Our strength and our future

INNOVATION
SERVICE
VALUE CREATION

ANNUAL REPORT 2017

RICHELIEU TURNS 50 IN 2018

50 YEARS OF PROGRESS AND SUCCESS

THANKS TO

OUR EMPLOYEES

OUR CUSTOMERS

OUR SUPPLIERS

OUR SHAREHOLDERS

WHO ARE THE PILLARS OF THE CORPORATION.

FOUNDATION – LEADERSHIP: FIRST FIVE MAJOR MILESTONES

1968

Richelieu is legally incorporated on October 8 with the aim of supplying kitchen cabinet hardware products to manufacturers and retailers in the province of Quebec.

1987

Nearly twenty years later, Richelieu posts about $27 million in sales.
The company is acquired by Shroders.

1988

Richard Lord takes over as President and CEO of Richelieu and becomes a major shareholder.
A new vision of long-term growth based on innovation, product diversity, quality of service, growing customer segments, and expansion is laid out to firmly establish the company as a leader in Canada, before targeting the United States market.

LEADERSHIP BASED ON A CUSTOMER- AND INNOVATION-DRIVEN APPROACH.

In December, Richelieu makes its first acquisition in Quebec. Others follow, allowing the company to expand into other Canadian provinces and achieve steady growth.

1993

From its network of eight Canadian centers, Richelieu serves over 10,000 manufacturers and retailers, who have access to a diversified offering of about 10,000 products and innovations from dozens of suppliers, including world leaders. The company posts $60 million in sales.

Richelieu goes public, listing its shares (RCH) on the TSX. This sparks a new phase of vigorous growth.

1999

After carving out a dominant position in the Canadian market, Richelieu sets the stage for expansion into the United States with the opening of a distribution center in Michigan.

NORTH AMERICAN LEADER

IN THE IMPORT, DISTRIBUTION, AND MANUFACTURING OF SPECIALTY HARDWARE AND COMPLEMENTARY PRODUCTS

50

OVER
80,000
CUSTOMERS

Manufacturers of kitchen and bathroom cabinets, storage solutions and closets, and home and office furnishings; residential and commercial woodworkers. **Hardware retailers** including renovation superstores.

richelieu.com

Our website, available in three languages, is the leading tool of its kind in the industry. It was designed to facilitate our customers' projects and transactions and provide users with information on our entire offering—the most comprehensive and innovative in North America.

69 DISTRIBUTION CENTERS

Our strong North American network includes showrooms and two manufacturing plants in Canada. Our diversified range of products, **one-stop shop** service approach, and efficient logistics for **just-in-time** deliveries, combined with the multiple advantages of our transactional website **richelieu.com**, optimize customer response time.

LOGISTICS EXPERTISE

Our logistics expertise is a differentiation lever. We ensure flawless management of our supply chain so that it optimizes product and information flow and brings **added value to our customers**.

YEARS

OUR INNOVATION STRATEGY PUTS US AT THE LEADING EDGE OF OUR MARKET.

GREATER FREEDOM OF CHOICE FOR CUSTOMERS

We offer over 110,000 products (SKUs) in a wide variety of categories, including decorative and functional hardware for furniture, glass, and buildings; lighting systems; finishing and decorating products; ergonomic workstations; kitchen and closet storage solutions; sliding door systems; decorative panels; high-pressure laminates; and floor protection products.
Many of our products are manufactured according to our specifications and those of our customers.

Unique innovations in North America that generate cross-selling opportunities and access to new markets.

DRIVER OF CHANGE IN THE NORTH AMERICAN MARKET

Richelieu contributes to the market evolution by offering its customers the latest worldwide trends.

Partner suppliers

We have built **relationships on co-operation and trust** with world-leading partners known for their technological skills and creativity.

2 manufacturing plants

Les Industries Cedan inc.and **Menuiserie des Pins Ltée** manufacture products lines offering distinctive features, including a variety of veneer sheets and edgebanding products, a wide selection of decorative mouldings, and components for the window and door industry.

Over 2,100 employees

Over
50%
are dedicated to sales and marketing.

Over
50%
are shareholders of the Corporation.

Outstanding expertise provided to customers

With our **proactive approach**, Richelieu is much more than an importer, distributor, and manufacturer: we are experts at bringing innovative products to market.

60 successful acquisitions

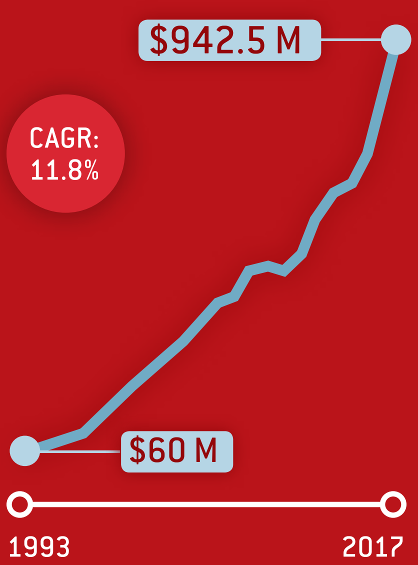
36
in Canada

24
in the United States

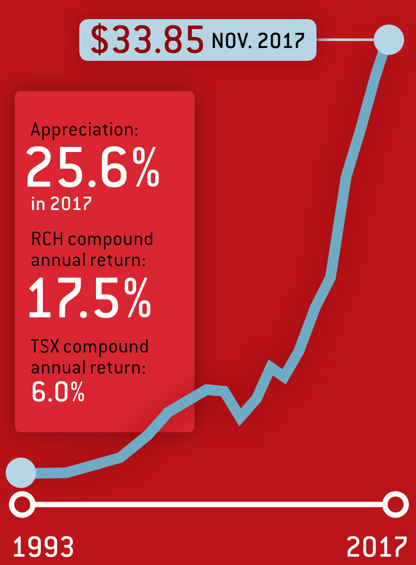
An acquisition strategy tailored to our company, our vision and our market.

SHAREHOLDERS VALUE

Sales growth



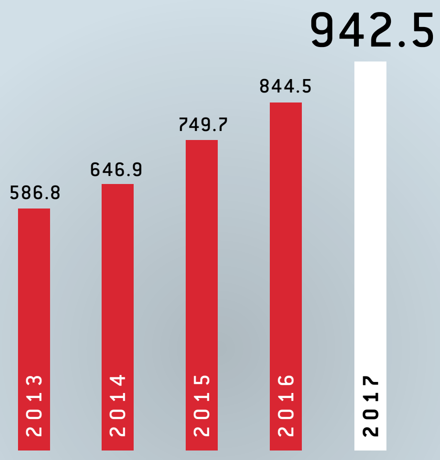
Share performance



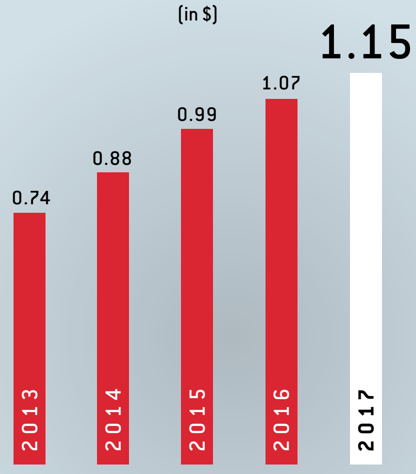
Market capitalization

FINANCIAL HEALTH
THROUGH INTERNAL GROWTH AND ACQUISITIONS

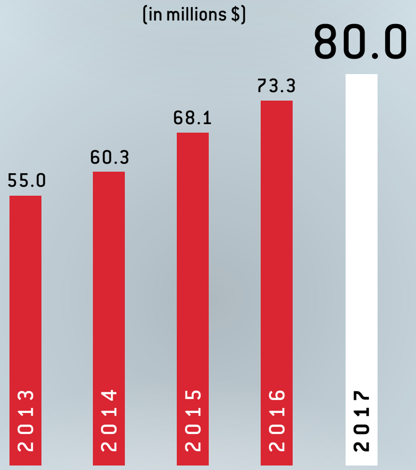
SALES
(in millions $)



NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS (DILUTED)
(in $)

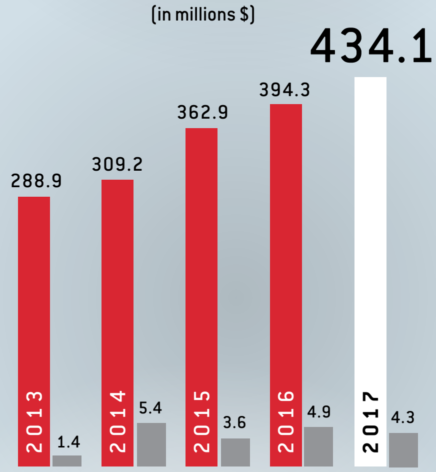


CASH FLOWS FROM OPERATING ACTIVITIES [1]
(in millions $)



(1) Cash flows from operating activities is a non-IFRS measure, as indicated on page 26 of this report

EQUITY ATTRIBUTABLE TO SHAREHOLDERS/DEBT
(in millions $)



Appreciation in share price (RCH)
since initial stock listing:
4,651%

Total return on share / 10 years
including dividend reinvestment:
392.3%

Average annual return on share / 10 years
including dividend reinvestment:
17.3%

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FINANCIAL HIGHLIGHTS

YEARS ENDED NOVEMBER 30
(in thousands of $, except per share amounts, number of shares and data expressed as a %)

	2017	2016	2015	2014	2013
	$	$	$	$	$
Sales	**942,545**	844,473	749,646	646,909	586,775
EBITDA [1]	**102,974**	94,422	87,681	77,417	70,373
EBITDA margin (%)	***10.9***	*11.2*	*11.7*	*12.0*	*12.0*
Net earnings	**67,932**	63,013	58,878	52,573	46,657
Net earnings attributable to the shareholders of the Corporation	**67,704**	62,814	58,739	52,393	46,403
• basic per share ($) [3]	**1.17**	1.08	1.00	0.89	0.75
• diluted per share ($) [3]	**1.15**	1.07	0.99	0.88	0.74
Net margin attributable to the Shareholders of the Corporation (%)	***7.2***	*7.4*	*7.8*	*8.1*	*7.9*
Cash flows from operating activities [2]	**79,951**	73,296	68,052	60,253	54,978
• diluted per share ($) [3]	**1.36**	1.25	1.15	1.01	0.88
Dividends paid to shareholders of the Corporation	**13,157**	12,374	11,717	11,023	10,768
• per share ($) [3]	**0.227**	0.213	0.200	0.187	0.173
Weighted average number of shares outstanding (diluted) (in thousands) [3]	**58,659**	58,781	59,343	59,754	62,790
As at November 30					
Total assets	**542,667**	486,046	449,792	390,721	356,325
Working capital	**300,116**	280,747	260,579	214,866	204,117
Current ratio	***4.0***	*4.4*	*4.4*	*4.0*	*4.5*
Equity attributable to shareholders of the Corporation	**434,092**	394,268	362,885	309,149	288,845
Return on average equity (%)	***16.3***	*16.6*	*17.5*	*17.5*	*16.2*
Book value ($)	**7.51**	6.81	6.19	5.27	4.80
Total debt	**4,294**	4,864	3,580	5,354	1,354
Cash and cash equivalents	**29,162**	42,969	29,454	33,721	46,187

(1) EBITDA is a non-IFRS measure, as indicated on page 26 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 26 of this report.

(3) All share data in this report have been restated to reflect the impact of the three-for-one split of all common shares effective February 29, 2016.

