Richelieu

Interim Report 1

Three-month period
ended February 28, 2014

Message to Shareholders

Richelieu had a strong start to 2014, achieving solid growth, closing a further acquisition in Canada and realizing a significant share repurchase.

With increases of 12.8% in diluted earnings per share, 8% in consolidated sales of which 6% from internal growth and 8% in cash flows per share, financial results for the first quarter ended February 28, 2014 are most satisfactory for this period, which is historically the weakest of the year. Our key market segments all contributed to this sound performance, thanks to our market penetration efforts and ongoing innovation strategy. In Canada, where market conditions remained difficult at the beginning of the year, our sales grew by 3.8%, of which 1.5% from internal growth. In the United States where we maintained excellent growth, our sales posted a 10.6% increase in US$, of which 9.5% from internal growth. They accounted for 27.6% of the period's consolidated sales, whereas U.S. sales had accounted for 24.7% of total sales for the first quarter of 2013.

As at February 28, 2014, our cash amounted to $14.8 million and our working capital to $187.0 million for a current ratio of 4.4:1. Our financial position remains healthy and solid and almost debt-free.

During the quarter, we repurchased 601,400 common shares for $27.1 million under our normal course issuer bid. Considering this share repurchase and the $2.8 million in dividends paid, we distributed approximately $30 million to our shareholders in the first quarter, while retaining the liquidity needed for our growth strategy.

It is to be noted that early in the quarter, we closed the acquisition of Procraft Industrial Ltd, a well-established distributor of finishing products in Nova Scotia and New Brunswick that provides us with additional annual sales of approximately $4 million. Furthermore, in March, we entered into two agreements in principle, subject to certain conditions, to acquire two distributors of specialty hardware, one in Canada and one in the United States. These transactions would represent additional annual sales of some $14 million.

In upcoming quarters, we will continue to focus on our innovation and acquisition strategies, the creation of sales and operational synergies, and our market development initiatives in Canada and the United States, in order to achieve further sound performances.

DIVIDEND PAYMENT

At its meeting on April 3, 2014, the Board of Directors approved the payment of a quarterly dividend of $0.14 per share. This dividend is payable on May 1, 2014 to shareholders of record as at April 17, 2014.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the first quarter ended February 28, 2014 in comparison with the first quarter ended February 28, 2013, as well as the Corporation's financial position as at February 28, 2014 in comparison with November 30, 2013. This report should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the first quarter of 2014 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2013 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 February 28, 2014 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 April 3, 2014, on which date the unaudited consolidated interim financial statements and interim management's report were approved by 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 first quarter ended February 28, 2014 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. Because EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses cash flows from operating activities and cash flows from operating activities per share. Cash flows from operating activities are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) and share-based compensation expense. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. 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, including the assumption 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 2013 Annual Report (see the "Risk Management" section on page 31 of the 2013 Annual Report available on SEDAR at www.sedar.com).

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

GENERAL BUSINESS OVERVIEW as at February 28, 2014

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

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry**, as well as a large customer base of **hardware retailers, including renovation superstores**. The residential and commercial renovation industry is the 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 **nearly 70,000 customers** who are served by **62 centres in North America** – 35 distribution centres in Canada, 25 in the United States and two manufacturing plants in Canada.

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

The Corporation employs about 1,700 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. Approximately 65% 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)

Quarters ended February 28

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	**2014** $	2013 $	Δ %
Sales	**136,108**	126,084	+ 8.0
EBITDA (1)	**13,704**	12,893	+ 6.3
EBITDA margin (%)	***10.1***	*10.2*	
Net earnings	**8,846**	8,178	+ 8.2
Net earnings attributable to shareholders of the Corporation	**8,859**	8,158	+ 8.6
• basic per share ($)	**0.44**	0.39	+ 12.8
• diluted per share ($)	**0.44**	0.39	+ 12.8
Net margin attributable to shareholders of the Corporation (%)	***6.5***	*6.5*	
Cash flows from operating activities (2)	**11,001**	10,493	+ 4.8
• diluted per share ($)	**0.54**	0.50	+ 8.0
Cash dividends paid on shares	**2,806**	2,712	+ 3.5
• per share ($)	**0.14**	0.13	+ 7.7
Weighted average number of shares outstanding (diluted) (in thousands)	**20,213**	21,109	

