Richelieu

Interim Report

Three and six-month periods
ended May 31, 2016

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Message to shareholders

During the second quarter, our innovation, market development and acquisition strategies yielded further benefits in Canada and the United States, enabling us to pursue our growth and maintain our solid financial health while strengthening our U.S. positioning through two new acquisitions.

For the quarter ended May 31, 2016, we achieved a 13.9% sales increase, of which 11.7% from internal growth and 2.2% from acquisitions. We point to the solid contribution of the manufacturers market where sales grew by 15.4% – 11.7% in Canada and 17.1% in US$ in the United States (23.0% in CA$). We also posted a 5.7% increase in sales to retailers and renovation superstores in North America. For the first six months of the year, total sales grew by 16.1%, of which 14.1% from internal growth. We posted second-quarter net earnings attributable to shareholders of $15.4 million, up by 5.2%, and for the first six months, they rose to $26.3 million, up by 5.6%.

We closed two new acquisitions in the United States representing annual sales of approximately $10 million and reinforcing our presence in markets where we already operate. On April 18th, we acquired the assets of JFH Corporation, a specialty hardware distributor located in Memphis. We thereby increased our market share in Tennessee, where we were already present with a centre in Nashville, and expanded our reach into the neighbouring states, including Mississippi, Arkansas and Alabama. Then, on May 16th, we strengthened our positioning in New York City by acquiring the assets of Eveready Hardware, a specialty hardware distributor strategically located in Long Island City, adding a distribution centre in New York City where we already operate one. Those two distributors acquired in the second quarter serve cabinetmakers, woodworkers and a broad customer base of manufacturers in the storage and closet market. Overall, since the beginning of the fiscal year, we have closed three acquisitions in the United States for annual additional sales of over $15 million.

During the first half, we repurchased 804,700 shares under our normal course issuer bid for a consideration of $17.7 million, of which $3.7 million in the second quarter, and paid dividends of $6.2 million, including $3.1 million in the second quarter. Our financial position remains robust, almost debt-free, with a working capital of $253.9 million, for a current ratio of 4.4:1, as at May 31, 2016.

We remain focused on long-term growth and the lookout for further acquisition opportunities.

NEXT DIVIDEND PAYMENT

On July 7th, 2016, the Board of Directors approved the payment of a quarterly dividend of 5.33 ¢ per share. This dividend is payable on August 4, 2016 to shareholders of record as at July 21, 2016.

Richelieu

This management report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2016 in comparison with the second quarter and first six months ended May 31, 2015, 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 2016 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2015 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, 2016 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 7, 2016, 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, 2016 have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

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

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

FORWARD-LOOKING STATEMENTS

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

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are written, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability, as well as other factors set forth in the Corporation's 2015 Annual Report (see the "Risk Factors" section on page 33 of the 2015 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, 2016

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

Its products are targeted to an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers, and hardware retailers including renovation superstores. The residential and commercial renovation industry is the Corporation's major source of growth.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of over 110,000 different items targeted to a base of more than 70,000 customers who are served by 68 centres in North America — 36 distribution centres in Canada, 30 distribution centres in the United States and two manufacturing plants in Canada.

Main product categories include furniture, glass and building decorative and functional hardware, lighting systems, finishing and decorating products, ergonomic workstation components, kitchen and closet storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates and floor protection products. This offering is completed by the Corporation's two subsidiaries, Les Industries Cedan inc. and Menuiserie des Pins Ltée, which manufacture a variety of veneer sheets and edgebanding products as well as a broad selection of decorative mouldings and components for the window and door industry. In addition, many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 2,000 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.

SELECTED CONSOLIDATED QUARTERLY INFORMATION (unaudited)
Periods ended May 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 months			6 months		
	2016 **$**	2015 $	Δ %	**2016** **$**	2015 $	Δ %
Sales	**217,413**	190,801	+13.9	**406,322**	350,120	+16.1
EBITDA (1)	**23,074**	21,878	+ 5.5	**39,784**	37,584	+ 5.9
EBITDA margin (%)	***10.6***	*11.5*		***9.8***	*10.7*	
Net earnings	**15,478**	14,667	+ 5.5	**26,321**	24,851	+ 5.9
Net earnings attributable to shareholders of the Corporation	**15,408**	14,653	+ 5.2	**26,269**	24,869	+ 5.6
• basic per share ($) (3)	**0.27**	0.25	+ 8.0	**0.45**	0.42	+ 7.1
• diluted per share ($) (3)	**0.26**	0.25	+ 4.0	**0.44**	0.42	+ 4.8
Net margin attributable to shareholders of the Corporation (%)	***7.1***	*7.7*		***6.5***	*7.1*	
Cash flows from operating activities (2)	**18,059**	17,004	+ 6.2	**31,431**	29,454	+ 6.7
• diluted per share ($) (3)	**0.31**	0.29	+ 6.9	**0.53**	0.49	+ 8.2
Cash dividends paid to shareholders of the parent Corporation	**3,094**	2,939	+ 5.3	**6,212**	5,878	+ 5.7
• per share ($) (3)	**0.0533**	0.0500	+ 6.6	**0.107**	0.100	+ 6.6
Weighted average number of shares outstanding (diluted) (in thousands) (3)	**58,820**	59,619		**59,037**	59,626	

