Richelieu

Interim Report

Three and six-month periods
ended May 31, 2014

2

Message to Shareholders

Richelieu maintained its momentum in the second quarter ended May 31, 2014, achieving a 13.8% growth in diluted net earnings per share and completing an acquisition in Western Canada, followed by another in Florida at the end of June.

The growth strategy we rigorously apply in our Canadian and U.S. markets continues to pay off – rooted primarily in innovation, business acquisitions, creation of synergies, market development and operational efficiency. During the second quarter, our key market segments performed well, enabling us to achieve a 7.4% increase in net earnings attributable to shareholders on total sales up 5.7%, of which 3.7% from internal growth and the rest from the last four acquisitions.

During the first six months of 2014, we repurchased common shares for a consideration of $27.5 million under our normal course issuer bid and paid shareholder dividends for a total of $5.5 million. We closed the period in solid financial health, with net cash of $21 million and working capital of $196.4 million for a current ratio of 4.1:1, allowing us to pursue our business strategy.

On May 5, 2014, we acquired the principal net assets of Pleasantside Distribution Ltd, a specialty hardware distributor that serves the Western Canadian market with three centres located in Saskatoon, Winnipeg and Vancouver. Then on June 30, we acquired the principal net assets of CabinetWare, Inc., a specialty hardware distributor that operates four distribution centres in Florida, specifically in Sarasota, Tampa Bay, Orlando and Jacksonville, and serves an extensive base of kitchen cabinet manufacturers as well as residential and commercial woodworkers. The three acquisitions completed since the beginning of 2014, Procraft, Pleasantside and CabinetWare will provide us with additional annual sales of some $18 million.

In upcoming periods, we will remain firmly focused on growth by pursuing our market penetration initiatives, our innovation strategy and the search for acquisition opportunities consistent with our short and long-term profitability goals.

NEXT DIVIDEND PAYMENT

At its meeting on July 3, 2014, the Board of Directors approved the payment of a quarterly dividend of $0.14 per share. This dividend is payable on July 31, 2014 to shareholders of record as at July 17, 2014.

Management's discussion and analysis

of operating results and financial position for the second quarter and first six months ended May 31, 2014

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2014 in comparison with the second quarter and first six months ended May 31, 2013, 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 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 May 31, 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 July 3, 2014, 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, 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 liquidity. Because EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses cash flows from operating activities and cash flows from operating activities per share. Cash flows from operating activities are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) and share-based compensation expense. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. 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 May 31, 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 **63 centres in North America** – 36 distribution centres in Canada, 25 in the United States and two manufacturing plants in Canada.

Main product categories include decorative and functional hardware products 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 its subsidiary 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 over 1,700 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 2014 $	3 months 2013 $	Δ %	6 months 2014 $	6 months 2013 $	Δ %
Sales	**165,155**	156,240	+ 5.7	**301,263**	282,324	+ 6.7
EBITDA[(1)]	**19,185**	18,207	+ 5.4	**32,889**	31,100	+ 5.8
EBITDA margin (%)	***11.6***	*11.7*		***10.9***	*11.0*	
Net earnings	**13,062**	12,224	+ 6.9	**21,908**	20,402	+ 7.4
Net earnings attributable to shareholders of the Corporation	**13,036**	12,140	+ 7.4	**21,895**	20,298	+ 7.9
• basic per share ($)	**0.67**	0.59	+13.6	**1.11**	0.98	+13.3
• diluted per share ($)	**0.66**	0.58	+13.8	**1.09**	0.96	+13.5
Net margin attributable to shareholders of the Corporation (%)	***7.9***	*7.8*		***7.3***	*7.2*	
Cash flows from operating activities[(2)]	**14,832**	14,412	+ 2.9	**25,833**	24,905	+ 3.7
• diluted per share ($)	**0.75**	0.69	+ 8.7	**1.29**	1.18	+ 9.3
Cash dividends paid on shares	**2,741**	2,717	+ 0.9	**5,547**	5,429	+ 2.2
• per share ($)	**0.14**	0.13		**0.28**	0.26	
Weighted average number of shares outstanding (diluted) (in thousands)	**19,860**	21,029		**20,028**	21,063	

Financial position data

As at	May 31, 2014 $	November 30, 2013 $	Δ %
Total assets	**354,512**	356,325	– 0.5
Working capital	**196,388**	204,117	– 3.8
Current ratio	***4.1:1***	*4.5:1*	
Equity attributable to shareholders of the Corporation	**282,044**	288,845	– 2.4
Return on average equity (%)	***16.8***	*16.2*	
Book value ($)	**14.41**	14.41	
Total debt	**2,058**	1,354	+52.0
Cash and cash equivalents	**23,047**	46,187	–50.1

