at an average price of $16.93 (29,500 in 2012 at an average price of $20.75) upon the exercise of options under its stock option plan. During the three-month period ended February 28, 2013, the Company did not purchase any common shares for cancellation, whereas it had purchased 9,000 common shares for cancellation during the first quarter of 2012. As at February 28, 2013, 755,890 stock options were outstanding (762,000 as at November 30, 2012), notably considering the 78,000 stock options granted during the first quarter of 2013 (41,000 during the first quarter of 2012).

EVENT SUBSEQUENT TO FEBRUARY 28, 2013

Effective March 21, 2013, the Company closed the acquisition of the net assets of CourterCo Savannah, LLC ("CourterCo Savannah"), a distributor of specialty and decorative hardware products operating a distribution centre in the Georgia coastal region. This acquisition adds annual sales of approximately $2 million to those of Richelieu and a distribution centre to its U.S network, which now includes 25 centres

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 29 of the Company's 2012 Annual Report, available on SEDAR at www.sedar.com. For 2013 and the foreseeable future, the Company 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 Company has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2012 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 Company'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, 2012. 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 February 28, 2013, management ensured that there were no material changes in the Company'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 cannot forecast or detect inaccuracies. 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 Company's unaudited consolidated financial statements for the quarter ended February 28, 2013 have been prepared by management in accordance with IFRS. Note 2 accompanying the consolidated financial statements for the quarter ended February 28, 2013 presents the new accounting policies in effect as of November 30, 2013 year-end.

The interim consolidated financial statements were prepared in accordance with the accounting methods that the Company adopted for the establishment of its consolidated financial statements as at November 30, 2012 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 Company could take in the future and on other factors deemed relevant and reasonable.

Risk factors are described in the "Risk Management" section on page 31 of Richelieu's 2012 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.

(Signed) Richard Lord
President and
Chief Executive Officer

(Signed) Antoine Auclair
Vice-President
and Chief Financial Officer

March 28, 2013

Consolidated statements of financial position

(In thousands of dollars)
(Unaudited)

	Notes	As at February 28, 2013 $	As at Novembre 30, 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		**43,635**	51,587
Accounts receivable		**77,411**	75,721
Income taxes receivable		**1,702**	514
Inventories		**140,904**	127,607
Prepaid expenses		**1,792**	781
		265,444	256,210
Non-current assets			
Property, plant and equipment		**23,280**	23,740
Intangible assets		**15,353**	15,601
Goodwill		**51,551**	51,405
Deferred taxes		**2,980**	2,913
		358,608	349,869
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**54,806**	54,379
Current portion of long-term debt		**1,332**	1,743
		56,138	56,122
Non-current liabilities			
Long-term debt		**820**	820
Deferred taxes		**3,246**	3,246
Other liabilities		**1,767**	1,739
		61,971	61,927
Equity			
Share capital	4	**26,579**	23,349
Contributed surplus		**1,053**	2,761
Retained earnings		**264,221**	258,775
Accumulated other comprehensive income (loss)	5	**685**	(1,050)
Equity attributable to shareholders of the Company		**292,538**	283,835
Non-controlling interest		**4,099**	4,107
		296,637	287,942
		358,608	349,869

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board:

(Signed) Richard Lord
Director

(Signed) Mathieu Gauvin
Director

Consolidated statements of earnings

For the three-month periods ended February 28 and 29 (in thousands of dollars, except earnings per share)
(Unaudited))

	Notes	**2013** **$**	2012 $
Sales		**126,084**	124,083
Cost of goods sold, warehousing, selling and administrative expenses	6	**113,191**	110,803
Earnings before the undernoted		**12,893**	13,280
Amortization of property, plant and equipment		**1,306**	1,435
Amortization of intangible assets		**568**	575
Financial costs, net		**(119)**	(46)
		1,755	1,964
Earnings before income taxes		**11,138**	11,316
Income taxes		**2,960**	3,288
Net earnings		**8,178**	8,028
Net earnings attributable to shareholders of the Company		**8,158**	8,004
Non-controlling interests		**20**	24
		8,178	8,028
Net earnings per share attributable to shareholders of the Company			
Basic		**0.39**	0.38
Diluted		**0.39**	0.38

