



Interim Report

3

Three and nine-month periods
ended August 31, 2016

MESSAGE TO SHAREHOLDERS

During the third quarter ended August 31, 2016, Richelieu pursued its growth and expansion as shown by our results, our sound financial position and a new acquisition closed in the United States.

Total sales increased 10.4% to \$220.2 million, reflecting our solid performance in the manufacturers market where sales increased 9.9% (7.0% from internal growth), as well as in the retailers market where they grew 12.9%. Our market development and innovation strategies continued to drive sales growth, both in Canada where internal growth was 7.5%, and the United States where sales increased 14.8% in US dollars as a result of internal growth of 7.0% and 7.8% from acquisitions. We ended the quarter with diluted net earnings per share attributable to shareholders of \$0.30, up 7.1% over the same quarter in 2015.

For the first nine months of 2016, total sales were up 14.0% to \$626.5 million (11.8% from internal growth and 2.2% from acquisitions). We posted diluted net earnings per share attributable to shareholders of \$0.74, a 7.2% increase over the first nine months of the previous year.

On August 18, we purchased the principal net assets of Neils Sorenson Hardware, Inc., a specialty hardware distributor in Portland, Maine, serving kitchen cabinetmakers, furniture manufacturers and woodworkers. This is our fourth acquisition in the United States since the beginning of fiscal year 2016.

Our financial position remains excellent and almost debt-free, with a working capital of \$263.7 million for a current ratio of 4.2 : 1, as at August 31, 2016. During the first nine months, we repurchased 1,004,700 common shares under our normal course issuer bid for a consideration of \$23.1 million, of which \$5.3 million in the third quarter, and paid dividends of \$9.3 million, including \$3.1 million in the third quarter.

We are pursuing our strategies focused on innovation, internal growth, and acquisitions and expect to end fiscal year 2016 with good results.

NEXT DIVIDEND PAYMENT

On October 6, 2016, the Board of Directors approved payment of a quarterly dividend of 5.33¢ per share. This dividend is payable on November 3, 2016, to shareholders of record as at October 20, 2016.

Management's discussion and analysis of operating results and financial position for the third quarter and first nine months ended August 31, 2016

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, 2016 in comparison with the third quarter and first nine months ended August 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 third quarter and first nine 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 August 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 October 6, 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 third quarter and first nine months ended August 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 August 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 69 centres in North America - 36 distribution centres in Canada, 31 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 edgework 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.

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 offering a limited range of products.

FINANCIAL HIGHLIGHTS

(unaudited)

Periods ended August 31

(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	3 months			9 months		
	2016	2015	Δ (%)	2016	2015	Δ (%)
	\$	\$		\$	\$	
Sales	220,155	199,457	+10.4	626,477	549,577	+14.0
EBITDA ⁽¹⁾	25,942	24,394	+6.3	65,726	61,978	+6.0
EBITDA margin (%)	11.8	12.2		10.5	11.3	
Net earnings	17,479	16,461	+6.2	43,800	41,312	+6.0
Net earnings attributable to shareholders of the Corporation	17,331	16,340	+6.1	43,600	41,209	+5.8
• basic per share (\$) ⁽³⁾	0.30	0.28	+7.1	0.75	0.70	+7.1
• diluted per share (\$) ⁽³⁾	0.30	0.28	+7.1	0.74	0.69	+7.2
Net margin attributable to the shareholders of the Corporation (%)	7.9	8.2		7.0	7.5	
Cash flows from operating activities ⁽²⁾	20,246	18,948	+6.9	51,677	48,402	+6.8
• diluted per share (\$) ⁽³⁾	0.35	0.32	+9.4	0.88	0.81	+8.6
Dividends paid on shares	3,078	2,918	+5.5	9,290	8,796	+5.6
• per share (\$) ⁽³⁾	0.0533	0.0500	+6.6	0.160	0.150	+6.6
Weighted average number of shares outstanding (diluted) (in thousands) ⁽³⁾	58,640	59,347		58,822	59,521	