2013-2017
14 ACQUISITIONS

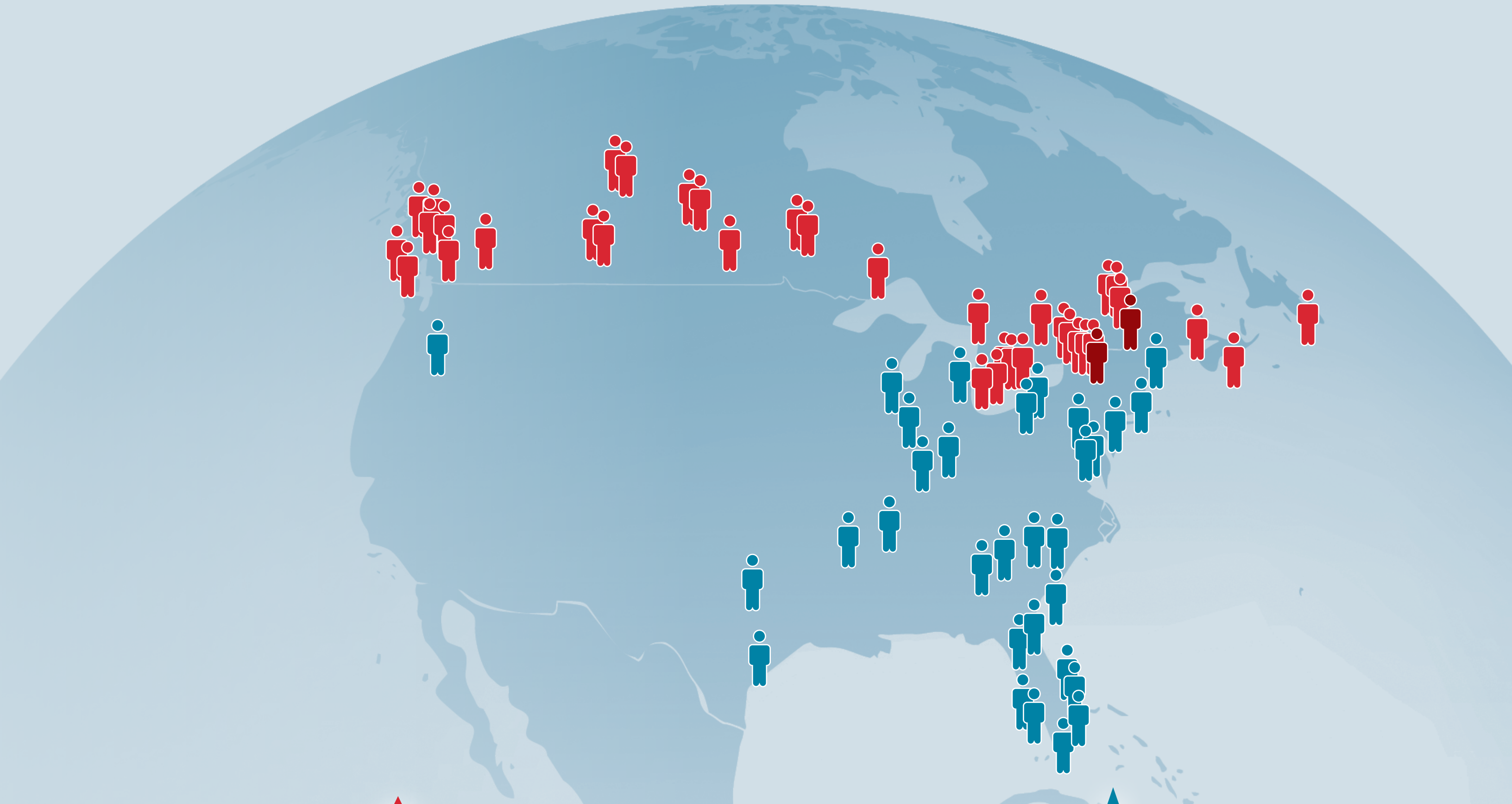
2017
Tamarack Distributors Inc. (Cincinnati, Ohio)
Weston Premium Woods Inc. (Brampton, Ontario)

2016
Cabinetmakers Supply, Inc. (Houston, Texas)
JFH Corporation (Memphis, Tennessee)
Eveready Hardware Manufacturing Co, Inc. (Long Island City, New York)
Neils Sorenson Hardware, Inc. (Portland, Maine)

2015
BD Enterprises, Inc. (Single Source Cabinet Supplies) (Dallas, Texas)

2014
Procraft Industrial Ltd. (Maritime Provinces, Canada)
Pleasantside Distribution Ltd. (Western Canada)
CabinetWare, Inc. (Florida)
XM Export-Import Canada Inc. (Quebec)
Thruway Hardwood and Plywood Corp. (New York State)

2013
Hi-Tech Glazing Supplies (Vancouver)
CounterCo Savannah, LLC (Georgia)



36 DISTRIBUTION CENTERS

Barrie
Brampton
Calgary (2)
Dartmouth
Edmonton (2)
Kelowna
Kitchener
Laval (2)
Longueuil (2)
Moncton
Montreal
Ottawa
Quebec (3)
Regina
Saskatoon (2)
St. John's
Sudbury
Thunder Bay
Toronto (2)
Vancouver (5)
Victoria (2)
Winnipeg (2)

2 MANUFACTURING CENTERS

Longueuil
Notre-Dame-Des-Pins

31 DISTRIBUTION CENTERS

Atlanta
Boston
Buffalo
Charlotte
Chicago
Cincinnati
Dallas
Dania
Detroit
Hartford
Hialeah
Greensboro
Indianapolis
Jacksonville
Lincoln Park
Louisville
Memphis
Nashville
New York (2)
Orlando
Pompano
Portland
Riviera Beach
Sarasota
Greenville
Houston
Savannah
Seattle
Syracuse
Tampa Bay

RICHARD LORD
President and
Chief Executive Officer

TO OUR SHAREHOLDERS AND PARTNERS

THE YEAR 2017 WAS IN LINE WITH OUR YEARS OF PROGRESS, EXPANSION, AND GROWTH IN WHICH RICHELIEU HAS EXTENDED ITS REACH IN NORTH AMERICA AND CONSOLIDATED ITS LEADERSHIP IN THE SPECIALTY HARDWARE AND COMPLEMENTARY PRODUCTS MARKET. WE ARE PROUD TO CELEBRATE RICHELIEU'S 50TH ANNIVERSARY IN 2018, THANKS TO OUR STRONG AND COMMITTED TEAM AND OUR EFFECTIVE BUSINESS MODEL DESIGNED ACCORDING TO OUR CUSTOMER- AND INNOVATION-DRIVEN APPROACH.

This important milestone is also an opportunity for me to look back at the last three decades in which I have served as President of Richelieu. I am pleased to point out our leadership and growth which has made the company strong and stable. I am proud of the team we have built and our shared commitment to a corporate vision of quality based on results and the values of innovation, ethics, respect, and initiative.

We share a culture of continuous improvement. By working together with the same drive and determination, we will continue to lead Richelieu on the path of growth and excellence. To succeed, we will uphold the strategies that have proven effective and we will be proactive to anticipate trends and adapt to shifting market conditions.

“With the performance of our main Canadian and U.S. market segments and the contribution of our acquisitions, 2017 was a successful year.”

“The acquisition strategy we implemented three decades ago is based on two objectives: optimize potential and create long-term value, that we pursued in 2017 and will continue in the future.”

The 11.6% increase in total sales stemmed equally from internal growth and acquisitions. Sales in Canada, spurred by our innovation and market development and expansion strategies and the synergies created by our acquisitions, rose 13.7%, reflecting market share gains and the addition of new customers in both the manufacturer and retailer markets. In the United States, where we are actively pursuing our market penetration initiatives, sales increased by 9.7% (in U.S. dollars) — a satisfactory result considering the temporary impact of hurricanes in southeastern states in the fall. We were able to maintain our profit margins at satisfactory levels, given the investments made to intensify development of the retailer market in Canada as well as the impact on our margins of some of our recent acquisitions having different product mixes.

After investing $43.3 million in business acquisitions and equipment to improve operational efficiency, paying out $13.2 million in dividends, and repurchasing $14.8 million in shares, we ended the year with $29.2 million in cash, $4.3 million in total debt, and working capital of $300.1 million for a current ratio of 4.0:1.

Richelieu’s financial position remains healthy and strong. Share prices rose 25.6% over the year and have grown an average of 16% per year over the last decade. Our market capitalization stood at $2 billion at year-end, up 25.6% from November 30, 2016.

The 60 acquisitions made over the past 30 years have allowed us to stay competitive in a highly specialized market while expanding our presence and giving us access to complementary niche markets. By integrating these acquisitions, we have increased our sales, bolstered our product offering, and broadened our talent pool with new employees who know their local market, and we are creating sales and operational synergies to maximize return on investment.

The 69 interconnected distribution centers that currently make up our North American network give us footholds from coast to coast and a Pan-canadian reach, plus a solid presence in the United States.

During the year, we closed two acquisitions fully in line with our objectives. In April, we acquired the principal net assets of Weston Premium Woods Inc., an Ontario-based distributor located in Brampton, on the outskirts of Toronto. A leader in its field, Weston distributes a diversified range of materials, decorative products, and hardwoods. This acquisition represents additional sales of approximately $60 million on an annual basis. Then in August, we expanded our operations in the important Ohio market by acquiring the principal net assets of Tamarack Distributors Inc., a specialty products distributor in Cincinnati, where we already operate a distribution center. As with each of our acquisitions, we will leverage these two opportunities to generate sales and operational synergies.

“Innovation is a continuous cycle, and staying on top of it is key to serve our customers with the world's leading technology and product design applications. The innovation strategy we implemented thirty years ago remains the spearhead of growth and an important factor influencing customer satisfaction.”

“Our ongoing priority is to provide a first-rate customer experience. We have unified criteria for providing the same quality personalized service at our sales counters, in our showrooms, on the phone, at the customer's site, and online at richelieu.com. The customer is central to our multi-access approach.”

Every year, we stay on the cutting edge by offering a wide variety of innovative, state-of-the-art ergonomic products adapted to today's needs. To that end, in 2017 we improved and expanded our offering in our main categories. We continue to distinguish ourselves in decorative hardware with the most comprehensive product lines in North America – in a wide variety of designs, for classic settings to high-end interiors, to accommodate the most discerning tastes. We also differentiate ourselves in the small spaces product category, with the most advanced and extensive range in North America, including a wide selection of retractable products and sliding door systems. We give our customers access to a variety of decorative panels with some of the most outstanding textures and designs in the world. Our selection of products and ergonomic systems for the kitchen and office is unique in our market. All these assets allow us to provide the North American market with an incomparable offering and to collaborate with the architects and designers who are partners in expertise and innovation.

Our innovation strategy is clearly based on our ability to take the risks that come with innovation. It requires a real understanding of our customers' expectations and challenges and the ability to anticipate their needs. It takes constant research to find the innovations most appropriate to our markets, and lasting relationships of trust with suppliers around the world known for their performance in technology and design.

As an importer and distributor, Richelieu has built a solid reputation over the years with supplier manufacturers, both locally and around the world, that gives us better access to the most compelling products. Working hand in hand with our customers and suppliers is fundamental and is an advantage for our customers who must achieve specific goals and maintain their competitive edge.

In terms of service, our number one priority is making sure our products are available anywhere at anytime throughout our network of 69 centers and at richelieu.com. We continued to invest in operational efficiency in 2017 to optimize the reliability of our supply chain as well as our understanding of customer needs and predictive analysis capabilities using the most appropriate equipment and technology. This enables us to anticipate our manufacturer and retailer customers' needs so we can provide them with the right products at the right time under the best conditions, generally within 24 hours of an order.

In 2017 we continued investing in our sales and service personnel, who represent over 50% of our team. These well-trained resources put their expertise to work for more than 80,000 active customers in North America to provide them with the project-specific answers and advice they need. Every year, we invest in continuing training programs to maintain the expertise and efficiency of our teams. We have performance monitoring and management processes in place so we can regularly assess the quality of our service.

