

Message to shareholders

The second quarter ended May 31, 2015 was highlighted by a solid financial performance, as reflected by the 15.5% increase in sales, which totalled \$190.8 million, and the 12.4% rise in net earnings attributable to shareholders, which came to \$14.7 million or \$0.74 diluted per share.

Our Canadian and U.S. markets helped drive second-quarter sales growth, attesting to the success of our innovation and market development strategies, with strong value-added marketing programs for our customers, and our ongoing priority to the quality of execution. This resulted in a 14.3% increase in sales to **manufacturers**, of which 9.9% from internal growth and 4.4% from acquisitions. In the **hardware retailers and renovation superstores market**, sales grew by a solid 22.4%, mainly due to the exceptional sales resulting from the introduction of additional products in retailers' stores and significant market share gains in Canada.

We are very satisfied with the sustained growth achieved during **the first six months of the year**, as sales increased by 16.2% to \$350.1 million. Net earnings attributable to shareholders grew by 13.6% to \$24.9 million or \$1.25 diluted per share.

This strong growth further strengthened the Corporation's healthy and solid **financial position**, which remains almost debt-free, posting good liquidity and an average return on equity of 18.2% as at May 31, 2015.

During the first six months of the year, we distributed a total of \$15.1 million to our shareholders, including \$5.9 million in **dividends** and \$9.2 million in **share repurchases**, of which \$8.7 million in the second quarter.

We pursued our **acquisition strategy** by closing as at June 18, 2015 the acquisition of Single Source Cabinet Supplies, a specialty hardware distributor located in Dallas, Texas. We are proud of this strategic acquisition, which extends our presence to the important Texas market. This transaction brings a customer base of kitchen cabinet manufacturers and residential and commercial woodworkers, a team with solid knowledge of its market and annualized sales of over \$5 million.

In upcoming periods, we will continue to create sales and operational synergies. We are better positioned than ever to maintain our focus on internal growth and seek further value-creating acquisitions.

NEXT DIVIDEND PAYMENT

At its meeting on July 2, 2015, the Board of Directors approved the payment of a quarterly dividend of \$0.15 per share. This dividend is payable on July 30, 2015 to shareholders of record as at July 16, 2015.

Management's discussion and analysis of operating results and financial position for the second quarter and first six months ended May 31, 2015



This management report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2015 in comparison with the second quarter and first six months ended May 31, 2014, as well as the Corporation's financial position at those dates. This report should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the second quarter and first six months of 2015 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2014 Annual Report. In this management's report, "Richelieu" or the "Corporation" designates, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Supplementary information, including certificates for the interim period ended May 31, 2015 signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to July 2, 2015, on which date the unaudited consolidated interim financial statements and interim management's report were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the second quarter and first six months ended May 31, 2015 have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

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

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

FORWARD-LOOKING STATEMENTS

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

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are 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 2014 Annual Report (see the "Risk Management" section on page 30 of the 2014 Annual Report available on SEDAR at www.sedar.com).

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

GENERAL BUSINESS OVERVIEW as at May 31, 2015

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

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, furniture, window and door manufacturers, the residential and commercial woodworking industry**, as well as a large customer base of **hardware retailers including renovation superstores**. The residential and commercial renovation industry is the 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 **some 100,000 different items** targeted to a base of **more than 70,000 customers** who are served by **66 centres in North America** – 36 distribution centres in Canada, 28 in the United States and two manufacturing plants in Canada.

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

The Corporation employs over 1,800 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 shareholders.

MISSION AND STRATEGY

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

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

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

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

SELECTED CONSOLIDATED QUARTERLY INFORMATION (unaudited)

Periods ended May 31

(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	3 months			6 months		
	2015	2014	Δ %	2015	2014	Δ %
	\$	\$		\$	\$	
Sales	190,801	165,155	+15.5	350,120	301,263	+16.2
EBITDA ⁽¹⁾	21,878	19,185	+14.0	37,584	32,889	+14.3
EBITDA margin (%)	11.5	11.6		10.7	10.9	
Net earnings	14,667	13,062	+12.3	24,851	21,908	+13.4
Net earnings attributable to shareholders of the Corporation	14,653	13,036	+12.4	24,869	21,895	+13.6
• basic per share (\$)	0.75	0.67	+11.9	1.27	1.11	+14.4
• diluted per share (\$)	0.74	0.66	+12.1	1.25	1.09	+14.7
Net margin attributable to shareholders of the Corporation (%)	7.7	7.9		7.1	7.3	
Cash flows from operating activities ⁽²⁾	17,004	14,832	+14.6	29,454	25,833	+14.0
• diluted per share (\$)	0.86	0.75	+14.7	1.48	1.29	+14.7
Cash dividends paid to shareholders of the Parent Corporation	2,939	2,741	+ 7.2	5,878	5,547	+ 6.0
• per share (\$)	0.15	0.14	+ 7.1	0.30	0.28	+ 7.0
Weighted average number of shares outstanding (diluted) (in thousands)	19,873	19,860		19,875	20,028	

Financial position data

As at	May 31, 2015	November 30, 2014	Δ %
	\$	\$	
Total assets	404,265	390,721	+ 3.5
Working capital	229,629	214,866	+ 6.9
Current ratio	4.4:1	4.0:1	
Equity attributable to shareholders of the Corporation	326,302	309,149	+ 5.5
Return on average equity (%)	18.2	17.5	
Book value (\$)	16.78	15.80	+ 6.2
Total debt	4,212	5,354	-21.3
Cash and cash equivalents	10,083	33,721	-70.1

