Richelieu

Interim Report 3

Three and nine-month periods ended August 31, 2017

MESSAGE TO SHAREHOLDERS

During the third quarter, our strategies and development initiatives continued to drive our internal growth as well as our growth from acquisitions, as shown by the increase in earnings and our strong financial position as at August 31, 2017. Third-quarter sales reached $253.2 million, up 15%, of which 6.9% from internal growth and 8.1% from acquisitions. For the first nine months of FY2017 our sales totalled $692.4 million, up by 10.5%.

Our solid performance in the manufacturers market contributed to growth for the quarter with sales of $213.2 million, representing a 14.1% increase, of which 4.6% from internal growth and 9.5% from acquisitions including Weston Premium Woods acquired in Ontario in the second quarter of 2017, and most recently Tamarack Distributors Inc. closed on August 1st. In the retailers market, sales went up 19.8%, mainly due to our market development efforts and investments in Canada and the U.S. that helped us gain market share and new customers.

Net earnings attributable to shareholders were $18.1 million or $0.31 diluted per share for the third quarter and rose 9.5% to $47.7 million or $0.81 diluted per share for the first nine months of FY2017.

With the acquisition of Tamarack, a specialty product distributor operating a distribution center in Cincinnati whose customers include kitchen cabinets and furniture manufacturers and woodworkers, we strengthened our position in the important Ohio market and our presence in Cincinnati, where we already operate a distribution center. In the short term, we plan to merge the two centers' and continue integrating recent acquisitions while focusing on sales and operational synergies.

During the third quarter and first nine months, we paid dividends to shareholders of $3.3 million and $9.9 million, respectively. Our financial position remains strong and practically debt-free, with $22.3 million in net cash and $293.8 million in working capital for a 4.4:1 ratio as at August 31, 2017.

We will continue to pursue our sales and sustained profitability growth targets and expect to close the year ending November 30, 2017, with good results and an impeccable balance sheet.

NEXT DIVIDEND PAYMENT

On October 5, 2017, the Board of Directors approved payment of a quarterly dividend of 5.67¢ per share. This dividend is payable on November 2, 2017, to shareholders of record as at October 19, 2017.

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, 2017, in comparison with the third quarter and first nine months ended August 31, 2016, as well as the Corporation's financial position as at August 31, 2017, in comparison with November 30, 2016. 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 2017 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2016 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, 2017, 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 5, 2017, 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, 2017 have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") because this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted financial indicator of a corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or the net earnings attributable to shareholders of the Corporation, as an indicator of financial performance or cash flows, or as a measure of liquidity. 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 given, 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 2016 Annual Report (see the "Risk Factors" section on page 33 of the 2016 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, 2017

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 80,000 customers served through 70 centres in North America - 37 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 decorative 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 edge banding 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 its network, close to half of whom work in marketing, sales and customer service. More than 50% of the Corporation's employees are Richelieu's 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**		
	2017	2016		**2017**	2016	
	$	$	Δ (%)	**$**	$	Δ (%)
Sales	**253,190**	220,155	+15.0	**692,368**	626,477	+10.5
EBITDA(1)	**27,924**	25,942	+7.6	**72,913**	65,726	+10.9
EBITDA margin (%)	***11.0***	*11.8*		***10.5***	*10.5*	
Net earnings	**18,341**	17,479	+4.9	**47,944**	43,800	+9.5
Net earnings attributable to shareholders of the Corporation	**18,135**	17,331	+4.6	**47,720**	43,600	+9.4
• basic per share ($)	**0.31**	0.30	+3.3	**0.82**	0.75	+9.3
• diluted per share ($)	**0.31**	0.30	+3.3	**0.81**	0.74	+9.5
Net margin attributable to the shareholders of the Corporation(%)	***7.2***	*7.9*		***6.9***	*7.0*	
Cash flows from operating activities(2)	**21,882**	20,246	+8.1	**57,705**	51,677	+11.7
• diluted per share ($)	**0.37**	0.35	+5.7	**0.98**	0.88	+11.4
Dividends paid on shares	**3,290**	3,078	+6.9	**9,863**	9,290	+6.2
• per share ($)	**0.0567**	**0.0533**	+6.4	**0.1701**	**0.1599**	+6.4
Weighted average number of shares outstanding (diluted) (in thousands)	**58,725**	58,640		**58,629**	58,822	

Financial position data

As at	**August 31**	November 30	
	2017	2016	
	$	$	Δ (%)
Total assets	**520,538**	486,046	+7.1
Working capital	**293,787**	280,747	+4.6
Current ratio	***4.4 : 1***	***4.4 : 1***	
Equity attributable to shareholders of the Corporation	**424,619**	394,268	+7.7
Return on average equity (%)	***16.7***	*16.6*	
Book value ($)	**7.31**	6.81	+7.3
Total debt	**4,524**	4,864	
Cash and cash equivalents	**26,868**	42,969	

(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.