Financial position data

As at	**May 31, 2016** **$**	November 30, 2015 $	Δ %
Total assets	**450,407**	449,792	+ 0.1
Working capital	**253,854**	260,579	– 2.6
Current ratio	***4.4:1***	*4.4:1*	
Equity attributable to shareholders of the Corporation	**364,191**	362,885	+ 0.4
Return on average equity (%)	***17.4***	*17.5*	
Book value ($)	**6.29**	6.19	+ 1.7
Total debt	**3,757**	3,580	+ 4.9
Cash and cash equivalents	**228**	29,454	

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

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

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

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2016 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2015

Consolidated sales

(in thousands of $, except exchange rate)

Periods ended May 31,	3 months 2016 $	2015 $	Δ %	6 months 2016 $	2015 $	Δ %
Canada	**148,001**	133,646	+ 10.7	**268,299**	241,309	+ 11.2
United States (CA$)	**69,412**	57,155	+ 21.4	**138,023**	108,811	+ 26.8
(US$)	**53,389**	46,214	+ 15.5	**102,727**	89,018	+ 15.4
Average exchange rate	***1.3001***	*1.2367*		***1.3436***	*1.2223*	
Consolidated sales	**217,413**	190,801	+ 13.9	**406,322**	350,120	+ 16.1

Second-quarter consolidated sales amounted to $217.4 million, compared with $190.8 million for the corresponding quarter of 2015, an increase of $26.6 million or 13.9%, of which 11.7% from internal growth and 2.2% from acquisitions. At comparable exchange rates to the second quarter of 2015, the consolidated sales growth would have been 12.2% for the quarter ended May 31, 2016.

Richelieu achieved sales of $186.3 million in the **manufacturers** market, compared with $161.4 million for the second quarter of 2015, an increase of $24.9 million or 15.4%, of which 12.8% from internal growth and 2.6% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $31.1 million, up by $1.7 million or 5.8% over the second quarter of 2015.

In Canada, Richelieu recorded sales of $148.0 million, an increase of $14.4 million over the second quarter of 2015, of which 10.7% from internal growth. Sales to **manufacturers** amounted to $120.3 million, an increase of $12.6 million or 11.7% from internal growth resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the rise in the U.S. dollar and the Euro. Sales to hardware **retailers** and renovation superstores grew to $27.7 million, up by $1.8 million or 6.9% over the corresponding quarter of 2015.

In the United States, sales totalled US$53.4 million, compared with US$46.2 million for the second quarter of 2015, an increase of US$7.2 million or 15.5%, of which 8.4% from internal growth and 7.1% from acquisitions. Sales to **manufacturers** amounted to US$50.7 million, an increase of US$7.4 million or 17.1% over the second quarter of 2015, of which 9.6% from internal growth and 7.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 6.9% from the corresponding quarter of 2015. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $69.4 million, an increase of 21.4%. They accounted for 31.9% of consolidated sales for the second quarter of 2016, whereas they had represented 30.0% of the period's consolidated sales for the second quarter of 2015.

First-half consolidated sales reached $406.3 million, an increase of $56.2 million or 16.1% over the first six months of 2015, of which 14.1% from internal growth and 2.0% from acquisitions. At comparable exchange rates to the first six months of 2015, the consolidated sales growth would have been 12.5% for the six-month period ended May 31, 2016.

Sales to **manufacturers** grew to $346.7 million, compared with $295.7 million for the first six months of 2015, an increase of $51.0 million or 17.2%, of which 14.8% from internal growth and 2.4% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 9.6% or $5.2 million to total $59.6 million.

In Canada, Richelieu achieved sales of $268.3 million, compared with $241.3 million for the first six months of 2015, up by $27.0 million or 11.2% from internal growth. Sales to **manufacturers** rose to $216.2 million, up by $22.2 million or 11.4% from internal growth resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the rise in the U.S. dollar and the Euro. Sales to hardware **retailers** and renovation superstores reached $52.1 million, compared with $47.3 million, up by $4.8 million or 10.1% over the first half of 2015.

In the United States, the Corporation recorded sales of US$102.7 million, compared with US$89.0 million for the first six months of 2015, an increase of US$13.7 million or 15.4%, of which 9.5% from internal growth and 5.9% from acquisitions. Sales to **manufacturers** totalled US$97.2 million, compared with US$83.3 million, an increase of US$13.9 million or 16.7% over the first half of 2015, of which 10.4% from internal growth and 6.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 3.5% from the corresponding period of 2015. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $138.0 million, compared with $108.8 million for the corresponding six months of 2015, an increase of 26.8%. They accounted for 34.0% of consolidated sales for the first half of 2016, whereas they had represented 31.1% of the period's consolidated sales for the first six months of 2015.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 months 2016 $	2015 $	Δ %	6 months 2016 $	2015 $	Δ %
Sales	**217,413**	190,801	+ 13.9	**406,322**	350,120	+ 16.1
EBITDA	**23,074**	21,878	+ 5.5	**39,784**	37,584	+ 5.9
EBITDA margin (%)	***10.6***	*11.5*		***9.8***	*10.7*	

Second-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to $23.1 million, up by $1.2 million or 5.5% over the second quarter of 2015. The **gross margin** and the **EBITDA margin** were affected by the following factors: the higher purchasing costs of certain products attributable to the appreciation of the U.S. dollar and the Euro, the higher proportion of sales in the United States where the product mix is different, the lower margins of certain acquisitions also having a different product mix, and the expenses involved in expanding and moving certain centres. The **EBITDA margin** stood at 10.6%, compared with 11.5% for the second quarter of 2015.