In our ongoing effort to optimize our website, in 2017 we made new improvements and added specialized sites, confirming **richelieu.com** as a comprehensive, state-of-the-art, trilingual interactive tool for our North American customers. Customers increasingly appreciate our website, which gives them access to our full offering, as well as tips on how to use our products, answers to many of their specific needs, and a complete and efficient order processing function. For the public, our website is the most informative and exhaustive showcase available in our field. New products and innovations are constantly added to richelieu.com to benefit our customers and major external vendors. The site provides multichannel information on our products, as well as product videos and user instructions. In 2017, richelieu.com did very well in terms of sales.

> “Anchored by strong foundations, Richelieu sees a promising future. We will stay true to our vision, our values, and our reputation by continuing to innovate, create, and seize opportunities to further provide value for our customers, employees, suppliers, and shareholders.”

Richelieu will remain a dynamic customer- and innovation-driven company. We will continue to work on all of our skills and build on our past achievements. In the last thirty years:

- **Our sales have grown from about $30 million to almost $1 billion.**
- **Our product lineup has increased from some 4,000 products to over 110,000, not including the many options available on richelieu.com.**
- **Our network has grown from a single distribution center to 69 strategically located across North America.**
- **Our customer base has become significantly more diversified, growing from approximately 4,000 to more than 80,000 today.**
- **Our outstanding team has grown from a staff of a few dozen to over 2,100 employees, more than 50% of whom are also Richelieu shareholders.**

Within our highly innovative industry, we stand as a major driver of innovations in our North American market. Our financial strength should allow us to pursue **our innovation strategy** so we can continue to anticipate new trends and customer needs and meet them with the same commitment to excellence.

Our acquisition strategy remains our second major lever for broad-based growth in North America. Canada and the United-States still offer us excellent potential to continue to expand and grow.

We endeavor to make 2018 another year of progress, increased market share gains, and profitability.

Thank you to all our employees, customers, suppliers, directors, shareholders, and business partners.

Montego Resto-Club, Quebec City
Decorative panels

DIRECTORS

Jocelyn Proteau
Chairman of the Board
Richelieu Hardware Ltd.
Corporate Director

Richard Lord
President and Chief
Executive Officer
Richelieu Hardware Ltd.

Denyse Chicoyne [2]
Corporate Director

Robert Courteau [2]
President
CM Management Inc.

Pierre Pomerleau [1]
President and Chief
Executive Officer
Pomerleau Group

Mathieu Gauvin [1]
Senior Vice-President
Investments-Private Equity
Quebec
Caisse de dépôt et
placement du Québec

Marc Poulin [1]
Corporate Director

Sylvie Vachon [2]
President and Chief
Executive Officer
Montreal Port Authority

[1] Member of the Audit Committee

[2] Member of the Human Resources and Corporate Governance Committee

OFFICERS

Richard Lord
President and
Chief Executive Officer

Antoine Auclair
Vice-President and
Chief Financial Officer

Guy Grenier
Vice-President, Sales and
Marketing — Industrial

Geneviève Quevillon
Vice-President
— Logistics and Supply Chain

Jeff Crews
Vice-President, Business
Development
— Retailers Market, Canada

Craig Ratchford
Vice-President,
General Manager
— United States

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager
— Central Canada

John Statton
General Manager
— Western Canada
and Western United States

Christian Dion
Manager
— Human Resources

Yannick Godeau
Legal Affairs and
Corporate Secretary


ECLAIRAGE

ARCHITECTS AND DESIGNERS
Partners in expertise and innovation

A HIGH PERCENTAGE OF OUR SALES COME FROM RESIDENTIAL AND COMMERCIAL PROJECTS. WE HAVE A LONG-STANDING TRADITION OF COLLABORATION WITH ARCHITECTS AND DESIGNERS, WHOM WE KEEP UPDATE ON OUR LATEST INNOVATIONS. THE TECHNICAL AND ESTHETIC APPEAL OF OUR PRODUCTS AND SYSTEMS HELPS ADD VALUE TO THEIR PROJECTS. WE SUPPORT THEM IN THE DESIGN AND SPACE OPTIMIZATION PROCESS TO CREATE QUALITY LIVING AND WORKING ENVIRONMENTS.

Our diversified offering of products and systems meets a wide range of construction, transformation, and renovation needs, whether for small spaces or modern, timeless, ancestral homes or businesses and offices.

Thanks to their innovative shapes and materials, ergonomic designs, and respect for the environment, our functional and decorative hardware products help put well-being and quality of life front and center.

Glass Hardware

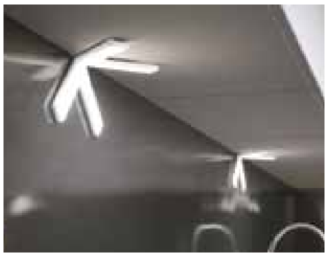
Increasingly used in residential and commercial construction and renovation projects, glass presents real benefits, thanks to its numerous properties. Beyond its esthetics and transparency, it provides resistance, security, and insulation. Our wide selection of specialty and decorative glass hardware includes architectural hardware, tools, and parts for doors, windows, furniture, balustrades, and railings. Our high-tech products are made from top quality raw materials and meet the most exacting industry, domestic, and commercial standards.

OUR VERSATILE AND ADJUSTABLE SYSTEMS MAKE IT POSSIBLE TO OPTIMIZE THE LAYOUT IN SMALL SPACES. THEY INCLUDE HARDWARE FOR RETRACTABLE TABLES AND BENCHES, COMPACT CABINETS, MULTIFUNCTIONAL BEDS, ERGONOMIC STORAGE UNITS, MECHANISMS FOR SLIDING DOORS, AND OTHER RETRACTABLE ACCESSORIES.

Our diversified and comprehensive offering of decorative hardware includes a wide selection of designs, materials, and finishes. It combines state-of-the-art technology with innovative design for a wide range of architectural door profiles, supports, and specialty products and handles and knobs of all styles.

Our avant-garde kitchen and storage solutions are a perfect blend of ergonomics, esthetics, and space optimization.

A wide selection of versatile and energy-efficient light fixtures is also available to add light and refinement to furniture, cabinets, and storage units.



For residential, commercial, and institutional construction and renovation projects, our customers have access to the widest range of sliding door solutions in North America, available in diverse materials for a variety of needs.

Our veneer sheets, panels, and edgebanding products—meticulously crafted using state-of-the-art technology—add lasting beauty and luster to residential, commercial, and office projects, in addition to providing soundproofing.

richelieu.com

TRILINGUAL — FRENCH, ENGLISH, SPANISH — COMPREHENSIVE, USER-FRIENDLY, INTERACTIVE, **richelieu.com** GIVES CUSTOMERS QUICK AND EASY ACCESS TO OVER 110,000 PRODUCTS AND TIPS ON HOW TO USE THEM AT ANY TIME.

A STRONG GROWTH DRIVER
A LEVER OF DIFFERENTIATION
A COMPREHENSIVE EFFICIENT TOOL FOR CUSTOMERS

The number of customers using **richelieu.com** keeps increasing. Online sales represent a high percentage of our total sales attesting to the satisfaction of our customers. In addition to making our entire range of products available for online purchase, richelieu.com has many features to facilitate product selection and modify preconfigured products according to customer project requirements.

Optimized in 2017, our website is remarkably efficient and easy to use. It provides users with a source of inspiration that is unparalleled in North America, as well as time-saving solutions for their projects, no matter how complex they may be.

IT IS WITH PRIDE AND GREAT CONCERN FOR EFFICIENCY THAT WE SERVE SEVERAL THOUSAND INDEPENDENT RETAILERS AND RENOVATION SUPERSTORES. WE ARE COMMITTED TO GIVING THEM FIRST-RATE SERVICE. THANKS TO OUR LOGISTICS EXPERTISE AND RICHELIEU.COM, WE CAN PROVIDE THEM WITH A RELIABLE, JUST-IN-TIME SUPPLY.

New store displays provided by Richelieu

Richelieu

CEDAN

NYSTROM

MADICO

ATTACHES RELIABLE FASTENERS

SIMTAB NEOS GORDONPLY DIVISION Richelieu

onward

The showrooms adjacent to our distribution centers welcome clients and visitors in open, modern, and easily-accessible facilities that showcase our product lines. Designed to catch the eye, they offer a convenient and pleasant way for people to get information and advice before placing an order. We do everything we can to make sure our busy showrooms, that receive thousands of visitors, meet the highest reception and service standards.

Our customers also benefit from Richelieu's **unique sales tools** such as high-end displays and quality brochures illustrating products and their specifications in most of our categories,not to mention **richelieu.com** and all the visibility and other benefits it provides.

OUR PLANTS

CEDAN

manufactures a wide variety of veneer sheets and edgebanding products compliant with high quality standards and sold in all our North American markets. Its offering includes high definition engineering veneers that meet the highest standards for large-scale projects.

MENUISERIE DES PINS LTÉE

specializes in manufacturing wood and steel door and window frames for commercial, industrial, and institutional markets, and in a wide variety of decorative moldings, baseboards, cornices, and plate rails.

Distribution logistics are evolving and supply chain efficiency is a fundamental priority. **AutoStore™, an innovative and modular storage and order picking system** that uses storage robots, provides high storage density and a lot of flexibility for future expansion. The system is energy efficient, delivers optimal reliability, and eliminates the need for employee movement, making it profitable and highly effective for work organization and quality control.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

In 2017, we continued our program to promote sustainable development principles throughout our organization and eco-friendly measures adapted to our activities. As a distribution company, one of our priorities is to make sure our supply chain integrates environmental protection measures. Together with our suppliers and distribution centers, we pay special attention to product packaging in order to minimize waste as much as possible while ensuring optimal product transportation. In addition, our partnerships with carriers help us minimize our carbon footprint. Waste management is facilitated by analyzes conducted at each of our sites according to type of waste and reclamation and by using appropriate collection equipment. We promote energy conservation through various measures implemented across all our services and centers. To minimize our impact on the environment, waste, and printing costs, we eliminate paper reports, optimize our printer fleet, and use videoconferences wherever possible.

We provide support in the areas of education, culture, youth sports, health care, and heritage conservation, in particular in communities we have ties to. Every year, we renew and diversify our commitment to community and charity organizations that back these vital causes.

Each year we expand our offering of green products to meet the needs of eco-friendly construction and renovation projects. Several thousand high-quality certified products and innovative solutions are available at our distribution centers and on richelieu.com, including laminates made entirely from natural materials, recycled oak wood panels, revolutionary products providing environmentally friendly alternatives to high-pressure laminates, product lines made from recycled fibers, handles and knobs, LED lighting, and finishing products meeting the highest standards and specifications.

Pure acrylic panel - highly resistant - light and glass-like material

LED light in-built motion detector

Ecological veneers

Ecological finishing products

Wood edgebanding

MANAGEMENT'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Year Ended November 30, 2017

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HIGHLIGHTS OF THE YEAR ENDED NOVEMBER 30, 2017

The year ended November 30, 2017, was one of further growth and expansion during which Richelieu continued to make investments to create long term-value. The Corporation's main market segments increased thanks to its innovation strategy, stepped-up market development efforts, and web strategy through richelieu.com, in addition to its acquisitions. Apart from strengthening Richelieu's position in the Ohio and Ontario markets, acquisitions completed in 2017 contributed to sales growth and gave rise to new synergies. Richelieu ended the year with an impeccable financial situation, enabling it to continue its business strategy in North America while remaining customer and innovation oriented and maintaining its goals of profitability, strengthening its foundations, and leadership. As at November 30, 2017, the Corporation's market capitalization stood at $1.96 billion, up 25.6% over 2016 year-end. Its share price (RCH/TSX) rose 25.6% over the course of the year and has increased by an annual average of 16% over the last decade.