Financial position data

As at	**February 28, 2014** $	November 30, 2013 $	Δ %
Total assets	**336,549**	356,325	– 5.5
Working capital	**187,022**	204,117	– 8.4
Current ratio	***4.4:1***	*4.5:1*	
Equity attributable to shareholders of the Corporation	**272,633**	288,845	– 5.6
Return on average equity (%)	**16.8**	16.2	
Book value ($)	**13.94**	14.41	– 3.3
Total debt	**1,612**	1,354	+ 19.0
Cash and cash equivalents	**14,814**	46,187	– 67.9

(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 FIRST QUARTER ENDED FEBRUARY 28, 2014 COMPARED WITH THE FIRST QUARTER ENDED FEBRUARY 28, 2013

Consolidated sales totalled $136.1 million, compared with $126.1 million for the corresponding quarter of 2013, an increase of 8% of which 6% from internal growth and 2% from the contribution of CourterCo Savannah (Georgia, U.S.), Hi-Tech (B.C.) and Procraft (N.S., N.B.), acquired on March 21, September 3 and December 2, 2013 respectively. It is to be noted that this quarter included one more business day than in the equivalent quarter of 2013.

Sales to **manufacturers** grew to $113.9 million, up 9.3% over the corresponding quarter of 2013, thanks to the contribution of almost all market segments. To internal growth of 6.9% was added an increase of 2.4% from the aforementioned acquisitions. Sales to hardware retailers and renovation superstores amounted to $22.2 million, an increase of 1.5% essentially from the internal growth.

Consolidated sales

(in thousands of $)

Quarters ended February 28	2014 $	2013 $	Δ %
Canada	**98,478**	94,907	+ 3.8
United States (CA$)	**37,630**	31,177	+ 20.7
(US$)	**34,567**	31,257	+ 10.6
Average exchange rate	***1.0886***	*0.9974*	
Consolidated sales	**136,108**	126,084	+ 8.0

In **Canada, sales** totalled $98.5 million, an increase of 3.8% over the first quarter of 2013, of which 1.5% from internal growth and 2.3% from the contribution of Hi-Tech and Procraft. Sales to **manufacturers** stood at $79 million, an increase of 4.0% over the corresponding quarter of 2013, of which 1.2% from internal growth and 2.8% from acquisitions. Sales to hardware retailers and renovation superstores amounted to $19.5 million, up 2.9% over the equivalent quarter of 2013.

In the **United States, sales** grew to US$34.6 million, an increase of 10.6% over the first quarter of 2013, of which 9.5% from internal growth reflecting sustained market penetration efforts with a diversified product offering, and 1.1% from the contribution of CourterCo Savannah. Sales to **manufacturers** amounted to US$32.1 million, up 13.2% over the same quarter of 2013. Sales to hardware **retailers** and renovation superstores were down 15% in US$ from the first quarter of 2013, due mainly to a time lag in orders from retailers. Considering exchange rates, total U.S. sales expressed in Canadian dollars amounted to $37.6 million, compared with $31.2 million for the first quarter of the previous year, an increase of 20.7%. They thereby accounted for 27.6% of the period's consolidated sales, whereas U.S. sales had accounted for 24.7% of the period's consolidated sales for the first quarter of 2013.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Quarters ended February 28	2014 $	2013 $	Δ %
Sales	**136,108**	126,084	+ 8.0
EBITDA	**13,704**	12,893	+ 6.3
EBITDA margin (%)	***10.1***	*10.2*	

Earnings before income taxes, interest and amortization (EBITDA) totalled $13.7 million, up 6.3% over the corresponding quarter of 2013. The gross margin was down slightly from the first quarter of 2013, due notably to the lower gross margin of certain prior acquisitions having a different product mix and the higher proportion of sales in the United States where the product mix is also different. To these factors was added the effect of the higher supply costs of certain products before selling price adjustments arising from the appreciation of currencies. Thus, **the EBITDA margin** was 10.1% versus 10.2% for the first quarter of 2013.