Financial position data

As at	August 31	November 30	
	2016	2015	
	\$	\$	Δ (%)
Total assets	466,711	449,792	+3.8
Working capital	263,731	260,579	+1.2
Current ratio	4.2 : 1	4.4 : 1	
Equity attributable to shareholders of the Corporation	375,150	362,885	+3.4
Return on average equity (%)	17.0	17.5	
Book value (\$)	6.48	6.19	+4.7
Total debt	3,814	3,580	+6.5
Cash and cash equivalents	20,925	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 THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2016 COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2015

Consolidated sales						
(in thousands of \$, except exchange rate)						
Periods ended August 31	3 months			9 months		
	2016	2015		2016	2015	
	\$	\$	Δ (%)	\$	\$	Δ (%)
Canada	146,200	135,951	+7.5	414,499	377,237	+9.9
United States(CA\$)	73,955	63,506	+16.5	211,978	172,340	+23.0
(US\$)	56,988	49,657	+14.8	159,715	138,680	+15.2
Average exchange rate	1.2977	1.2789		1.3272	1.2427	
Consolidated sales	220,155	199,457	+10.4	626,477	549,577	+14.0

Third-quarter consolidated sales amounted to \$220.2 million, compared with \$199.5 million for the corresponding quarter of 2015, an increase of \$20.7 million or 10.4%, of which 7.9% from internal growth and 2.5% from acquisitions. At comparable exchange rates to the third quarter of 2015, the consolidated sales growth would have been 9.8% for the quarter ended August 31, 2016.

Richelieu achieved sales of \$186.9 million in the **manufacturers** market, compared with \$170 million for the third quarter of 2015, an increase of \$16.9 million or 9.9%, of which 7.0% from internal growth and 2.9% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$33.3 million, up by \$3.8 million or 12.9% over the third quarter of 2015.

In Canada, Richelieu recorded sales of \$146.2 million, an increase of \$10.2 million or 7.5% over the third quarter of 2015, entirely 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 appreciation in the US dollar and the euro. Sales to **manufacturers** amounted to \$116.8 million, an increase of 6.0%. Sales to hardware **retailers** and renovation superstores grew to \$29.4 million, up by \$3.6 million or 14.0% over the corresponding quarter of 2015.

In the United States, sales totalled US\$57.0 million, compared with US\$49.7 million for the third quarter of 2015, an increase of US\$7.3 million or 14.8%, of which 7.0% from internal growth and 7.8% from acquisitions. Sales to **manufacturers** amounted to US\$54.0 million, an increase of US\$7.2 million or 15.4% over the third quarter of 2015, of which 7.1% from internal growth and 8.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 3.4% from the corresponding quarter of 2015. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$74.0 million, an increase of 16.5%. They accounted for 33.6% of consolidated sales for the third quarter of 2016, whereas they had represented 31.8% of the period's consolidated sales for the third quarter of 2015.

For the first nine months, consolidated sales reached \$626.5 million, an increase of \$76.9 million or 14.0% over the first nine months of 2015, of which 11.8% from internal growth and 2.2% from acquisitions. At comparable exchange rates to the first nine months of 2015, the consolidated sales growth would have been 11.5% for the nine-month period ended August 31, 2016.

Sales to **manufacturers** grew to \$534.1 million, compared with \$466.2 million for the first nine months of 2015, an increase of \$67.9 million or 14.6%, of which 12.0% from internal growth and 2.6% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 10.8% or \$9.0 million to total \$92.4 million.

In Canada, Richelieu achieved sales of \$414.5 million, compared with \$377.2 million for the first nine months of 2015, up by \$37.3 million or 9.9% 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 appreciation in the US dollar and the euro. Sales to **manufacturers** rose to \$333.0 million, up by \$28.8 million or 9.5% from internal growth. Sales to hardware **retailers** and renovation superstores reached \$81.5 million, compared with \$73.0 million, up by \$8.5 million or 11.6% over the first nine months of 2015.

In the United States, the Corporation recorded sales of US\$159.7 million, compared with US\$138.7 million for the first nine months of 2015, an increase of US\$21.0 million or 15.2%, of which 8.6% from internal growth and 6.6% from acquisitions. Sales to **manufacturers** totalled US\$151.5 million, compared with US\$130.4 million, an increase of US\$21.1 million or 16.2% over the first nine months of 2015, of which 9.2% from internal growth and 7.0% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 1.2% from the corresponding period of 2015. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$212.0 million, compared with \$172.4 million for the corresponding nine months of 2015, an increase of 23.0%. They accounted for 33.8% of consolidated sales for the first nine months of 2016, whereas they had represented 31.4% of the period's consolidated sales for the first nine months of 2015.