First-half **earnings before income taxes, interest and amortization (EBITDA)** totalled $39.8 million, up by $2.2 million or 5.9% over the first six months of 2015. The **gross margin** and the **EBITDA margin** were mainly affected by the higher purchasing costs of certain products attributable to the appreciation of the U.S. dollar and the Euro, the higher proportion of sales in the United States where the product mix is different, and the lower margins of certain acquisitions also having a different product mix. The **EBITDA margin** stood at 9.8%, compared with 10.7% for the first six months of 2015.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 months 2016 $	3 months 2015 $	Δ %	6 months 2016 $	6 months 2015 $	Δ %
EBITDA	**23,074**	21,878	+ 5.5	**39,784**	37,584	+ 5.9
Amortization of property, plant and equipment and intangible assets	**2,317**	2,061		**4,624**	4,046	
Financial cost, net	**112**	(43)		**88**	(127)	
Income taxes	**5,167**	5,193		**8,751**	8,814	
Net earnings	**15,478**	14,667	+ 5.5	**26,321**	24,851	+ 5.9
Net earnings attributable to shareholders of the Corporation	**15,408**	14,653	+ 5.2	**26,269**	24,869	+ 5.6
Net margin attributable to shareholders of the Corporation (%)	***7.1***	*7.7*		***6.5***	*7.1*	
Non-controlling interests	**70**	14		**52**	(18)	
Net earnings	**15,478**	14,667	+ 5.5	**26,321**	24,851	+ 5.9

Second-quarter **net earnings** grew by 5.5%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $15.4 million, up by 5.2% over the second quarter of 2015. **Net earnings per share** rose to $0.27 basic and $0.26 diluted, compared with $0.25 basic and diluted for the second quarter of 2015, an increase of 8.0% and 4.0% respectively.

Comprehensive income amounted to $12.6 million, considering a negative adjustment of $2.9 million on translation of the financial statements of the subsidiary in the United States, compared with $14.3 million for the second quarter of 2015, considering a negative adjustment of $0.4 million on translation of the financial statements of the subsidiary in the United States.

First-half **net earnings** grew by 5.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $26.3 million, up by 5.6% over the corresponding six months of 2015. **Net earnings per share** amounted to $0.45 basic and $0.44 diluted, compared with $0.42 basic and diluted for the first half of 2015, an increase of 7.1% and 4.8% respectively.

Comprehensive income totalled $24.5 million, considering a negative adjustment of $1.8 million on translation of the financial statements of the subsidiary in the United States, compared with $31.1 million for the first half of 2015, considering a positive adjustment of $6.2 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Quarters	1	2	3	4
2016				
Sales	**188,909**	**217,413**		
EBITDA	**16,710**	**23,074**		
Net earnings attributable to shareholders of the Corporation	**10,861**	**15,408**		
basic per share	**0.19**	**0.27**		
diluted per share	**0.18**	**0.26**		
2015				
Sales	159,319	190,801	199,457	200,069
EBITDA	15,706	21,878	24,394	25,703
Net earnings attributable to shareholders of the Corporation	10,216	14,653	16,340	17,530
basic per share	0.17	0.25	0.28	0.30
diluted per share	0.17	0.25	0.28	0.30
2014				
Sales	136,108	165,155	167,809	177,837
EBITDA	13,704	19,185	21,054	23,474
Net earnings attributable to shareholders of the Corporation	8,859	13,036	14,554	15,944
basic per share	0.15	0.22	0.25	0.27
diluted per share	0.15	0.22	0.24	0.27

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, 2016

Change in cash and cash equivalents and capital resources

(in thousands of $)

Periods ended May 31	3 months 2016 $	3 months 2015 $	6 months 2016 $	6 months 2015 $
Cash flows provided by (used for):				
Operating activities	**15,751**	9,084	**9,410**	(3,341)
Financing activities	**(6,436)**	(11,969)	**(23,755)**	(15,447)
Investing activities	**(7,346)**	(2,604)	**(14,900)**	(4,469)
Effect of exchange rate fluctuations	**93**	(103)	**19**	(381)
Net change in cash and cash equivalents	**2,062**	(5,592)	**(29,226)**	(23,638)
Cash and cash equivalents, beginning of period	**(1,834)**	15,675	**29,454**	33,721
Cash and cash equivalents end of period	**228**	10,083	**228**	10,083

	As at May 31, 2016 $	As at November 30, 2015 $
Working capital	**253,854**	260,579
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 working capital balances) amounted to $18.1 million or $0.31 per share, compared with $17.0 million or $0.29 per share for the second quarter of 2015, an increase of 6.2% stemming primarily from the net earnings growth. Net change in non-cash capital balances used cash flows of $2.3 million, reflecting the change in accounts receivable ($13.0 million), whereas the change in inventories and other items represented a cash inflow of $10.7 million. Consequently, operating activities provided cash flows of $15.8 million, compared with $9.1 million for the second quarter of 2015.