Income taxes amounted to $3.2 million, an increase of $0.2 million over the first quarter of 2013.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

Quarters ended February 28	2014 $	2013 $	Δ %
EBITDA	**13,704**	12,893	+ 6.3
Amortization of property, plant and equipment and intangible assets	**1,786**	1,874	– 4.7
Financial cost, net	**(112)**	(119)	– 5.9
Income taxes	**3,184**	2,960	+ 7.6
Net earnings	**8,846**	8,178	+ 8.2
Net earnings attributable to shareholders of the Corporation	**8,859**	8,158	+ 8.6
Net margin attributable to shareholders of the Corporation (%)	***6.5***	*6.5*	
Non-controlling interests	**(13)**	20	
Net earnings	**8,846**	8,178	+ 8.2

Net earnings increased by 8.2%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $8.9 million, up 8.6% over the corresponding quarter of 2013. **Earnings per share** amounted to $0.44 (basic and diluted), compared with $0.39 (basic and diluted) for the first quarter of 2013, an increase of 12.8%.

Comprehensive income stood at $11.3 million, considering a positive adjustment of $2.4 million on translation of the financial statements of the subsidiary in the United States, compared with $9.9 million for the corresponding quarter of 2013, considering a positive adjustment of $1.7 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
2014				
Sales	**136,108**			
EBITDA	**13,704**			
Net earnings attributable to shareholders of the Corporation	**8,859**			
basic per share	**0.44**			
par action dilué	**0.44**			
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
2012				
Sales	124,083	147,107	148,782	145,826
EBITDA	13,280	18,617	19,636	19,630
Net earnings attributable to shareholders of the Corporation	8,004	11,997	12,761	12,642
basic per share	0.38	0.57	0.61	0.61
diluted per share	0.38	0.57	0.60	0.60

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

FINANCIAL POSITION

Analysis of principal cash flows for the first quarter ended February 28, 2014

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

Quarters ended February 28	**2014 $**	2013 $
Cash flows provided by (used for):		
Operating activities	**(1,562)**	(5,628)
Financing activities	**(27,620)**	(1,488)
Investing activities	**(2,049)**	(755)
Effect of exchange rate fluctuations	**(142)**	(81)
Net change in cash and cash equivalents	**(31,373)**	(7,952)
Cash and cash equivalents, beginning of period	**46,187**	51,587
Cash and cash equivalents, end of period	**14,814**	43,635
Working capital	**187,022**	209,306
Renewable line of credit (CA$)	**26,000**	26,000
Renewable line of credit (US$)	**6,000**	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) totalled $11.0 million or $0.54 diluted per share, compared with $10.5 million or $0.50 diluted per share for the first quarter de 2013, an increase of 4.8% mainly from the net earnings growth. Net change in non-cash working capital balances used cash flows of $12.6 million, reflecting the change in inventories ($7.6 million) in view of the second quarter, which is historically a more active period, and the change in accounts payable and other items ($7.0 million), whereas the change in accounts receivable represented a cash inflow of $2.0 million. Consequently, operating activities used cash flows of $1.6 million, compared with $5.6 million for the first quarter of 2013.

Financing activities represented a cash outflow of $27.6 million, compared with $1.5 million for the corresponding quarter of 2013. Richelieu repurchased common shares under its normal course issuer bid for $27.1 million during the quarter, whereas it had not repurchased any shares in the first quarter 2013. It also paid shareholder dividends of $2.8 million, up by $0.1 million over the same quarter of last year. During the period, the Corporation issued common shares for $2.2 million upon the exercise of options under its stock option plan, compared with $1.4 million in the first quarter of 2013.

Investing activities represented a total outflow of $2.0 million during the first quarter, of which $1.4 million in the acquisition of all the outstanding shares of Procraft and $0.7 million primarily in equipment needed for operations.

Sources of financing

As at February 28, 2014, **cash and cash equivalents** totalled $14.8 million, compared with $46.2 million as at November 30, 2013. This variation primarily reflects the significant share repurchase during the quarter. The Corporation posted a **working capital** of $187.0 million for a current ratio of 4.4:1, compared with $204.1 million (4.5:1 ratio) as at November 30, 2013.