Consolidated EBITDA and EBITDA margin						
(in thousands of \$, unless otherwise indicated)						
Periods ended August 31	3 months			9 months		
	2016	2015		2016	2015	
	\$	\$	Δ (%)	\$	\$	Δ (%)
Sales	220,155	199,457	+10.4	626,477	549,577	+14.0
EBITDA	25,942	24,394	+6.3	65,726	61,978	+6.0
EBITDA margin (%)	11.8	12.2		10.5	11.3	

Third-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to \$25.9 million, up by \$1.5 million or 6.3% over the third 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 US 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 11.8%, compared with 12.2% for the third quarter of 2015.

For the first nine months, earnings before income taxes, interest and amortization (EBITDA) totalled \$65.7 million, up by \$3.7 million or 6.0% over the first nine 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 US 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 10.5%, compared with 11.3% for the first nine months of 2015.

Consolidated net earnings attributable to shareholders						
(in thousands of \$, unless otherwise indicated)						
	3 months			9 months		
Periods ended	2016	2015		2016	2015	
August 31	\$	\$	Δ (%)	\$	\$	Δ (%)
EBITDA	25,942	24,394	+6.3	65,726	61,978	+6.0
Amortization of property, plant and equipment and intangible assets	2,471	2,192		7,095	6,238	
Financial cost, net	5	(16)		93	(143)	
Income taxes	5,987	5,757		14,738	14,571	
Net earnings	17,479	16,461	+6.2	43,800	41,312	+6.0
Net earnings attributable to shareholders of the Corporation	17,331	16,340	+6.1	43,600	41,209	+5.8
Net margin attributable to the shareholders of the Corporation(%)	7.9	8.2		7.0	7.5	
Non-controlling interests	148	121		200	103	
Net earnings	17,479	16,461	+6.2	43,800	41,312	+6.0

Third-quarter net earnings grew by 6.2%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$17.3 million, up by 6.1% over the third quarter of 2015. **Net earnings per share** rose to \$0.30 basic and diluted, compared with \$0.28 basic and diluted for the third quarter of 2015, an increase of 7.1%.

Comprehensive income amounted to \$17.5 million, considering a positive adjustment of \$0.1 million on translation of the financial statements of the subsidiary in the United States, compared with \$21.1 million for the third quarter of 2015, considering a positive adjustment of \$4.7 million on translation of the financial statements of the subsidiary in the United States.

For the first nine months, net earnings grew by 6.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$43.6 million, up by 5.8% over the corresponding nine months of 2015. **Net earnings per share** amounted to \$0.75 basic and \$0.74 diluted, compared with \$0.70 basic and 0.69 \$ diluted for the first nine months of 2015, an increase of 7.1% and 7.2% respectively.

Comprehensive income totalled \$42.1 million, considering a negative adjustment of \$1.7 million on translation of the financial statements of the subsidiary in the United States, compared with \$52.2 million for the first nine months of 2015, considering a positive adjustment of \$10.9 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				
o Sales	188,909	217,413	220,155	
o EBITDA	16,710	23,074	25,942	
o Net earnings attributable to shareholders of the Corporation	10,861	15,408	17,331	
basic per share	0.19	0.27	0.30	
diluted per share	0.18	0.26	0.30	
2015				
o Sales	159,319	190,801	199,457	200,069
o EBITDA	15,706	21,878	24,394	25,703
o 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				
o Sales	136,108	165,155	167,809	177,837
o EBITDA	13,704	19,185	21,054	23,474
o 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 third quarter and first nine months ended August 31, 2016

