

## Message to shareholders

Richelieu pursued its growth during the third quarter ended August 31, 2015, as indicated by the increase of 13.7% in diluted net earnings per share and 18.9% in total sales (13.2% at comparable exchange rate to the third quarter of 2014), of which 16.8% from internal growth and 2.1% from acquisitions. This financial performance reflects the solid contribution from all our market segments in Canada and the United States where we pursued our innovation and development strategies while focusing on quality execution and service. For the nine months ended August 31, 2015, diluted net earnings per share rose 13.7% and total sales increased by 17.2%, of which 13.8% from internal growth and 3.4% from acquisitions.

We achieved good internal growth of 11.0% for the third quarter sales in our Canadian markets – whereas in the United States, we continued to reap the benefits of our development efforts and synergies created with our latest acquisitions, our sales grew by 19.0% in US\$, of which 12.4% from internal growth and 6.6% from acquisitions.

Richelieu's financial position remains solid and favourable for our ongoing growth strategy. As at August 31, 2015, working capital totalled \$245.3 million for a current ratio of 4.1:1, net cash amounted to \$16.9 million and return on average equity stood at 17.9%. Since the beginning of 2015, a total of \$18.0 million has been distributed to shareholders – \$8.8 million in dividends and \$9.2 million in common share repurchases. Furthermore, we have invested more than \$7 million in various capital expenditures to continue optimizing our operations and always better serve our customers.

We are pursuing our acquisition strategy which is a major driver of our growth. After the acquisition of the principal net assets of Single Source in Dallas, Texas early in the third quarter, we just signed an agreement in principle, subject to certain conditions, to acquire a specialty hardware distributor operating in the United States.

We are confident we will close the year as at November 30, 2015 with sound results and an even stronger financial position.

### NEXT DIVIDEND PAYMENT

At its meeting on October 8, 2015, the Board of Directors approved the payment of a quarterly dividend of \$0.15 per share. This dividend is payable on November 5, 2015 to shareholders of record as at October 22, 2015.

# Management's discussion and analysis of operating results and financial position for the third quarter and first nine months ended August 31, 2015



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

The information contained in this management's report accounts for any major event occurring prior to October 8, 2015, on which date the unaudited consolidated interim financial statements and interim management's report were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the third quarter and first nine months ended August 31, 2015 have not been audited or reviewed by the Corporation's auditors.

## NON-IFRS MEASURES

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

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

## FORWARD-LOOKING STATEMENTS

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

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are written, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability, as well as other factors set forth in the Corporation's 2014 Annual Report (see the "Risk Management" section on page 30 of the 2014 Annual Report available on SEDAR at [www.sedar.com](http://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 August 31, 2015

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

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, furniture, window and door manufacturers, the residential and commercial woodworking industry**, as well as a large customer base of **hardware retailers including renovation superstores**. The residential and commercial renovation industry is the Corporation's major source of growth.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of **some 100,000 different items** targeted to a base of **more than 70,000 customers** who are served by **66 centres in North America** – 36 distribution centres in Canada, 28 in the United States and two manufacturing plants in Canada.

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

The Corporation employs over 1,800 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. More than 50% of its employees are Richelieu shareholders.

## MISSION AND STRATEGY

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

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

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

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

## SELECTED CONSOLIDATED QUARTERLY INFORMATION

(unaudited)

### Periods ended August 31

(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	3 months			9 months		
	2015	2014	Δ %	2015	2014	Δ %
	\$	\$		\$	\$	
Sales	199,457	167,809	+18.9	549,577	469,072	+17.2
EBITDA <sup>(1)</sup>	24,394	21,054	+15.9	61,978	53,943	+14.9
EBITDA margin (%)	12.2	12.5		11.3	11.5	
Net earnings	16,461	14,697	+12.0	41,312	36,605	+12.9
Net earnings attributable to shareholders of the Corporation	16,340	14,554	+12.3	41,209	36,449	+13.1
• basic per share (\$)	0.84	0.74	+13.5	2.11	1.85	+14.1
• diluted per share (\$)	0.83	0.73	+13.7	2.08	1.83	+13.7
Net margin attributable to shareholders of the Corporation (%)	8.2	8.7		7.5	7.8	
Cash flows from operating activities <sup>(2)</sup>	18,948	16,500	+14.8	48,402	42,333	+14.3
• diluted per share (\$)	0.96	0.83	+15.7	2.44	2.12	+15.1
Cash dividends paid to shareholders of the Parent Corporation	2,918	2,737	+ 6.6	8,796	8,284	+ 6.2
• per share (\$)	0.15	0.14	+ 7.1	0.45	0.42	+ 7.0
Weighted average number of shares outstanding (diluted) (in thousands)	19,782	19,838		19,840	19,954	

### Financial position data

As at	August 31, 2015	November 30, 2014	Δ %
	\$	\$	
Total assets	435,199	390,721	+11.4
Working capital	245,269	214,866	+14.1
Current ratio	4.1:1	4.0:1	
Equity attributable to shareholders of the Corporation	344,817	309,149	+11.5
Return on average equity (%)	17.9	17.5	
Book value (\$)	17.72	15.80	+12.2
Total debt	3,958	5,354	-26.1
Cash and cash equivalents	20,865	33,721	-38.1

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

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

## ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2015 COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2014

**In the third quarter,** Richelieu achieved **consolidated sales** of \$199.5 million, an increase of 18.9% over the corresponding quarter of 2014, of which 16.8% from internal growth and 2.1% from acquisitions. At comparable exchange rates to the third quarter of 2014, the consolidated sales growth would have been 13.2% for the quarter ended August 31, 2015. It is to be noted that this quarter included one more business day than the corresponding quarter of 2014.