(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, 2014 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2013

Consolidated sales

(in thousands of $, except exchange rate)

Periods ended May 31	3 months 2014 $	3 months 2013 $	Δ %	6 months 2014 $	6 months 2013 $	Δ %
Canada	**122,260**	118,285	+ 3.4	**220,739**	213,251	+ 3.5
United States (CA$)	**42,895**	37,955	+ 13.0	**80,524**	69,073	+ 16.6
(US$)	**39,008**	37,175	+ 4.9	**73,575**	68,375	+ 7.6
Average exchange rate	***1.0997***	*1.0210*		***1.0944***	*1.0102*	
Consolidated sales	**165,155**	156,240	+ 5.7	**301,263**	282,324	+ 6.7

Second-quarter consolidated sales amounted to $165.2 million, compared with $156.2 million for the corresponding quarter of 2013, an increase of $9.0 million or 5.7%, of which 3.7% from internal growth and 2.0% from acquisitions. It is to be noted that this quarter included one less business day than the corresponding quarter of 2013.

Richelieu recorded sales to **manufacturers** of $141.0 million, compared with $132.4 million for the corresponding period of 2013, an increase of $8.6 million or 6.5%, of which 4.2% internal growth with the contribution of all market segments and 2.3% from acquisitions. Sales to hardware **retailers** and renovation superstores amounted to $24.1 million, up 1.2%.

In Canada, sales totalled $122.3 million, an increase of 3.4% over the second quarter of 2013, of which 0.8% from internal growth and 2.6% from acquisitions. Sales to **manufacturers** grew by 4.4% to $101.3 million. As for sales to **retailers** and renovation superstores, they amounted to $20.9 million, a slight 1.2% decrease from the corresponding quarter of 2013.

In the United States, the Corporation achieved sales of US$39.0 million, compared with US$37.2 million for the corresponding quarter of 2013, an increase of 4.9%, of which 4.7% from internal growth and 0.2% from acquisitions. Sales to **manufacturers** reached US$36.1 million, up 4.4% over the second quarter of 2013 thanks to sustained market penetration efforts. As for sales to **retailers** and renovation superstores, they grew by 11.6% (in US$). Considering exchange rate fluctuations, total U.S. sales expressed in Canadian dollars amounted to $42.9 million, an increase of 13.0%. They accounted for 26.0% of consolidated sales for the second quarter of 2014, whereas they had represented 24.3% of the period's consolidated sales for the second quarter of 2013.

First-half consolidated sales totalled $301.3 million, an increase of $18.9 million or 6.7% over the corresponding six months of 2013, of which 4.7% from internal growth and 2.0% from acquisitions.

Sales to **manufacturers** amounted to $254.8 million, compared with $236.6 million for the corresponding six months of 2013, an increase of $18.2 million or 7.7%, of which internal growth of 5.3% and 2.4% from acquisitions. Sales to hardware **retailers** and renovation superstores totalled $46.5 million, compared with $45.7 million for the first half of 2013, an increase of 1.7%.

In Canada, sales totalled $220.7 million, compared with $213.3 million for the first six months of 2013, an increase of 3.5%, of which 1.1% from internal growth and the rest from acquisitions. Sales to **manufacturers** stood at $180.2 million, an increase of 4.1% over the first half of 2013, of which 1.2% from internal growth and 2.9% from acquisitions. As for sales to hardware **retailers** and renovation superstores, they amounted to $40.5 million, up 0.8% over the corresponding period of 2013.

In the United States, Richelieu recorded sales of US$73.6 million, compared with US$68.4 million for the first half of 2013, an increase of US$5.2 million or 7.6%, of which 7.0% from internal growth and 0.6% from acquisitions. Sales to **manufacturers** totalled US$68.1 million, an increase of 8.3% over the first six months of 2013, of which 7.6% from internal growth and 0.7% from acquisitions. Sales to **retailers** and renovation superstores were relatively stable. Considering exchange rate fluctuations, U.S. sales expressed in Canadian dollars totalled $80.5 million, compared with $69.1 million for the corresponding six months of 2013, an increase of 16.6%. They accounted for 26.7% of consolidated sales for the first half of 2014, whereas they had represented 24.5% of the period's consolidated sales for the first six months of 2013.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 months 2014 $	3 months 2013 $	Δ %	6 months 2014 $	6 months 2013 $	Δ %
Sales	**165,155**	156,240	+ 5.7	**301,263**	282,324	+ 6.7
EBITDA	**19,185**	18,207	+ 5.4	**32,889**	31,100	+ 5.8
EBITDA margin (%)	***11.6***	*11.7*		***10.9***	*11.0*	