- **Consolidated sales totalled** $942.5 million, an increase of 11.6%, equally from internal growth and from acquisitions.
- **Earnings before income taxes, interest and amortization (EBITDA)**[1] grew by 9.1% to $103 million. The EBITDA margin stood at 10.9%.
- **Net earnings attributable to shareholders** increased by 7.8% to $67.7 million or $1.17 per share (basic) and $1.15 (diluted), up by 8.3% and 7.5% respectively.
- **Cash flows from operating activities**[1] (before net change in non-cash working capital balances) grew by 9.1% to $80.0 million.
- **Working capital** increased by 6.9% to $300.1 million, with a current ratio of 4.0 : 1.
- **Cash and cash equivalents** totalled $29 million.
- **Total debt** was $4.3 million.
- **Repurchase** of 458,088 common shares for $14.8 million and payment of $13.2 million in dividends to shareholders (representing 19.5% of net earnings attributable to shareholders for fiscal year 2017). Richelieu thus distributed $28 million to shareholders in 2017 while retaining the financial resources necessary for growth in 2018.

Two (2) acquisitions during the year:

- August 1st, 2017 — Principal net assets of Tamarack Distributors Inc., a specialty products distributor located in Cincinnati, Ohio;
- April 18, 2017 — Principal net assets of Weston Premium Woods Inc., a distributor of materials, decorative products and hardwoods located in Brampton, Ontario.

[1] EBITDA and cash flows from operating activities are non-IFRS measures, as indicated on page 26 of this report.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2017, in comparison with the year ended November 30, 2016, as well as the Corporation's financial position at those dates. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended November 30, 2017, appearing in the Corporation's 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, such as the Annual Information Form, interim management's reports, Management Proxy Circular, certificates signed by the Corporation's President and Chief Executive Officer and Vice-President and Chief Financial Officer, as well as press releases issued during the year ended November 30, 2017, 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 January 25, 2018, on which date the audited consolidated financial statements and annual 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").

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 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 Corporation's 2017 Annual Report (see the "Risk Factors" section on page 34 of the 2017 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.

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.

GENERAL BUSINESS OVERVIEW
as at November 30, 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** who are served by **69 centers in North America** with 36 distribution centers in Canada, 31 distribution centers 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 2,100 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. More than 50% of its employees are Richelieu's 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 centers 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

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)

Years ended November 30	2017 $	2016 $	2015 $	2014 $	2013 $
Sales	942,545	844,473	749,646	646,909	586,775
EBITDA[1]	102,974	94,422	87,681	77,417	70,373
EBITDA margin (%)	*10.9*	*11.2*	*11.7*	*12.0*	*12.0*
Net earnings	67,932	63,013	58,878	52,573	46,657
Net earnings attributable to shareholders of the Corporation	67,704	62,814	58,739	52,393	46,403
• basic per share ($)[3]	1.17	1.08	1.00	0.89	0.75
• diluted per share ($)[3]	1.15	1.07	0.99	0.88	0.74
Net margin attributable to the shareholders of the Corporation (%)	*7.2*	*7.4*	*7.8*	*8.1*	*7.9*
Cash flows from operating activities[2]	79,951	73,296	68,052	60,253	54,978
• diluted per share ($)[3]	1.36	1.25	1.15	1.01	0.88
Dividends paid to Shareholders of the Corporation	13,157	12,374	11,717	11,023	10,768
• per share ($)[3]	0.227	0.213	0.200	0.187	0.173
Weighted average number of shares outstanding (diluted) (in thousands)[3]	58,659	58,781	59,343	59,754	62,790
As at November 30					
Total assets	542,667	486,046	449,792	390,721	356,325
Working capital	300,116	280,747	260,579	214,866	204,117
Current ratio	4.0	4.4	4.4	4.0	4.5
Equity attributable to shareholders of the Corporation	434,092	394,268	362,885	309,149	288,845
Return on average equity (%)	*16.3*	*16.6*	*17.5*	*17.5*	*16.2*
Book value ($)	7.51	6.81	6.19	5.27	4.80
Total debt	4,294	4,864	3,580	5,354	1,354
Cash and cash equivalents	29,162	42,969	29,454	33,721	46,187

(1) EBITDA is a non-IFRS measure, as indicated on page 26 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 26 of this report.

(3) All share data in this report have been restated to reflect the impact of the three-for-one split of all common shares effective February 29, 2016.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2017, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2016

Consolidated sales

(in thousands of $, except exchange rates)

Years ended November 30	2017 $	2016 $	Δ (%)
Canada	635,498	559,137	+13.7
United States (CA$)	307,047	285,336	+ 7.6
(US$)	235,873	215,028	+ 9.7
Average exchange rates	*1.3017*	*1.3270*	
Consolidated sales	942,545	844,473	+11.6

Consolidated sales reached $942.5 million, an increase of $98.0 million or 11.6% over 2016, of which 5.8% from internal growth and 5.8% from acquisitions. At comparable exchange rates to 2016, the consolidated sales growth would have been 12.3% for the year ended November 30, 2017.

Sales to **manufacturers** grew to $799.9 million, compared with $720.7 million for 2016, an increase of $79.2 million or 11.0%, of which 4.2% from internal growth and 6.8% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 15.2% or $18.8 million to total $142.6 million.

In Canada, Richelieu achieved sales of $635.5 million, compared with $559.1 million for 2016, up by $76.4 million or 13.7%, of which 7.3% from internal growth and 6.4% from acquisitions. Sales to **manufacturers** rose to $507.9 million, up by $57.4 million or 12.7%, of which 4.7% from internal growth and 8.0% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $127.6 million, compared with $108.6 million, up by $19.0 million or 17.5% over 2016. This resulted primarily from market share gain, the addition of new customers and to a lesser extent an increase in some selling prices.

In the United States, the Corporation recorded sales of US$235.9 million, compared with US$215.0 million for 2016, an increase of US$20.9 million or 9.7%, of which 4.9% from internal growth and 4.8% from acquisitions. Sales to **manufacturers** totalled US$224.3 million, compared with US$203.6 million, an increase of US$20.7 million or 10.2% over 2016, of which 5.1% from internal growth and 5.1% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 1.8% from the previous year. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $307.0 million, compared with $285.3 million for 2016, an increase of 7.6%. They accounted for 32.6% of consolidated sales in 2017, whereas they had represented 33.8% of the year's consolidated sales in 2016.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Years ended November 30	2017 $	2016 $
Sales	942,545	844,473
EBITDA	102,974	94,422
EBITDA margin (%)	10.9	*11.2*

Earnings before income taxes, interest and amortization (EBITDA) totalled $103.0 million, up by $8.6 million or 9.1% over 2016. The **gross margin** was down from 2016 influenced by the lower gross margins of some recent acquisitions due to their different product mix as well as to investments in market development and sales initiatives in the retailers market with lower gross margins. The **EBITDA margin** stood at 10.9%, compared with 11.2% for 2016.

Amortization expenses amounted to $11.5 million compared with $9.6 million for the corresponding quarter of 2016, which is up by $1.9 million, resulting mainly from investments made in tangible and intangible assets in 2017. **Income taxes** amounted to $23.8 million, an increase of $2.0 million over 2016.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

Years ended November 30	2017 $	2016 $
EBITDA	102,974	94,422
Amortization of property, plant and equipment and intangible assets	11,454	9,601
Financial costs, net	(193)	31
Income taxes	23,781	21,777
Net earnings	67,932	63,013
Net earnings attributable to shareholders of the Corporation	67,704	62,814
Net margin attributable to the shareholders of the Corporation (%)	7.2	7.4
Non-controlling interests	228	199
Net earnings	67,932	63,013

Net earnings grew by 7.8%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $67.7 million, an increase of 7.8% over 2016. **Net earnings per share** amounted to $1.17 basic and $1.15 diluted, compared with $1.08 basic and $1.07 diluted for 2016, an increase of 8.3% and 7.5% respectively.

Comprehensive income totalled $63.5 million, considering a negative adjustment of $4.4 million on translation of the financial statements of the subsidiary in the United States, compared with $63.8 million for 2016, considering a positive adjustment of $0.8 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				
• Sales	**195,909**	**243,269**	**253,190**	**250,177**
• EBITDA	**18,341**	**26,648**	**27,924**	**30,061**
• Net earnings attributable to shareholders of the Corporation	**11,998**	**17,587**	**18,135**	**19,984**
basic per share	**0.21**	**0.30**	**0.31**	**0.34**
diluted per share	**0.20**	**0.30**	**0.31**	**0.34**
2016				
• Sales	188,909	217,413	220,155	217,996
• EBITDA	16,710	23,074	25,942	28,696
• 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				
• Sales	159,319	190,801	199,457	200,069
• EBITDA	15,706	21,878	24,394	25,703
• 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.

Note: For further information about the Corporation's performance in the first, second and third quarters of 2017, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2017

Fourth-quarter consolidated sales amounted to $250.2 million, compared with $218.0 million for the corresponding quarter of 2016, an increase of $32.2 million or 14.8%, of which 6.8% from internal growth and 8.0% from acquisitions. At comparable exchange rates to the fourth quarter of 2016, the consolidated sales growth would have been 16.7% for the quarter ended November 30, 2017.

Richelieu achieved sales of $214.2 million in the **manufacturers** market, compared with $187 million for the fourth quarter of 2016, an increase of $27.2 million or 14.5%, of which 5.2% from internal growth and 9.3% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $36 million, up by $5 million or 16.1% over the fourth quarter of 2016.

In Canada, Richelieu recorded sales of $174.5 million, an increase of $29.8 million or 20.6% over the fourth quarter of 2016, of which 11.2% from internal growth and 9.4% from acquisitions. Sales to **manufacturers** amounted to $141.4 million, an increase of 20.2%, of which 8.7% from internal growth and 11.5% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to $33.1 million, up by $6.0 million or 22.1%, mainly due to market share gain and the addition of new customers.

In the United States, sales totalled US$60.3 million, compared with US$55.2 million for the fourth quarter of 2016, an increase of US$5.1 million or 9.2%, of which 3.5% from internal growth and 5.7% from acquisitions. Sales to **manufacturers** amounted to US$58.0 million, an increase of US$5.7 million or 10.9% over the fourth quarter of 2016, of which 4.9% from internal growth and 6% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 20.7% from the corresponding quarter of 2016, mainly caused by initial sales related to product introductions in stores in 2016. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $75.7 million, an increase of 3.3%. They accounted for 30.3% of consolidated sales for the fourth quarter of 2017, whereas they had represented 33.6% of the period's consolidated sales for the fourth quarter of 2016.

Earnings before income taxes, interest and amortization (EBITDA) amounted to $30.1 million, an increase of $1.4 million or 4.8% over the fourth quarter of 2016. The **gross margin** and the **EBITDA margin** were influenced by lower gross margins of certain recent acquisitions due to their different product mixes, seasonal sales initiatives in the retailer market with lower gross margins, and lower revenues due to hurricanes that impacted our customers in the south-east states. The **EBITDA margin** stood at 12.0%, compared with 13.2% for the fourth quarter of 2016.

Income taxes amounted to $7.2 million, an increase of $0.1 million over 2016.

Net earnings grew by 4.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $20.0 million, up by 4.0% over the fourth quarter of 2016. **Net earnings per share** rose to $0.34 basic and diluted, compared with $0.33 basic and diluted for the fourth quarter of 2016, an increase of 3.0%.

Comprehensive income amounted to $22.8 million, considering a positive adjustment of $2.8 million on translation of the financial statements of the subsidiary in the United States, compared with $21.8 million for the fourth quarter of 2016, considering a positive adjustment of $2.6 million on translation of the financial statements of the subsidiary in the United States.