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 2014. 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 estimates it could obtain access to other outside financing if necessary.

Analysis of financial position as at February 28, 2014

Summary financial position
(in thousands of $)

As at	**February 28, 2014 $**	November 30, 2013 $
Current assets	**241,605**	262,251
Non-current assets	**94,944**	94,074
Total	**336,549**	356,325
Current liabilities	**54,583**	58,134
Non-current liabilities	**5,085**	5,077
Equity attributable to shareholders of the Corporation	**272,633**	288,845
Non-controlling interests	**4,248**	4,269
Total	**336,549**	356,325
Exchange rate on translation of a subsidiary in the United States	***1.107***	*1.062*

Assets

Total assets amounted to $336.6 million as February 28, 2014, compared with $356.3 million as at November 30, 2013, an increase of 5.5%. **Current assets** were down by $20.6 million from November 30, 2013 due notably to the reduction in cash and cash equivalents subsequent to the share repurchase.

Net cash
(in thousands of $)

As at	February 28, 2014 $	November 30, 2013 $
Current portion of long-term debt	**1,612**	1,354
Total	**1,612**	1,354
Cash and cash equivalents	***14,814***	*46,187*
Total net cash	**13,202**	44,833

Total debt stood at $1.6 million, consisting entirely of short-term debt. Deducting this debt, net cash amounted to $13.2 million as at February 28, 2014. The Corporation continues to benefit from a healthy and solid financial position to pursue its business strategy.

Equity attributable to shareholders of the Corporation totalled $272.6 million as at February 28, 2014, compared with $288.8 million as at November 30, 2013, a decrease of 5.6% from a reduction of $20.3 million in retained earnings, which amounted to $238.7 million subsequent to the share repurchase, a growth of $2.3 million in share capital and an increase of $2.4 million in accumulated other comprehensive income, less the $0.7 million decrease in capital surplus. At the close of the first quarter, **the book value per share** was $13.94, compared with $14.41 as at November 30, 2013.

As at February 28, 2014, the Corporation's **share capital** consisted of 19,553,961 common shares (20,046,061 shares as at November 30, 2013). During the first three months of the year, the Corporation issued 109,300 common shares at an average price of $20.82 (84,110 in 2013 at an average price of $16.93) upon the exercise of options under its stock option plan. During the three-month period ended February 28, 2014, the Corporation repurchased 601,400 common shares for cancellation for a consideration of $27.1 million, whereas it had not repurchased any common shares in the first quarter of 2013. As at February 28, 2014, 641,473 stock options were outstanding (711,673 as at November 30, 2013), notably considering the 39,100 stock options granted during the first quarter of 2014 (78 000 during the first quarter of 2013).

SUBSEQUENT EVENTS TO FEBRUARY 28, 2014

In March 2014, the Corporation entered into two agreements in principle to acquire two distributors of specialty hardware that would add some $14 million to the Corporation's annual sales. These projected acquisitions are subject to due diligence and other specific conditions.

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth on page 29 of the Corporation's 2013 Annual Report, available on SEDAR at www.sedar.com. For 2014 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2013 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, 2013. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting (ICFR and DC&P) were effective. During the quarter ended February 28, 2014, 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 unaudited interim consolidated financial statements for the quarter ended February 28, 2014 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended February 28, 2014 presents the new accounting policies in effect as of December 1, 2013.

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, 2013 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 modified. The estimates are based on management's knowledge of current events, on the measures the Corporation could take in the future and on other factors deemed relevant and reasonable.

Risk factors are described in the "Risk Management" section on page 31 of Richelieu's 2013 Annual Report, available on SEDAR at www.sedar.com.