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

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

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2015 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2014

Consolidated sales

(in thousands of \$, except exchange rate)

Periods ended May 31	3 months			6 months		
	2015	2014	Δ %	2015	2014	Δ %
	\$	\$		\$	\$	
Canada	133,636	122,260	+ 9.3	241,294	220,739	+ 9.3
United States (CA\$)	57,165	42,895	+ 33.3	108,826	80,524	+ 35.1
(US\$)	46,168	39,008	+ 18.4	89,018	73,575	+ 21.0
Average exchange rate	1.2382	1.0997		1.2225	1.0944	
Consolidated sales	190,801	165,155	+ 15.5	350,120	301,263	+ 16.2

In the second quarter, Richelieu achieved **consolidated sales** of \$190.8 million, compared with \$165.2 million for the corresponding quarter of 2014, an increase of \$25.6 million or 15.5%, of which 11.7% from internal growth and 3.8% from acquisitions. If exchange rates had been comparable to the second quarter of 2014, the consolidated sales growth would have been 11.7% for the quarter ended May 31, 2015.

Sales to **manufacturers** amounted to \$161.3 million, up from \$141.1 million for the corresponding period of 2014, an increase of \$20.2 million or 14.3%, of which 9.9% from internal growth and 4.4% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$29.5 million, up from \$24.1 million for the corresponding quarter of 2014, an increase of 22.4%.

In Canada, the Corporation recorded sales of \$133.6 million, an increase of \$11.4 million or 9.3% over the second quarter of 2014, of which 8.3% from internal growth and 1.0% from acquisitions. Sales to **manufacturers** amounted to \$107.7 million, an increase of \$6.4 million or 6.3%, of which 5.1% from internal growth and 1.2% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$25.9 million, up by \$5.0 million or 23.9% over the corresponding quarter of 2014. This growth primarily reflects the impact of significant market share gains and exceptional sales resulting from the introduction of additional products in retailers' stores.

In the United States, sales amounted to US\$46.2 million, compared with US\$39.0 million for the corresponding quarter of 2014, an increase of US\$7.2 million or 18.4%, of which 7.8% from internal growth and 10.6% from acquisitions. Sales to **manufacturers** stood at US\$43.3 million, an increase of US\$7.2 million or 19.9% over the second quarter of 2014, of which 8.4% from internal growth and 11.5% from acquisitions. Sales to hardware **retailers** and renovation superstores remained stable. Considering exchange rates, total U.S. sales amounted to \$57.2 million, an increase of 33.3%. They thereby accounted for 30.0% of consolidated sales for the second quarter of 2015, whereas they had represented 26.0% of the period's consolidated sales for the second quarter of 2014.

First-half consolidated sales totalled \$350.1 million, an increase of \$48.9 million or 16.2% over the first six months of 2014, of which 12.1% from internal growth and 4.1% from acquisitions. If exchange rates had been comparable to the first half of 2014, the consolidated sales growth would have been 12.4% for the six-month period ended May 31, 2015.

Sales to **manufacturers** amounted to \$295.6 million, compared with \$254.9 million for the first half of 2014, an increase of \$40.7 million or 16.0%, of which 11.2% from internal growth and 4.8% from acquisitions. Sales to hardware **retailers** and renovation superstores totalled \$54.5 million, compared with \$46.3 million, up by \$8.2 million or 17.7%.

In Canada, sales amounted to \$241.3 million, compared with \$220.7 million for the first six months of 2014, an increase of \$20.6 million or 9.3%, of which 8.2% from internal growth and 1.1% from acquisitions. Sales to **manufacturers** stood at \$193.9 million, an increase of \$13.5 million or 7.5%, of which 6.2% from internal growth and 1.3% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$47.4 million, compared with \$40.3 million, up by \$7.1 million or 17.6% over the corresponding period of 2014, reflecting the impact of significant market share gains and the introduction of additional products in retailers' stores during the second quarter.

In the United States, Richelieu posted sales of US\$89.0 million, compared with US\$73.6 million for the first six months of 2014, an increase of US\$15.4 million or 21.0%, of which 9.9% from internal growth and 11.1% from acquisitions. Sales to **manufacturers** totalled US\$83.2 million, compared with US\$68.1 million, an increase of US\$15.1 million or 22.2% over the first half of 2014, of which 10.2% from internal growth and 12.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 6.9%. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$108.8 million, compared with \$80.5 million for the corresponding six months of 2014, an increase of 35.1%. They thereby accounted for 31.1% of consolidated sales for the first half of 2015, whereas they had represented 26.7% of the period's consolidated sales for the first six months of 2014.

Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Periods ended May 31	3 months			6 months		
	2015	2014	Δ %	2015	2014	Δ %
	\$	\$		\$	\$	
Sales	190,801	165,155	+ 15.5	350,120	301,263	+ 16.2
EBITDA	21,878	19,185	+ 14.0	37,584	32,889	+ 14.3
EBITDA margin (%)	11.5	11.6		10.7	10.9	

Second-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to \$21.9 million, up by \$2.7 million or 14.0% over the corresponding quarter of 2014. The **gross margin** decreased slightly from the same period of 2014 due notably to the lower margins of certain acquisitions having a different product mix, the higher proportion of sales in the United States, the cost of introducing additional products in the retailers market in Canada and the appreciation of the U.S. currency which had an upward impact on the purchasing cost of certain products before selling price adjustments. In this context, the EBITDA margin stood at 11.5%, compared with 11.6% for the corresponding quarter of 2014.