First-half cash flows from operating activities (before net change in working capital balances) reached $31.4 million or $0.53 per share, compared with $29.5 million or $0.49 per share for the first six months of 2015, an increase of 6.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $22.0 million, primarily representing changes in accounts receivable, inventories and income taxes receivable. Consequently, operating activities provided cash flows of $9.4 million, whereas they had used cash flows of $3.3 million for the first six months of 2015.

Financing activities

Second-quarter financing activities used cash flows of $6.4 million, compared with $12.0 million for the second quarter of 2015. This change mainly reflects the Corporation's repurchase of common shares for cancellation for $3.7 million during the second quarter of 2016, compared with $8.7 million for the corresponding quarter of 2015, and payment of dividends to shareholders of $3.1 million, up by $0.2 million over the second quarter of 2015.

First-half financing activities used cash flows of $23.8 million, compared with $15.4 million for the first half of 2015. During the first six months of the year, Richelieu repurchased common shares for cancellation for $17.7 million, compared with $9.2 million in the first half of 2015. The Corporation paid dividends to shareholders of $6.2 million, up by $0.3 million over the first six months of 2015.

Investing activities

Second-quarter investing activities represented a cash outflow of $7.3 million, of which $4.6 million for business acquisitions and $2.7 million for the expansion of some distribution centres and equipment to improve operational efficiency.

First-half investing activities represented a total cash outflow of $14.9 million, of which $8.9 million for business acquisitions and $6.0 million for the expansion of some distribution centres, computer hardware and equipment to improve operational efficiency.

Sources of financing

As at May 31, 2016, cash and cash equivalents amounted to $0.2 million, compared with cash of $29.5 million as at November 30, 2015. This change primarily reflects the major share repurchases during the first six months, the business acquisitions, the investments in property, plant and equipment and the increase in inventories during the period. The Corporation posted a **working capital** of $253.9 million for a current ratio of 4.4:1, compared with $260.6 million (4.4:1 ratio) as at November 30, 2015.

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 2016. 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, Richelieu considers it could obtain access to other outside financing if necessary.

Analysis of financial position as at May 31, 2016

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

As at	May 31, 2016 $	November 30, 2015 $
Current assets	**329,600**	337,308
Non-current assets	**120,807**	112,484
Total	**450,407**	449,792
Current liabilities	**75,746**	76,729
Non-current liabilities	**6,564**	6,256
Equity attributable to shareholders of the Corporation	**364,191**	362,885
Non-controlling interests	**3,906**	3,922
Total	**450,407**	449,792
Exchange rate on translation of a subsidiary in the United States	***1.311***	*1.335*

Assets

Total assets amounted to $450.4 million as at May 31, 2016, compared with $449.8 million as at November 30, 2015. **Current assets** were down by $7.7 million from November 30, 2015 due mainly to the business acquisitions and significant share repurchases during the six-month period.

Cash position
(in thousands of $)

As at	May 31, 2016 $	November 30, 2015 $
Current portion of long-term debt	**2,118**	2,245
Long-term debt	**1,639**	1,335
Total debt	**3,757**	3,580
Cash and cash equivalents	***228***	*29,454*

The Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $3.8 million, of which $1.6 million in long-term debt and $2.1 million in short-term debt representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $364.2 million as at May 31, 2016, compared with $362.9 million as at November 30, 2015, an increase of $1.3 million stemming primarily from a growth of $2.8 million in retained earnings which amounted to $311.7 million, and of $0.4 million in share capital and contributed surplus, whereas accumulated other comprehensive income decreased by $1.8 million. As at May 31, 2016, the book value per share was $6.29, up by 1.7% over November 30, 2015.

As at May 31, 2016, at the close of markets, the Corporation's **share capital** consisted of 57,892,742 common shares (58,643,607 shares as at November 30, 2015). During the first six months, the Corporation issued 53,835 common shares at an average price of $8.99 (104,274 in 2015 at an average price of $7.74) upon the exercise of options under its stock option plan. Furthermore, the Corporation repurchased 804,700 common shares for cancellation for a cash consideration of $17.7 million, compared with a common share repurchase for an amount of $9.2 million during the first half of 2015. As at May 31, 2016, 1,874,810 stock options were outstanding (1,578,645 as at November 30, 2015).

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 32 of the Corporation's 2015 Annual Report, available on SEDAR at www.sedar.com. For 2016 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2015 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, 2015. 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 May 31, 2016, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

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

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim consolidated financial statements for the quarter and first six months ended May 31, 2016 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended May 31, 2016 presents the accounting policies recently released and applicable in the future.