Change in cash and cash equivalents and capital resources				
(in thousands of \$, unless otherwise indicated)				
Periods ended August 31	3 months		9 months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows provided by (used for):				
Operating activities	29,552	16,816	38,962	13,475
Financing activities	(6,730)	(2,823)	(30,485)	(18,270)
Investing activities	(2,181)	(3,091)	(17,081)	(7,560)
Effect of exchange rate fluctuations	56	(120)	75	(501)
Net change in cash and cash equivalents	20,697	10,782	(8,529)	(12,856)
Cash and cash equivalents, beginning of period	228	10,083	29,454	33,721
Cash and cash equivalents end of period	20,925	20,865	20,925	20,865
	As at August 31	As at November 30		
	2016	2015		
	\$	\$		
Working capital	263,731	260,579		
Renewable line of credit (CA\$)	26,000	26,000		
Renewable line of credit (US\$)	6,000	6,000		

Operating activities

Third-quarter cash flows from operating activities (before net change in working capital balances) amounted to \$20.2 million or \$0.35 per share, compared with \$18.9 million or \$0.32 per share for the third quarter of 2015, an increase of 6.9% stemming primarily from the net earnings growth. Net change in non-cash working capital balances represented a cash inflow of \$9.3 million, reflecting the change in accounts receivable and payable (\$10.7 million), whereas the change in inventories and other items used cash flows of \$1.4 million. Consequently, operating activities provided cash flows of \$29.6 million, compared with \$16.8 million for the third quarter of 2015.

For the first nine months, cash flows from operating activities (before net change in working capital balances) reached \$51.7 million or \$0.88 per share, compared with \$48.4 million or \$0.81 per share for the first nine months of 2015, an increase of 6.8% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$12.7 million, primarily representing changes in accounts receivable and inventories. Consequently, operating activities provided cash flows of \$39.0 million compared with \$13.5 million for the first nine months of 2015.

Financing activities

Third-quarter financing activities used cash flows of \$6.7 million, compared with \$2.8 million for the third quarter of 2015. This change mainly reflects the Corporation's repurchase of common shares for cancellation for \$5.3 million during the third quarter of 2016.

For the first nine months, financing activities used cash flows of \$30.5 million, compared with \$18.3 million for the first nine months of 2015. During the first nine months of the year, Richelieu repurchased common shares for cancellation for \$23.1 million, compared with \$9.2 million in the first nine months of 2015. The Corporation paid dividends to shareholders of \$9.3 million, up by 5.6% over the first nine months of 2015.

Investing activities

Third-quarter investing activities represented a cash outflow of \$2.2 million, of which \$0.6 million for business acquisition and \$1.6 million for equipment to improve operational efficiency.

For the first nine months, investing activities represented a total cash outflow of \$17.1 million, of which \$9.4 million for business acquisitions and \$7.7 million for the expansion of some distribution centres, computer hardware and equipment to improve operational efficiency.

Sources of financing

As at August 31, 2016, cash and cash equivalents amounted to \$20.9 million, compared with \$29.5 million as at November 30, 2015. This change primarily reflects the major share repurchases during the first nine 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 \$263.7 million for a current ratio of 4.2:1, 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 between now and the end of 2016. The Corporation continues to benefit from an authorized line of credit of \$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 August 31, 2016

Summary financial position		
(in thousands of \$, except exchange rate)		
As at	August 31	November 30
	2016	2015
	\$	\$
Current assets	346,201	337,308
Non-current assets	120,510	112,484
Total	466,711	449,792
Current liabilities	82,470	76,729
Non-current liabilities	5,037	6,256
Equity attributable to shareholders of the Corporation	375,150	362,885
Non-controlling interests	4,054	3,922
Total	466,711	449,792
<i>Exchange rate on translation of a subsidiary in the United States</i>	1.311	1.335

Assets

Total assets amounted to \$466.7 million as at August 31, 2016, compared with \$449.8 million as at November 30, 2015. **Current assets** increased by 2.6% or \$8.9 million from November 30, 2015.

Cash position		
(in thousands of \$)		
As at	August 31	November 30
	2016	2015
	\$	\$
Current portion of long-term debt	3,702	2,245
Long term-debt	112	1,335
Total debt	3,814	3,580
<i>Cash and cash equivalents</i>	20,925	29,454

The Corporation continues to benefit from a healthy and solid financial position. **Total debt** was \$3.8 million, of which \$0.1 million in long-term debt and \$3.7 million in short-term debt representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$375.2 million as at August 31, 2016, compared with \$362.9 million as at November 30, 2015, an increase of \$12.3 million stemming primarily from a growth of \$11.8 million in retained earnings which amounted to \$320.7 million, and of \$2.2 million in share capital and contributed surplus, whereas accumulated other comprehensive income were down by \$1.7 million. As at August 31, 2016, **the book value per share** was \$6.48, up by 4.7% over November 30, 2015.