In the **manufacturers** market, all the Corporation's market segments contributed to the quarter's sales growth. Sales totalled \$169.6 million, compared with \$143.8 million for the third quarter of 2014, an increase of \$25.8 million or 17.9%, of which 15.5% from internal growth and 2.4% from acquisitions. Sales to hardware **retailers** and renovation superstores amounted to \$29.9 million, up 24.6% over \$24.0 million for the corresponding quarter of 2014. This increase is due primarily to significant market share gains and improved market conditions.

**In Canada,** sales posted a \$13.5 million or 11.0% internal growth to stand at \$136.0 million, compared with \$122.5 million for the third quarter of 2014. Sales to **manufacturers** amounted to \$110.1 million, compared with \$101.2 million for the corresponding quarter of 2014, reflecting internal growth of 8.8%. Sales to hardware **retailers** and renovation superstores totalled \$25.9 million, up 21.6% over \$21.3 million for the third quarter of 2014.

**In the United States,** Richelieu recorded sales of US\$49.7 million, compared with US\$41.7 million for the corresponding quarter of 2014, an increase of US\$8.0 million or 19.0%, of which 12.4% from internal growth and 6.6% from acquisitions. Sales grew by 18.5% in the **manufacturers** market to reach US\$46.5 million, of which 11.5% from internal growth and 7.0% from acquisitions. Sales to hardware **retailers** and renovation superstores increased by 28.1% (in US\$). Considering exchange rate fluctuations, total U.S. sales expressed in Canadian dollars rose to \$63.5 million, an increase of 40.1%. They accounted for 31.8% of consolidated sales for the third quarter of 2015, whereas they had represented 27.0% of the period's consolidated sales for the third quarter of 2014.

### Consolidated sales

(in thousands of \$, except exchange rate)

Periods ended August 31	3 months			9 months		
	2015	2014	Δ %	2015	2014	Δ %
	\$	\$		\$	\$	
Canada	135,951	122,483	+ 11.0	377,237	343,341	+ 9.9
United States (CA\$)	63,506	45,326	+ 40.1	172,340	125,731	+ 37.1
(US\$)	49,657	41,721	+ 19.0	138,680	115,187	+ 20.4
Average exchange rate	1.279	1.086		1.243	1.092	
Consolidated sales	199,457	167,809	+ 18.9	549,577	469,072	+ 17.2

**For the first nine months,** **consolidated sales** totalled \$549.6 million, an increase of \$80.5 million or 17.2% over the first nine months of 2014, of which 13.8% from internal growth and 3.4% from acquisitions. At comparable exchange rate to the first nine months of 2014, the consolidated sales growth would have been 12.7% for the first nine months ended August 31, 2015.

Sales to **manufacturers** amounted to \$465.1 million, compared with \$398.7 million for the first nine months of 2014, an increase of \$66.4 million or 16.7%, of which 12.7% from internal growth and 4.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 20.0% over the corresponding period of 2014 to reach \$84.4 million. This increase is due primarily to significant market share gains and improved market conditions.

**In Canada,** the Corporation achieved sales of \$377.2 million, compared with \$343.3 million for the first nine months of 2014, an increase of \$33.9 million or 9.9%, of which 9.2% from internal growth. In the **manufacturers** market, the Corporation recorded sales of \$304.0 million, an increase of 8.0% over the first nine months of 2014, of which 7.1% from internal growth and 0.9% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 18.4% over the corresponding period of 2014 to total \$73.2 million.

**In the United States,** sales stood at US\$138.7 million, compared with US\$115.2 million for the first nine months of 2014, an increase of US\$23.5 million or 20.4%, of which 10.9% from internal growth and 9.5% from acquisitions. The Corporation recorded sales of US\$129.7 million in the **manufacturers** market, compared with \$107.4 million, an increase of 20.8% over the first nine months of 2014, of which 10.6% from internal growth and 10.2% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 15.5% (in US\$) over the first nine months of 2014. Considering exchange rate fluctuations, U.S. sales expressed in Canadian dollars amounted to \$172.3 million, compared with \$125.7 million for the first nine months of 2014, an increase of 37.1%. They accounted for 31.4% of consolidated sales for the first nine months of 2015, whereas they had represented 26.8% of the period's consolidated sales for the corresponding period of 2014.

### Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Periods ended August 31	3 months			9 months		
	2015	2014	Δ %	2015	2014	Δ %
	\$	\$		\$	\$	
Sales	199,457	167,809	+ 18.9	549,577	469,072	+ 17.2
EBITDA	24,394	21,054	+ 15.9	61,978	53,943	+ 14.9
EBITDA margin (%)	12.2	12.5		11.3	11.5	

**Third-quarter earnings before income taxes, interest and amortization (EBITDA)** amounted to \$24.4 million, up by \$3.3 million or 15.9% over the corresponding quarter of 2014. The **gross margin** decreased slightly from the corresponding period of 2014 due mainly to the higher proportion of sales in the United States where the product mix is different, the appreciation of the U.S. dollar which had an upward impact on the purchasing cost of certain products before selling price adjustments, and the lower gross margins of certain acquisitions also having a different product mix. Consequently, the **EBITDA margin** stood at 12.2%, compared with 12.5% for the corresponding quarter of 2014.

Income taxes amounted to \$5.8 million, an increase of \$1.0 million over the third quarter of 2014.

**For the first nine months,** earnings before income taxes, interest and amortization (EBITDA) totalled \$62.0 million, up by \$8.0 million or 14.9% over the first nine months of 2014. It should be noted that the **gross margin** and the **EBITDA margin** decreased slightly due to the higher proportion of sales in the United States where the product mix is different, the lower gross margins of certain acquisitions also having a different product mix, the impact of introducing additional products in the retailers market in Canada and the appreciation of the U.S. dollar which had an upward impact on the purchasing cost of certain products before selling price adjustments. Consequently, the **EBITDA margin** stood at 11.3%, compared with 11.5% for the corresponding period of 2014.