Income taxes amounted to \$5.2 million, an increase of \$0.8 million over the second quarter of 2014.

First-half earnings before income taxes, interest and amortization (EBITDA) totalled \$37.6 million, up by \$4.7 million or 14.3% over the first six months of 2014. The **gross margin** and the **EBITDA margin** for the first half declined slightly due to the lower gross margins of certain acquisitions having a different product mix, the higher proportion of sales in the United States where the product mix is also different, the cost of introducing additional products in the retailers market in Canada and the appreciation of the U.S. currency which had an upward impact on the purchasing costs of certain products before selling price adjustments.

Income taxes totalled \$8.8 million, an increase of \$1.2 million over the first six months of 2014.

Consolidated net earnings attributable to shareholders (in thousands of \$, unless otherwise indicated)						
Periods ended May 31	3 months			6 months		
	2015	2014	Δ %	2015	2014	Δ %
	\$	\$		\$	\$	
EBITDA	21,878	19,185	+ 14.0	37,584	32,889	+ 14.3
Amortization of property, plant and equipment and intangible assets	2,061	1,736		4,046	3,522	
Financial cost, net	(43)	(41)		(127)	(153)	
Income taxes	5,193	4,428		8,814	7,612	
Net earnings	14,667	13,062	+ 12.3	24,851	21,908	+ 13.4
Net earnings attributable to shareholders of the Corporation	14,653	13,036	+ 12.4	24,869	21,895	+ 13.6
Net margin attributable to shareholders of the Corporation (%)	7.7	7.9		7.1	7.3	
Non-controlling interests	14	26		(18)	13	
Net earnings	14,667	13,062	+ 12.3	24,851	21,908	+ 13.4

Second-quarter net earnings grew by 12.3%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$14.7 million, up 12.4% over the second quarter of 2014. **Net earnings per share** rose to \$0.75 basic and \$0.74 diluted, compared with \$0.67 basic and \$0.66 diluted for the corresponding quarter of 2014, an increase of 11.9% and 12.1%, respectively.

Comprehensive income amounted to \$14.3 million, considering a negative adjustment of \$0.4 million on translation of the financial statements of the subsidiary in the United States, compared with \$11.8 million for the second quarter of 2014, considering a negative adjustment of \$1.3 million on translation of the financial statements of the subsidiary in the United States.

First-half net earnings grew by 13.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$24.9 million, an increase of 13.6% over the first six months of 2014. **Net earnings per share** amounted to \$1.27 basic and \$1.25 diluted, compared with \$1.11 basic and \$1.09 diluted for the first six months of 2014, an increase of 14.4% and 14.7%, respectively.

Comprehensive income totalled \$31.1 million, considering a positive adjustment of \$6.2 million on translation of the financial statements of the subsidiary in the United States, compared with \$23.1 million for the first half of 2014, considering a positive adjustment of \$1.2 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Quarters	1	2	3	4
2015				
Sales	159,319	190,801		
EBITDA	15,706	21,878		
Net earnings attributable to shareholders of the Corporation	10 216	14 653		
basic per share	0.52	0.75		
diluted per share	0.51	0.74		
2014				
Sales	136,108	165,155	167,809	177,837
EBITDA	13,704	19,185	21,054	23,474
Net earnings attributable to shareholders of the Corporation	8,859	13,036	14,554	15,944
basic per share	0.44	0.67	0.74	0.82
diluted per share	0.44	0.66	0.73	0.80
2013				
Sales	126,084	156,240	149,163	155,288
EBITDA	12,893	18,207	19,050	20,223
Net earnings attributable to shareholders of the Corporation	8,158	12,140	12,821	13,284
basic per share	0.39	0.59	0.62	0.65
diluted per share	0.39	0.58	0.62	0.64

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

FINANCIAL POSITION

Analysis of principal cash flows for the second quarter and first six months ended May 31, 2015

Change in cash and cash equivalents and capital resources (in thousands of \$)				
Periods ended May 31	3 months		6 months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash flows provided by (used for):				
Operating activities	9,084	13,736	(3,341)	11,937
Financing activities	(11,969)	(2,489)	(15,447)	(30,109)
Investing activities	(2,604)	(2,937)	(4,469)	(4,986)
Effect of exchange rate fluctuations	(103)	(77)	(381)	18
Net change in cash and cash equivalents	(5,592)	8,233	(23,638)	(23,140)
Cash and cash equivalents, beginning of period	15,675	14,814	33,721	46,187
Cash and cash equivalents, end of period	10,083	23,047	10,083	23,047
	As at May 31, 2015		As at November 30, 2014	
	\$		\$	
Working capital	229,629			214,866
Renewable line of credit (CA\$)	26,000			26,000
Renewable line of credit (US\$)	6,000			6,000

Operating activities

Second-quarter cash flows from operating activities (before net change in non-cash working capital balances related to operations) amounted to \$17.0 million or \$0.86 per share, compared with \$14.8 million or \$0.75 per share for the second quarter of 2014, an increase of 14.6% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$7.9 million, reflecting the change in accounts receivable (\$10.6 million), whereas accounts payable and other items represented a cash inflow of \$2.7 million. Consequently, operating activities provided cash flows of \$9.1 million, compared with \$13.7 million for the corresponding quarter of 2014.