The interim consolidated financial statements were prepared in accordance with the accounting methods that the Corporation adopted for the establishment of its consolidated financial statements as at November 30, 2015 and 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 Factors" section on page 33 of Richelieu's 2015 Annual Report, available on SEDAR at www.sedar.com.

SUPPLEMENTARY INFORMATION

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

(Signed) Richard Lord	**(Signed) Antoine Auclair**
President and	Vice-President and
Chief Executive Officer	Chief Financial Officer

July 7, 2016

Consolidated statements of financial position

(In thousands of dollars)
(Unaudited)

	Notes	As at May 31, 2016 $	As at November 30, 2015 $
ASSETS			
Current assets			
Cash and cash equivalents		**228**	29,454
Accounts receivable		**113,754**	99,975
Income taxes receivable		**539**	–
Inventories		**212,201**	206,449
Prepaid expenses		**2,878**	1,430
		329,600	337,308
Non-current assets			
Property, plant and equipment		**30,886**	27,963
Intangible assets		**24,202**	21,325
Goodwill		**61,598**	58,329
Deferred taxes		**4,121**	4,867
		450,407	449,792
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**73,628**	71,787
Income taxes payable		**–**	2,697
Current portion of long-term debt		**2,118**	2,245
		75,746	76,729
Non-current liabilities			
Long-term debt		**1,639**	1,335
Deferred taxes		**3,023**	3,020
Other liabilities		**1,902**	1,901
		82,310	82,985
Equity			
Share capital	4	**33,720**	33,566
Contributed surplus		**1,446**	1,265
Retained earnings		**311,684**	308,904
Accumulated other comprehensive income	5	**17,341**	19,150
Equity attributable to shareholders of the Corporation		**364,191**	362,885
Non-controlling interests		**3,906**	3,922
		368,097	366,807
		450,407	449,792

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, 2016 $	2015 $	For the six months ended May 31, 2016 $	2015 $
Sales		**217,413**	190,801	**406,322**	350,120
Operating expenses excluding amortization and financial costs	6	**194,339**	168,923	**366,538**	312,536
Earnings before amortization, financial costs and income taxes		**23,074**	21,878	**39,784**	37,584
Amortization of property, plant and equipment		**1,573**	1,415	**3,153**	2,774
Amortization of intangible assets		**744**	646	**1,471**	1,272
Financial costs, net		**112**	(43)	**88**	(127)
		2,429	2,018	**4,712**	3,919
Earnings before income taxes		**20,645**	19,860	**35,072**	33,665
Income taxes		**5,167**	5,193	**8,751**	8,814
Net earnings		**15,478**	14,667	**26,321**	24,851
Net earnings attributable to shareholders of the Corporation		**15,408**	14,653	**26,269**	24,869
Non-controlling interests		**70**	14	**52**	(18)
		15,478	14,667	**26,321**	24,851
Net earnings per share attributable to shareholders of the Corporation					
Basic		**0.27**	0.25	**0.45**	0.42
Diluted		**0.26**	0.25	**0.44**	0.42

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, 2016 $	2015 $	For the six months ended May 31, 2016 $	2015 $
Net earnings		**15,478**	14,667	**26,321**	24,851
Other comprehensive income that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	5	**(2,902)**	(412)	**(1,809)**	6,209
Comprehensive income		**12,576**	14,255	**24,512**	31,060
Comprehensive income attributable to shareholders of the Corporation		**12,506**	14,241	**24,460**	31,078
Non-controlling interests		**70**	14	**52**	(18)
		12,576	14,255	**24,512**	31,060

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 $	Contibuted surplus $	Retained earnings $	Accumulated other comprehensive income $	Total $	Non-controlling interests $	Total equity $
Notes	4			5			
Balance as at November 30, 2014	29,762	1,576	270,826	6,985	309,149	4,404	313,553
Net earnings	–	–	24,869	–	24,869	(18)	24,851
Other comprehensive income	–	–	–	6,209	6,209	–	6,209
Comprehensive income	–	–	24,869	6,209	31,078	(18)	31,060
Shares repurchased	(236)	–	(8,944)	–	(9,180)	–	(9,180)
Stock options exercised	1,072	(265)	–	–	807	–	807
Share-based compensation expense	–	326	–	–	326	–	326
Dividends *[note 9]*	–	–	(5,878)	–	(5,878)	(596)	(6,474)
Other liabilities	–	–	–	–	–	1	1
	836	61	(14,822)	–	(13,925)	(595)	(14,520)
Balance as at May 31, 2015	30,598	1,637	280,873	13,194	326,302	3,791	330,093
Balance as at November 30, 2015	**33,566**	**1,265**	**308,904**	**19,150**	**362,885**	**3,922**	**366,807**
Net earnings	**–**	**–**	**26,269**	**–**	**26,269**	**52**	**26,321**
Other comprehensive income	**–**	**–**	**–**	**(1,809)**	**(1,809)**	**–**	**(1,809)**
Comprehensive income	**–**	**–**	**26,269**	**(1,809)**	**24,460**	**52**	**24,512**
Shares repurchased	**(462)**	**–**	**(17,277)**	**–**	**(17,739)**	**–**	**(17,739)**
Stock options exercised	**616**	**(132)**	**–**	**–**	**484**	**–**	**484**
Share-based compensation expense	**–**	**313**	**–**	**–**	**313**	**–**	**313**
Dividends *[note 9]*	**–**	**–**	**(6,212)**	**–**	**(6,212)**	**(67)**	**(6,279)**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
	154	**181**	**(23,489)**	**–**	**(23,154)**	**(68)**	**(23,222)**
Balance as at May 31, 2016	**33,720**	**1,446**	**311,684**	**17,341**	**364,191**	**3,906**	**368,097**