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

April 3, 2014

Consolidated statements of financial position

(In thousands of dollars)
(Unaudited)

	Notes	As at February 28, 2014 $	As at November 30, 2013 $
ASSETS			
Current assets			
Cash and cash equivalents		**14,814**	46,187
Accounts receivable		**77,924**	78,343
Income taxes receivable		**715**	–
Inventories		**146,538**	136,746
Prepaid expenses		**1,614**	975
		241,605	262,251
Non-current assets			
Property, plant and equipment		**21,914**	22,291
Intangible assets		**16,295**	15,661
Goodwill		**53,321**	52,788
Deferred taxes		**3,414**	3,334
		336,549	356,325
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**52,971**	56,462
Income taxes payable		**–**	318
Current portion of long-term debt		**1,612**	1,354
		54,583	58,134
Non-current liabilities			
Deferred taxes		**3,246**	3,246
Other liabilities		**1,839**	1,831
		59,668	63,211
Equity			
Share capital	4	**27,610**	25,288
Contributed surplus		**1,631**	2,356
Retained earnings		**238,715**	258,965
Accumulated other comprehensive income	5	**4,677**	2,236
Equity attributable to shareholders of the Corporation		**272,633**	288,845
Non-controlling interest		**4,248**	4,269
		276,881	293,114
		336,549	356,325

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board:

Richard Lord
Director

Mathieu Gauvin
Director

Consolidated statements of earnings

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

	Notes	2014 $	2013 $
Sales		**136,108**	126,084
Cost of goods sold, warehousing, selling and administrative expenses	6	**122,404**	113,191
Earnings before amortization, financial costs and income taxes		**13,704**	12,893
Amortization of property, plant and equipment		**1,258**	1,306
Amortization of intangible assets		**528**	568
Financial costs, net		**(112)**	(119)
		1,674	1,755
Earnings before income taxes		**12,030**	11,138
Income taxes		**3,184**	2,960
Net earnings		**8,846**	8,178
Net earnings attributable to:			
Shareholders of the Corporation		**8,859**	8,158
Non-controlling interests		**(13)**	20
		8,846	8,178
Net earnings per share attributable to shareholders of the Corporation			
Basic		**0.44**	0.39
Diluted		**0.44**	0.39

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of comprehensive income

For the three-month periods ended February 28 (In thousands of dollars)
(Unaudited)

	Notes	2014 $	2013 $
Net earnings		**8,846**	8,178
Other comprehensive income			
Exchange differences on translation of foreign operations	5	**2,441**	1,735
Comprehensive income		**11,287**	9,913
Comprehensive income attributable to:			
Shareholders of the Corporation		**11,300**	9,893
Non-controlling interests		**(13)**	20
		11,287	9,913

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of changes in equity

For the three-month periods ended February 28 (In thousands of dollars)
(Unaudited)

	Attributable to shareholders of the Corporation						
	Share capital $	Contibuted surplus $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $	Non-controlling interests $	Total equity $
Notes	4			5			
Balance as at November 30, 2012	23,349	2,761	258,775	(1,050)	283,835	4,107	287,942
Net earnings	–	–	8,158	–	8,158	20	8,178
Other comprehensive income	–	–	–	1,735	1,735	–	1,735
Comprehensive income	–	–	8,158	1,735	9,893	20	9,913
Stock options exercised	3,230	(1,806)	–	–	1,424	–	1,424
Share-based compensation expense	–	98	–	–	98	–	98
Dividends *(note 9)*	–	–	(2,712)	–	(2,712)	–	(2,712)
Other liabilities	–	–	–	–	–	(28)	(28)
	3,230	(1,708)	(2,712)	–	(1,190)	(28)	(1,218)
Balance as at February 28, 2013	26,579	1,053	264,221	685	292,538	4,099	296,637
Balance as at November 30, 2013	**25,288**	**2,356**	**258,965**	**2,236**	**288,845**	**4,269**	**293,114**
Net earnings	**–**	**–**	**8,859**	**–**	**8,859**	**(13)**	**8,846**
Other comprehensive income	**–**	**–**	**–**	**2,441**	**2,441**	**–**	**2,441**
Comprehensive income	**–**	**–**	**8,859**	**2,441**	**11,300**	**(13)**	**11,287**
Shares repurchased	**(760)**	**–**	**(26,303)**	**–**	**(27,063)**	**–**	**(27,063)**
Stock options exercised	**3,082**	**(833)**	**–**	**–**	**2,249**	**–**	**2,249**
Share-based compensation expense	**–**	**108**	**–**	**–**	**108**	**–**	**108**
Dividends *(note 9)*	**–**	**–**	**(2,806)**	**–**	**(2,806)**	**–**	**(2,806)**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**
	2,322	**(725)**	**(29,109)**	**–**	**(27,512)**	**(8)**	**(27,520)**
Balance as at February 28, 2014	**27,610**	**1,631**	**238,715**	**4,677**	**272,633**	**4,248**	**276,881**