As at August 31, 2016, at the close of markets, the Corporation's **share capital** consisted of 57,898,166 common shares (58,643,607 shares as at November 30, 2015). During the first nine months, the Corporation issued 259,259 common shares at an average price of \$8.41 (134,799 in 2015 at an average price of \$7.92) upon the exercise of options under its stock option plan. Furthermore, the Corporation repurchased 1,004,700 common shares for cancellation for a cash consideration of \$23.1 million, compared with a common share repurchase for an amount of \$9.2 million during the first nine months of 2015. As at August 31, 2016, 1,667,386 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 August 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 nine months ended August 31, 2016 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended August 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.

President and Chief
Executive Officer



(Signé) Richard Lord

Vice-President and Chief
Financial Officer



(Signé) Antoine Auclair

October 6, 2016

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the periods of three and nine months ended August 31, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]

[Unaudited]

	Notes	As at August 31, 2016 \$	As at November 30, 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		20,925	29,454
Accounts receivable		108,563	99,975
Inventories		214,326	206,449
Prepaid expenses		2,387	1,430
		346,201	337,308
Non-current assets			
Property, plant and equipment		31,114	27,963
Intangible assets		23,324	21,325
Goodwill		61,950	58,329
Deferred taxes		4,122	4,867
		466,711	449,792
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		78,569	71,787
Income taxes payable		199	2,697
Current portion of long-term debt		3,702	2,245
		82,470	76,729
Non-current liabilities			
Long-term debt		112	1,335
Deferred taxes		3,023	3,020
Other liabilities		1,902	1,901
		87,507	82,985
Equity			
Share capital	4	35,805	33,566
Contributed surplus		1,234	1,265
Retained earnings		320,705	308,904
Accumulated other comprehensive income	5	17,406	19,150
Equity attributable to shareholders of the Corporation		375,150	362,885
Non-controlling interests		4,054	3,922
		379,204	366,807
		466,711	449,792

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board of Directors :



Richard Lord
Director



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,	
		2016	2015	2016	2015
		\$	\$	\$	\$
Sales		220,155	199,457	626,477	549,577
Operating expenses excluding amortization and financial costs	6	194,213	175,063	560,751	487,599
Earnings before amortization, financial costs and income taxes		25,942	24,394	65,726	61,978
Amortization of property, plant and equipment		1,665	1,507	4,818	4,281
Amortization of intangible assets		806	685	2,277	1,957
Financial costs, net		5	(16)	93	(143)
		2,476	2,176	7,188	6,095
Earnings before income taxes		23,466	22,218	58,538	55,883
Income taxes		5,987	5,757	14,738	14,571
Net earnings		17,479	16,461	43,800	41,312
Net earnings attributable to:					
Shareholders of the Corporation		17,331	16,340	43,600	41,209
Non-controlling interests		148	121	200	103
		17,479	16,461	43,800	41,312
Net earnings per share attributable to shareholders of the Corporation					
Basic		0.30	0.28	0.75	0.70
Diluted		0.30	0.28	0.74	0.69

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,	
		2016	2015	2016	2015
		\$	\$	\$	\$
Net earnings		17,479	16,461	43,800	41,312
Other comprehensive income that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	5	65	4,663	(1,744)	10,872
Comprehensive income		17,544	21,124	42,056	52,184
Comprehensive income attributable to:					
Shareholders of the Corporation		17,396	21,003	41,856	52,081
Non-controlling interests		148	121	200	103
		17,544	21,124	42,056	52,184