Second-quarter earnings before income taxes, interest and amortization (EBITDA) grew to $19.2 million, an increase of 5.4% over the corresponding quarter of 2013. It is to be noted that the second-quarter **gross margin** and **EBITDA margin** remained stable despite the lower profit margins of some prior acquisitions having a different product mix and the higher proportion of sales in the United States where the product mix is also different.

Income taxes amounted to $4.4 million, an increase of $0.2 million over the second quarter of 2013.

First-half earnings before income taxes, interest and amortization (EBITDA) totalled $32.9 million, an increase of $1.8 million or 5.8% over the first half of 2013. The gross margin and **EBITDA margin** remained stable despite the lower profit margins of some prior acquisitions having a different product mix and the higher proportion of sales in the United States where the product mix is also different.

Income taxes totalled $7.6 million, an increase of $0.4 million over the first six months of 2013.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 months 2014 $	2013 $	Δ %	6 months 2014 $	2013 $	Δ %
EBITDA	**19,185**	18,207	+ 5.4	**32,889**	31,100	+ 5.8
Amortization of property, plant and equipment and intangible assets	**1,736**	1,837		**3,522**	3,711	
Financial costs, net	**(41)**	(95)		**(153)**	(214)	
Income taxes	**4,428**	4,241		**7,612**	7,201	
Net earnings	**13,062**	12,224	+ 6.9	**21,908**	20,402	+ 7.4
Net earnings attributable to shareholders of the Corporation	**13,036**	12,140	+ 7.4	**21,895**	20,298	+ 7.9
Net margin attributable to shareholders of the Corporation (%)	***7.9***	*7.8*		***7.3***	*7.2*	
Non-controlling interests	**26**	84		**13**	104	
Net earnings	**13,062**	12,224	+ 6.9	**21,908**	20,402	+ 7.4

Second-quarter net earnings increased by 6.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $13.0 million, up 7.4% over the second quarter of 2013. **Net earnings per share** rose to $0.67 basic and $0.66 diluted, compared with $0.59 basic and $0.58 diluted for the corresponding quarter of 2013, an increase of 13.6% and 13.8% respectively.

Comprehensive income amounted to $11.8 million, considering a negative adjustment of $1.3 million on translation of the financial statements of the subsidiary in the United States, compared with $12.5 million for the second quarter of 2013, considering a positive adjustment of $0.3 million on translation of the financial statements of the subsidiary in the United States.

First-half net earnings grew by 7.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $21.9 million, up 7.9% over the corresponding half of 2013. **Net earnings per share** rose to $1.11 basic and $1.09 diluted, compared with $0.98 basic and $0.96 diluted for the first six months of 2013, an increase of 13.3% and 13.5% respectively.

Comprehensive income totalled $23.1 million, considering a positive adjustment of $1.2 million on translation of the financial statements of the subsidiary in the United States, compared with $22.4 million for the first six months of 2013, considering a positive adjustment of $2.0 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**	**165,155**		
EBITDA	**13,704**	**19,185**		
Net earnings attributable to shareholders of the Corporation	**8,859**	**13,036**		
basic per share	**0.44**	**0.67**		
diluted per share	**0.44**	**0.66**		
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 second quarter and first six months ended May 31, 2014

Change in cash and cash equivalents and capital resources

(in thousands of $)

Periods ended May 31,	3 months 2014 $	2013 $	6 months 2014 $	2013 $
Cash flows provided by (used for):				
Operating activities	**13,736**	9,843	**11,937**	4,215
Financing activities	**(2,489)**	(17,118)	**(30,109)**	(18,606)
Investing activities	**(2,937)**	(1,101)	**(4,986)**	(1,856)
Effect of exchange rate fluctuations	**(77)**	22	**18**	(59)
Net change in cash and cash equivalents	**8,233**	(8,354)	**(23,140)**	(16,306)
Cash and cash equivalents, beginning of period	**14,814**	43,635	**46,187**	51,587
Cash and cash equivalents, end of period	**23,047**	35,281	**23,047**	35,281

	As at May 31, 2014 $	As at November 30, 2013 $
Working capital	**196,388**	204,117
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) totalled $14.8 million or $0.75 per share, compared with $14.4 million or $0.69 per share for the second quarter of 2013, an increase of 2.9% stemming mainly from the growth in net earnings. Net change in non-cash working capital balances used cash flows of $1.1 million, representing the $7.2 million variation in accounts receivable and the $1.7 million variation in inventories and other items, whereas accounts payable represented a cash inflow of $7.8 million. Consequently, operating activities provided cash flows of $13.7 million, compared with $9.8 million for the corresponding quarter of 2013.