Income taxes totalled \$14.6 million, an increase of \$2.3 million over the first nine months of 2014.

<b>Consolidated net earnings attributable to shareholders</b>						
(in thousands of \$, unless otherwise indicated)						
<b>Periods ended</b> <b>August 31</b>	<b>3 months</b>			<b>9 months</b>		
	<b>2015</b>	<b>2014</b>	<b>Δ %</b>	<b>2015</b>	<b>2014</b>	<b>Δ %</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>	
EBITDA	<b>24,394</b>	21,054	+ 15.9	<b>61,978</b>	53,943	+ 14.9
Amortization of property, plant and equipment and intangible assets	<b>2,192</b>	1,716		<b>6,238</b>	5,238	
Financial cost, net	<b>(16)</b>	(62)		<b>(143)</b>	(215)	
Income taxes	<b>5,757</b>	4,703		<b>14,571</b>	12,315	
Net earnings	<b>16,461</b>	14,697	+ 12.0	<b>41,312</b>	36,605	+ 12.9
Net earnings attributable to shareholders of the Corporation	<b>16,340</b>	14,554	+ 12.3	<b>41,209</b>	36,449	+ 13.1
Net margin attributable to shareholders of the Corporation (%)	<b>8.2</b>	8.7		<b>7.5</b>	7.8	
Non-controlling interests	<b>121</b>	143		<b>103</b>	156	
Net earnings	<b>16,461</b>	14,697	+ 12.0	<b>41,312</b>	36,605	+ 12.9

**Third-quarter** net earnings grew by 12.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$16.3 million, up 12.3% over the third quarter of 2014. **Net earnings per share** rose to \$0.84 basic and \$0.83 diluted, compared with \$0.74 basic and \$0.73 diluted for the corresponding quarter of 2014, an increase of 13.5% and 13.7% respectively.

**Comprehensive income** amounted to \$21.1 million, considering a positive adjustment of \$4.7 million on translation of the financial statements of the subsidiary in the United States, compared with comprehensive income of \$14.9 million for the third quarter of 2014, considering a positive adjustment of \$0.2 million on translation of the financial statements of the subsidiary in the United States.

**For the first nine months,** net earnings grew by 12.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$41.2 million, up 13.1% over the first nine months of 2014. **Net earnings per share** rose to \$2.11 basic and \$2.08 diluted, compared with \$1.85 basic and \$1.83 diluted for the first nine months of 2014, an increase of 14.1% and 13.7% respectively.

**Comprehensive income** totalled \$52.2 million, considering a positive adjustment of \$10.9 million on translation of the financial statements of the subsidiary in the United States, compared with comprehensive income of \$38.0 million for the corresponding period of 2014, considering a positive adjustment of \$1.4 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)

<b>Quarters</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>2015</b>				
Sales	<b>159,319</b>	<b>190,801</b>	<b>199,457</b>	
EBITDA	<b>15,706</b>	<b>21,878</b>	<b>24,394</b>	
Net earnings attributable to shareholders of the Corporation	<b>10 216</b>	<b>14 653</b>	<b>16,340</b>	
basic per share	<b>0.52</b>	<b>0.75</b>	<b>0.84</b>	
diluted per share	<b>0.51</b>	<b>0.74</b>	<b>0.83</b>	
<b>2014</b>				
Sales	136,108	165,155	167,809	177,837
EBITDA	13,704	19,185	21,054	23,474
Net earnings attributable to shareholders of the Corporation	8,859	13,036	14,554	15,944
basic per share	0.44	0.67	0.74	0.82
diluted per share	0.44	0.66	0.73	0.80
<b>2013</b>				
Sales	126,084	156,240	149,163	155,288
EBITDA	12,893	18,207	19,050	20,223
Net earnings attributable to shareholders of the Corporation	8,158	12,140	12,821	13,284
basic per share	0.39	0.59	0.62	0.65
diluted per share	0.39	0.58	0.62	0.64

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

## FINANCIAL POSITION

Analysis of principal cash flows for the third quarter and first nine months ended August 31, 2015

<b>Change in cash and cash equivalents and capital resources</b>				
(in thousands of \$)				
<b>Periods ended</b> <b>August 31</b>	<b>3 months</b>		<b>9 months</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash flows provided by (used for):				
Operating activities	<b>16,816</b>	15,443	<b>13,475</b>	27,380
Financing activities	<b>(2,823)</b>	(4,807)	<b>(18,270)</b>	(34,916)
Investing activities	<b>(3,091)</b>	(3,969)	<b>(7,560)</b>	(8,955)
Effect of exchange rate fluctuations	<b>(120)</b>	(63)	<b>(501)</b>	(45)
Net change in cash and cash equivalents	<b>10,782</b>	6,604	<b>(12,856)</b>	(16,536)
Cash and cash equivalents, beginning of period	<b>10,083</b>	23,047	<b>33,721</b>	46,187
Cash and cash equivalents, end of period	<b>20,865</b>	29,651	<b>20,865</b>	29,651
	<b>Au 31 août 2015</b>		<b>Au 30 novembre 2014</b>	
	<b>\$</b>		<b>\$</b>	
Working capital	<b>245,269</b>			214,866
Renewable line of credit (CA\$)	<b>26,000</b>			26,000
Renewable line of credit (US\$)	<b>6,000</b>			6,000



## Operating activities

**Third-quarter cash flows from operating activities** (before net change in non-cash working capital balances) amounted to \$18.9 million or \$0.96 per share, compared with \$16.5 million or \$0.83 per share for the third quarter of 2014, an increase of 15.7% per share stemming notably from the net earnings growth. Net change in non-cash working capital items used cash flows of \$2.1 million, reflecting the change in inventories (\$18.4 million), whereas accounts receivable, accounts payable and other items represented a cash inflow of \$16.3 million. Consequently, operating activities provided cash flows of \$16.8 million, compared with \$15.4 million for the corresponding quarter of 2014.