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, 2014	29,762	1,576	270,826	6,985	309,149	4,404	313,553
Net earnings	—	—	41,209	—	41,209	103	41,312
Other comprehensive income	—	—	—	10,872	10,872	—	10,872
Comprehensive income	—	—	41,209	10,872	52,081	103	52,184
Shares repurchased	(236)	—	(8,944)	—	(9,180)	—	(9,180)
Stock options exercised	1,407	(339)	—	—	1,068	—	1,068
Share-based compensation expense	—	495	—	—	495	—	495
Dividends [note 9]	—	—	(8,796)	—	(8,796)	(596)	(9,392)
Other liabilities	—	—	—	—	—	(4)	(4)
	1,171	156	(17,740)	—	(16,413)	(600)	(17,013)
Balance as at August 31, 2015	30,933	1,732	294,295	17,857	344,817	3,907	348,724
Balance as at November 30, 2015	33,566	1,265	308,904	19,150	362,885	3,922	366,807
Net earnings	—	—	43,600	—	43,600	200	43,800
Other comprehensive income	—	—	—	(1,744)	(1,744)	—	(1,744)
Comprehensive income	—	—	43,600	(1,744)	41,856	200	42,056
Shares repurchased	(578)	—	(22,509)	—	(23,087)	—	(23,087)
Stock options exercised	2,817	(637)	—	—	2,180	—	2,180
Share-based compensation expense	—	606	—	—	606	—	606
Dividends [note 9]	—	—	(9,290)	—	(9,290)	(67)	(9,357)
Other liabilities	—	—	—	—	—	(1)	(1)
	2,239	(31)	(31,799)	—	(29,591)	(68)	(29,659)
Balance as at August 31, 2016	35,805	1,234	320,705	17,406	375,150	4,054	379,204

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]

	Notes	For the three months ended August 31,		For the nine months ended August 31,	
		2016	2015	2016	2015
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net earnings		17,479	16,461	43,800	41,312
Items not affecting cash					
Amortization of property, plant and equipment		1,665	1,507	4,818	4,281
Amortization of intangible assets		806	685	2,277	1,957
Deferred taxes		—	—	(69)	—
Share-based compensation expense	4	296	295	851	852
		20,246	18,948	51,677	48,402
Net change in non-cash working capital balances		9,306	(2,132)	(12,715)	(34,927)
		29,552	16,816	38,962	13,475
FINANCING ACTIVITIES					
Repayment of long-term debt		—	(166)	(221)	(766)
Dividends paid to Shareholders of the Parent Corporation	9	(3,078)	(2,918)	(9,290)	(8,796)
Other dividends paid		—	—	(67)	(596)
Common shares issued		1,696	261	2,180	1,068
Common shares repurchased for cancellation		(5,348)	—	(23,087)	(9,180)
		(6,730)	(2,823)	(30,485)	(18,270)
INVESTING ACTIVITIES					
Business acquisitions	3	(558)	(556)	(9,417)	(556)
Additions to property, plant and equipment and intangible assets		(1,623)	(2,535)	(7,664)	(7,004)
		(2,181)	(3,091)	(17,081)	(7,560)
Effect of exchange rate changes on cash and cash equivalents		56	(120)	75	(501)
Net change in cash and cash equivalents		20,697	10,782	(8,529)	(12,856)
Cash and cash equivalents, beginning of period		228	10,083	29,454	33,721
Cash and cash equivalents, end of period		20,925	20,865	20,925	20,865
Supplementary information					
Income taxes paid		5,015	4,731	17,071	15,954
Interest paid (received), net		5	(16)	93	(143)

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, 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 August 18, 2016, the Corporation purchased the principal net assets of Neils Sorenson Hardware, Inc., a specialty hardware distributor located in Portland, Maine.

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 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 August 31, 2016 \$	As at November 30, 2015 \$
57,898,166 common shares		
[November 30, 2015 - 58,643,607]	35,805	33,566

During the nine-month period ended August 31, 2016, the Corporation issued 259,259 common shares [2015 - \$134,799] at an average price of \$8.41 per share [2015 - \$7.92] pursuant to the exercise of options under the share option plan. In addition, during the nine-month period ended August 31, 2016, the Corporation repurchased 1,004,700 common shares for cancellation through a normal course issuer bid in consideration of \$23,087, which resulted in a premium on the redemption in the amount of \$22,509, recorded in 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].

Notes to interim consolidated financial statements (Unaudited)

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

Stock option plan

During the nine-month period ended August 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 1.0% [2015 - 1.0%], 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 3,500 options were cancelled. For the three and nine-month periods ended August 31, 2016, the compensation expense related to stock options amounted to \$293 and \$606 [2015 - \$168 and \$495] and is recognized under *Operating expenses excluding amortization and financial costs*. As at August 31, 2016, 1,667,386 options were outstanding with exercise price varying from \$5.57 to \$22.25 for a weighted average of \$13.48 [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].