First-half cash flows from operating activities (before net change in non-cash working capital balances) totalled $25.8 million or $1.29 per share, compared with $24.9 million or $1.18 per share for the first six months of 2013, an increase of 3.7% stemming mainly from the growth in net earnings. Net change in non-cash working capital balances used cash flows of $13.9 million, representing the $10.0 million variation in inventories and the $5.5 million variation in accounts receivable, whereas accounts payable and other items represented a cash inflow of $1.6 million. Consequently, operating activities provided cash flows of $11.9 million, whereas they had provided cash flows of $4.2 million for the first six months of 2013.

Financing activities

Second-quarter financing activities represented a cash outflow of $2.5 million, compared with $17.1 million for the corresponding quarter of 2013. This change stems mainly from the fact that the Corporation repurchased common shares for cancellation for $0.5 million during the second quarter of 2014, compared with $14.6 million in the same period of 2013. Richelieu paid shareholder dividends of $2.7 million during the second quarter of 2014, relatively equivalent to those paid during the corresponding quarter of 2013.

First-half financing activities represented a cash outflow of $30.1 million, compared with $18.6 million for the corresponding half of 2013. During the first six months of the year, Richelieu repurchased common shares for cancellation for $27.5 million, compared with $14.6 million during the first half of 2013. The Corporation paid shareholder dividends of $5.5 million, up 2.2% over the first six months of 2013. Furthermore, shares were issued for $3.0 million, compared with a $2.0 million share issue during the first half of 2013.

Investing activities

Second-quarter investing activities totalled $2.9 million, of which $1.7 million for the acquisition of the principal assets of Pleasantside and $1.2 million for equipment needed for operations, including software.

First-half investing activities amounted to $5.0 million for the acquisition of the principal assets of Procraft and Pleasantside, as well as for equipment needed for operations, including software.

Sources of financing

As at May 31, 2014, **cash and cash equivalents** totalled $23.0 million, compared with $46.2 million as at November 30, 2013. This variation primarily reflects the significant share repurchases in the first half of 2014. The Corporation posted a **working capital** of $196.4 million for a current ratio of 4.1:1, 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 the second half of 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 May 31, 2014

Summary financial position
(in thousands of $, except exchange rate)

As at	May 31, 2014 $	Novembre 30, 2013 $
Current assets	**259,477**	262,251
Non-current assets	**95,035**	94,074
Total	**354,512**	356,325
Current liabilities	**63,089**	58,134
Non-current liabilities	**5,114**	5,077
Equity attributable to shareholders of the Corporation	**282,044**	288,845
Non-controlling interests	**4,265**	4,269
Total	**354,512**	356,325
Exchange rate on translation of a subsidiary in the United States	***1.084***	*1.062*

Assets

Total assets amounted to $354.5 million as at May 31, 2014, compared with $356.3 million as at November 30, 2013, a decrease of 0.5%. **Current assets** were down by $2.8 million from November 30, 2013 due notably to the reduction in cash and cash equivalents subsequent to the share repurchases completed in the first six months of 2014.

Net cash
(in thousands of $)

As at	May 31, 2014 $	Novembre 30, 2013 $
Current portion of long-term debt	**1,608**	1,354
Long-term debt	**450**	–
Total	**2,058**	1,354
Cash and cash equivalents	***23,047***	*46,187*
Total net cash	**20,989**	44,833

The total debt stood at $2.1 million, consisting of $0.5 million in long-term debt and $1.6 million in short-term debt up by $0.7 million over November 30, 2013 due to balances of sale payable on acquisitions. Deducting this debt, net cash amounted to $21.0 million as at May 31, 2014. The Corporation continues to benefit from a healthy and solid financial position.