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of cash flows

For the three-month periods ended February 28 (In thousands of dollars)
(Unaudited)

	Notes	**2014** $	2013 $
OPERATING ACTIVITIES			
Net earnings		**8,846**	8,178
Items not affecting cash			
Amortization of property, plant and equipment		**1,258**	1,306
Amortization of intangible assets		**528**	568
Share-based compensation expense		**369**	441
		11,001	10,493
Net change in non-cash working capital balances		**(12,563)**	(16,121)
		(1,562)	(5,628)
FINANCING ACTIVITIES			
Repayment of long-term debt		**–**	(200)
Dividends paid	9	**(2,806)**	(2,712)
Common shares issued		**2,249**	1,424
Common shares repurchased for cancellation		**(27,063)**	–
		(27,620)	(1,488)
INVESTING ACTIVITIES			
Business acquisition		**(1,350)**	–
Additions to property, plant and equipment and intangible assets		**(699)**	(755)
		(2,049)	(755)
Effect of exchange rate changes on cash and cash equivalents		**(142)**	(81)
Net change in cash and cash equivalents		**(31,373)**	(7,952)
Cash and cash equivalents, beginning of period		**46,187**	51,587
Cash and cash equivalents, end of period		**14,814**	43,635
Supplementary information			
Income taxes paid		**4,280**	4,131
Interest received, net		**(112)**	(119)

See accompanying notes to the interim consolidated financial statements.

February 28, 2014 and 2013 (Amounts are in thousands of dollars, except per-share amounts)

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, 2013 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 financial statements reflect all the adjustments required for a fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the periods are not necessarily indicative of the results that may be expected for the full year as the operating level of the Corporation is subject to seasonal fluctuations. These interim financial statements should be read in conjunction with the audited consolidated annual financial statements and the accompanying notes included in the Corporation's annual report for the fiscal year 2013.

2. CHANGE IN ACCOUNTING METHODS

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB published IFRS 10, *Consolidated Financial Statements,* which supersedes SIC-12, *Consolidation – Special Purpose Entities* and certain parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

(a) Power over the investee;

(b) Exposure or rights to variables returns from involvement with the investee;

(c) The ability to use power over the investee to affect the amount of the investor's returns.

IFRS 12, Disclosure of Interests in Other Entities

In May 2011, the IASB published IFRS 12, *Disclosure of Interests in Other Entities* which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e., subsidiaries, joint arrangements, associates and unconsolidated structured entities) and the effects of those interests on its financial statements.

IFRS 13, Fair Value Measurement

In May 2011, the IASB published IFRS 13, *Fair Value Measurement* to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements.

These amendments were applied on December 1st, 2013 and did not have impact on the interim consolidated financial statement of the Corporation.

IAS 32, Financial Instruments: Presentation

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* clarifying the requirements for offsetting financial assets and liabilities. The amendments shall be applied to fiscal years beginning on or after January 1st, 2014. The IASB also issued amendments to IFRS 7, *Financial Instruments: Disclosure* improving disclosure on offsetting of financial assets and liabilities.

3. BUSINESS ACQUISITIONS

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.

On September 3, 2013, the Corporation purchased the net assets of Hi-Tech Glazing Supplies ("Hi-Tech") for a cash consideration of $4,150 and a balance of sale of $500. This Corporation based in Vancouver is a distributor of door and window hardware.

On March 21, 2013, the Corporation purchased the net assets of CourterCo Savannah LLC ("Savannah") for a cash consideration of $297 ($290 US). This distributor of speciality and decorative hardware product operates a distribution center based in Savannah (Georgia, United-States) and serves a customer base of residential and commercial woodworkers and kitchen, bathroom cabinet and furniture manufacturers.

4. SHARE CAPITAL

Authorized

Unlimited number of:

Common shares.