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of comprehensive income

For the three-month periods ended February 28 and 29 (in thousands of dollars)
(Unaudited)

	Notes	**2013** **$**	2012 $
Net earnings		**8,178**	8,028
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations	5	**1,735**	(1,220)
Comprehensive income		**9,913**	6,808
Comprehensive income attributable to shareholders of the Company		**9,893**	6,784
Non-controlling interests		**20**	24
		9,913	6,808

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of changes in equity

For the three-month periods ended February 28 and 29 (in thousands of dollars)
(Unaudited)

	Attributable to shareholders of the Company						
	Share capital $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $	Non-controlling interests $	Total equity $
Notes	4			5			
Balance as at November 30, 2011	19,714	3,586	229,064	103	252,467	3,720	256,187
Net earnings	–	–	8,004	–	8,004	24	8,028
Other comprehensive loss	–	–	–	(1,220)	(1,220)	–	(1,220)
Comprehensive income (loss)	–	–	8,004	(1,220)	6,784	24	6,808
Shares repurchased	(9)	–	(260)	–	(269)	–	(269)
Stock options exercised	860	(248)	–	–	612	–	612
Share-based compensation expense	–	125	–	–	125	–	125
Dividends *(note 9)*	–	–	(2,505)	–	(2,505)	–	(2,505)
Other liabilities	–	–	–	–	–	(24)	(24)
	851	(123)	(2,765)	–	(2,037)	(24)	(2,061)
Balance as at February 29, 2012	20,565	3,463	234,303	(1,117)	257,214	3,720	260,934
Balance as at November 30, 2012	**23,349**	**2,761**	**258,775**	**(1,050)**	**283,835**	**4,107**	**287,942**
Net earnings	**–**	**–**	**8,158**	**–**	**8,158**	**20**	**8,178**
Other comprehensive income	**–**	**–**	**–**	**1,735**	**1,735**	**–**	**1,735**
Comprehensive income	**–**	**–**	**8,158**	**1,735**	**9,893**	**20**	**9,913**
Stock options exercised	**3,230**	**(1,806)**	**–**	**–**	**1,424**	**–**	**1,424**
Share-based compensation expense	**–**	**98**	**–**	**–**	**98**	**–**	**98**
Dividends *(note 9)*	**–**	**–**	**(2,712)**	**–**	**(2,712)**	**–**	**(2,712)**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**(28)**	**(28)**
	3,230	**(1,708)**	**(2,712)**	**–**	**(1,190)**	**(28)**	**(1,218)**
Balance as at February 28, 2013	**26,579**	**1,053**	**264,221**	**685**	**292,538**	**4,099**	**296,637**

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of cash flows

For the three-month periods ended February 28 and 29 (in thousands of dollars)
(Unaudited)

	Notes	2013 $	2012 $
OPERATING ACTIVITIES			
Net earnings		**8,178**	8,028
Items not affecting cash			
Amortization of property, plant and equipment		**1,306**	1,435
Amortization of intangible assets		**568**	575
Deferred taxes		**–**	94
Share-based compensation expense		**441**	185
		10,493	10,317
Net change in non-cash working capital balances		**(15,885)**	(7,725)
		(5,392)	2,592
FINANCING ACTIVITIES			
Repayment of long-term debt		**(200)**	(2,538)
Dividends paid	9	**(2,712)**	(2,505)
Common shares issued		**1,424**	612
Common shares repurchased for cancellation		**–**	(269)
		(1,488)	(4,700)
INVESTING ACTIVITIES			
Additions to property, plant and equipment and intangible assets		**(755)**	(1,102)
		(755)	(1,102)
Effect of exchange rate changes on cash and cash equivalents		**(317)**	(114)
Net change in cash and cash equivalents		**(7,952)**	(3,324)
Cash and cash equivalents, beginning of period		**51,587**	29,095
Cash and cash equivalents, end of period		**43,635**	25,771
Supplementary information			
Income taxes paid		**4,131**	4,723
Interest received, net		**(119)**	(49)

See accompanying notes to the interim consolidated financial statements.