First-half cash flows from operating activities (before net change in non-cash working capital balances related to operations) totalled \$29.5 million or \$1.48 per share, compared with \$25.8 million or \$1.29 per share for the first six months of 2014, an increase of 14.0% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$32.8 million, representing changes in inventories (\$22.2 million), in accounts receivable (\$6.9 million), and in accounts payable and other items (\$3.7 million). Consequently, operating activities used cash flows of \$3.3 million, whereas they had provided cash flows of \$11.9 million for the first half of 2014.

Financing activities

Second-quarter financing activities represented a cash outflow of \$12.0 million, compared with \$2.5 million for the corresponding quarter of 2014. This change came mainly from the fact that during the second quarter of 2015, the Corporation repurchased common shares for cancellation for \$8.7 million, whereas it had repurchased shares for \$0.5 million in the corresponding quarter of 2014. The Corporation paid dividends to shareholders of \$2.9 million, up by \$0.2 million over the second quarter of 2014. In addition, Richelieu redeemed \$0.5 million on its long-term debt related to a consideration payable on a prior acquisition.

First-half financing activities represented a cash outflow of \$15.4 million, compared with \$30.1 million for the first half of 2014. During the first six months of the year, Richelieu repurchased common shares for cancellation for \$9.2 million, versus \$27.5 million in the first half of 2014. The Corporation paid dividends to shareholders of \$5.9 million, up by \$0.3 million over the first six months of 2014. Furthermore, shares were issued for \$0.8 million, compared with a \$3.0 million share issue during the first half of 2014.

Investing activities

Second-quarter investing activities amounting to \$2.6 million were used for the following: equipment for operational efficiency, software needed for operations and building improvements.

First-half investing activities totalling \$4.5 million were used for the following: equipment for operational efficiency, software needed for operations, building improvements and the remodeling of certain showrooms.

Sources of financing

As at May 31, 2015, **cash and cash equivalents** totalled \$10.1 million, compared with \$33.7 million as at November 30, 2014. This change primarily reflects the increase in inventories and the repurchase of common shares during the first six months of 2015. The Corporation posted a **working capital** of \$229.6 million for a current ratio of 4.4:1, compared with \$214.9 million (4.0:1 ratio) as at November 30, 2014.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities planned for the second half of 2015. The Corporation continues to benefit from an authorized line of credit of CA\$26 million as well as a line of credit of US\$6 million renewable annually and bearing interest respectively at prime and base rates. In addition, the Corporation believes it could obtain access to other outside financing if necessary.

Analysis of financial position as at May 31, 2015

Summary financial position

(in thousands of \$, except exchange rate)

As at	May 31, 2015 \$	November 30, 2014 \$
Current assets	296,987	285,394
Non-current assets	107,278	105,327
Total	404,265	390,721
Current liabilities	67,358	70,528
Non-current liabilities	6,814	6,640
Equity attributable to shareholders of the Corporation	326,302	309,149
Non-controlling interests	3,791	4,404
Total	404,265	390,721
Exchange rate on translation of a subsidiary in the United States	1.244	1.144

Assets

Total assets amounted to \$404.3 million as at May 31, 2015, compared with \$390.7 million as at November 30, 2014, an increase of 3.5%. **Current assets** were up by \$11.6 million over November 30, 2014 primarily due to an inventory increase resulting from the introduction of new products and in anticipation of the coming months which historically represent a more active period. In addition, the appreciation in the U.S. dollar had an upward impact on translation of the assets of the subsidiary in the United States.

Net cash

(in thousands of \$)

As at	May 31, 2015 \$	November 30, 2014 \$
Current portion of long-term debt	2,036	3,352
Long-term debt	2,176	2,002
Total	4,212	5,354
Cash and cash equivalents	10,083	33,721
Total cash net of debt	5,871	28,367

Total debt amounted to \$4.2 million, of which \$2.2 million in long-term debt and \$2.0 million in short-term debt representing balances payable on acquisitions, a decrease of \$1.1 million from November 30, 2014. Deducting this debt, net cash stood at \$5.9 million as at May 31, 2015. The Corporation continues to benefit from a healthy and solid financial position.

Equity attributable to shareholders of the Corporation totalled \$326.3 million as at May 31, 2015, compared with \$309.1 million as at November 30, 2014, an increase of 5.5% stemming primarily from a growth of \$10.0 million in retained earnings which amounted to \$280.9 million, of \$6.2 million in accumulated other comprehensive income, and of \$0.8 million in share capital. As at May 31, 2015, **the book value per share** was \$16.78, up 6.2% over November 30, 2014.

As at May 31, 2015, the Corporation's **share capital** consisted of 19,450,444 common shares (19,576,111 actions as at November 30, 2014). During the first six months of the year, the Corporation issued 34,758 common shares at an average price of \$23.23 (140,750 in 2014 at an average price of \$21.02) upon the exercise of options under its stock option plan. Also during the first six months ended May 31, 2015, the Corporation repurchased 150,600 common shares for cancellation under its normal course issuer bid. As at May 31, 2015, 631,890 stock options were outstanding (587,198 as at November 30, 2014) notably considering the 82,300 stock options granted during the first half of 2015 (64,100 during the first six months of 2014).

EVENT SUBSEQUENT TO CLOSING DATE

On June 18, 2015, Richelieu purchased the principal net assets of BD Enterprises, Inc. (doing business as Single Source Cabinet Supplies), a specialty hardware distributor located in Dallas, Texas, who serves a customer base of kitchen cabinet manufacturers as well as residential and commercial woodworkers.