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, 2016 $	For the three months ended May 31, 2015 $	For the six months ended May 31, 2016 $	For the six months ended May 31, 2015 $
OPERATING ACTIVITIES					
Net earnings		**15,478**	14,667	**26,321**	24,851
Items not affecting cash					
Amortization of property, plant and equipment		**1,573**	1,415	**3,153**	2,774
Amortization of intangible assets		**744**	646	**1,471**	1,272
Deferred taxes		**–**	–	**(69)**	–
Share-based compensation expense	4	**264**	276	**555**	557
		18,059	17,004	**31,431**	29,454
Net change in non-cash working capital balances		**(2,308)**	(7,920)	**(22,021)**	(32,795)
		15,751	9,084	**9,410**	(3,341)
FINANCING ACTIVITIES					
Repayment of long-term debt		**–**	(500)	**(221)**	(600)
Dividends paid to Shareholders of the Parent Corporation	9	**(3,094)**	(2,939)	**(6,212)**	(5,878)
Other dividends paid		**–**	–	**(67)**	(596)
Common shares issued		**341**	205	**484**	807
Common shares repurchased for cancellation		**(3,683)**	(8,735)	**(17,739)**	(9,180)
		(6,436)	(11,969)	**(23,755)**	(15,447)
INVESTING ACTIVITIES					
Business acquisitions	3	**(4,597)**	–	**(8,859)**	–
Additions to property, plant and equipment and intangible assets		**(2,749)**	(2,604)	**(6,041)**	(4,469)
		(7,346)	(2,604)	**(14,900)**	(4,469)
Effect of exchange rate changes on cash and cash equivalents		**93**	(103)	**19**	(381)
Net change in cash and cash equivalents		**2,062**	(5,592)	**(29,226)**	(23,638)
Cash and cash equivalents, beginning of period		**(1,834)**	15,675	**29,454**	33,721
Cash and cash equivalents, end of period		**228**	10,083	**228**	10,083
Supplementary information					
Income taxes paid		**5,147**	4,913	**12,056**	11,223
Interest paid (received), net		**112**	(43)	**88**	(127)

See accompanying notes to the interim consolidated financial statements.

May 31, 2016 and 2015 (Amounts are in thousands of dollars, except per-share amounts or unless otherwise indicated)

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Corporation"] is incorporated under the laws of Quebec, Canada. The Corporation is a distributor, importer, and manufacturer of specialty hardware and complementary products. Its products are targeted to an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers and hardware retailers including renovation superstores. The Corporation's head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. 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, 2015 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 2015.

2. CHANGES IN ACCOUNTING METHODS

RECENTLY ISSUED

IFRS 15, Revenue from contracts with customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 *Revenue from Contracts with Customers* which is a replacement of IAS 18 *Revenue*, IAS 11, *Construction Contracts* and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 16, Leases

In January 2016, the IASB has published a new standard, IFRS 16 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations and is effective for periods beginning on or after January 1st, 2019, with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

IAS 1, Presentation of Financial Statements

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

The Corporation will assess the impact these new standards will have on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

2016

Effective May 16, 2016, the Corporation purchased the principal net assets of Eveready Hardware Manufacturing Co., Inc., a specialty hardware distributor located in Long Island City, New York.

Effective April 18, 2016, the Corporation purchased the principal net assets of JFH Corporation, a specialty hardware distributor located in Memphis, Tennessee.

Effective December 14, 2015, the Corporation acquired all the outstanding common shares of Cabinetmakers Supply, Inc. (doing business as Cornerstone Hardware & Supplies), a specialty hardware distributor located in Houston, Texas.

2015

On June 18, 2015, the Corporation purchased the principal net assets of BD Enterprises, Inc. (doing business as Single Source Cabinet Supplies) a specialty hardware distributor located in Dallas, Texas.

4. SHARE CAPITAL

As at February 29, 2016, the Corporation carried out a 3-for-1 stock split of its common shares. All information pertaining to shares have been retroactively restated to reflect the effect of the stock split.