Equity attributable to shareholders of the Corporation totalled $282.0 million as at May 31, 2014, compared with $288.8 million as at November 30, 2013, a decrease of 2.4% stemming from a reduction of $10.4 million in retained earnings which amounted to $248.6 million (subsequent to share repurchases), an increase of $3.2 million in share capital and of $1.2 million in accumulated other comprehensive income, less the $0.8 million decrease in contributed surplus. At the close of the first half of 2014, **the book value per share** was $14.41, the same level as at November 30, 2013.

As at May 31, 2014, the Corporation's **share capital** consisted of 19,576,111 common shares (20,046,061 shares as at November 30, 2013). During the first six months of the year, the Corporation issued 140,750 common shares at an average price of $21.02 (110,527 in 2013 at an average price of $17.96) upon the exercise of options under its stock option plan. Also during the first six months ended May 31, 2014, the Corporation repurchased 610,700 common shares for cancellation under its normal course issuer bid. As at May 31, 2014, 635,023 options were outstanding (711,673 as at November 30, 2013) notably considering the 64,100 options granted during the first half of 2014 (78,000 during the first half of 2013).

SUBSEQUENT EVENT

Effective June 30, 2014, Richelieu closed the acquisition of the principal net assets of CabinetWare, Inc., a distributor of specialty hardware that serves an extensive customer base of kitchen cabinet manufacturers and residential and commercial woodworkers from four (4) distribution centres in Florida.

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 six-month period ended May 31, 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 and six-month period ended May 31, 2014 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended May 31, 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 Financial Officer	(Signed) Antoine Auclair Vice-President and Chief Financial Officer

July 3, 2014

Consolidated statements of financial position

(In thousands of dollars)
(Unaudited)

	Notes	As at May 31, 2014 $	As at November 30, 2013 $
ASSETS			
Current assets			
Cash and cash equivalents		**23,047**	46,187
Accounts receivable		**85,380**	78,343
Income taxes receivable		**178**	–
Inventories		**149,047**	136,746
Prepaid expenses		**1,825**	975
		259,477	262,251
Non-current assets			
Property, plant and equipment		**21,736**	22,291
Intangible assets		**16,439**	15,661
Goodwill		**53,654**	52,788
Deferred taxes		**3,206**	3,334
		354,512	356,325
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**61,481**	56,462
Income taxes payable		**–**	318
Current portion of long-term debt		**1,608**	1,354
		63,089	58,134
Non-current liabilities			
Long-term debt		**450**	–
Deferred taxes		**2,816**	3,246
Other liabilities		**1,848**	1,831
		68,203	63,211
Equity			
Share capital	4	**28,526**	25,288
Contributed surplus		**1,541**	2,356
Retained earnings		**248,566**	258,965
Accumulated other comprehensive income	5	**3,411**	2,236
Equity attributable to shareholders of the Corporation		**282,044**	288,845
Non-controlling interest		**4,265**	4,269
		286,309	293,114
		354,512	356,325

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, 2014 $	2013 $	For the six months ended May 31, 2014 $	2013 $
Sales		**165,155**	156,240	**301,263**	282,324
Cost of goods sold, warehousing, selling and administrative expenses	6	**145,970**	138,033	**268,374**	251,224
Earnings before amortization, financial costs and income taxes		**19,185**	18,207	**32,889**	31,100
Amortization of property, plant and equipment		**1,223**	1,279	**2,481**	2,585
Amortization of intangible assets		**513**	558	**1,041**	1,126
Financial costs, net		**(41)**	(95)	**(153)**	(214)
		1,695	1,742	**3,369**	3,497
Earnings before income taxes		**17,490**	16,465	**29,520**	27,603
Income taxes		**4,428**	4,241	**7,612**	7,201
Net earnings		**13,062**	12,224	**21,908**	20,402
Net earnings attributable to:					
Shareholders of the Corporation		**13,036**	12,140	**21,895**	20,298
Non-controlling interests		**26**	84	**13**	104
		13,062	12,224	**21,908**	20,402
Net earnings per share attributable to shareholders of the Corporation					
Basic		**0.67**	0.59	**1.11**	0.98
Diluted		**0.66**	0.58	**1.09**	0.96

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, 2014 $	2013 $	For the six months ended May 31, 2014 $	2013 $
Net earnings		**13,062**	12,224	**21,908**	20,402
Other comprehensive income					
Exchange differences on translation of foreign operations	5	**(1,266)**	276	**1,175**	2,011
Comprehensive income		**11,796**	12,500	**23,083**	22,413
Comprehensive income attributable to:					
Shareholders of the Corporation		**11,770**	12,416	**23,070**	22,309
Non-controlling interests		**26**	84	**13**	104
		11,796	12,500	**23,083**	22,413