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth on page 28 of the Corporation's 2014 Annual Report, available on SEDAR at www.sedar.com. For 2015 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions. Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

In note 6 of the interim consolidated financial statements for the quarter ended May 31, 2015, the Corporation presents the information on the classification and fair value of its financial instruments, as well as on the value and management of the risks arising from their use.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2014 Annual Report, available on SEDAR at www.sedar.com, management has designed and evaluated internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P) to provide reasonable assurance that the Corporation's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*, the design and the effectiveness of internal controls over financial reporting as at November 30, 2014. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting (ICFR and DC&P) were effective. During the quarter and six-month period ended May 31, 2015, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

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

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim consolidated financial statements for the quarter and six-month period ended May 31, 2015 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended May 31, 2015 presents the accounting policies recently issued and applicable in the future.

The interim consolidated financial statements were prepared in accordance with the accounting methods that the Corporation adopted for the establishment of its consolidated financial statements as at November 30, 2014 as well as for the year ended on that date and require management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and appearing in the accompanying notes, which could be amended. The estimates are based on management's knowledge of current events, on the measures the Corporation could take in the future and on other factors deemed relevant and reasonable.

Risk factors are described in the "Risk Management" section on page 30 of Richelieu's 2014 Annual Report, available on SEDAR at www.sedar.com.

SUPPLEMENTARY INFORMATION

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



(Signed) Richard Lord
President and
Chief Executive Officer



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

July 2, 2015

Consolidated statements of financial position

(In thousands of dollars)

(Unaudited)

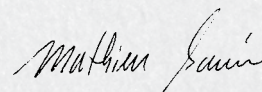
	Notes	As at May 31, 2015 \$	As at November 30, 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents		10,083	33,721
Accounts receivable		102,584	93,874
Inventories		182,103	156,488
Prepaid expenses		2,217	1,311
		296,987	285,394
Non-current assets			
Property, plant and equipment		24,359	22,895
Intangible assets		21,221	20,987
Goodwill		57,696	57,669
Deferred taxes		4,002	3,776
		404,265	390,721
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		64,992	64,437
Income taxes payable		330	2,739
Current portion of long-term debt		2,036	3,352
		67,358	70,528
Non-current liabilities			
Long-term debt		2,176	2,002
Deferred taxes		2,763	2,762
Other liabilities		1,875	1,876
		74,172	77,168
Equity			
Share capital	4	30,598	29,762
Contributed surplus		1,637	1,576
Retained earnings		280,873	270,826
Accumulated other comprehensive income	5	13,194	6,985
Equity attributable to shareholders of the Corporation		326,302	309,149
Non-controlling interests		3,791	4,404
		330,093	313,553
		404,265	390,721

See accompanying notes to the interim consolidated financial statement.

On behalf of the Board:



(Signed) Richard Lord
Director



(Signed) Mathieu Gauvin
Director

Consolidated statements of earnings

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

(Unaudited)

	Notes	For the three months ended May 31,		For the six months ended May 31,	
		2015 \$	2014 \$	2015 \$	2014 \$
Sales		190,801	165,155	350,120	301,263
Cost of goods sold, warehousing, selling and administrative expenses	6	168,923	145,970	312,536	268,374
Earnings before amortization, financial costs and income taxes		21,878	19,185	37,584	32,889
Amortization of property, plant and equipment		1,415	1,223	2,774	2,481
Amortization of intangible assets		646	513	1,272	1,041
Financial costs, net		(43)	(41)	(127)	(153)
		2,018	1,695	3,919	3,369
Earnings before income taxes		19,860	17,490	33,665	29,520
Income taxes		5,193	4,428	8,814	7,612
Net earnings		14,667	13,062	24,851	21,908
Net earnings attributable to:					
Shareholders of the Corporation		14,653	13,036	24,869	21,895
Non-controlling interests		14	26	(18)	13
		14,667	13,062	24,851	21,908
Net earnings per share attributable to shareholders of the Corporation					
Basic		0.75	0.67	1.27	1.11
Diluted		0.74	0.66	1.25	1.09

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of comprehensive income

For the three and six-month periods ended May 31 (In thousands of dollars)

(Unaudited)

	Notes	For the three months ended May 31,		For the six months ended May 31,	
		2015 \$	2014 \$	2015 \$	2014 \$
Net earnings		14,667	13,062	24,851	21,908
Other comprehensive income that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	5	(412)	(1,266)	6,209	1,175
Comprehensive income		14,255	11,796	31,060	23,083
Comprehensive income attributable to:					
Shareholders of the Corporation		14,241	11,770	31,078	23,070
Non-controlling interests		14	26	(18)	13
		14,255	11,796	31,060	23,083

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of changes in equity

For the six-month periods ended May 31 (In thousands of dollars)

(Unaudited)

	Attributable to shareholders of the Corporation				Total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
	\$	\$	\$	\$	\$	\$	\$
Notes	4			5			
Balance as at November 30, 2013	25,288	2,356	258,965	2,236	288,845	4,269	293,114
Net earnings	–	–	21,895	–	21,895	13	21,908
Other comprehensive income	–	–	–	1,175	1,175	–	1,175
Comprehensive income	–	–	21,895	1,175	23,070	13	23,083
Shares repurchased	(773)	–	(26,747)	–	(27,520)	–	(27,520)
Stock options exercised	4,011	(1,053)	–	–	2,958	–	2,958
Share-based compensation expense	–	238	–	–	238	–	238
Dividends (note 9)	–	–	(5,547)	–	(5,547)	–	(5,547)
Other liabilities	–	–	–	–	–	(17)	(17)
	3,238	(815)	(32,294)	–	(29,871)	(17)	(29,888)
Balance as at May 31, 2014	28,526	1,541	248,566	3,411	282,044	4,265	286,309
Balance as at November 30, 2014	29,762	1,576	270,826	6,985	309,149	4,404	313,553
Net earnings	–	–	24,869	–	24,869	(18)	24,851
Other comprehensive income	–	–	–	6,209	6,209	–	6,209
Comprehensive income	–	–	24,869	6,209	31,078	(18)	31,060
Shares repurchased	(236)	–	(8,944)	–	(9,180)	–	(9,180)
Stock options exercised	1,072	(265)	–	–	807	–	807
Share-based compensation expense	–	326	–	–	326	–	326
Dividends (note 9)	–	–	(5,878)	–	(5,878)	(596)	(6,474)
Other liabilities	–	–	–	–	–	1	1
	836	61	(14,822)	–	(13,925)	(595)	(14,520)
Balance as at May 31, 2015	30,598	1,637	280,873	13,194	326,302	3,791	330,093