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2017, COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2016

Consolidated sales

(in thousands of $, except exchange rate)

Periods ended August 31	3 months 2017 $	2016 $	Δ (%)	9 months 2017 $	2016 $	Δ (%)
Canada	**171,707**	146,148	+17.5	**460,940**	414,386	+11.2
United States(CA$)	**81,483**	74,007	+10.1	**231,428**	212,091	+9.1
(US$)	**63,375**	56,988	+11.2	**175,633**	159,715	+10.0
Average exchange rate	***1.2857***	*1.2986*		***1.3177***	*1.3279*	
Consolidated sales	**253,190**	220,155	+15.0	**692,368**	626,477	+10.5

Third-quarter consolidated sales amounted to $253.2 million, compared with $220.2 million for the corresponding quarter of 2016, an increase of $33.0 million or 15.0%, of which 6.9% from internal growth and 8.1% from acquisitions. At comparable exchange rates to the third quarter of 2016, the consolidated sales growth would have been 15.4% for the quarter ended August 31, 2017.

Richelieu achieved sales of $213.2 million in the **manufacturers** market, compared with $186.8 million for the third quarter of 2016, an increase of $26.4 million. All market segments contributed to this 14.1% increase, of which 4.6% resulted from internal growth and 9.5% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $40 million, up by $6.6 million or 19.8% over the third quarter of 2016. This growth results primarily from market penetration efforts, the addition of new customers, seasonal sales and to a lesser extent an ncrease in some selling prices.

In Canada, Richelieu recorded sales of $171.7 million, an increase of $25.5 million or 17.5% over the third quarter of 2016, of which 7.7% from internal growth and 9.8% from acquisitions. Sales to **manufacturers** amounted to $136.4 million compared with $116.8 million an increase of 16.8% of which 4.6% from internal growth and 12.2% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to $35.3 million, up by $5.9 million or 20.1% over the corresponding quarter of 2016.

In the United States, sales totalled US$63.4 million, compared with US $57.0 million for the third quarter of 2016, an increase of US$6.4 million or 11.2%, of which 6.4% from internal growth and 4.8% from acquisitions. Sales to **manufacturers** amounted to US$59.7 million, compared to US$53.9 million, an increase of 10.8% over the third quarter of 2016, of which 5.7% from internal growth and 5.1% from acquisitions. Sales in US$ to hardware **retailers** and renovation superstores were up by 19.4% from the corresponding quarter of 2016. Total U.S. sales expressed in Canadian dollars stood at $81.5 million, compared with $74 million, an increase of 10.1%. They accounted for 32.2% of consolidated sales for the third quarter of 2017, whereas they had represented 33.6% of the period's consolidated sales for the third quarter of 2016.

For the first nine months, consolidated sales reached $692.4 million, an increase of $65.8 million or 10.5% over the first nine months of 2016, of which 5.5% from internal growth and 5.0% from acquisitions.

Sales to **manufacturers** grew to $585.8 million, compared with $533.8 million for the first nine months of 2016, an increase of $52.0 million or 9.7%, of which 3.8% from internal growth and 5.9% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 14.9% or $13.8 million to total $106.5 million.

In Canada, Richelieu achieved sales of $460.9 million, compared with $414.4 million for the first nine months of 2016, up by $46.5 million or 11.2%, of which 5.8% from internal growth and 5.4% from acquisitions. Sales to **manufacturers** rose to $366.5 million, up by $33.6 million or 10.1% of which 3.4% from internal growth and 6.7% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $94.4 million, compared with $81.5 million, up by $12.9 million or 15.8% over the first nine months of 2016. This growth results primarily from market share gain, the addition of new customers and to a lesser extent an increase in some selling prices.