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of changes in equity

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

	Attributable to shareholders of the Corporation						
	Share capital $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $	Non-controlling interest $	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	–	–	20,298	–	20,298	104	20,402
Other comprehensive income	–	–	–	2,011	2,011	–	2,011
Comprehensive income	–	–	20,298	2,011	22,309	104	22,413
Shares repurchased	(485)	–	(14,101)	–	(14,586)	–	(14,586)
Stock options exercised	4,273	(2,288)	–	–	1,985	–	1,985
Share-based compensation expense	–	195	–	–	195	–	195
Dividends *(note 9)*	–	–	(5,429)	–	(5,429)	–	(5,429)
Other liabilities	–	–	–	–	–	(59)	(59)
	3,788	(2,093)	(19,530)	–	(17,835)	(59)	(17,894)
Balance as at May 31, 2013	27,137	668	259,543	961	288,309	4,152	292,461
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**

See accompanying notes to the interim consolidated financial statements.

Consolidated statements of cash flows

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

	Notes	For the three months ended May 31, 2014 $	For the three months ended May 31, 2013 $	For the six months ended May 31, 2014 $	For the six months ended May 31, 2013 $
OPERATING ACTIVITIES					
Net earnings		**13,062**	12,224	**21,908**	20,402
Items not affecting cash					
Amortization of property, plant and equipment		**1,223**	1,279	**2,481**	2,585
Amortization of intangible assets		**513**	558	**1,041**	1,126
Deferred taxes		**(294)**	–	**(294)**	–
Share-based compensation expense	4	**328**	351	**697**	792
		14,832	14,412	**25,833**	24,905
Net change in non-cash working capital balances		**(1,096)**	(4,569)	**(13,896)**	(20,690)
		13,736	9,843	**11,937**	4,215
FINANCING ACTIVITIES					
Repayment of long-term debt		**–**	(376)	**–**	(576)
Dividends paid	9	**(2,741)**	(2,717)	**(5,547)**	(5,429)
Common shares issued		**709**	561	**2,958**	1,985
Common shares repurchased for cancellation		**(457)**	(14,586)	**(27,520)**	(14,586)
		(2,489)	(17,118)	**(30,109)**	(18,606)
INVESTING ACTIVITIES					
Business acquisitions	3	**(1,739)**	(297)	**(3,089)**	(297)
Additions to property, plant and equipment and intangible assets		**(1,198)**	(804)	**(1,897)**	(1,559)
		(2,937)	(1,101)	**(4,986)**	(1,856)
Effect of exchange rate changes on cash and cash equivalents		**(77)**	22	**18**	(59)
Net change in cash and cash equivalents		**8,233**	(8,354)	**(23,140)**	(16,306)
Cash and cash equivalents, beginning of period		**14,814**	43,635	**46,187**	51,587
Cash and cash equivalents, end of period		**23,047**	35,281	**23,047**	35,281
Supplementary information					
Income taxes paid		**4,189**	3,968	**8,469**	8,099
Interest received, net		**(41)**	(95)	**(153)**	(214)

See accompanying notes to the interim consolidated financial statements.

May 31, 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 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 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.

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 IASB also issued amendments to IFRS 7, *Financial Instruments: Disclosure* improving disclosure on offsetting of financial assets and liabilities.

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

3. BUSINESS ACQUISITIONS

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.

On September 3, 2013, the Corporation purchased the principal 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 principal 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.

These transactions were accounted for using the acquisition method and the results of operations are included in the interim consolidated financial statements as of the respective acquisition date for each acquisition.

The preliminary breakdown of the purchase price of Procraft and Pleasantside, at the transaction dates, is as follows:

	2014 $
Net assets acquired	
Accounts receivable	**1,152**
Inventories	**1,685**
Prepaid expenses	**8**
	2,845
Property, plant and equipment	**218**
Customer relationships	**994**
Non-competition agreement	**174**
Trademark	**232**
Goodwill	**780**
	5,243
Current liabilities assumed	**1,454**
Net assets acquired	**3,789**
Considerations	
Cash, net of cash acquired	**3,089**
Considerations payable	**700**
	3,789

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The goodwill arising from the acquisitions corresponds to the development potential of the acquired businesses, combined with the Corporation's operations.