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of cash flows

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

		For the three months ended May 31,		For the six months ended May 31,	
	Notes	2015 \$	2014 \$	2015 \$	2014 \$
OPERATING ACTIVITIES					
Net earnings		14,667	13,062	24,851	21,908
Items not affecting cash					
Amortization of property, plant and equipment		1,415	1,223	2,774	2,481
Amortization of intangible assets		646	513	1,272	1,041
Deferred taxes		—	(294)	—	(294)
Share-based compensation expense	4	276	328	557	697
		17,004	14,832	29,454	25,833
Net change in non-cash working capital balances		(7,920)	(1,096)	(32,795)	(13,896)
		9,084	13,736	(3,341)	11,937
FINANCING ACTIVITIES					
Repayment of long-term debt		(500)	—	(600)	—
Dividends paid to Shareholders of the Parent Corporation	9	(2,939)	(2,741)	(5,878)	(5,547)
Other dividends paid		—	—	(596)	—
Common shares issued		205	709	807	2,958
Common shares repurchased for cancellation		(8,735)	(457)	(9,180)	(27,520)
		(11,969)	(2,489)	(15,447)	(30,109)
INVESTING ACTIVITIES					
Business acquisitions	3	—	(1,739)	—	(3,089)
Additions to property, plant and equipment and intangible assets		(2,604)	(1,198)	(4,469)	(1,897)
		(2,604)	(2,937)	(4,469)	(4,986)
Effect of exchange rate changes on cash and cash equivalents		(103)	(77)	(381)	18
Net change in cash and cash equivalents		(5,592)	8,233	(23,638)	(23,140)
Cash and cash equivalents, beginning of period		15,675	14,814	33,721	46,187
Cash and cash equivalents, end of period		10,083	23,047	10,083	23,047
Supplementary information					
Income taxes paid		4,913	4,189	11,223	8,469
Interest received, net		(43)	(41)	(127)	(153)

See accompanying notes to the interim consolidated financial statements.

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, furniture, and window and door manufacturers plus the residential and commercial woodworking industry, as well as a large customer base of hardware retailers, including renovation superstores. The Corporation's head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing the annual consolidated financial statements as at November 30, 2014 and requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable. In management's opinion, these interim consolidated financial statements reflect all the adjustments required for a fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year as the operating level of the Corporation is subject to seasonal fluctuations. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes included in the Corporation's annual report for the fiscal year 2014.

2. CHANGES IN ACCOUNTING METHODS

RECENTLY ISSUED

IFRS 15, Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* which is a replacement of 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 years beginning on or after January 1, 2017. Earlier application is permitted.

IAS 1, Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation will assess the impact these new standards will have on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

2014

On October 27, 2014, the Corporation purchased the principal net assets of Thruway Hardwood and Plywood Corp. («Thruway») for a cash consideration of \$2,986 (\$2,610 US), and a balance of sale of \$675 (\$590 US). Thruway is a distributor of specialty panels and hardware that operates two distribution centers in New York State, United States.

On September 22, 2014, the Corporation acquired all of the outstanding common shares of XM Export-Import Canada Inc. («XM») for a cash consideration of \$1,163 and a balance of sale of \$387. XM is a distributor of specialty hardware that operates in Quebec, Canada.

On June 30, 2014, the Corporation purchased the principal net assets of CabinetWare Inc. ("CabinetWare") for a cash consideration of \$2,860 (US\$2,500), and a balance of sale of \$2,288 (US\$2,000). This business serves a customer base of residential and commercial woodworkers and kitchen, bathroom cabinet and furniture manufacturers from its 4 locations in Florida, United States.

On May 5, 2014, the Corporation purchased the principal net assets of Pleasantside distribution Ltd. («Pleasantside») for a cash consideration of \$1,850 and a balance of sale of \$450. Pleasantside is a distributor of specialty hardware that operates in the Western Canadian market.

On December 2, 2013, the Corporation acquired all of the outstanding common shares of Procraft Industrial Ltd. ("Procraft") for a cash consideration of \$1,350 and a balance of sale of \$250. This distributor of finishing products serves a customer base of residential and commercial woodworker's and kitchen cabinet manufacturers, in the Maritime Provinces of Canada.