In the United States, the Corporation recorded sales of US$175.6 million, compared with US$159.7 million for the first nine months of 2016, an increase of US$15.9 million or 10.0%, of which 5.5% from internal growth and 4.5% from acquisitions. Sales to **manufacturers** totalled US$166.4 million, compared with US$151.3 million, an increase of US$15.1 million or 10.0% over the first nine months of 2016, of which 5.3% from internal growth and 4.7% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 9.5% from the corresponding period of 2016. Total U.S. sales expressed in Canadian dollars amounted to $231.4 million, compared with $212.1 million for the corresponding nine months of 2016, an increase of 9.1%. They accounted for 33.4% of consolidated sales for the first nine months of 2017, whereas they represented 33.9% of the period's consolidated sales for the first nine months of 2016.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 months 2017 $	2016 $	Δ (%)	9 months 2017 $	2016 $	Δ (%)
Sales	**253,190**	220,155	+15.0	**692,368**	626,477	+10.5
EBITDA	**27,924**	25,942	+7.6	**72,913**	65,726	+10.9
EBITDA margin (%)	***11.0***	*11.8*		***10.5***	*10.5*	

Third-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to $27.9 million, up by $2.0 million or 7.6% over the third quarter of 2016. **Gross margin** was down from the third quarter of 2016 influenced by the lower gross margins of some recent acquisitions due to their different product mix as well as to investments in market development and seasonal sales initiatives in the retailers market with lower gross margins. These factors, combined with the negative effects of the rapid drop in the US dollar during the quarter also impacted the **EBITDA margin** downward. Consequently, the **EBITDA margin** stood at 11.0%, compared to 11.8% for the corresponding quarter of 2016.

Amortization expenses for the third quarter of 2017 amounted to $3.1 million compared with $2.5 million for the corresponding quarter of 2016 up by $0.6 million, resulting mainly from the increase in intangible assets in 2017. **Income taxes expenses** amounted to $6.5 million, up by $0.5 million from the third quarter of 2016, due mainly to fluctuations in results by region where the Company and subsidiaries are subject to tax rates and tax regulations differing from one another.

For the first nine months, earnings before income taxes, interest and amortization (EBITDA) totalled $72.9 million, up by $7.2 million or 10.9% over the first nine months of 2016. The **gross margin** and the **EBITDA margin** remained stable during the first nine months of 2017. **EBITDA margin** stood at 10.5%, compared with 10.5% for the first nine months of 2016.

Amortization expenses for the first nine months of 2017 amounted to $8.5 million compared with $7.1 million for the same period of 2016 up by $1.4 million. **Income taxes expenses** amounted to $16.6 million, up by $1.9 million from the first nine months of 2016, due mainly to fluctuations in results by region where the Company and subsidiaries are subject to tax rates and tax regulations differing from one another.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

	3 months			9 months		
Periods ended	**2017**	2016		**2017**	2016	
August 31	**$**	$	∆ (%)	**$**	$	∆ (%)
EBITDA	**27,924**	25,942	+7.6	**72,913**	65,726	+10.9
Amortization of property, plant and equipment and intangible assets	**3,079**	2,471		**8,507**	7,095	
Financial cost, net	**(7)**	5		**(148)**	93	
Income taxes	**6,511**	5,987		**16,610**	14,738	
Net earnings	**18,341**	17,479	+4.9	**47,944**	43,800	+9.5
Net earnings attributable to shareholders of the Corporation	**18,135**	17,331	+4.6	**47,720**	43,600	+9.4
Net margin attributable to the shareholders of the Corporation(%)	***7.2***	*7.9*		***6.9***	*7.0*	
Non-controlling interests	**206**	148		**224**	200	
Net earnings	**18,341**	17,479	+4.9	**47,944**	43,800	+9.5

Third-quarter net earnings grew by 4.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $18.1 million, up by 4.6% over the third quarter of 2016. **Net earnings per share** rose to $0.31 basic and diluted, compared with $0.30 basic and diluted for the third quarter of 2016, an increase of 3.3%.

Comprehensive income amounted to $10.7 million, considering a negative adjustment of $7.6 million on translation of the financial statements of the subsidiary in the United States, compared with $17.5 million for the third quarter of 2016, considering a positive adjustment of $0.1 million on translation of the financial statements of the subsidiary in the United States.

For the first nine months, net earnings grew by 9.5%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $47.7 million, up by 9.4% over the corresponding nine months of 2016. **Net earnings per share** amounted to $0.82 basic and $0.81 diluted, compared with $0.75 basic and $0.74 diluted for the first nine months of 2016, an increase of 9.3% and 9.5% respectively.