May 31, 2014 and 2013 (Amounts are in thousands of dollars, except per-share amounts)

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 May 31, 2014 $	As at Novembrer 30, 2013 $
19,576,111 common shares (November 30, 2013 – 20,046,061)	**28,526**	25,288

During the six-month period ended May 31, 2014, the Corporation issued 140,750 common shares (2013 – 110,527) at an average price of $21.02 per share (2013 – $17.96) pursuant to the exercise of options under the share option plan. In addition, during the six-month period ended May 31, 2014, the Corporation repurchased 610,700 common shares for cancellation through a normal course issuer bid in consideration of $27,520, which resulted in a premium on the redemption in the amount of $26,747, recorded in the consolidated statements of retained earnings (2013 - 376,900 common shares in consideration of $14,586 which resulted in a premium on the redemption in the amount of $14,101).

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, 2014, the Corporation granted 64,100 options (2013 – 78,000) with an average exercise price of $45.25 per share (2013 – $38.14) and an average fair value of $11.70 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). For the three and six-month periods ended May 31, 2014, the compensation expense charged to earnings for the options amounted to $130 and $238 (2013 – $97 and $195). As at May 31, 2014, 635,023 options were outstanding with exercise price varying from $15.89 to $47.98 for a weighted average of $26.43 (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 $3,615 (November 30, 2013 – $3,156) is presented under the *Accounts payable and accrued liabilities*. The Corporation has entered into equity swaps agreement to reduce its exposure on net earnings related to the fluctuations in the Corporation's share price. The net effect of the equity swaps partly offset movements of the Corporation's share price impacting the cost of the DSU plan. The compensation expense charged to earnings for the DSU during the three and six-month periods ended May 31, 2014, amounted to $198 and $459 (2013 – $254 and $597).

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 $101 and $213 for the three and six-month periods ended May 31, 2014 (2013 – $104 and $194) and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses.*

Net earnings per share

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

	For the three months ended		For the six months ended	
	May 31, 2014	May 31, 2013	**May 31, 2014**	May 31, 2013
Weighted average number of shares outstanding – Basic	**19,569**	20,738	**19,752**	20,781
Dilutive effect under stock option plan	**291**	291	**276**	282
Weighted average number of shares outstanding – Diluted	**19,860**	21,029	**20,028**	21,063

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 the changes that occurred during the three and six-month periods ended May 31, were as follows:

	For the three months ended		For the six months ended	
	May 31, 2014 $	May 31, 2013 $	**May 31, 2014 $**	May 31, 2013 $
Balance at the beginning of the period	**4,677**	685	**2,236**	(1,050)
Exchange differences on translation of foreign operations	**(1,266)**	276	**1,175**	2,011
Balance at the end of the period	**3,411**	961	**3,411**	961

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.

6. FINANCIAL INSTRUMENTS AND OTHER INFORMATION (CONT'D)

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, 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 $514 and $1,104 during the three and six-month periods ended May 31, 2014 for a total of $6,128 (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 and six-month periods ended May 31, 2014, an exchange gain of $93 and $118 (2013 – gain of $30 and $177).

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 may be 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, 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 would increase the consolidated comprehensive income by $856 (2013 – $765). 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, 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 and six-month periods ended May 31, 2014, the amount relating to inventories recorded as expenses from the distribution, imports and manufacturing activities totals $117,938 and $216,142 (2013 – $111,772 and $202,679). An expense of $623 and $1,141 (2013 – $708 and $1,229) for inventory obsolescence is included in this amount. Salaries and related charges of $23,661 and $44,973 for the three and six-month periods ended May 31, 2014 (2013 – $22,362 and $42,533) 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; and
- Provide an adequate return to shareholders.

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

As at May 31, 2014 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.7% (0.5 % as at November 30, 2013) (Long-term debt/Equity); and
- 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 and six-month periods ended May 31, 2014, near 74% of sales had been made in Canada (2013 – 76%). The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to $42,895 and $80,524 (2013 – $37,955 and $69,073) in Canadian dollars and to $39,008 and $73,575 (2013 – $37,175 and $68,375) in U.S. dollars.

As at May 31, 2014, out of a total amount of $21,736 in property, plant and equipment (November 30, 2013 – $22,291), $2,982 (November 30, 2013 – $3,019) are located in the United States. In addition, intangible assets located in the United States amounted to $7,644 (November 30, 2013 – $7,841) and goodwill to $4,241 (November 30, 2013 – $4,154) in Canadian dollars and to $7,050 (November 30, 2013 – $7,384) and goodwill to $3,911 (November 30, 2013 – $3,911) in US dollars.