Cash flows from operating activities (before net change in non-cash working capital balances) amounted to $22.2 million or $0.38 per share, compared with $21.6 million or $0.37 per share for the fourth quarter of 2016, an increase of 2.9% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $2.4 million, reflecting the change in inventory and accounts receivables ($15.7 million), whereas the change in accounts payable and other items represented a cash inflow of $13.3 million. Consequently, operating activities provided cash flows of $19.8 million, compared with $27.6 million for the fourth quarter of 2016.

Financing activities used cash flows of $13.7 million, compared with $2.9 million for the fourth quarter of 2016. This change mainly reflects the significant common shares repurchased issued of $10.6 million done in the fourth quarter of 2017.

Investing activities represented a cash outflow of $3.7 million for equipment to improve operational efficiency, for IT equipment, and for the design and manufacturing of new displays for the retailers market.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2017

Change in cash and cash equivalents and capital resources

(in thousands of $, unless otherwise indicated)

Years ended November 30	2017 $	2016 $
Cash flows provided by (used for):		
Operating activities	55,956	66,529
Financing activities	(26,547)	(33,431)
Investing activities	(43,324)	(19,749)
Effect of exchange rate fluctuations	108	166
Net change in cash and cash equivalents	(13,807)	13,515
Cash and cash equivalents, beginning of year	42,969	29,454
Cash and cash equivalents end of year	29,162	42,969
As at November 30		
Working capital	300,116	280,747
Renewable line of credit (CA$)	50,000	26,000
Renewable line of credit (US$)	6,000	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached $80.0 million or $1.36 diluted per share, compared with $73.3 million or $1.25 diluted per share for 2016, an increase of 9.1% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $24.0 million, primarily representing changes in inventory and accounts receivables ($37.9 million), whereas accounts payable and other items represented a cash inflow of $13.9 million. Consequently, operating activities provided cash flows of $56.0 million, compared with $66.5 million for 2016.

Financing activities

Financing activities used cash flows of $26.5 million, compared with $33.4 million for 2016. During the year, Richelieu repurchased common shares for cancellation for $14.8 million, compared with $23.1 million in 2016. The Corporation paid dividends to shareholders of $13.2 million, up by 6.3% over 2016.

Investing activities

Investing activities represented a total cash outflow of $43.3 million, of which $30.2 million for business acquisitions and $13.1 million for equipment to improve operational efficiency, for IT equipment, and for the design and manufacturing of new displays for the retailers market.

Sources of financing

As at November 30, 2017, **cash and cash equivalents** amounted to $29.2 million, compared with $43.0 million as at November 30, 2016. The Corporation posted a working capital of $300.1 million for a current ratio of 4.0:1, compared with $280.7 million (4.4:1ratio) 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 2018. The Corporation continues to benefit 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.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2018, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

Analysis of financial position as at November 30, 2017

Summary of financial position

(in thousands of $, except exchange rates)

As at November 30	2017 $	2016 $
Current assets	399,187	362,803
Non-current assets	143,480	123,243
Total	542,667	486,046
Current liabilities	99,071	82,056
Non-current liabilities	5,392	5,679
Equity attributable to shareholders of the Corporation	434,092	394,268
Non-controlling interests	4,112	4,043
Total	542,667	486,046
Exchange rates on translation of a subsidiary in the United States	*1.289*	*1.343*

Assets

Total assets amounted to $542.7 million as at November 30, 2017, compared with $486.0 million as at November 30, 2016. Current assets increased by 10.0% or $36.4 million from November 30, 2016. This increase resulted from the Corporation's growth and the acquisitions completed in 2017.

Cash position

(in thousands of $)

As at November 30	2017 $	2016 $
Current portion of long-term debt	4,294	4,336
Long-term debt	—	528
Total debt	4,294	4,864
Cash and cash equivalents	*29,162*	*42,969*

As at November 30, 2017, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $4.3 million representing balances payable on acquisitions and financing contracts for equipment.

Equity attributable to shareholders of the Corporation totalled $434.1 million as at November 30, 2017, compared with $394.3 million as at November 30, 2016, an increase of $39.8 million stemming primarily from a growth of $40.1 million in retained earnings which amounted to $376.9 million, and of $4.1 million in share capital and contributed surplus, whereas accumulated other comprehensive income were down by $4.4 million. As at November 30, 2017, **the book value per share** was $7.51, up by 10.3% over November 30, 2016, and the return on average shareholders' equity was 16.3%.

As at November 30, 2017, the Corporation's **share capital** consisted of 57,795,603 common shares (57,920,466 shares as at November 30, 2016). In 2017, upon the exercise of options under the stock option plan, Richelieu issued 333,225 common shares at an average price of $8.34 (281,559 in 2016 at an average price of $8.42). In addition, 458,088 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of $14.8 million (1,004,700 common shares for a cash consideration of $23.1 million in 2016).

The Corporation granted 329,500 stock options during the year (356,500 in 2016). Consequently, as at November 30, 2017, 1,637,361 stock options were outstanding (1,650,086 as at November 30, 2016).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2017

(in thousands of $)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	4 294	—	—	4 294
Operating leases	10 745	21 308	6 308	38 361
Total	15 039	21 308	6 308	42 655

For 2018 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2018, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into foreign exchange forward 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.

In notes (1) and (12) of the audited consolidated financial statements for the year ended November 30, 2017, the Corporation presents the information on the classification and fair value of its financial instruments, as well as on their value and management of the risks arising from their use.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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, 2017. 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 year ended November 30, 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 AND ESTIMATES

The Corporation's audited consolidated financial statements for the year ended November 30, 2017, have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the 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.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period, are summarized as follows:

Valuation of inventory impairment, including loss and obsolescence, goodwill and intangible assets with indefinite useful lives and deferred tax assets requires the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.

NEW ACCOUNTING METHODS

Recently issued

IFRS 9, Financial Instruments

IFRS 9, *Financial instruments* replaces IAS 39 *Financial instruments: Recognition and Measurement* and includes a single approach to determine whether a financial asset is measured at amortized cost or fair value, a new hedge accounting model to enable financial statement users to better understand an entity's risk exposure and its risk management activities, and a new impairment model for financial assets based on expected credit losses. IFRS 9 is effective for fiscal year beginning on or after January 1st, 2018, thus for fiscal year beginning on December 1st, 2018 for the Corporation. The Corporation has made a preliminary assessment the adoption of this new standard will have on its consolidated financial statements and does not anticipate any significant impact.

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 standard, 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 shall be applied to fiscal year beginning on or after January 1st, 2018, thus for fiscal year beginning on December 1st, 2018 for the Corporation. The Corporation has made a preliminary assessment the adoption of this new standard will have on its consolidated financial statements and does not anticipate any significant impact.

IFRS 16, Leases

IFRS 16 *Leases* replaces IAS 17 *Leases* and related interpretations. The new standard 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 periods beginning on or after January 1st, 2019, thus for fiscal year beginning on December 1st, 2019 for the Corporation. Earlier adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

The Corporation being committed under operating leases for warehouse and office premises, it expects that the adoption of IFRS 16 will result in the recognition, in the consolidated statement of financial position, of a related asset and a liability and, in the consolidated statement of earnings, of a reduction in rent expense and an increase in financial costs and amortization of property, plant and equipment.

RISK FACTORS

Richelieu is exposed to different risks that can have a material adverse effect on its profitability. To offset such risks, the Corporation has adopted various strategies adapted to the major risk factors below:

Economic conditions

The Corporation's business and financial results partly depend on general economic conditions and the economic factors specific to the renovation and construction industry. Any economic downturn could lead to a decline in sales and have an adverse impact on the Corporation's financial performance.

Market and competition

The specialty hardware and renovation products segment is highly competitive. Richelieu has developed a business strategy rooted in a diversified product offering in various targeted niche markets in North America and sourced from suppliers around the world, in creative marketing and in unparalleled expertise and quality of service. Up to now, this strategy has enabled it to benefit from a solid competitive edge. However, if Richelieu were unable to implement its business strategy with the same success in the future, it could lose market shares and its financial performance could be adversely affected.

Foreign currency

Richelieu is exposed to the risks related to currency fluctuations, primarily in regard to foreign-currency denominated purchases and sales made abroad.

The Corporation's products are regularly sourced from abroad. Thus, any increase in foreign currencies (primarily the U.S. dollar and Euro) compared with the Canadian dollar tends to raise its supply cost and thereby affect its consolidated financial results. These currency fluctuations related risks are mitigated by the Corporation's ability to adjust its selling prices within a relatively short timeframe so as to protect its profit margins although significant volatility in foreign currencies may have an adverse impact on its sales.

Sales made abroad are mainly recorded in the United States and account for approximately 33% of Richelieu's total sales. Any volatility in the Canadian dollar therefore tends to affect consolidated results. This risk is partially offset by the fact that major purchases are denominated in U.S. dollars.

To manage its currency risk, the Corporation uses derivative financial instruments, more specifically forward exchange contracts in U.S. dollars and euros. There can be no assurance that the Corporation will not sustain losses arising from these financial instruments or fluctuations in foreign currency.

Supply and inventory management

Richelieu must anticipate and meet its customers' supply needs. To that end, Richelieu must maintain solid relationships with suppliers respecting its supply criteria. The inability to maintain such relationships or to efficiently manage the supply chain and inventories could affect the Corporation's financial position. Similarly, Richelieu must track trends and its customers' preferences and maintain inventories meeting their needs, failing which its financial performance could be adversely affected.

To mitigate its supply-related risks, Richelieu has built solid long-term relationships with numerous suppliers on several continents, most of whom are world leaders.

Acquisitions

Acquisitions in North America remain an important strategic focus for Richelieu. The Corporation will maintain its strict acquisition criteria and pay particular attention to the integration of its acquisitions. Nevertheless, there is no guarantee that a business matching Richelieu's acquisition criteria will be available and there can be no assurance that the Corporation will be able to make acquisitions at the same pace as in the past. However, the fact that the U.S. market remains highly fragmented and that acquisitions are generally of limited size reduces the inherent financial and operational risks.

Credit

The Corporation is exposed to the credit risk related to its accounts receivable. Richelieu has adopted a policy defining the credit conditions for its customers to safeguard against credit losses arising from doing business with them. For each customer, the Corporation sets a specific limit that is regularly reviewed. The diversification of its products, customers and suppliers reasonably safeguards the Corporation against a concentration of its credit risk. No customer of the Corporation accounts for more than 10% of its revenues.

Labour relations and qualified employees

To achieve its objectives, Richelieu must attract, train and retain qualified employees while controlling its payroll. The inability to attract, train and retain qualified employees and to control its payroll could have an impact on the Corporation's financial performance. Close to 15% of Richelieu's workforce is unionized. The Corporation's policy is to negotiate collective agreements at conditions enabling it to maintain its competitive edge and a positive and satisfactory working environment for its entire team. Richelieu has not experienced any major labour conflicts over the past five years. Any interruption in operations as a result of a labour conflict could have an adverse impact on the Corporation's financial results.

Stability of key officers

Richelieu offers a stimulating working environment and a competitive compensation plan, which help it retain a stable management team. Failure to retain the services of a highly qualified management team could compromise the success of Richelieu's strategic execution and expansion, which could have an adverse impact on its financial results. To adequately manage its future growth, the Corporation adjusts its organizational structure as needed and strengthens the teams at the various levels of its business. It should be noted that more than 50% of its employees, including senior officers, are Richelieu shareholders.

Product liability

In the normal course of business, Richelieu is exposed to various product liability claims that could result in major costs and affect the Corporation's financial position. Richelieu has agreements containing the usual limits with insurance companies to cover the risks of claims associated with its operations.