**For the first nine months,** cash flows from operating activities (before net change in non-cash working capital balances) totalled \$48.4 million or \$2.44 per share, compared with \$42.3 million or \$2.12 per share for the first nine months ended August 31, 2014, an increase of 15.1% per share stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$34.9 million, reflecting the change in inventories, accounts receivable and other items (\$44.9 million), whereas accounts payable represented a cash inflow of \$10.0 million. Consequently, operating activities provided cash flows of \$13.5 million, whereas they had provided cash flows of \$27.4 million for the first nine months of 2014.

## Financing activities

**Third-quarter financing activities** represented a cash outflow of \$2.8 million, compared with \$4.8 million for the corresponding quarter of 2014. This change came mainly from the fact that the Corporation did not repurchase any common shares, whereas it had repurchased shares for \$2.7 million during the corresponding quarter of 2014. Furthermore, it repaid long-term debt of \$0.2 million and issued shares for \$0.3 million, compared with no long-term debt repayment and a \$0.6 million share issue in the third quarter of 2014. Dividends paid to shareholders of the Parent Corporation amounted to \$2.9 million, up by \$0.2 million over the corresponding quarter of 2014.

**For the first nine months,** financing activities represented a cash outflow of \$18.3 million, compared with \$34.9 million for the corresponding period of 2014. Richelieu repurchased common shares for cancellation for \$9.2 million, compared with \$30.2 million for the corresponding period of 2014. The Corporation repaid long-term debt of \$0.8 million, compared with no repayment during the same period of 2014. Furthermore, it issued common shares for \$1.1 million, compared with \$3.6 million for the first nine months of 2014. Dividends paid to shareholders of the Parent Corporation totalled \$8.8 million, an increase of 6.2%.

## Investing activities

**Third-quarter investing activities** amounted to \$3.1 million, of which \$2.5 million in equipment for operational efficiency, software needed for operations and building improvements, to which was added the acquisition of the principal net assets of Single Source closed on June 18, 2015 in Dallas, Texas.

**For the first nine months,** investing activities totalled \$7.6 million, of which \$7.0 million in equipment for operational efficiency, software, building improvements and the remodeling of certain showrooms, to which was added the acquisition of the principal net assets of Single Source in the third quarter of 2015.

## Sources of financing

As at August 31, 2015, **cash and cash equivalents** totalled \$20.9 million, compared with \$33.7 million as at November 30, 2014. This change primarily reflects the increase in inventories and the repurchase of common shares during the first nine months of 2015. The Corporation posted a **working capital** of \$245.3 million for a current ratio of 4.1:1, compared with \$214.9 million (4.0:1 ratio) as at November 30, 2014.

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

## Analysis of financial position as at August 31, 2015

### Summary financial position

(in thousands of \$, except exchange rate)

As at	August 31, 2015 \$	November 30, 2014 \$
Current assets	325,549	285,394
Non-current assets	109,650	105,327
<b>Total</b>	<b>435,199</b>	<b>390,721</b>
Current liabilities	80,280	70,528
Non-current liabilities	6,195	6,640
Equity attributable to shareholders of the Corporation	344,817	309,149
Non-controlling interests	3,907	4,404
<b>Total</b>	<b>435,199</b>	<b>390,721</b>
<i>Exchange rate on translation of a subsidiary in the United States</i>	<b>1.316</b>	1.144

## Assets

**Total assets** grew by 11.4% to \$435.2 million as at August 31, 2015, compared with \$390.7 million as at November 30, 2014. **Current assets** were up by 14.1% over November 30, 2014. This growth is due to the appreciation of the U.S. dollar which had an upward impact on translation of the assets of the subsidiary in the United States, the inventory increase subsequent to the addition of new products to meet demand resulting from the significant market share gains and the higher purchasing costs attributable to the appreciation of the U.S. dollar.

### Net cash

(in thousands of \$)

As at	August 31, 2015 \$	November 30, 2014 \$
Current portion of long-term debt	2,406	3,352
Long-term debt	1,552	2,002
<b>Total</b>	<b>3,958</b>	<b>5,354</b>
<b>Cash and cash equivalents</b>	<b>20,865</b>	<b>33,721</b>
<b>Total cash net of debt</b>	<b>16,907</b>	<b>28,367</b>

**Total debt** stood at \$4.0 million, including a current portion of long-term debt of \$2.4 million representing balances payable on recent acquisitions. Deducting this total debt, **net cash** amounted to \$16.9 million as at August 31, 2015. Richelieu continues to benefit from a healthy and solid financial position to pursue its growth strategy.

**Equity** attributable to shareholders of the Corporation totalled \$344.8 million as at August 31, 2015, compared with \$309.1 million as at November 30, 2014, an increase of \$35.7 million or 11.5% reflecting the \$23.5 million growth in retained earnings, \$1.2 million in share capital, \$10.9 million in accumulated other comprehensive income and \$0.2 million in contributed surplus. At the end of the first nine months of 2015, **the book value per share** stood at \$17.72, up 12.2% over \$15.80 as at November 30, 2014.