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

Issued

	As at February 28, 2014 **$**	As at November 30, 2013 $
19,553,961 common shares (November 30, 2013 – 20,046,061)	**27,610**	25,288

During the three-month period ended February 28, 2014, the Corporation issued 109,300 common shares (2013 – 84,110) at an average price of $20.82 per share (2013 – $16.93) pursuant to the exercise of options under the share option plan. In addition, during the three-month period ended February 28, 2014, the Corporation, through a normal course issuer bid, purchased 601,400 common shares for cancellation in consideration of $27,063 which resulted in a premium on the redemption in the amount of $26,303 recorded in the consolidated statements of retained earnings.

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 three-month period ended February 28, 2014, the Corporation granted 39,100 options (2013 – 78,000) with an average exercise price of $43.51 per share (2013 – $38.14) and an average fair value of $11.21 per option (2013 – $9.95) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.3% (2013 – 1.34%), a volatility of 25% (2013 – 25%), a risk free interest rate of 2.29% (2013 – 2.01%) and an expected life of 7 years (2013 – 7 years).

February 28, 2014 and 2013 (Amounts are in thousands of dollars, except per-share amounts)

4. SHARE CAPITAL (CONT'D)

The compensation expense charged to earnings for the options granted in 2014 amounted to $108 (2013 – $98). As at February 28, 2014, 641,473 options were outstanding with exercise price varying from $15.89 to $43.51 for a weighted average of $25.36 (711,673 options as at November 30, 2013 with exercise price varying from $15.89 to $38.14 for a weighted average of $23.67).

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 $3,417 (November 30, 2013 – $3,156) is presented under the *Accounts payable and accrued liabilities*. The compensation expense charged to earnings for the DSU during the three-month period ended February 28, 2014, amounted to $261 (2013 – $343).

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 $112 for the three-month period ended February 28, 2014 (2013 – $90) and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

Earnings per share

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

	2014	2013
Weighted average number of shares outstanding – Basic	**19,940**	20,824
Dilutive effect under stock option plan	**273**	285
Weighted average number of shares outstanding – Diluted	**20,213**	21,109

5. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	2014 $	2013 $
Balance at the beginning of the period	**2,236**	(1,050)
Exchange differences on translation of foreign operations	**2,441**	1,735
Balance at the end of the period	**4,677**	685

6. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair value

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

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

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 February 28, 2014 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 $ 660 during the three-month period ended February 28, 2014 for a total of $5,614 (November 30, 2013 – $5,024).

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-month period ended February 28, 2014, an exchange gain of $25 (2013 – gain of $147).

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 February 28, 2014 and 2013, a decrease of 1% of the Canadian dollar against the U.S. dollar and the Euro, all other variables remaining the same, would have had no significant effect on consolidated net earnings and increased the consolidated comprehensive income by $874 (2013 –$758). The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at February 28, 2014.

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-month period ended February 28, 2014, the amount relating to inventories recorded as expenses from the distribution, imports and manufacturing activities totals $98,204 (2013 – $90,907). An expense of $518 (2013 – $521) for inventory obsolescence is included in this amount. Salaries and related charges of $21,312 for the three-month period ended February 28, 2014 (2013 – $20,171) are included in the cost of goods sold, warehousing, selling and administrative expenses.

February 28, 2014 and 2013 (Amounts are in thousands of dollars, except per-share amounts)

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 February 28, 2014 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.6% (0.5 % as at November 30, 2013) (Long-term debt/ Equity)
- Return on average shareholder's equity of 16.8% over the last 12 months (16.2% for the year ended November 30, 2013)

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

8. GEOGRAPHIC INFORMATION

During the three-month period ended February 28, 2014, near 73% of sales had been made in Canada (2013 – 75%). The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to $37,630 (2013 – $31,177) in Canadian dollars and to $34,567 (2013 – $31,257) in U.S. dollars.

As at February 28, 2014, out of a total amount of $21,914 in property, plant and equipment (November 30, 2013 – $22,291), $2,978 (November 30, 2013 – $3,019) are located in the United States. In addition, intangible assets located in the United States amounted to $7,992 (November 30, 2013 – $7,841) and goodwill to $4,331 (November 30, 2013 – $4,154) in Canadian dollars and to $7,217 (November 30, 2013 – $7,384) and goodwill to $3,911 (November 30, 2013 – $3,911) in US dollars.