9. DIVIDENDS

For the three and six-month periods ended May 31, 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 $2,741 and $5,547 (2013 – $2,717 and $5,429).

10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and six-month periods ended May 31, 2014 (including the comparative figures) were approved for issue by the Board of Directors on July 3, 2014.

11. SUBSEQUENT EVENT

On June 30, 2014, the Corporation purchased the net assets of CabinetWare, a distributor of specialty hardware that serves an extensive customer base of kitchen cabinet manufacturers and residential and commercial woodworkers in Florida.

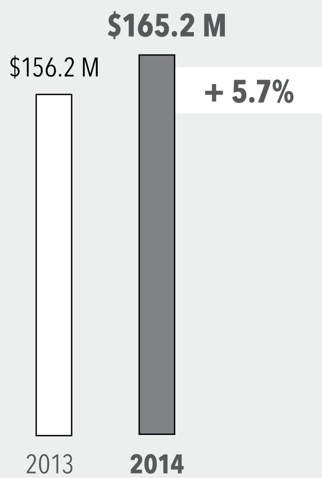
12. COMPARATIVE FIGURES

Some figures disclosed for the three and six-month periods ended May 31, 2013 have been reclassified to conform to the presentation adopted in the three and six-month periods ended May 31, 2014.

Second quarters

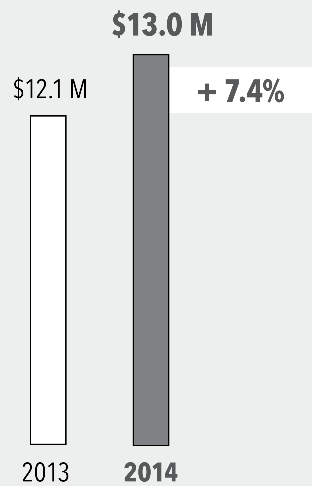
ended on May 31, 2014 and 2013

SALES



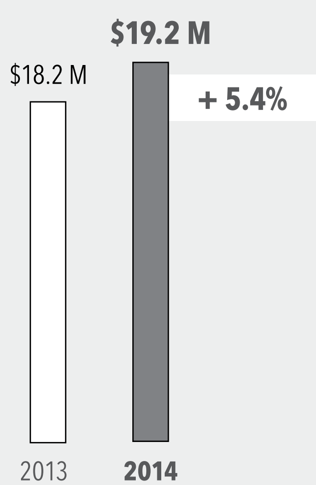
NET EARNINGS

ATTRIBUTABLE TO SHAREHOLDERS



Net margin	
7.8%	**7.9%**

EBITDA

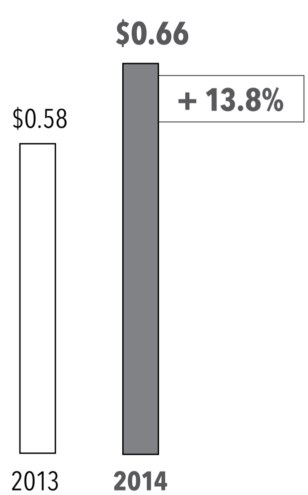


EBITDA margin	
11.7%	**11.6%**

NET EARNINGS

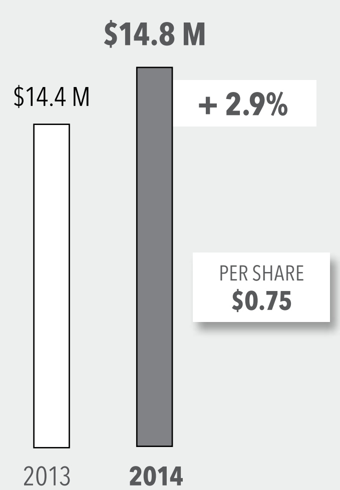
PER SHARE (DILUTED)

ATTRIBUTABLE TO SHAREHOLDERS



CASH FLOWS

FROM OPERATING ACTIVITIES



Transfert Agent and Registrar
Computershare Trust Company of Canada

Auditors
Ernst & Young LLP
800 René-Lévesque Blvd. West
Suite 1900
Montreal, Québec
H3B 1X9

Head Office
Richelieu Hardware Ltd.
7900 Henri-Bourassa Boulevard West
Saint-Laurent, Québec H4S 1V4
Telephone: 514 336-4144
Fax: 514 832-4002

www.richelieu.com

+ 60% of the products mix: Richelieu's brands and exclusive products