As at August 31, 2015, the Corporation's **share capital** consisted of 19,460,619 common shares (19,566,286 shares as at November 30, 2014). During the first nine months of the year, the Corporation issued 44,933 common shares at an average price of \$23.76 (168,625 in 2014 at an average price of \$21.09) upon the exercise of options under its stock option plan. Also during the first nine months ended August 31, 2015, the Corporation repurchased 150,600 common shares for cancellation under its normal course issuer bid. As at August 31, 2015, 619,965 stock options were outstanding (587,198 as at November 30, 2014), notably considering the 82,300 stock options granted during the first nine months of 2015 (64,100 during the first nine months of 2014).

## CONTRACTUAL COMMITMENTS

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

## FINANCIAL INSTRUMENTS

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

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

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

## SIGNIFICANT ACCOUNTING POLICIES

The Corporation's unaudited consolidated financial statements for the quarter and first nine months ended August 31, 2015 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended August 31, 2015 presents the accounting policies recently issued and applicable in the future.

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

Risk factors are described in the "Risk Management" section on page 30 of Richelieu's 2014 Annual Report, available on SEDAR at [www.sedar.com](http://www.sedar.com).

## SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).



**(Signed) Richard Lord**  
President and  
Chief Executive Officer



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

October 8, 2015



# Consolidated statements of financial position

(In thousands of dollars)

(Unaudited)

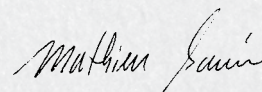
	Notes	As at August 31, 2015 \$	As at November 30, 2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		20,865	33,721
Accounts receivable		99,206	93,874
Inventories		203,538	156,488
Prepaid expenses		1,940	1,311
		<b>325,549</b>	<b>285,394</b>
<b>Non-current assets</b>			
Property, plant and equipment		25,590	22,895
Intangible assets		21,700	20,987
Goodwill		58,194	57,669
Deferred taxes		4,166	3,776
		<b>435,199</b>	<b>390,721</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		76,518	64,437
Income taxes payable		1,356	2,739
Current portion of long-term debt		2,406	3,352
		<b>80,280</b>	<b>70,528</b>
<b>Non-current liabilities</b>			
Long-term debt		1,552	2,002
Deferred taxes		2,763	2,762
Other liabilities		1,880	1,876
		<b>86,475</b>	<b>77,168</b>
<b>Equity</b>			
Share capital	4	30,933	29,762
Contributed surplus		1,732	1,576
Retained earnings		294,295	270,826
Accumulated other comprehensive income	5	17,857	6,985
Equity attributable to shareholders of the Corporation		<b>344,817</b>	<b>309,149</b>
Non-controlling interests		3,907	4,404
		<b>348,724</b>	<b>313,553</b>
		<b>435,199</b>	<b>390,721</b>

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 nine-month periods ended August 31 (In thousands of dollars, except earnings per share)  
(Unaudited)

	Notes	For the three months ended August 31,		For the nine months ended August 31,	
		2015 \$	2014 \$	2015 \$	2014 \$
<b>Sales</b>		<b>199,457</b>	167,809	<b>549,577</b>	469,072
Cost of goods sold, warehousing, selling and administrative expenses	6	<b>175,063</b>	146,755	<b>487,599</b>	415,129
<b>Earnings before amortization, financial costs and income taxes</b>		<b>24,394</b>	21,054	<b>61,978</b>	53,943
Amortization of property, plant and equipment		<b>1,507</b>	1,243	<b>4,281</b>	3,724
Amortization of intangible assets		<b>685</b>	473	<b>1,957</b>	1,514
Financial costs, net		<b>(16)</b>	(62)	<b>(143)</b>	(215)
		<b>2,176</b>	1,654	<b>6,095</b>	5,023
<b>Earnings before income taxes</b>		<b>22,218</b>	19,400	<b>55,883</b>	48,920
Income taxes		<b>5,757</b>	4,703	<b>14,571</b>	12,315
<b>Net earnings</b>		<b>16,461</b>	14,697	<b>41,312</b>	36,605
<b>Net earnings attributable to:</b>					
Shareholders of the Corporation		<b>16,340</b>	14,554	<b>41,209</b>	36,449
Non-controlling interests		<b>121</b>	143	<b>103</b>	156
		<b>16,461</b>	14,697	<b>41,312</b>	36,605
<b>Net earnings per share attributable to shareholders of the Corporation</b>					
Basic		<b>0.84</b>	0.74	<b>2.11</b>	1.85
Diluted		<b>0.83</b>	0.73	<b>2.08</b>	1.83

See accompanying notes to the interim consolidated financial statements.

## Consolidated statements of comprehensive income

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

	Notes	For the three months ended August 31,		For the nine months ended August 31,	
		2015 \$	2014 \$	2015 \$	2014 \$
<b>Net earnings</b>		<b>16,461</b>	14,697	<b>41,312</b>	36,605
<b>Other comprehensive income that will be reclassified to net earnings</b>					
Exchange differences on translation of foreign operations	5	<b>4,663</b>	181	<b>10,872</b>	1,356
<b>Comprehensive income</b>		<b>21,124</b>	14,878	<b>52,184</b>	37,961
<b>Comprehensive income attributable to:</b>					
Shareholders of the Corporation		<b>21,003</b>	14,735	<b>52,081</b>	37,805
Non-controlling interests		<b>121</b>	143	<b>103</b>	156
		<b>21,124</b>	14,878	<b>52,184</b>	37,961

See accompanying notes to the interim consolidated financial statements.