Crisis management, IT contingency plan and data security

The IT structure implemented by Richelieu enables it to support its operations and contributes to ensure their efficiency. As the occurrence of a disaster, including a major interruption of its computer systems, could affect its operations and financial performance, the Corporation has implemented a crisis management and IT contingency plan to reduce the extent of such a risk. This plan provides among others for an alternate physical location in the event of a disaster, generators in the event of power outages and a relief computer as powerful as the central computer.

A breach of the Corporation's IT security, loss of customer data or system disruption could adversely affect its business and reputation.

Richelieu's business is dependent on its payroll, transaction, financial, accounting and other data processing systems. The Corporation relies on these systems to process, on a daily basis, a large number of transactions. Any security breach in its business processes and/or systems has the potential to impact its customer information, which could result in the potential loss of business. If any of these systems fail to operate properly or become disabled, the Corporation could potentially lose control of customer data and suffer financial loss, a disruption of our businesses, liability to customers, regulatory intervention or damage to its reputation.

In addition, any issue of data privacy as it relates to unauthorized access to, or loss of, customer and/or employee information could result in the potential loss of business, damage to Richelieu's market reputation, litigation and regulatory investigation and penalties.

To reduce its risk, the Corporation continuously invests in the security of its IT systems, business processes improvements and enhancements to its culture of information security.

SHARE INFORMATION AS AT JANUARY 25, 2018

Issued and outstanding common shares :	57,836,214
Outstanding stock options	1,961,375

OUTLOOK

In 2018, as in the past, Richelieu will be customer-oriented, focusing on quality of service and innovation. Its two major sources of growth will remain innovation and business acquisition strategies in its sector. The Corporation will pursue its current market development in North America and its efforts to penetrate new territories, especially in the United States. It remains on the lookout for strategic acquisitions to further strengthen its positioning and create additional sales and operational synergies, while giving priority to operational efficiency and sound financial management.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

(Signed) Richard Lord

President and
Chief Executive Officer

(Signed) Antoine Auclair

Vice-President and
Chief Financial Officer

January 25, 2018

MANAGEMENT'S REPORT

Related to the consolidated financial statements

The consolidated financial statements of Richelieu Hardware Ltd. (the "Corporation") and other financial information included in this Annual Report are the responsibility of the Corporation's management. These consolidated financial statements have been prepared by management in accordance with IFRS and approved by the Board of Directors.

The Corporation maintains accounting and internal control systems which, in management's opinion, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in the Annual Report, primarily through its Audit Committee. This committee which meets periodically with the Corporation's managers and external auditors, has reviewed the consolidated financial statements of the Corporation and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Corporation's external auditors, Ernst & Young LLP, Chartered Professional Accountants.

Montreal, Canada, January 25, 2018

(Signed) Richard Lord

President and Chief Executive Officer

(Signed) Antoine Auclair

Vice-President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the shareholders of **Richelieu Hardware Ltd.**

We have audited the accompanying consolidated financial statements of **Richelieu Hardware Ltd.**, which comprise the consolidated statements of financial position as at November 30, 2017 and 2016, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Richelieu Hardware Ltd.** as at November 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

(Signed) Ernst & Young LLP
Montreal, Canada, January 25, 2018

[1] CPA auditor, CA, public accountancy permit no. A120803

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at November 30
[In thousands of dollars]

	NOTES	2017	2016
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		29,162	42,969
Accounts receivable	3	134,187	109,867
Inventories	3	233,585	207,803
Prepaid expenses		2,253	2,164
		399,187	362,803
Non-current assets	3		
Property, plant and equipment	4	38,558	33,258
Intangible assets	5	29,282	22,881
Goodwill	5	68,931	62,256
Deferred taxes	9	6,709	4,848
		542 667	486,046
LIABILITIES AND EQUITY			
Current liabilities	3		
Accounts payable and accrued liabilities		91,858	75,764
Income taxes payable	9	2,919	1,956
Current portion of long-term debt	7	4,294	4,336
		99,071	82,056
Non-current liabilities	3		
Long-term debt	7	—	528
Deferred taxes	9	3,511	3,239
Other liabilities		1,881	1,912
		104,463	87,735
Equity			
Share capital	8	39,230	36,050
Contributed surplus	8	2,358	1,417
Retained earnings		376,922	336,835
Accumulated other comprehensive income	11	15,582	19,966
Equity attributable to shareholders of the Corporation		434,092	394,268
Non-controlling interests		4,112	4,043
		438,204	398,311
		542,667	486,046

Commitments and contingencies *[note 10]*
See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors :

(Signed) Richard Lord
Director

(Signed) Mathieu Gauvin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended November 30
[In thousands of dollars, except earnings per share]

	NOTES	2017	2016
		$	$
Sales		942,545	844,473
Operating expenses excluding amortization	8, 12	839,571	750,051
Earnings before amortization, financial costs and income taxes		102,974	94,422
Amortization of property, plant and equipment		7,634	6,497
Amortization of intangible assets		3,820	3,104
Financial costs, net		(193)	31
		11,261	9,632
Earnings before income taxes		91,713	84,790
Income taxes	9	23,781	21,777
Net earnings		67,932	63,013
Net earnings attributable to:			
Shareholders of the Corporation		67,704	62,814
Non-controlling interests		228	199
		67,932	63,013
Net earnings per share attributable to shareholders of the Corporation	8		
Basic		1.17	1.08
Diluted		1.15	1.07

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30
[In thousands of dollars]

	NOTES	2017	2016
		$	$
Net earnings		67,932	63,013
Other comprehensive income that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	11	(4,384)	816
Comprehensive income		63,548	63,829
Comprehensive income attributable to:			
Shareholders of the Corporation		63,320	63,630
Non-controlling interests		228	199
		63,548	63,829

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended November 30
[In thousands of dollars]

	Attributable to shareholders of the Corporation						
	Share capital	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income**	**Total**	**Non-controlling interests**	**Total equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Notes	8	8		11			
Balance as at November 30, 2015	33,566	1,265	308,904	19,150	362,885	3,922	366,807
Net earnings	—	—	62,814	—	62,814	199	63,013
Other comprehensive income	—	—	—	816	816	—	816
Comprehensive income	—	—	62,814	816	63,630	199	63,829
Shares repurchased	(578)	—	(22,509)	—	(23,087)	—	(23,087)
Stock options exercised	3,062	(692)	—	—	2,370	—	2,370
Share-based compensation expense	—	844	—	—	844	—	844
Dividends *[note 16]*	—	—	(12,374)	—	(12,374)	(67)	(12,441)
Other liabilities	—	—	—	—	—	(11)	(11)
	2,484	152	(34,883)	—	(32,247)	(78)	(32,325)
Balance as at November 30, 2016	**36,050**	**1,417**	**336,835**	**19,966**	**394,268**	**4,043**	**398,311**
Net earnings	**—**	**—**	**67,704**	**—**	**67,704**	**228**	**67,932**
Other comprehensive income	**—**	**—**	**—**	**(4,384)**	**(4,384)**	**—**	**(4,384)**
Comprehensive income	**—**	**—**	**67,704**	**(4,384)**	**63,630**	**228**	**63,548**
Shares repurchased	**(303)**	**—**	**(14,460)**	**—**	**(14,763)**	**—**	**(14,763)**
Stock options exercised	**3,483**	**(703)**	**—**	**—**	**2,780**	**—**	**2,780**
Share-based compensation expense	**—**	**1,644**	**—**	**—**	**1,644**	**—**	**1,644**
Dividends *[note 16]*	**—**	**—**	**(13,157)**	**—**	**(13,157)**	**(190)**	**(13,347)**
Other liabilities	**—**	**—**	**—**	**—**	**—**	**31**	**31**
	3,180	**941**	**(27,617)**	**—**	**(23,496)**	**(159)**	**(23,655)**
Balance as at November 30, 2017	**39,230**	**2,358**	**376,922**	**15,582**	**434,092**	**4,112**	**438,204**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30
[In thousands of dollars]

	NOTES	2017	2016
		$	$
OPERATING ACTIVITIES			
Net earnings		67,932	63,013
Items not affecting cash			
Amortization of property, plant and equipment		7,634	6,497
Amortization of intangible assets		3,820	3,104
Deferred taxes	9	(1,700)	(525)
Share-based compensation expense	8	2,265	1,207
		79,951	73,296
Net change in non-cash working capital balances		(23,995)	(6,767)
		55,956	66,529
FINANCING ACTIVITIES			
Repayment of long-term debt		(1,217)	(273)
Dividends paid to Shareholders of the Corporation	16	(13,157)	(12,374)
Other dividends paid		(190)	(67)
Common shares issued	8	2,780	2,370
Common shares repurchased for cancellation	8	(14,763)	(23,087)
		(26,547)	(33,431)
INVESTING ACTIVITIES			
Business acquisitions	3	(30,203)	(9,294)
Additions to property, plant and equipment and intangible assets	4, 5	(13,121)	(10,455)
		(43,324)	(19,749)
Effect of exchange rate changes on cash and cash equivalents		108	166
Net change in cash and cash equivalents		(13,807)	13,515
Cash and cash equivalents, beginning of year		42,969	29,454
Cash and cash equivalents, end of year		29,162	42,969
Supplementary information			
Income taxes paid		24,507	23,240
Interest paid (received), net		(193)	31

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 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. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the 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.

The judgements made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period are the valuation of inventory impairment, including loss and obsolescence, goodwill and intangible assets with indefinite useful lives and deferred tax assets require the use of judgement and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in future periods affected by the revisions. Actual results could differ from those estimates.

The Corporation's consolidated financial statements have been properly prepared within the reasonable limits of materiality, in accordance with the accounting policies summarized below :

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries described in note 13. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with an initial term of three months or less. Cash and cash equivalents were classified in "financial assets at fair value through net earnings" and measured at fair value. Gains (losses) arising from remeasurement at each period-end are recorded in the consolidated statement of earnings.

Accounts receivable

Accounts receivable are classified in "loans and receivables" and carried at cost, which is equivalent to fair market value on initial recognition. Subsequent measurements are recorded at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost due to their short-term maturities.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value. Net realizable value is the expected selling price in the normal course of business, less estimated costs to sell. The Corporation uses judgment when estimating the effect of certain factors on the net realizable value of inventory, such as inventory obsolescence and losses. The quantity, age and condition of inventory are measured and assessed regularly during the year.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives. The main components have different useful lives and are amortized separately. The amortization method and useful life estimates are reviewed annually.

Buildings	20 years
Leasehold improvements	Lease terms, maximum 5 years
Machinery and equipment	5-10 years
Rolling stock	5 years
Furniture and fixtures	3-5 years
Computer equipment	3-5 years

Intangible assets

Intangible assets are acquired assets that lack physical substance and meet the specified criteria for recognition apart from goodwill and property, plant and equipment. Intangible assets consist mainly of purchased or internally developed software, customer relationships, non-competition agreements and trademarks. Software and customer relationships are amortized on a straight-line basis over their useful lives of 3 and 8-20 years, respectively, while non-competition agreements are amortized over the terms of the agreements. Trademarks have an indefinite useful life and are therefore not amortized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and corresponds to the development potential of the acquired businesses, combined with the Corporation's operations and from the expected synergies and expanding of the product offering and network. Goodwill is not amortized.

Impairment of non-current assets

At the end of each reporting period, the Corporation determines whether indicators of impairment exist for its non-current assets, excluding goodwill and intangible assets with indefinite useful lives. If such indicators exist, the non-current assets are tested for impairment. When the impairment test indicates that the carrying amount of the tangible or intangible asset exceeds its recoverable amount, an impairment loss is recognized in net earnings in an amount equal to the excess.