4. SHARE CAPITAL

Authorized

Unlimited number of:

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

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

Issued

	As at May 31, 2015 \$	As at November 30, 2014 \$
19,450,444 common shares (November 30, 2014 - 19,576,111)	30,598	29,762

During the six-month period ended May 31, 2015, the Corporation issued 34,758 common shares (2014 - 140,750) at an average price of \$23.23 per share (2014 - \$21.02) pursuant to the exercise of options under the share option plan. In addition, during the six-month period ended May 31, 2015, the Corporation repurchased 150,600 common shares for cancellation through a normal course issuer bid in consideration of \$9,180, which resulted in a premium on the redemption in the amount of \$8,944, recorded in the consolidated statements of retained earnings (2014 - 610,700 common shares in consideration of \$27,520 which resulted in a premium on the redemption in the amount of \$26,747).

Stock option plan

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 market price of the shares five days prior to the day the option was granted and must be paid in full at the time the option is exercised. Options vest at a rate of 25% per year starting one year after grant date and expire on the tenth anniversary of the grant date.

During the six-month period ended May 31, 2015, the Corporation granted 82,300 options (2014 - 64,100) with an average exercise price of \$56.49 per share (2014 - \$45.25) and an average fair value of \$12.42 per option (2014 - \$11.70) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.05% (2014 - 1.3%), a volatility of 21% (2014 - 25%), a risk free interest rate of 1.48% (2014 - 2.29%) and an expected life of 7 years (2014 - 7 years) and 2,850 options were cancelled. For the three and six-month periods ended May 31, 2015, the compensation expense charged to earnings for the options amounted to \$174 and \$326 (2014 - \$130 and \$238). As at May 31, 2015, 631,890 options were outstanding with exercise price varying from \$16.72 to \$56.49 for a weighted average of \$29.05 (587,198 options as at November 30, 2014 with exercise price varying from \$16.72 to \$47.98 for a weighted average of \$26.80).

4. SHARE CAPITAL (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 financial liability resulting from the plan of \$5,002 (November 30, 2014 - \$4,463) is presented under the Accounts payable and accrued liabilities. The Corporation has entered into equity swaps to reduce its exposure on net earnings related to the fluctuations in 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. As at May 31, 2015, the fair value of the equity swaps amounted to a liability of \$247 (November 30, 2014 - an asset of \$400) and is presented under Accounts payable and accrued liabilities. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSU during the three and six-month periods ended May 31, 2015, amounted to \$102 and \$231 (2014 - \$198 and \$459) and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

Share purchase plan

The Corporation has a share purchase plan entitling any employees to purchase shares up to a maximum percentage of their total compensation in cash. The Corporation contributes an amount equivalent to a percentage of any amounts invested by the employee to the purchase of additional shares. The Corporation's contribution is determined annually. Compensation expense related to the share purchase plan amounted to \$118 and \$245 for the three and six-month periods ended May 31, 2015 (2014 - \$101 and \$213) and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

Net earnings per share

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

	For the three months ended May 31 2015		For the six months ended May 31 2015	
	2015	2014	2015	2014
Weighted average number of shares outstanding - Basic	19,553	19,569	19,567	19,752
Dilutive effect under stock option plan	320	291	308	276
Weighted average number of shares outstanding - Diluted	19,873	19,860	19,875	20,028

For the three-month period ended May 31, 2014, the computation of diluted net earnings per share excludes the weighted average of 25,000 outstanding options with an exercise price exceeding the average market share price for the period because of their anti-dilutive effect as at May 31, 2014.

5. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	For the three months ended May 31 2015		For the six months ended May 31 2015	
	2015	2014	2015	2014
	\$	\$	\$	\$
Balance at the beginning of the period	13,606	4,677	6,985	2,236
Exchange differences on translation of foreign operations	(412)	(1,266)	6,209	1,175
Balance at the end of the period	13,194	3,411	13,194	3,411

6. FINANCIAL INSTRUMENTS AND OTHER INFORMATION**Fair value**

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

As at May 31, 2015, the fair value of the foreign exchange forward contracts amounted to an asset of \$27 (asset of approximately \$6 as at November 30, 2014) 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 May 31, 2015 is acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of customers and generally does not require collateral. The allowance for doubtful accounts has increased by \$561 and \$1,476 (2014 - \$514 and \$1,104) during the three and six-month periods ended May 31, 2015 for a total of \$7,411 (November 30, 2014 - \$5,935).

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars and Euros. Administrative charges included, for the three and six-month periods ended May 31, 2015, an exchange gain of \$423 and \$1,100 (2014 - gain of \$93 and \$118).

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

As at May 31, 2015, a decrease of 5% of the Canadian dollar against the U.S. dollar and the euro, all other variables remaining the same, would have had no significant impact on the consolidated net earnings (as at May 31, 2014 - a decrease of 1% would have had no significant impact) and would have increased the consolidated comprehensive income by \$5,227 (as at May 31, 2014 - a decrease of 1% would have increased the consolidated comprehensive income by \$856) on translation of monetary assets and liabilities. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at May 31, 2015.

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.

Current period expenses

During the three and six-month periods ended May 31, 2015, the amount relating to inventories recorded as expenses from the distribution, imports and manufacturing activities totals \$137,769 and \$252,864 (2014 - \$117,938 and \$216,142). An expense of \$720 and \$1,325 (2014 - \$623 and \$1,141) for inventory obsolescence is included in this amount. Salaries and related charges of \$26,365 and \$50,977 for the three and six-month periods ended May 31, 2015 (2014 - \$23,661 and \$44,973) are included in the cost of goods sold, warehousing, selling and administrative expenses.