For the three-month periods ended February 28, 2013 and February 29, 2012 (Amounts are in thousands of dollars, except per-share amounts)

NATURE OF BUSINESS

Richelieu Hardware Ltd. (the "Company") is incorporated under the laws of Quebec, Canada. The Company is a distributor, importer, and manufacturer of specialty hardware and complementary products. These products target an extensive customer base of kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry, as well as a large customer base of retailers, including big box home renovation stores. The Company's head office is located at 7900 Henri-Bourassa Blvd, W., Saint-Laurent, Quebec, Canada, H4S 1V4.

1) PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company'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 Company applied when preparing the annual consolidated financial statements as at November 30, 2012 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 Company may undertake in the future and other factors deemed relevant and reasonable. In management's opinion, these interim financial statements reflect all the adjustments required for a fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the periods are not necessarily indicative of the results that may be expected for the full year as the operating level of the Company is subject to seasonal fluctuations. The first quarter has historically generated lower sales and earnings. These interim financial statements should be read in conjunction with the audited consolidated annual financial statements and the accompanying notes included in Company's annual report for the fiscal year 2012.

2) CHANGE IN ACCOUNTING METHOD

IAS 1, *Presentation of Financial Statements*

In June 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. Items of other comprehensive income and the corresponding tax are required to be grouped into those that will and will not subsequently be reclassified to earnings. This amendment was applied on December 1st, 2012 and did not have a significant impact on the interim consolidated financial statement of the Company.

3) BUSINESS ACQUISITIONS

On May 1st, 2012, the Company purchased the net assets of CourterCo Inc. ("CourterCo") for a cash consideration of $2,386 ($2,415 US), and a balance of sale of $606 ($613 US). From its 3 locations in the United States, Indianapolis (Indiana), Louisville (Kentucky), and Greensboro (North Carolina), this business serves a base of residential and commercial woodworkers customers and kitchen, bathroom cabinet and furniture manufacturers.

This transaction was accounted for using the acquisition method and the results of operations are included in the interim consolidated financial statements as of the acquisition date. The purchase price allocation for Courterco at the transaction date is as follows:

	2012 **$**
Net assets acquired	
Accounts receivable	**1,509**
Inventories	**1,930**
Prepaid expenses	**24**
	3,463
Property, plant and equipment	**66**
Customer relationships	**439**
Trademark	**205**
Non-competition agreement	**57**
Goodwill	**316**
	4,546
Current liabilities assumed	**1,556**
Net assets acquired	**2,990**
Considerations	
Cash, net of cash acquired	**2,384**
Considerations payable	**606**
	2,990

4) SHARE CAPITAL

Authorized

Unlimited number of:

Common shares.

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

Issued

	As at February 28, 2013 **$**	As at November 30, 2012 $
20,878,594 common shares (November 30, 2012 – 20,794,484)	**26,579**	23,349

During the three-month period ended February 28, 2013, the Company issued 84,110 common shares (2012 – 29,500) at an average price of $16.93 per share (2012 – $20.75) pursuant to the exercise of options under the share option plan. In addition, during the three-month period ended February 28, 2013, the Company did not purchase any common shares for cancellation (2012 – 9,000 for a consideration of $269 with a premium on the redemption in the amount of $260).

Stock option plan

The Company offers a stock option plan to its directors, officers and key employees. The subscription price of each share issuable under the plan is equal to the market price of the shares five days prior to the day the option was granted and must be paid in full at the time the option is exercised. Options vest at a rate of 25% per year starting one year after grant date and expire on the tenth anniversary of the grant date.

For the three-month periods ended February 28, 2013 and February 29, 2012 (Amounts are in thousands of dollars, except per-share amounts)

4) SHARE CAPITAL (cont'd)

During the three-month period ended February 28, 2013, the Company granted 78,000 options (2012 – 41,000) with an average exercise price of $38.14 per share (2012 – $27.43) and an average fair value of $9.95 per option (2012 – $6.56) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.34% (2012 – 1.75%), a volatility of 25% (2012 – 25%), a risk free interest rate of 2.01% (2012 – 2.31%) and an expected life of 7 years (2012 – 7 years). The compensation expense charged to earnings for the options granted in 2012 amounted to $98 (2012 – $125). As at February 28, 2013, 755,890 options were outstanding with exercise price varying from $19.20 to $38.14 for a weighted average of $23.59 (762,000 options as at November 30, 2012 with exercise price varying from $14.50 to $30.68 for a weighted average of $21.36).