Authorized

Unlimited number of:

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

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

Issued	**As at May 31, 2016 $**	As at November 30, 2015 $
57,892,742 common shares [November 30, 2015 – 58,643,607]	**33,720**	33,566

During the six-month period ended May 31, 2016, the Corporation issued 53,835 common shares [2015 – 104,274] at an average price of $8.99 per share [2015 – $7.74] pursuant to the exercise of options under the share option plan. In addition, during the six-month period ended May 31, 2016, the Corporation repurchased 804,700 common shares for cancellation through a normal course issuer bid in consideration of $17,739, which resulted in a premium on the redemption in the amount of $17,277, recorded in the consolidated statements of retained earnings [2015 – 451,800 common shares in consideration of $9,180 which resulted in a premium on the redemption in the amount of $8,944].

Stock option plan

During the six-month period ended May 31, 2016, the Corporation granted 351,500 options [2015 – 246,900] with an average exercise price of $22.25 per share [2015 – $18.83] and an average fair value of $4.19 per option [2015 – $4.14] as determined using the Black & Scholes option pricing model using an expected dividend yield of 0.98% [2015 – 1.05%], a volatility of 20% [2015 – 21%], a risk free interest rate of 1.24% [2015 – 1.48%] and an expected life of 7 years [2015 – 7 years] and 1,500 options were cancelled. For the three and six-month periods ended May 31, 2016, the compensation expense charged to earnings for the options amounted to $154 and $313 [2015 – $174 and $326]. As at May 31, 2016, 1,874,810 options were outstanding with exercise price varying from $5.57 to $22.25 for a weighted average of $12.90 [1,578,645 options as at November 30, 2015 with exercise price varying from $5.57 to $18.83 for a weighted average of $10.71].

May 31, 2016 and 2015 (Amounts are in thousands of dollars, except per-share amounts or unless otherwise indicated)

4. SHARE CAPITAL (CONT'D)

Deferred share unit plan

The financial liability resulting from the DSU plan of $5,194 [November 30, 2015 – $6,022] is presented under the *Accounts payable and accrued liabilities*. As at May 31, 2016, the fair value of the equity swaps amounted to an asset of $642 [November 30, 2015 – amounted to an asset of $57] and is presented under *Accounts receivable*. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSUs during the three and six-month periods ended May 31, 2016, amounted to $110 and $242 [2015 – $102 and $231] and is recognized under *Operating expenses excluding amortization and financial costs*.

Share purchase plan

Compensation expense related to the share purchase plan amounted to $135 and $282 for the three and six-month periods ended May 31, 2016 [2015 – $118 and $245] and is recognized under *Operating expenses excluding amortization and financial costs*.

Net earnings per share

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

	For the three months ended May 31		For the six months ended May 31	
	2016	2015	**2016**	2015
Weighted average number of shares outstanding – Basic	**58,007**	58,658	**58,229**	58,702
Dilutive effect under stock option plan	**813**	961	**808**	924
Weighted average number of shares outstanding – Diluted	**58,820**	59,619	**59,037**	59,626

5. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	For the three months ended May 31		For the six months ended May 31	
	2016	2015	**2016**	2015
	$	$	**$**	$
Balance at the beginning of the period	**20,243**	13,606	**19,150**	6,985
Exchange differences on translation of foreign operations	**(2,902)**	(412)	**(1,809)**	6,209
Balance at the end of the period	**17,341**	13,194	**17,341**	13,194

6. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair value

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

As at May 31, 2016, the fair value of the foreign exchange forward contracts amounted to an asset of $2 [liability of $114 as at November 30, 2015] representing the amount the Corporation would collect on settlement of these contracts at spot rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

Credit risk

The Corporation sells its products to numerous customers in Canada, and in a lesser proportion in the United States. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Corporation. The average days outstanding of accounts receivable, as at May 31, 2016 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 $647 and $1,206 [2015 – $561 and $1,476] during the three and six-month periods ended May 31, 2016 for a total of $7,061 [November 30, 2015 – $5,855].

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars and Euros. Operating expenses included, for the three and six-month periods ended May 31, 2016, an exchange gain of $107 and loss of $71 [2015 – gain of $423 and $1,100].

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

As at May 31, 2016, a decrease of 5% of the Canadian dollar against the U.S. dollar and the euro, all other variables remaining the same, would have had no significant impact on the consolidated net earnings [as at May 31, 2015 –would have had no significant impact on the consolidated net earnings] and would have increased the consolidated comprehensive income by $6,008 [$5,227 as at May 31, 2016] on translation of monetary assets and liabilities. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at May 31, 2016.

Liquidity risk

The Corporation manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, if required. During the previous years, the Corporation has financed its growth, its acquisitions, and its payout to shareholders by using the cash generated by the operating activities.

Operating expenses excluding amortization and financial charges

	For the three months ended May 31		For the six months ended May 31	
	2016	2015	**2016**	2015
	$	$	**$**	$
Inventories from the distribution, imports and manufacturing activities	**159,565**	137,769	**299,537**	252,864
Salaries and related charges	**29,697**	26,365	**57,338**	50,976
Other charges	**5,077**	4,789	**9,663**	8,696
	194,339	168,923	**366,538**	312,536

For the three and six-month periods ended May 31, 2016, an expense of $824 and $1,535 [2015 – $720 and $1,325] for inventory obsolescence is included in Inventories from the distribution, imports and manufacturing activities.