The Corporation is required to test goodwill and intangible assets with indefinite useful lives for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the cash-generating unit ["CGU"] or group of CGUs as at November 30. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment tests consist in a comparison between the carrying and recoverable amounts of an asset, CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell. Where the carrying amount exceeds the recoverable amount, an impairment loss equal to the excess is recognized in net earnings. Impairment losses related to CGUs or groups of CGUs are allocated proportionately to the assets of the CGU or group of CGUs; however, the carrying amount of the assets is not reduced below the higher of their fair value less costs to sell and their value in use. Other than for goodwill, if a reversal of an impairment loss occurs, it must be recognized immediately in net earnings. Reversals of impairment losses related to a CGU or group of CGUs are allocated proportionately to the assets of the CGU or group of CGUs. On reversal of an impairment loss, the increased recoverable amount of an asset must not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in respect of the asset in prior years. In impairment testing of goodwill and intangible assets with indefinite useful lives, value in use is estimated using a discounted future cash flow model. The application of this method is based on different assumptions such as estimated future cash flows as described in note 5.

Other financial liabilities

Accounts payable, accrued liabilities and long-term debt are classified in "other financial liabilities" and are initially recorded at fair value. They are subsequently measured at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost. Options to purchase non-controlling interests that correspond to the definition of a financial liability are measured at fair value and presented under other liabilities.

Revenue recognition

Revenues are recognized when products are shipped to customers. They are measured at the fair value of the consideration received or receivable, net of returns and discounts granted.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the years in which the temporary differences are expected to reverse. Changes in these balances are recognized in net earnings in the year in which they arise.

Deferred tax assets are recognized to the extent that it is probable that the Corporation will have future taxable income against which these tax assets may be offset. In determining these deferred tax assets, assumptions are considered, such as the period for tax loss carrying forwards to be completely used up and the level of future taxable income in accordance with tax planning strategies.

Leases

Leases are classified as finance leases if substantially all risks and rewards incidental to ownership are transferred to the lessee. At the moment of initial recognition, the lessee records the leased item as an asset at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability to the lessor is recorded in the consolidated statement of financial position as a finance lease obligation. In subsequent periods, the asset is depreciated on a straight-line basis over the term of the lease and interest on the obligation is expensed through net earnings. Leases are classified as operating leases if substantially all risks and rewards incidental to ownership are not transferred to the lessee. The lease payments are recognized as an expense on a straight-line basis over the lease term.

Foreign currency translation

Monetary assets and liabilities of the Corporation are translated at the exchange rate in effect at the end of the reporting period and the other items in the statements of financial position and earnings are translated at the exchange rates in effect at the date of transaction. Foreign exchange gains and losses are recognized in net earnings in the year in which they arise.

The assets and liabilities of the U.S. subsidiary are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated at the rate in effect at the date of transaction. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Derivative financial instruments

The Corporation periodically enters into foreign exchange forward contracts with financial institutions to partially hedge the effects of fluctuations in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions.

The Corporation enters into equity swaps to reduce its exposure on net earnings related to the fluctuations in the Corporation's share price relating to its deferred share unit plan.

The Corporation does not use derivatives for speculative purposes. The Corporation uses hedge accounting only when IFRS documentation criteria are met. Derivative financial instruments designated as cash flow hedges are classified as available-for-sale financial assets and liabilities and are measured at fair value, which is the instruments' approximate settlement value at market rates. Gains and losses on remeasurement at each year-end are recorded in comprehensive income. If the instrument is not designated and documented as a hedge, changes in fair value are recognized in the statement of consolidated earnings for the year. Assets or liabilities related to financial instruments are included in *Accounts receivable* or *Accounts payable and accrued liabilities* in the consolidated statements of financial position.

Fair value measurements hierarchy

Fair value measurements of assets and liabilities recognized at fair value in the consolidated statements of financial position or whose fair value is presented in the notes to the consolidated financial statements are categorized in accordance with the following hierarchy:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Share-based payment

The Corporation 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 weighted average market price of the shares five (5) business 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. The Corporation recognizes stock-based compensation and other share-based payments in net earnings using the fair value method for stock options granted with a corresponding increase recorded in contributed surplus. The Black & Scholes model is used to determine the grant date fair value of stock options. The application of this method is based on different assumptions such as risk free interest rate, expected life, volatility and dividend yield as described in note 8.

November 30, 2017 and 2016 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred share unit plan

The Corporation 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 number of DSUs granted to a director equals the compensation amount to be converted in DSUs divided by the average closing price of the shares on the Toronto Stock Exchange for the five (5) business days immediately preceding the date of the payment. The DSU liability is measured at fair value at each closing date on the basis of the number of outstanding share units and the market price of the Company's common shares is included in *Accounts payable and accrued liabilities*. The Corporation has entered into equity swaps to reduce its exposure on net earnings related to the fluctuations of the Corporation's share price. The net effect of the equity swaps mostly offsets the impact of the change in the Corporation's share price and is included in the *Operating expenses excluding amortization*.

Net earnings per share

Net earnings per share are calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method and take into account all the elements that have a dilutive effect.

2. CHANGES IN ACCOUNTING METHODS

Recently issued

IFRS 9, Financial Instruments

IFRS 9, *Financial instruments* replaces IAS 39 *Financial instruments : Recognition and Measurement* and includes a single approach to determine whether a financial asset is measured at amortized cost or fair value, a new hedge accounting model to enable financial statement users to better understand an entity's risk exposure and its risk management activities, and a new impairment model for financial assets based on expected credit losses. IFRS 9 is effective for fiscal year beginning on or after January 1st, 2018, thus for fiscal year beginning on December 1st, 2018 for the Corporation. The Corporation has made a preliminary assessment the adoption of this new standard will have on its consolidated financial statements and does not anticipate any significant impact.

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 standard, 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 shall be applied to fiscal year beginning on or after January 1st, 2018, thus for fiscal year beginning on December 1st, 2018 for the Corporation. The Corporation has made a preliminary assessment the adoption of this new standard will have on its consolidated financial statements and does not anticipate any significant impact.

IFRS 16, Leases

IFRS 16 *Leases* replaces IAS 17 Leases and related interpretations. The new standard 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 periods beginning on or after January 1st, 2019, thus for fiscal year beginning on December 1st, 2019 for the Corporation. Earlier adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

The Company is currently evaluating the impact of the new standard on its consolidated financial statements. The Corporation being committed under operating leases for warehouse and office premises, it expects that the adoption of IFRS 16 will result in the recognition, in the consolidated statement of financial position, of a related asset and a liability and, in the consolidated statement of earnings, of a reduction in rent expense and an increase in financial costs and amortization of property, plant and equipment.

3. BUSINESS ACQUISITIONS

2017

On August 1st, 2017, the Corporation purchased the principal net assets of Tamarack Distributors Inc., a specialty product distributor located in Cincinnati, Ohio.

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.

Those acquisitions generated sales of $42 million since their acquisition. If those acquisitions had been acquired on December 1st, 2016, management believes that the sales included in the consolidated statement of earnings would have been approximately $67 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

Summary of acquisitions

The final purchase price allocations, at the transaction dates are summarized as follows:

	2017	2016
	$	$
Accounts receivable	10,116	872
Inventories	5,694	3,239
Property, plant and equipment	357	486
Intangible assets	10,609	4,311
Goodwill	9,525	3,844
Current liabilities assumed	(2,297)	(1,574)
Non-current liabilities assumed	—	(784)
Net assets acquired	34,004	10,394
Considerations		
Cash, net of cash acquired	30,203	9,294
Considerations payable *[note 7]*	3,801	1,100
	34,004	10,394

Goodwill deductible for tax purposes with regards to current year acquisitions amounts to $9,525 [$1,660 in 2016]. During the year ended November 30, 2017, business acquisitions considerations payable were reduced by $2,334 as a result of purchase price adjustments on acquisitions from previous years. The Corporation has deposited $2,500 in trust following an acquisition. This amount is not available for use and is presented in cash and cash equivalents as at November 30, 2017.

November 30, 2017 and 2016 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

4. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	$	$	$	$	$	$	$	$
Cost	3,652	26,274	5,032	28,587	9,861	16,047	10,945	100,398
Accumulated amortization	—	(15,426)	(4,299)	(22,070)	(7,022)	(13,584)	(10,034)	(72,435)
Net carrying amount as at November 30th, 2015	3,652	10,848	733	6,517	2,839	2,463	911	27,963
Acquisitions	—	1,317	1,095	3,820	1,850	1,089	2,124	11,295
Acquisitions through business combinations *(note 3)*	—	—	191	126	23	70	76	486
Amortization	—	(1,462)	(441)	(1,545)	(1,185)	(1,226)	(638)	(6,497)
Effect of changes in foreign exchange rates	—	—	—	3	5	1	2	11
Net carrying amount as at November 30th, 2016	3,652	10,703	1,578	8,921	3,532	2,397	2,475	33,258
Cost	3,652	27,591	6,515	32,752	10,838	17,641	12,695	111,684
Accumulated amortization	—	(16,888)	(4,937)	(23,831)	(7,306)	(15,244)	(10,220)	(78,426)
Net carrying amount as at November 30th, 2016	**3,652**	**10,703**	**1,578**	**8,921**	**3,532**	**2,397**	**2,475**	**33,258**
Acquisitions	**—**	**510**	**524**	**6,017**	**2,409**	**1,799**	**1,423**	**12,682**
Acquisitions through business combinations *(note 3)*	**—**	**—**	**—**	**72**	**250**	**10**	**25**	**357**
Amortization	**—**	**(1,392)**	**(494)**	**(1,825)**	**(1,602)**	**(1,256)**	**(1,065)**	**(7,634)**
Effect of changes in foreign exchange rates	**—**	**—**	**(20)**	**(26)**	**(30)**	**(21)**	**(8)**	**(105)**
Net carrying amount as at November 30th, 2017	**3,652**	**9,821**	**1,588**	**13,159**	**4,559**	**2,929**	**2,850**	**38,558**
Cost	**3,652**	**28,101**	**6,945**	**38,574**	**13,246**	**19,266**	**14,094**	**123,878**
Accumulated amortization	**—**	**(18,280)**	**(5,357)**	**(25,415)**	**(8,687)**	**(16,337)**	**(11,244)**	**(85,320)**
Net carrying amount as at November 30th, 2017	**3,652**	**9,821**	**1,588**	**13,159**	**4,559**	**2,929**	**2,850**	**38,558**

5. INTANGIBLE ASSETS AND GOODWILL

	Software	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	$	$	$	$	$	$
Cost	6,451	2 632	31,789	4,777	45,649	58,329
Accumulated amortization	(5,573)	(1,872)	(16,879)	—	(24,324)	—
Net carrying amount as at November 30th, 2015	878	760	14,910	4,777	21,325	58,329
Acquisitions	216	—	—	—	216	—
Acquisitions through business combinations *(note 3)*	20	561	3,290	440	4,311	3,844
Amortization	(495)	(602)	(2,007)	—	(3,104)	—
Effect of changes in foreign exchange rates	1	7	104	21	133	83
Net carrying amount as at November 30th, 2016	620	726	16,297	5,238	22,881	62,256
Cost	6,686	3,353	35,274	5,238	50,551	62,256
Accumulated amortization	(6,066)	(2,627)	(18,977)	—	(27,670)	—
Net carrying amount as at November 30th, 2016	**620**	**726**	**16,297**	**5,238**	**22,881**	**62,256**
Acquisitions	**439**	**—**	**—**	**—**	**439**	**—**
Acquisitions through business combinations *(note 3)*	**—**	**1,125**	**8,314**	**1,170**	**10,609**	**9,525**
Write-off *(note 3)*	**—**	**—**	**—**	**(243)**	**(243)**	**(2,334)**
Amortization	**(486)**	**(788)**	**(2,546)**	**—**	**(3,820)**	**—**
Effect of changes in foreign exchange rates	**(1)**	**(15)**	**(450)**	**(118)**	**(584)**	**(516)**
Net carrying amount as at November 30th, 2017	**572**	**1,048**	**21,615**	**6,047**	**29,282**	**68,931**
Cost	**7,124**	**4,394**	**42,600**	**6,047**	**60,165**	**68,931**
Accumulated amortization	**(6,552)**	**(3,346)**	**(20,985)**	**—**	**(30,883)**	**—**
Net carrying amount as at November 30th, 2017	**572**	**1,048**	**21,615**	**6,047**	**29,282**	**68,931**

For impairment test purposes, the carrying value of goodwill and intangible assets has been allocated to CGUs or groups of CGUs. The carrying amounts of goodwill for the three CGUs that are significant in comparison with the total carrying amount of goodwill are $14.4 million, $20.2 million and $9 million, respectively, while $25.3 million are allocated across multiple CGUs or groups of CGUs with carrying values of goodwill that are not significant in comparison with total carrying amount of goodwill. The carrying amounts of intangible assets with indefinite useful lives are allocated across multiple CGUs or groups of CGUs and the amount allocated is not individually significant in comparison with the total carrying amount. The recoverable value of the CGUs or groups of CGUs was determined on the basis of their value in use, which was calculated using forecasted cash flows before taxes over a period of five years, discount rates before taxes between 12.3% and 12.5% and a terminal value calculated at a rate of 2%. Main assumptions are based on historical data. No reasonably possible change to the main assumptions used for the impairment tests would result in a carrying amount higher than the recoverable amount.