Deferred share unit plan

The Company offers a deferred share unit ("DSU") plan to its directors who can elect to receive part or all of their compensation in DSUs. The value of DSUs is redeemable for cash only when a director ceases to be a member of the Board. The financial liability resulting from the plan of $2,502 (November 30, 2012 – $2,159) is presented under the *Accounts payable and accrued liabilities*. The compensation expense charged to earnings for the DSU during the three-month period ended February 28, 2013, amounted to $343 (2012 – $60).

Share purchase plan

The Company has a share purchase plan entitling any employees to purchase shares up to a maximum percentage of their total compensation in cash. The Company contributes an amount equivalent to a percentage of any amounts invested by the employee to the purchase of additional shares. The Company's contribution is determined annually. Compensation expense related to the share purchase plan amounted to $90 for the three-month period ended February 28, 2013 (2012 – $90) and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

Earnings per share

Basic earnings per share and diluted earnings per share were calculated based on the following number of shares:

	As at February 28, 2013 $	As at February 29, 2012 $
Weighted average number of shares outstanding – Basic	**20,824**	20,855
Dilutive effect under stock option plan	**285**	228
Weighted average number of shares outstanding – Diluted	**21,109**	21,083

The computation of diluted net earnings per share excludes the weighted average of 78,000 outstanding options with an exercise price exceeding the average market share price for the period because of their anti-dilutive effect (2012 – 50,000).

5) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The accumulated other comprehensive income, including the following items and the changes that occurred during the three-month period ended February 28 and 29, were as follows:

	2013 $	2012 $
Balance at the beginning of the year	**(1,050)**	103
Exchange differences on translation of foreign operations	**1,735**	(1,220)
Balance at the end of the year	**685**	(1,117)

6) FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair value

The carrying value of the cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are a reasonable estimate of their fair value because of their short maturity.

The carrying value of long-term debt approximates their fair value either because of the floating rate nature of some loans or because management estimates that the loans payable with fixed interest rates have no significant differences between their fair value and their carrying value, based on rates currently available to the Company on loans with similar terms and remaining maturities.

Credit risk

The Company 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 Company. The average days outstanding of accounts receivable, as at February 28, 2013 is acceptable given the industry in which the Company operates.

The Company performs ongoing credit evaluation of customers and generally does not require collateral. The allowance for doubtful accounts has increased by $ 654 during the three-month period ended February 28, 2013 for a total of $5,686 (2012 – $5,006).

Market risk

The Company's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars and Euros. Administrative charges included, for the three-month period ended February 28, 2013, an exchange gain of $147 (2012 – loss of $38).

The Company'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 Company's policy on exchange risk management. The goal of this policy is to protect the Company's profits by eliminating the exposure to exchange rate fluctuations. The Company's policy does not allow speculative trades.

As at February 28, 2013 and February 29, 2012, a decrease of 1% of the Canadian dollar against the U.S. dollar and the Euro, all other variables remaining the same, would have had no significant effect on consolidated net earnings and increased the consolidated comprehensive income by $758 (2012 –$679). The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments as at February 28, 2013.

Liquidity risk

The Company 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 Company has financed its growth, its acquisitions, and its payout to shareholders by using the cash generated by the operating activities.

Current period expenses

During the three-month period ended February 28, 2013, the amount relating to inventories recorded as expenses from the distribution, imports and manufacturing activities totals $90,907 (2012 – $88,523). An expense of $521 (2012 – $478) for inventory obsolescence is included in this amount. Salaries and related charges of $20,171 for the three-month period ended February 28, 2013 (2012 – $19,231) are included in the cost of goods sold, warehousing, selling and administrative expenses.

7) CAPITAL MANAGEMENT

The Company's objectives are:

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

The Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

As at February 28, 2013 the Company achieved the following results regarding its capital management objectives:

- debt/equity ratio: 0.7% (0.9 % as at November 30, 2012) (Long-term debt/ Equity); and
- return on average equity of 16.6% (16.9% for the year ended November 30, 2012).