Comprehensive income totalled $40.8 million, considering a negative adjustment of $7.2 million on translation of the financial statements of the subsidiary in the United States, compared with $42.1 million for the first nine months of 2016, considering a negative adjustment of $1.7 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Quarters	**1**	**2**	**3**	**4**
2017				
o Sales	**195,909**	**243,269**	**253,190**	
o EBITDA	**18,341**	**26,648**	**27,924**	
o Net earnings attributable to shareholders of the Corporation	**11,998**	**17,587**	**18,135**	
basic per share	**0.21**	**0.30**	**0.31**	
diluted per share	**0.20**	**0.30**	**0.31**	
2016				
o Sales	188,909	217,413	220,155	217,996
o EBITDA	16,710	23,074	25,942	28,696
o Net earnings attributable to shareholders of the Corporation	10,861	15,408	17,331	19,214
basic per share	0.19	0.27	0.30	0.33
diluted per share	0.18	0.26	0.30	0.33
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

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, 2017

Change in cash and cash equivalents and capital resources

(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 months **2017** $	3 months 2016 $	9 months **2017** $	9 months 2016 $
Cash flows provided by (used for):				
Operating activities	**16,424**	29,552	**36,142**	38,962
Financing activities	**(1,919)**	(6,730)	**(12,838)**	(30,485)
Investing activities	**(4,325)**	(2,181)	**(39,615)**	(17,081)
Effect of exchange rate fluctuations	**297**	56	**210**	75
Net change in cash and cash equivalents	**10,477**	20,697	**(16,101)**	(8,529)
Cash and cash equivalents, beginning of period	**16,391**	228	**42,969**	29,454
Cash and cash equivalents end of period	**26,868**	20,925	**26,868**	20,925

	As at August 31 2017 $	As at November 30 2016 $
Working capital	**293,787**	280,747
Renewable line of credit (CA$)	**50,000**	26,000
Renewable line of credit (US$)	**6,000**	6,000

Operating activities

Third-quarter cash flows from operating activities (before net change in working capital balances) amounted to $21.9 million or $0.37 diluted per share, compared with $20.2 million or $0.35 diluted per share for the third quarter of 2016, an increase of 8.1% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $5.5 million, reflecting the change in inventories ($9.5 million), whereas the change in accounts receivable, payable and other items represented a cash inflow of $4.0 million. Consequently, operating activities provided cash flows of $16.4 million, compared with $29.6 million for the third quarter of 2016.

For the first nine months, cash flows from operating activities (before net change in working capital balances) reached $57.7 million or $0.98 diluted per share, compared with $51.7 million or $0.88 diluted per share for the first nine months of 2016, an increase of 11.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $21.6 million primarily representing changes in accounts receivable and inventories. Consequently, operating activities provided cash flows of $36.1 million compared with $39.0 million for the first nine months of 2016.

Financing activities

Third-quarter financing activities used cash flows of $1.9 million, compared with $6.7 million for the third quarter of 2016. This change mainly reflects the Corporation's repurchase of common shares for cancellation for $5.3 million during the third quarter of 2016. Dividends paid to shareholders amounted to $3.3 million, up by $0.2 million over the corresponding quarter of 2016.

For the first nine months, financing activities used cash flows of $12.8 million, compared with $30.5 million for the first nine months of 2016. During the first nine months of the year, Richelieu repurchased common shares for cancellation for $4.1 million, compared with $23.1 million in the first nine months of 2016. The Corporation paid dividends to shareholders of $9.9 million, up by 6.2% over the first nine months of 2016.

Investing activities

Third-quarter investing activities represented a cash outflow of $4.3 million, of which $1.2 million for a business acquisition and $3.1 million primarily for equipment to improve operational efficiency.

For the first nine months, investing activities represented a total cash outflow of $39.6 million, of which $30.2 million for a business acquisitions and $9.4 million primarily for equipment to improve operational efficiency.

Sources of financing

As at August 31, 2017, cash and cash equivalents amounted to $26.9 million, compared with $43.0 million as at November 30, 2016. This change primarily reflects the investing activities made during the first nine months of 2017 compared with the corresponding period of 2016. The Corporation posted a **working capital** of $293.8 million for a current ratio of 4.4:1, compared with $280.7 million (4.4:1 ratio) as at November 30, 2016.

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 2017. The Corporation benefits from an authorized line of credit of $50 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, 2017

Summary financial position

(in thousands of $, except exchange rate)

As at	**August 31 2017** $	November 30 2016 $
Current assets	**380,089**	362,803
Non-current assets	**140,449**	123,243
Total	**520,538**	486,046
Current liabilities	**86,302**	82,056
Non-current liabilities	**5,511**	5,679
Equity attributable to shareholders of the Corporation	**424,619**	394,268
Non-controlling interests	**4,106**	4,043
Total	**520,538**	486,046
Exchange rate on translation of a subsidiary in the United States	***1.254***	*1.343*

Assets

Total assets amounted to $520.5 million as at August 31, 2017, compared with $486.0 million as at November 30, 2016. **Current assets** increased by 4.8% or $17.3 million from November 30, 2016. **Non-current assets** increased by 14.0%. This change is mainly due to the increase in intangible assets resulting from an important business acquisition carried out during the first nine months of 2017.