# Consolidated statements of changes in equity

For the nine-month periods ended August 31 (In thousands of dollars)

(Unaudited)

	Attributable to shareholders of the Corporation				Total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
	\$	\$	\$	\$	\$	\$	\$
Notes	4			5			
Balance as at November 30, 2013	25,288	2,356	258,965	2,236	288,845	4,269	293,114
Net earnings	–	–	36,449	–	36,449	156	36,605
Other comprehensive income	–	–	–	1,356	1,356	–	1,356
Comprehensive income	–	–	36,449	1,356	37,805	156	37,961
Shares repurchased	(851)	–	(29,338)	–	(30,189)	–	(30,189)
Stock options exercised	4,780	(1,223)	–	–	3,557	–	3,557
Share-based compensation expense	–	386	–	–	386	–	386
Dividends (note 9)	–	–	(8,284)	–	(8,284)	–	(8,284)
Other liabilities	–	–	–	–	–	(32)	(32)
	3,929	(837)	(37,622)	–	(34,530)	(32)	(34,562)
Balance as at August 31, 2014	29,217	1,519	257,792	3,592	292,120	4,393	296,513
<b>Balance as at November 30, 2014</b>	<b>29,762</b>	<b>1,576</b>	<b>270,826</b>	<b>6,985</b>	<b>309,149</b>	<b>4,404</b>	<b>313,553</b>
<b>Net earnings</b>	<b>–</b>	<b>–</b>	<b>41,209</b>	<b>–</b>	<b>41,209</b>	<b>103</b>	<b>41,312</b>
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,872</b>	<b>10,872</b>	<b>–</b>	<b>10,872</b>
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>41,209</b>	<b>10,872</b>	<b>52,081</b>	<b>103</b>	<b>52,184</b>
<b>Shares repurchased</b>	<b>(236)</b>	<b>–</b>	<b>(8,944)</b>	<b>–</b>	<b>(9,180)</b>	<b>–</b>	<b>(9,180)</b>
<b>Stock options exercised</b>	<b>1,407</b>	<b>(339)</b>	<b>–</b>	<b>–</b>	<b>1,068</b>	<b>–</b>	<b>1,068</b>
<b>Share-based compensation expense</b>	<b>–</b>	<b>495</b>	<b>–</b>	<b>–</b>	<b>495</b>	<b>–</b>	<b>495</b>
<b>Dividends (note 9)</b>	<b>–</b>	<b>–</b>	<b>(8,796)</b>	<b>–</b>	<b>(8,796)</b>	<b>(596)</b>	<b>(9,392)</b>
<b>Other liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4)</b>	<b>(4)</b>
	<b>1,171</b>	<b>156</b>	<b>(17,740)</b>	<b>–</b>	<b>(16,413)</b>	<b>(600)</b>	<b>(17,013)</b>
<b>Balance as at August 31, 2015</b>	<b>30,933</b>	<b>1,732</b>	<b>294,295</b>	<b>17,857</b>	<b>344,817</b>	<b>3,907</b>	<b>348,724</b>

See accompanying notes to the interim consolidated financial statements.



# Consolidated statements of cash flows

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

		For the three months ended August 31,		For the nine months ended August 31,	
	Notes	2015 \$	2014 \$	2015 \$	2014 \$
<b>OPERATING ACTIVITIES</b>					
Net earnings		<b>16,461</b>	14,697	<b>41,312</b>	36,605
Items not affecting cash					
Amortization of property, plant and equipment		<b>1,507</b>	1,243	<b>4,281</b>	3,724
Amortization of intangible assets		<b>685</b>	473	<b>1,957</b>	1,514
Deferred taxes		–	(191)	–	(485)
Share-based compensation expense	4	<b>295</b>	278	<b>852</b>	975
		<b>18,948</b>	16,500	<b>48,402</b>	42,333
Net change in non-cash working capital balances		<b>(2,132)</b>	(1,057)	<b>(34,927)</b>	(14,953)
		<b>16,816</b>	15,443	<b>13,475</b>	27,380
<b>FINANCING ACTIVITIES</b>					
Repayment of long-term debt		<b>(166)</b>	–	<b>(766)</b>	–
Dividends paid to Shareholders of the Parent Corporation	9	<b>(2,918)</b>	(2,737)	<b>(8,796)</b>	(8,284)
Other dividends paid		–	–	<b>(596)</b>	–
Common shares issued		<b>261</b>	599	<b>1,068</b>	3,557
Common shares repurchased for cancellation		–	(2,669)	<b>(9,180)</b>	(30,189)
		<b>(2,823)</b>	(4,807)	<b>(18,270)</b>	(34,916)
<b>INVESTING ACTIVITIES</b>					
Business acquisitions	3	<b>(556)</b>	(2,666)	<b>(556)</b>	(5,755)
Additions to property, plant and equipment and intangible assets		<b>(2,535)</b>	(1,303)	<b>(7,004)</b>	(3,200)
		<b>(3,091)</b>	(3,969)	<b>(7,560)</b>	(8,955)
Effect of exchange rate changes on cash and cash equivalents		<b>(120)</b>	(63)	<b>(501)</b>	(45)
<b>Net change in cash and cash equivalents</b>		<b>10,782</b>	6,604	<b>(12,856)</b>	(16,536)
Cash and cash equivalents, beginning of period		<b>10,083</b>	23,047	<b>33,721</b>	46,187
<b>Cash and cash equivalents, end of period</b>		<b>20,865</b>	29,651	<b>20,865</b>	29,651
<b>Supplementary information</b>					
Income taxes paid		<b>4,731</b>	4,170	<b>15,954</b>	12,639
Interest received, net		<b>(16)</b>	(62)	<b>(143)</b>	(215)

See accompanying notes to the interim consolidated financial statements.



## NATURE OF BUSINESS

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

## 1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

## 2. CHANGES IN ACCOUNTING METHODS

### RECENTLY ISSUED

#### IFRS 15, Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* which is a replacement of IAS 18 Revenue, IAS 11, *Construction Contracts* and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1, 2017. Earlier application is permitted.