7. CAPITAL MANAGEMENT

The Corporation's objectives are:

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

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

As at May 31, 2015 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.3% (1.7 % as at November 30, 2014) (Long-term debt/Equity)
- Return on average shareholder's equity of 18.2% over the last 12 months (17.5% for the year ended November 30, 2014)

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

8. GEOGRAPHIC INFORMATION

During the three and six-month periods ended May 31, 2015, near 70% of sales had been made in Canada (2014 – 74%). The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to \$57,165 and \$108,826 (2014 – \$42,895 and \$80,524) in Canadian dollars and to \$46,168 and \$89,018 (2014 – \$39,008 and \$73,575) in U.S. dollars.

As at May 31, 2015, out of a total amount of \$24,359 in property, plant and equipment (November 30, 2014 – \$22,895), \$2,682 (November 30, 2014 – \$3,026) are located in the United States. In addition, intangible assets located in the United States amounted to \$12,256 (November 30, 2014 – \$11,885) and goodwill to \$8,598 (November 30, 2014 – \$7,909) in Canadian dollars and to \$9,855 (November 30, 2014 – \$10,389) and goodwill to \$6,913 (November 30, 2014 – \$6,913) in US dollars.

9. DIVIDENDS PAID TO SHAREHOLDERS OF THE PARENT CORPORATION

For the three and six-month periods ended May 31, 2015, the Corporation paid a quarterly dividend of \$0.15 per share to common shareholders (2014 – quarterly dividend of \$0.14 per share) for a total amount of \$2,939 and \$5,878 (2014 – \$2,741 and \$5,547).

10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and six-month periods ended May 31, 2015 (including the comparative figures) were approved for issue by the Board of Directors on July 2, 2015.

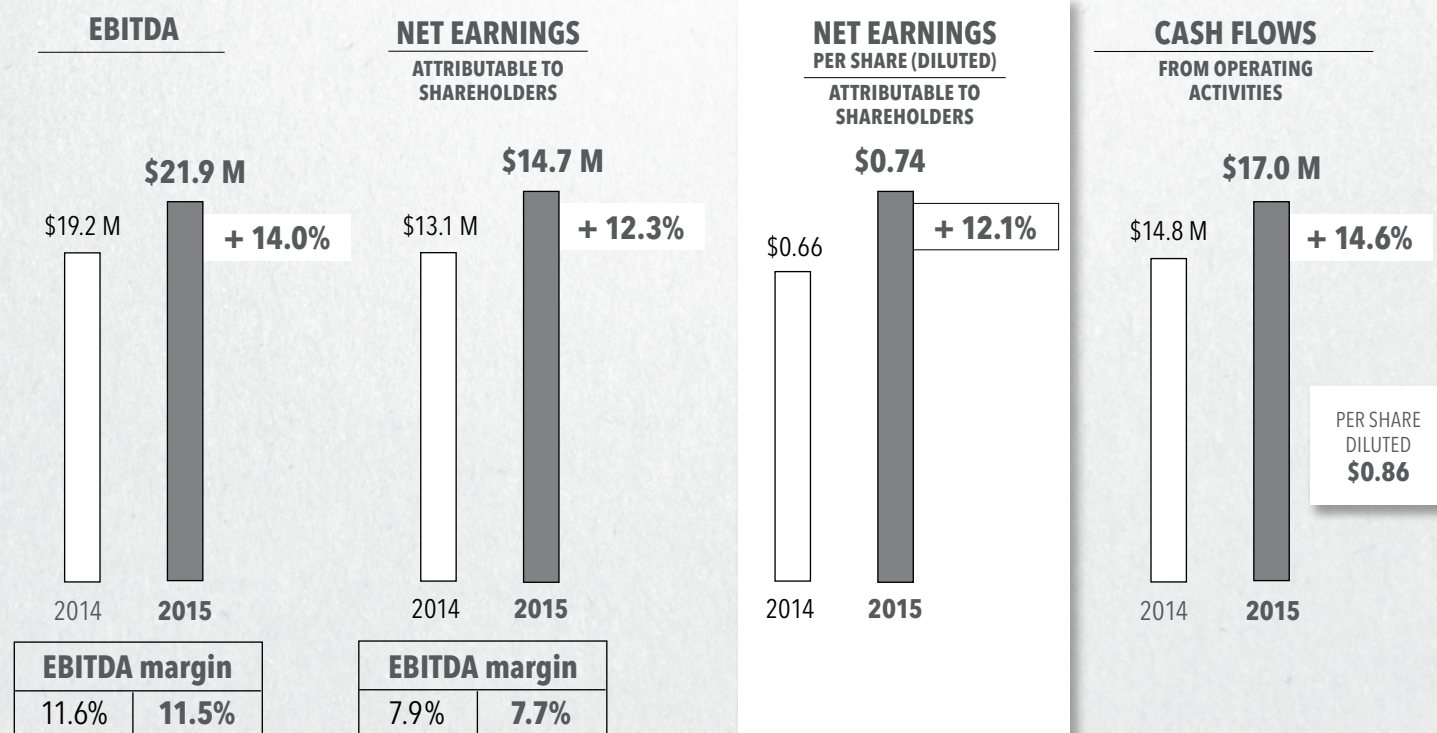
11. SUBSEQUENT EVENT

On June 18, 2015, the Corporation purchased the net assets of BD Enterprises, Inc. (doing business as Single Source Cabinet Supplies) a distributor of specialty hardware that serves an extensive customer base of kitchen cabinet manufacturers and residential and commercial woodworkers in Dallas, Texas.

12. COMPARATIVE FIGURES

Some figures disclosed for the three and six-month periods ended May 31, 2014 have been reclassified to conform to the presentation adopted in the three and six-month periods ended May 31, 2015.

Second quarters ended on May 31, 2015 and 2014



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