Cash position		
(in thousands of $)		
As at	**August 31 2017 $**	November 30 2016 $
Current portion of long-term debt	**4,135**	4,336
Long-term debt	**389**	528
Total debt	**4,524**	4,864
Cash and cash equivalents	***26,868***	*42,969*

The Corporation continues to benefit from a healthy and solid financial position. As at August 31, 2017**, total debt** was $4.5 million, of which $0.4 million in long-term debt and $4.1 million in short-term debt representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $424.6 million as at August 31, 2017, compared with $394.3 million as at November 30, 2016, an increase of $30.4 million stemming primarily from a growth of $33.8 million in retained earnings which amounted to $370.7 million, and of $3.7 million in share capital and contributed surplus, whereas accumulated other comprehensive income was down by $7.2 million. As at August 31, 2017, **the book value per share** was $7.31, up by 7.3% over November 30, 2016.

As at August 31, 2017, at the close of markets, the Corporation's **share capital** consisted of 58,076,691 common shares (57,920,466 shares as at November 30, 2016). During the first nine months of 2017, the Corporation issued 302,425 common shares at an average price of $8.02 (281,559 in 2016 at an average price of $8.42) upon the exercise of stock options under its stock option plan. Furthermore, during the first nine months of 2017, the Corporation repurchased 146,200 common shares for cancellation for a cash consideration of $4.1 million, compared with 1,004,700 common share repurchase for an amount of $23.1 million during the year of 2016. As at August 31, 2017, 1,670,161 stock options were outstanding (1,650,086 as at November 30, 2016).

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 2016 Annual Report, available on SEDAR at www.sedar.com. For 2017 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 2016 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, 2016. 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, 2017, 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 ended August 31, 2017, have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended August 31, 2017, 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, 2016, 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 2016 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	Vice-President and Chief Financial Officer
Richard Lord	**Antoine Auclair**

October 5, 2017

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the periods of three and nine months ended August 31, 2017

[Unaudited]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]
[Unaudited]

	Notes	As at August 31, 2017 $	As at November 30, 2016 $
ASSETS			
Current assets			
Cash and cash equivalents		**26,868**	42,969
Accounts receivable		**129,791**	109,867
Inventories		**219,932**	207,803
Prepaid expenses		**3,498**	2,164
		380,089	362,803
Non-current assets			
Property, plant and equipment		**36,947**	33,258
Intangible assets		**31,275**	22,881
Goodwill		**67,015**	62,256
Deferred taxes		**5,212**	4,848
		520,538	486,046
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**81,688**	75,764
Income taxes payable		**479**	1,956
Current portion of long-term debt		**4,135**	4,336
		86,302	82,056
Non-current liabilities			
Long-term debt		**389**	528
Deferred taxes		**3,239**	3,239
Other liabilities		**1,883**	1,912
		91,813	87,735
Equity			
Share capital	4	**39,003**	36,050
Contributed surplus		**2,184**	1,417
Retained earnings		**370,658**	336,835
Accumulated other comprehensive income	5	**12,774**	19,966
Equity attributable to shareholders of the Corporation		**424,619**	394,268
Non-controlling interests		**4,106**	4,043
		428,725	398,311
		520,538	486,046

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]

		For the three months ended August 31,		For the nine months ended August 31,	
		2017	2016	**2017**	2016
	Notes	**$**	$	**$**	$
Sales		**253,190**	220,155	**692,368**	626,477
Operating expenses excluding amortization	6	**225,266**	194,213	**619,455**	560,751
Earnings before amortization, financial costs and income taxes		**27,924**	25,942	**72,913**	65,726
Amortization of property, plant and equipment		**1,946**	1,665	**5,631**	4,818
Amortization of intangible assets		**1,133**	806	**2,876**	2,277
Financial costs, net		**(7)**	5	**(148)**	93
		3,072	2,476	**8,359**	7,188
Earnings before income taxes		**24,852**	23,466	**64,554**	58,538
Income taxes		**6,511**	5,987	**16,610**	14,738
Net earnings		**18,341**	17,479	**47,944**	43,800
Net earnings attributable to:					
Shareholders of the Corporation		**18,135**	17,331	**47,720**	43,600
Non-controlling interests		**206**	148	**224**	200
		18,341	17,479	**47,944**	43,800
Net earnings per share attributable to shareholders of the Corporation					
Basic		**0.31**	0.30	**0.82**	0.75
Diluted		**0.31**	0.30	**0.81**	0.74