#### IAS 1, Presentation of Financial Statements

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

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

## 3. BUSINESS ACQUISITIONS

### 2015

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

### 2014

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

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

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

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

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

## 4. SHARE CAPITAL

### Authorized

Unlimited number of:

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

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

### Issued

	As at August 31, 2015 \$	As at November 30, 2014 \$
19,460,619 common shares [November 30, 2014 - 19,566,286]	30,933	29,762

During the nine-month period ended August 31, 2015, the Corporation issued 44,933 common shares [2014 - 168,625] at an average price of \$23.76 per share [2014 - \$21.09] pursuant to the exercise of options under the share option plan. In addition, during the nine-month period ended August 31, 2015, the Corporation repurchased 150,600 common shares for cancellation through a normal course issuer bid in consideration of \$9,180, which resulted in a premium on the redemption in the amount of \$8,944, recorded in the consolidated statements of retained earnings [2014 - 664,100 common shares in consideration of \$30,189 which resulted in a premium on the redemption in the amount of \$29,338].

### 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 nine-month period ended August 31, 2015, the Corporation granted 82,300 options [2014 - 64,100] with an average exercise price of \$56.49 per share [2014 - \$45.26] and an average fair value of \$12.42 per option [2014 - \$11.70] as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.05% [2014 - 1.3%], a volatility of 21% [2014 - 25%], a risk free interest rate of 1.48% [2014 - 2.29%] and an expected life of 7 years [2014 - 7 years] and 4,600 options were cancelled. For the three and nine-month periods ended August 31, 2015, the compensation expense charged to earnings for the options amounted to \$168 and \$495 [2014 - \$148 and \$386]. As at August 31, 2015, 619,965 options were outstanding with exercise price varying from \$16.72 to \$56.49 for a weighted average of \$29.05 [587,198 options as at November 30, 2014 with exercise price varying from \$16.72 to \$47.98 for a weighted average of \$26.80].



**4. SHARE CAPITAL [CONT'D]****Deferred share unit plan**

The Corporation offers a deferred share unit ["DSU"] plan to its directors who can elect to receive part or all of their compensation in DSUs. The value of DSUs is redeemable for cash only when a director ceases to be a member of the Board. The financial liability resulting from the plan of \$5,538 [November 30, 2014 - \$4,463] is presented under the Accounts payable and accrued liabilities. The Corporation has entered into equity swaps to reduce its exposure on net earnings related to the fluctuations in the Corporation's share price. The net effect of the equity swaps mostly offsets the impact of the change in the Corporation's share price. As at August 31, 2015, the fair value of the equity swaps amounted to an asset of \$62 [November 30, 2014 - amounted to an asset of \$400] and is presented under Accounts payable and accrued liabilities. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSU during the three and nine-month periods ended August 31, 2015, amounted to \$127 and \$357 [2014 - \$130 and \$589] and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

**Share purchase plan**

The Corporation has a share purchase plan entitling any employees to purchase shares up to a maximum percentage of their total compensation in cash. The Corporation contributes an amount equivalent to a percentage of any amounts invested by the employee to the purchase of additional shares. The Corporation's contribution is determined annually. Compensation expense related to the share purchase plan amounted to \$148 and \$393 for the three and nine-month periods ended August 31, 2015 [2014 - \$130 and \$343] and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

**Net earnings per share**

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

	For the three months ended August 31		For the nine months ended August 31	
	2015	2014	2015	2014
Weighted average number of shares outstanding - Basic	19,455	19,555	19,530	19,686
Dilutive effect under stock option plan	327	283	310	268
Weighted average number of shares outstanding - Diluted	19,782	19,838	19,840	19,954

**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 August 31		For the nine months ended August 31	
	2015	2014	2015	2014
	\$	\$	\$	\$
Balance at the beginning of the period	13,194	3,411	6,985	2,236
Exchange differences on translation of foreign operations	4,663	181	10,872	1,356
<b>Balance at the end of the period</b>	<b>17 857</b>	<b>3 592</b>	<b>17 857</b>	<b>3 592</b>

**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 August 31, 2015, the fair value of the foreign exchange forward contracts amounted to an asset of \$9 [asset of approximately \$6 as at November 30, 2014] representing the amount the Corporation would collect on settlement of these contracts at spot rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

**Credit risk**

The Corporation sells its products to numerous customers in Canada, and in a lesser proportion in the United States. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Corporation. The average days outstanding of accounts receivable, as at August 31, 2015 is acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of customers and generally does not require collateral. The allowance for doubtful accounts has increased by \$825 and \$2,301 [2014 - \$257 and \$1,361] during the three and nine-month periods ended August 31, 2015 for a total of \$8,236 [November 30, 2014 - \$5,935].

**Market risk**

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars and Euros. Administrative charges included, for the three and nine-month periods ended August 31, 2015, an exchange gain of \$104 and \$1,204 [2014 - gain of \$440 and \$558].

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 August 31, 2015, a decrease of 5% of the Canadian dollar against the U.S. dollar and the euro, all other variables remaining the same, would have had no significant impact on the consolidated net earnings [as at August 31, 2014 - a decrease of 1% would have had no significant impact on the consolidated net earnings] and would have increased the consolidated comprehensive income by \$5,559 [as at August 31, 2014 - a decrease of 1% would have increased the consolidated comprehensive income by \$886] 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 August 31, 2015.