9. DIVIDENDS

For the three-month period ended February 28, 2014, the Corporation paid a quarterly dividend of $0.14 per share (2013 – quarterly dividend of $0.13 per share) for a total amount of $2,806 (2013 – $2,712).

10. APPROVAL OF FINANCIAL STATEMENTS

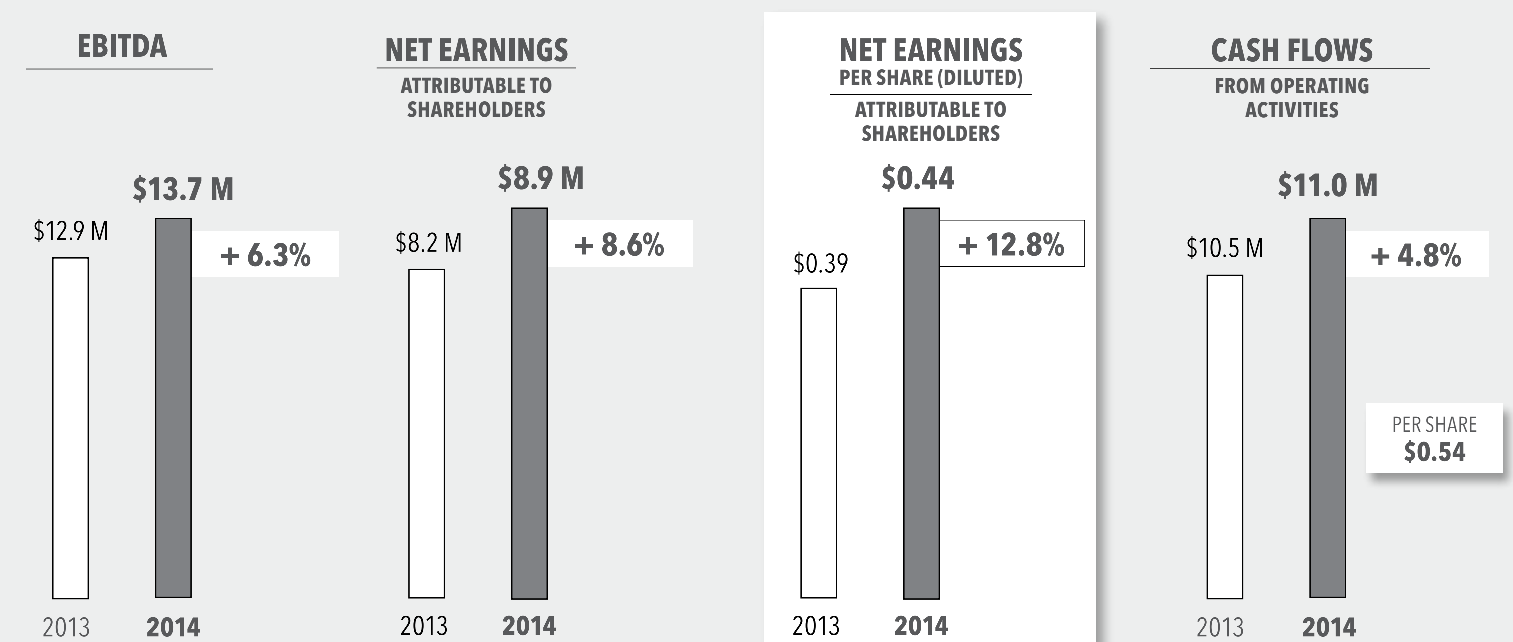
The consolidated financial statements for the three-month period ended February 28, 2014 (including the comparative figures) were approved for issue by the Board of Directors on April 3, 2014.

11. COMPARATIVE FIGURES

Some figures disclosed for the three-month period ended February 28, 2013 have been reclassified to conform to the presentation adopted in the three-month period ended February 28, 2014.

First Quarters

ended on February 28, 2014 and 2013



EBITDA margin	
10.2%	**10.1%**

Net margin	
6.5%	**6.5%**

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Computershare Trust Company of Canada

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