6. BANK INDEBTEDNESS

The Corporation has lines of credit with a Canadian banking institution with respective authorized amount of $50 million in Canadian dollar and $6 million in US dollar, bearing interest at the bank's prime and base rates, which were respectively 3.20% and 5% as at November 30, 2017 [2.70% and 4% in 2016]. Those lines of credit are renewable annually.

7. LONG-TERM DEBT

	2017	2016
	$	$
Non-interest bearing financing contract, repayable in equal installments	484	1,056
Business acquisitions considerations payable, not bearing interests, including US$ 309 [US$ 2,835 in 2016]	3,810	3,808
	4,294	4,864
Current portion of long-term debt	4,294	4,336
Long-term debt	—	528

8. 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.

(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	**333**	**3,483**
Repurchased	**(458)**	**(303)**
Outstanding, November 30, 2017	**57,796**	**39,230**

During 2017, the Corporation issued 333,225 common shares [281,559 in 2016] at an average price of $8.34 per share [$8.42 in 2016] pursuant to the exercise of options under the share option plan. The weighted average share price at the date of exercise of options was $29,72 [$25,60 in 2016]. In addition, during 2017, the Corporation, through a normal course issuer bid, repurchased 458,088 common shares for cancellation in consideration of $14,763 [1,004,700 common shares in consideration of $23,087 in 2016], which resulted in a premium on the redemption in the amount of $14,460 recorded in retained earnings [premium of $22,509 in 2016].

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	**(333)**	**8.34**
Cancelled	**(9)**	**22.93**
Outstanding, November 30, 2017	**1,638**	**17.04**

The table below summarizes information regarding the stock options outstanding as at November 30, 2017:

	Options outstanding			Exercisable options	
Range in exercise price (in dollars)	Number of options (in thousands)	Weighted average remaining period (years)	Weighted average exercise price (in dollars)	Number of options (in thousands)	Weighted average exercise price (in dollars)
5.56 - 11.43	391	1.91	7.02	391	7.02
11.44 - 17.41	355	5.67	13.90	312	13.72
17.42 - 23.98	559	7.87	20.89	195	20.30
23.99 - 26.30	333	9.13	25.72	1	26.29
	1,638	6.23	17.04	899	12.25

During 2017, the Corporation granted 329,500 options [356,500 in 2016] with an average exercise price of $25.71 per share [$22.31 in 2016] and an average fair value of $5.93 per option [$4.21 in 2016] as determined using the Black & Scholes option pricing model using an expected dividend yield of 0.9% [1.0% in 2016], a volatility of 20% [20% in 2016], a risk free interest rate of 1.86% [1.24% in 2016] and an expected life of 7 years [7 years in 2016] and 9,000 options were cancelled. The compensation expense related to stock options amounted to $1,644 [$844 in 2016] and is recognized under *Operating expenses excluding amortization.*

Deferred share unit plan

The financial liability resulting from the DSU plan of $7,914 [$5,847 in 2016] is presented under the *Accounts payable and accrued liabilities.* As at November 30, 2017, the fair value of the equity swaps amounted to an asset of $157 [an asset of $467 as at November 30, 2016] 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 in 2017, amounted to $621 [$363 in 2016] and is recognized under *Operating expenses excluding amortization.*

Number of DSUs	**2017**	2016
Outstanding, beginning of year	216,944	254,055
Settled	—	(53,676)
Granted	16,879	16,565
Outstanding, end of year	**233,823**	216,944

November 30, 2017 and 2016 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

8. SHARE CAPITAL (cont'd)

Share purchase plan

Compensation expense related to the share purchase plan amounted to $697 for 2017 [$610 in 2016] and is recognized under *Operating expenses excluding amortization.*

Net earnings per share

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

	2017	2016
Weighted average number of shares outstanding – Basic	57,956	58,051
Dilutive effect under stock option plan	703	730
Weighted average number of shares outstanding – Diluted	58,659	58,781

The computation of diluted net earnings per share includes all outstanding options as at November 30, 2017.

9. INCOME TAXES

The main components of the income taxes expense are as follows:

	2017	2016
	$	$
Current	25,481	22,302
Deferred:		
Related to temporary differences	(147)	1,719
Deferred tax assets not previously recognized	(1,553)	(2,244)
	23,781	21,777

The effective income tax rate differs from the combined statutory rates for the following reasons:

	2017	2016
	$	$
Combined statutory rates	26.68%	26.90%
Income taxes at combined statutory rates	24,469	22,809
Increase (decrease) resulting from:		
Impact of statutory rates changes for the subsidiary outside Canada	402	506
Share-based compensation	352	191
Non-deductible expenses	143	141
Deferred tax assets not previously recognized	(1,553)	(2,244)
Other	(32)	374
	23,781	21,777

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The major components of deferred tax assets and liabilities of the Corporation were as follows:

	2017	2016
	$	$
Deferred taxes		
Translation of foreign exchange currencies, reserve recognized for tax purposes only upon disbursement and other tax attributes	6,301	5,835
Excess of the tax value of Property, plant and equipment over their net carrying value	1,296	1,459
Excess of the net carrying value of intangible assets and goodwill over their tax value	(4,399)	(5,685)
Net amount	3,198	1,609

The net deferred taxes included the following as at November 30:

	2017	2016
	$	$
Deferred tax assets	6,709	4,848
Deferred tax liabilities	(3,511)	(3,239)
	3,198	1,609

Changes in deferred taxes for the years ended November 30 are detailed as follows:

	2017	2016
	$	$
Balance at the beginning of the year, net	1,609	1,847
In net earnings	1,700	525
Business acquisitions	—	(784)
Other	(111)	21
Balance at the end of the year, net	3,198	1,609

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets was recognized to the consolidated statement of financial position is $8,900 as at November 30, 2017 [$14,700 in 2016] .

10. COMMITMENTS AND CONTINGENCIES

[a] Leases

The Corporation has commitments under operating leases for warehouse and office premises expiring on various dates up to 2028. The future minimum payments, excluding incidental costs for which the Corporation is responsible, are as follows:

	$
Less than a year	10,745
Between 1 and 5 years	21,308
More than 5 years	6,308
	38,361

10. COMMITMENTS AND CONTINGENCIES (cont'd)

[b] Foreign exchange forward contracts

As at November 30, 2017, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2017 and January 2018.

Type	Currency in thousands	Average exchange rate
Purchase	€3,750	1.51

[c] Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. Management believes that any forthcoming settlement in respect of these claims will not have a material effect on the Corporation's financial position or consolidated net earnings.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	2017	2016
	$	$
Balance at the beginning of the period	19,966	19,150
Exchange differences on translation of foreign operations	(4,384)	816
Balance at the end of the period	15,582	19,966

12. 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 November 30, 2017, the fair value of the foreign exchange forward contracts amounted to a liability of $83 [an 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.

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 November 30, 2017 and 2016 is deemed 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 for the years ended November 30 are as follows:

	2017	2016
	$	$
Balance, beginning of year	6,323	5,854
Allowance for doubtful accounts	1,352	1,337
Write-offs	(1,254)	(1,118)
Exchange rate variations and other	65	250
Balance, end of year	6,486	6,323

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totals $1,014 [$563 in 2016]. As at November 30, 2017 and 2016, no customer accounted for more than 10% of the total accounts receivable.

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and Euros. Operating expenses included, for the year ended November 30, 2017, an exchange gain of $888 [gain of $1,057 in 2016].

The Corporation's policy is to maintain the purchase prices and selling prices of its commercial activities by mitigating its exposure through 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 November 30, 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 [would have had no significant impact on consolidated net earnings as at November 30, 2016] and would have increased the consolidated comprehensive income by $5,968 [$6,154 as at November 30, 2016]. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at November 30, 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

	2017	2016
	$	$
Inventories from the distribution, imports and manufacturing activities recognized as an expense	691,782	614,003
Salaries and related charges	128,113	117,965
Other charges	19,676	18,083
	839,571	750,051

An expense of $2,000 [$1,959 in 2016] for inventory obsolescence is included in Inventories from the distribution, imports and manufacturing activities.

November 30, 2017 and 2016 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

13. RELATED PARTY INFORMATION

Scope of consolidation

Names	Country of incorporation	Equity interest %	Voting rights %
Richelieu America Ltd.	United States	100	100
Richelieu Finances Ltée [1]	Canada	100	100
Cedan industries Inc	Canada	100	100
Distributions 20/20 Inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltée	Canada	75	75

[1] Richelieu Finances Ltée is the owner of 100% of Richelieu Hardware Canada Ltd.

Executive officers' compensation

	2017	2016
	$	$
Short-term employee benefits	3,521	3,501
Other long-term benefits	622	557
Share-based compensation	590	458
	4,733	4,516

Accounts payable and accrued liabilities include a retirement allowance amounting to $2,520 payable to an executive officer.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2017, nearly 67% of sales had been made in Canada [66% in 2016]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to $307,047 [$285,336 in 2016] in Canadian dollars and to $235,873 [$215,028 in 2016] in US dollars.

As at November 30, 2017, out of the total amount in property, plant and equipment, $3,830 [$3,080 in 2016] are located in the United States. In addition, intangible assets located in the United States amounted to $13,302 [$15,410 in 2016] and goodwill to $10,818 [$13,159 in 2016] in Canadian dollars and to $10,321 [$11,476 in 2016] and goodwill to $8,394 [$9,799 in 2016] in US dollars.

15. 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; and
- 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. For the year ended November 30, 2017 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.0% [1.2% in 2016] [Long-term debt/Equity]
- Return on average shareholder's equity of 16.3% over the last 12 months [16.6% as at November 30, 2016]

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

16. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the year ended November 30, 2017, the Corporation paid a quarterly dividend of $0.0567 per share to common shareholders [quarterly dividend of $0.0533 per share in 2016] for a total amount of $13,157 [$12,374 in 2016]. The Board of Directors approved on January 25, 2018 the payment of a quarterly dividend of $0.0600 per common share for the 1st quarter of 2018.

17. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2017 (including the comparative figures) were approved for issue by the Board of Directors on January 25, 2018.

The annual general meeting of shareholders
will be held on April 5, 2018 at 10:30 a.m.,
at the Omni Mont-Royal Hotel,
1050 Sherbrooke Street West, Montreal, Quebec.

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