May 31, 2016 and 2015 (Amounts are in thousands of dollars, except per-share amounts or unless otherwise indicated)

7. CAPITAL MANAGEMENT

The Corporation's objectives are:

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

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. As at May 31, 2016 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1 % [1 % as at November 30, 2015] [Long-term debt/ Equity]
- Return on average shareholder's equity of 17.4% over the last 12 months [17.5% for the year ended November 30, 2015]

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, 2016, near 66% of sales had been made in Canada [2015 – 69%]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to $69,412 and $138,023 [2015 – $57,155 and $108,811] in Canadian dollars and to $53,389 and $102,727 [2015 – $46,214 and $89,018] in U.S. dollars.

As at May 31, 2016, out of the total amount of in property, plant and equipment, $2,725 [November 30, 2015 – $2,730] are located in the United States. In addition, intangible assets located in the United States amounted to $16,149 [November 30, 2015 – $12,796] and goodwill to $12,500 [November 30, 2015 – $9,231] in Canadian dollars and to $12,318 [November 30, 2015 – $9,581] and goodwill to $9,535 [November 30, 2015 – $6,913] in US dollars.

9. DIVIDENDS PAID TO SHAREHOLDERS OF THE PARENT CORPORATION

For the three and six-month periods ended May 31, 2016, the Corporation paid a quarterly dividend of $0.0533 per share to common shareholder [2015 – quarterly dividend of $0.05 per share] for a total amount of $3,094 and $6,212 [2015 – $2,939 and $5,878].

10. APPROVAL OF FINANCIAL STATEMENTS

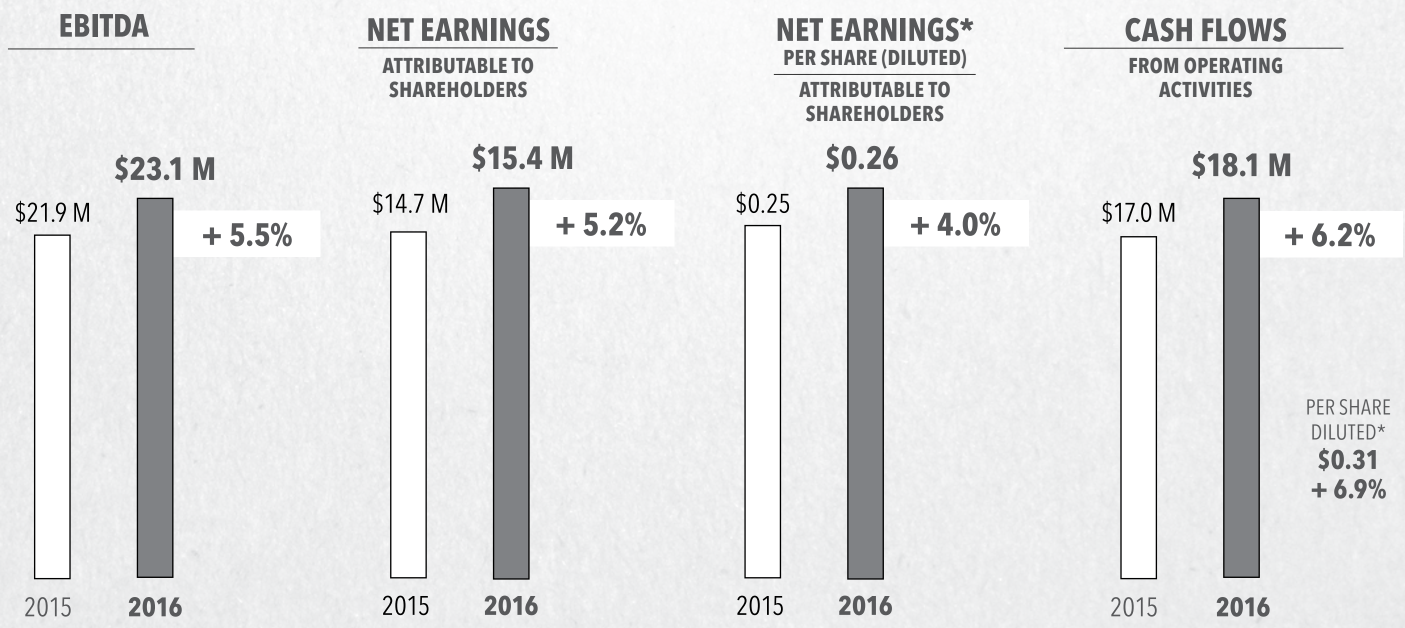
The interim consolidated financial statements for the three and six-month periods ended May 31, 2016 (including the comparative figures) were approved for issue by the Board of Directors on July 7, 2016.

11. COMPARATIVE FIGURES

All information pertaining to shares have been retroactively restated to reflect the effect of the 3-for-1 stock split effective on February 29, 2016.

Second quarters

ended May 31, 2016 and 2015



BAIIA margin	
11.5%	**10.6%**

Net margin	
7.7%	**7.1%**

*After 3-for-1 share split

Transfert Agent and Registrar
Computershare Trust Company of Canada

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