Deferred share unit plan

The financial liability resulting from the DSU plan of \$5,486 [November 30, 2015 - \$6,022] is presented under the *Accounts payable and accrued liabilities*. As at August 31, 2016, the fair value of the equity swaps amounted to an asset of \$272 [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 nine-month periods ended August 31, 2016, amounted to \$3 and \$245 [2015 - \$127 and \$357] and is recognized under *Operating expenses excluding amortization and financial costs*.

Share purchase plan

Compensation expense related to the share purchase plan amounted to \$168 and \$450 for the three and nine-month periods ended August 31, 2016 [2015 - \$148 and \$393] 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 August 31,		For the nine months ended August 31,	
	2016	2015	2016	2015
Weighted average number of shares outstanding - Basic	57,844	58,366	58,100	58,589
Dilutive effect under stock option plan	796	981	722	932
Weighted average number of shares outstanding - Diluted	58,640	59,347	58,822	59,521

5. ACCUMULATED 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,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Balance at the beginning of the period	17,341	13,194	19,150	6,985
Exchange differences on translation of foreign operations	65	4,663	(1,744)	10,872
Balance at the end of the period	17,406	17,857	17,406	17,857

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, 2016, the fair value of the foreign exchange forward contracts amounted to an asset of \$25 [asset 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 August 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 \$566 and \$1,772 [2015 - \$825 and \$2,301] during the three and nine-month periods ended August 31, 2016 for a total of \$7,627 as at August 31, 2016 [November 30, 2015 - \$5,855].

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and euro. Operating expenses included, for the three and nine-month periods ended August 31, 2016, an exchange gain of \$332 and \$261 [2015 - gain of \$104 and \$1,204].

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 reducing the exposure to exchange rate fluctuations. The Corporation's policy does not allow speculative trades.

Notes to interim consolidated financial statements (Unaudited)

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

As at August 31, 2016, a decrease of 5% of the Canadian dollar against the US dollar and the euro on translation of monetary assets and liabilities, all other variables remaining the same, would have had no significant impact on consolidated net earnings [would have had no significant impact on consolidated net earnings as at August 31, 2015] and would have increased the consolidated comprehensive income by \$6,008 [\$5,559 as at August 31, 2015]. 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, 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 August 31,		For the nine months ended August 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Inventories from the distribution, imports and manufacturing activities	159,317	143,110	458,854	395,974
Salaries and related charges	29,697	26,760	87,035	77,736
Other charges	5,199	5,193	14,862	13,889
	194,213	175,063	560,751	487,599

For the three and nine-month periods ended August 31, 2016, an expense of \$839 and \$2,375 [2015 - \$751 and \$2,076] for inventory obsolescence is included in Inventories from the distribution, imports and manufacturing activities.

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 August 31, 2016 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.0 % [1.0 % as at November 30, 2015] [Long-term debt/Equity]
- Return on average shareholder's equity of 17.0% 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 nine-month periods ended August 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 \$73,955 and \$211,978 [2015 - \$63,506 and \$172,340] in Canadian dollars and to \$56,988 and \$159,715 [2015 - \$49,657 and \$138,680] in US dollars.

As at August 31, 2016, out of the total amount in property, plant and equipment, \$3,143 [November 30, 2015 - \$2,730] are located in the United States. In addition, intangible assets located in the United States amounted to \$15,549 [November 30, 2015 - \$12,794] and goodwill to \$12,852 [November 30, 2015 - \$9,231] in Canadian dollars and to \$11,855 [November 30, 2015 - \$9,581] and goodwill to \$9,799 [November 30, 2015 - \$6,913] in US dollars.

9. DIVIDENDS PAID TO SHAREHOLDER OF THE CORPORATION

For the three and nine-month periods ended August 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 \$3,078 and \$9,290 [2015 - \$2,918 and \$8,796].

10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and nine-month periods ended August 31, 2016 (including the comparative figures) were approved for issue by the Board of Directors on October 6, 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.