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

8) GEOGRAPHIC INFORMATION

During the three-month period ended February 28, 2013, near 75% of sales had been made in Canada (2012 – 79%). The Company's sales to foreign countries, almost entirely directed to the United States, amounted to $31,177 (2012 – $26,317) in Canadian dollars and to $31,257 (2012 – $26,035) in US dollars.

As at February 28, 2013, out of a total amount of $23,280 in capital assets (November 30, 2012 – $23,740), $3,299 (November 30, 2012 – $3,301) are located in the United States. In addition, intangible assets located in the United States amounted to $8,089 (November 30, 2012 – $7,996) and goodwill to $3,981 (November 30, 2012 – $3,835) in Canadian dollars and to $7,843 (November 30, 2012 – $8,047) and goodwill to $3,860 (November 30, 2012 – $3,860) in US dollars.

9) DIVIDENDS

For the three-month period ended February 28, 2013, the Company paid a quarterly dividend of $0.13 per common share (2012 – quarterly dividend of $0.12 per share) for a total amount of $2,712 (2012 – $2,505).

10) APPROVAL OF FINANCIAL STATEMENTS

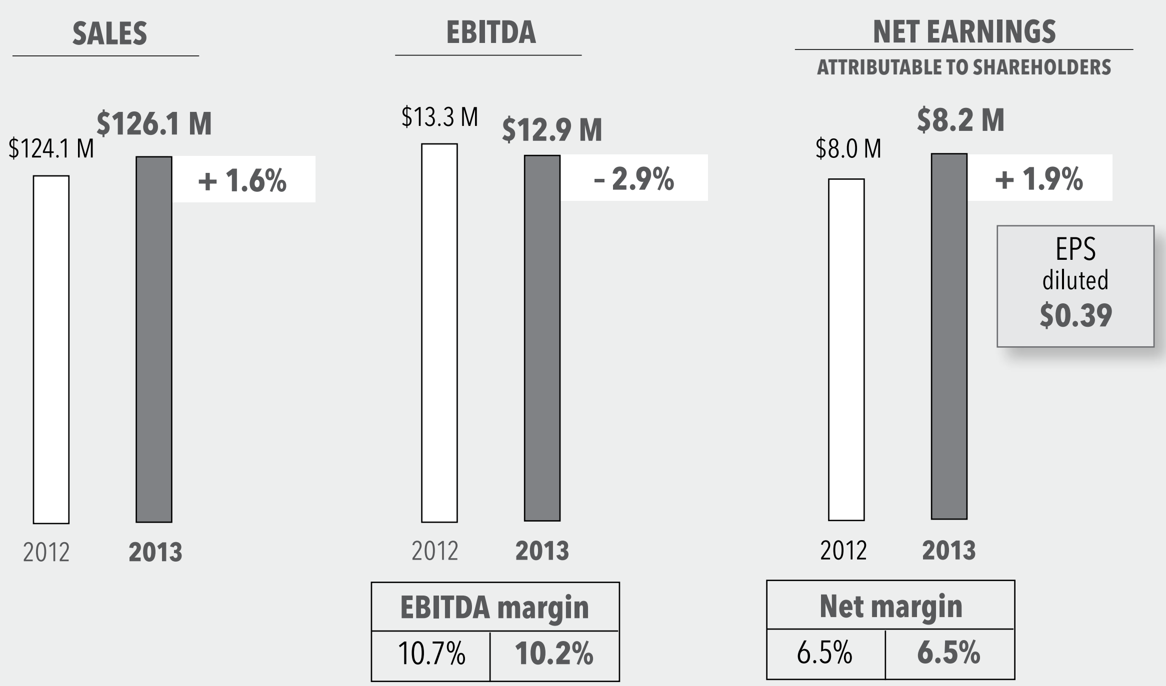
The consolidated financial statements for the three-month period ended February 28, 2013 (including the comparative figures) were approved for issue by the Board of Directors on March 28, 2013.

11) COMPARATIVE FIGURES

Some figures disclosed for the three-month period ended February 29, 2012 have been reclassified to conform to the presentation adopted in the three-month period ended February 28, 2013.

First Quarters

ended on February 28, 2013 and February 29, 2012



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