**Liquidity risk**

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

**Current period expenses**

During the three and nine-month periods ended August 31, 2015, the amount relating to inventories recorded as expenses from the distribution, imports and manufacturing activities totals \$143,110 and \$395,974 [2014 - \$120,082 and \$336,224]. An expense of \$751 and \$2,075 [2014 - \$641 and \$1,782] for inventory obsolescence is included in this amount. Salaries and related charges of \$26,760 and \$77,736 for the three and nine-month periods ended August 31, 2015 [2014 - \$23,783 and \$68,756] are included in the cost of goods sold, warehousing, selling and administrative expenses.



## 7. CAPITAL MANAGEMENT

The Corporation's main objectives in terms of capital management 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 August 31, 2015 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.1% [1.7 % as at November 30, 2014] [Long-term debt/Equity]
- Return on average shareholder's equity of 17.9% over the last 12 months [17.5% for the year ended November 30, 2014]

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

## 8. GEOGRAPHIC INFORMATION

During the three and nine-month periods ended August 31, 2015, near 69% of sales had been made in Canada [2014 – 73%]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to \$63,506 and \$172,340 [2014 – \$45,326 and \$125,731] in Canadian dollars and to \$49,657 and \$138,680 [2014 – \$41,721 and \$115,187] in U.S. dollars.

As at August 31, 2015, out of a total amount of \$25,590 in property, plant and equipment [November 30, 2014 – \$22,895], \$2,876 [November 30, 2014 – \$3,026] are located in the United States. In addition, intangible assets located in the United States amounted to \$12,967 [November 30, 2014 – \$11,885] and goodwill to \$9,096 [November 30, 2014 – \$7,909] in Canadian dollars and to \$9,855 [November 30, 2014 – \$10,389] and goodwill to \$6,913 [November 30, 2014 – \$6,913] in US dollars.

## 9. DIVIDENDS PAID TO SHAREHOLDERS OF THE PARENT CORPORATION

In 2015, the Corporation paid a quarterly dividend of \$0.15 per share to common shareholder [2014 – quarterly dividend of \$0.14 per share] for an amount of \$2,918 and \$8,796 for the three and nine-month periods ended August 31, 2015 [2014 – \$2,737 and \$8,284].

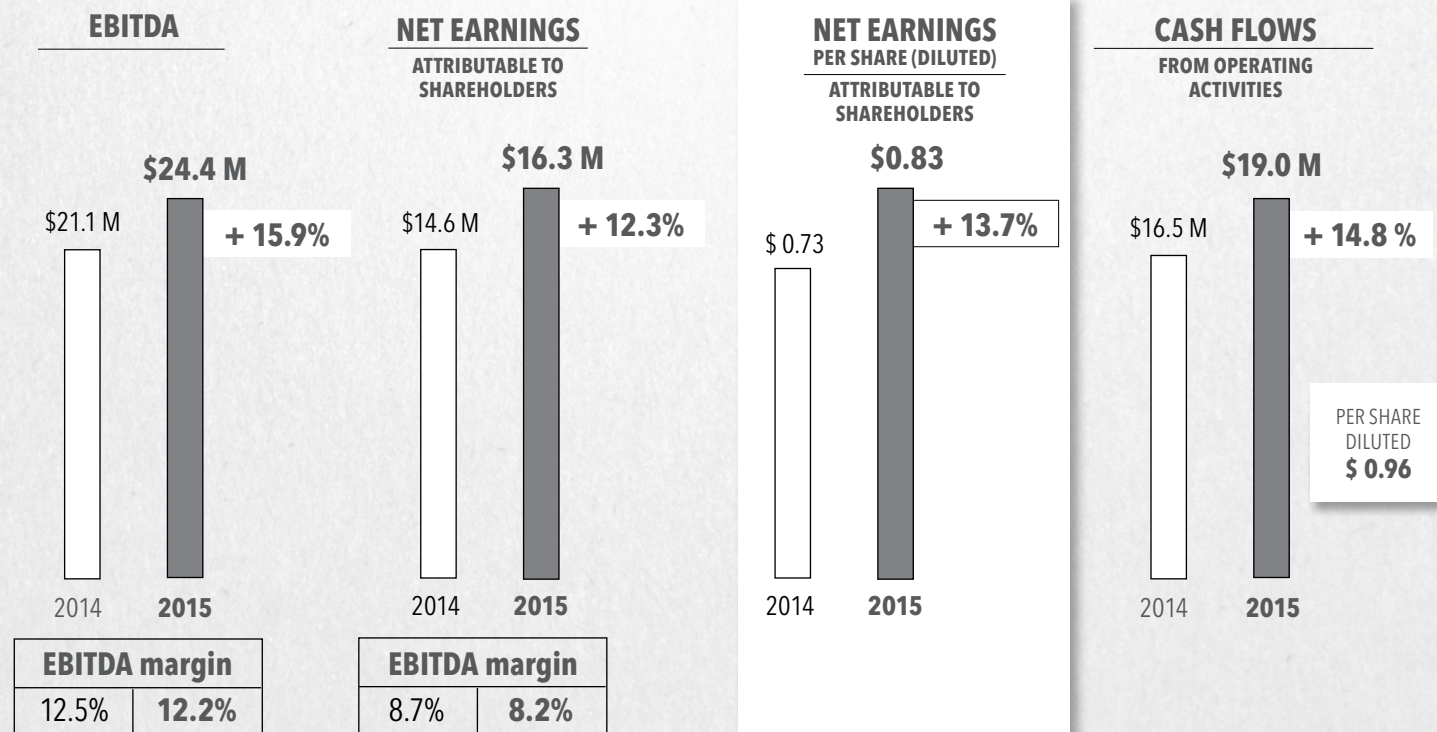
## 10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and nine-month periods ended August 31, 2015 (including the comparative figures) were approved for issue by the Board of Directors on October 8, 2015.

## 11. COMPARATIVE FIGURES

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

### Third quarters ended on August 31, 2015 and 2014





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