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]

		For the three months ended August 31,		For the nine months ended August 31,	
		2017	2016	**2017**	2016
	Notes	**$**	$	**$**	$
Net earnings		**18,341**	17,479	**47,944**	43,800
Other comprehensive income that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	5	**(7,644)**	65	**(7,192)**	(1,744)
Comprehensive income		**10,697**	17,544	**40,752**	42,056
Comprehensive income attributable to:					
Shareholders of the Corporation		**10,491**	17,396	**40,528**	41,856
Non-controlling interests		**206**	148	**224**	200
		10,697	17,544	**40,752**	42,056

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						
	Share capital	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income**	**Total**	**Non-controlling interests**	**Total equity**
	$	$	$	$	$	$	$
Notes	4			5			
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 loss	—	—	—	(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
Balance as at November 30, 2016	**36,050**	**1,417**	**336,835**	**19,966**	**394,268**	**4,043**	**398,311**
Net earnings	**—**	**—**	**47,720**	**—**	**47,720**	**224**	**47,944**
Other comprehensive loss	**—**	**—**	**—**	**(7,192)**	**(7,192)**	**—**	**(7,192)**
Comprehensive income	**—**	**—**	**47,720**	**(7,192)**	**40,528**	**224**	**40,752**
Shares repurchased	**(93)**	**—**	**(4,034)**	**—**	**(4,127)**	**—**	**(4,127)**
Stock options exercised	**3,046**	**(619)**	**—**	**—**	**2,427**	**—**	**2,427**
Share-based compensation expense	**—**	**1,386**	**—**	**—**	**1,386**	**—**	**1,386**
Dividends *[note 9]*	**—**	**—**	**(9,863)**	**—**	**(9,863)**	**(190)**	**(10,053)**
Other liabilities	**—**	**—**	**—**	**—**	**—**	**29**	**29**
	2,953	**767**	**(13,897)**	**—**	**(10,177)**	**(161)**	**(10,338)**
Balance as at August 31, 2017	**39,003**	**2,184**	**370,658**	**12,774**	**424,619**	**4,106**	**428,725**

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,	
		2017	2016	**2017**	2016
	Notes	**$**	$	**$**	$
OPERATING ACTIVITIES					
Net earnings		**18,341**	17,479	**47,944**	43,800
Items not affecting cash					
Amortization of property, plant and equipment		**1,946**	1,665	**5,631**	4,818
Amortization of intangible assets		**1,133**	806	**2,876**	2,277
Deferred taxes		**(189)**	—	**(590)**	(69)
Share-based compensation expense	4	**651**	296	**1,844**	851
		21,882	20,246	**57,705**	51,677
Net change in non-cash working capital balances		**(5,458)**	9,306	**(21,563)**	(12,715)
		16,424	29,552	**36,142**	38,962
FINANCING ACTIVITIES					
Repayment of long-term debt		**(133)**	—	**(1,085)**	(221)
Dividends paid to Shareholders of the Parent Corporation	9	**(3,290)**	(3,078)	**(9,863)**	(9,290)
Other dividends paid		—	—	**(190)**	(67)
Common shares issued		**1,504**	1,696	**2,427**	2,180
Common shares repurchased for cancellation		—	(5,348)	**(4,127)**	(23,087)
		(1,919)	(6,730)	**(12,838)**	(30,485)
INVESTING ACTIVITIES					
Business acquisitions	3	**(1,203)**	(558)	**(30,203)**	(9,417)
Additions to property, plant and equipment and intangible assets		**(3,122)**	(1,623)	**(9,412)**	(7,664)
		(4,325)	(2,181)	**(39,615)**	(17,081)
Effect of exchange rate changes on cash and cash equivalents		**297**	56	**210**	75
Net change in cash and cash equivalents		**10,477**	20,697	**(16,101)**	(8,529)
Cash and cash equivalents, beginning of period		**16,391**	228	**42,969**	29,454
Cash and cash equivalents, end of period		**26,868**	20,925	**26,868**	20,925
Supplementary information					
Income taxes paid		**6,960**	5,015	**18,667**	17,071
Interest paid (received), net		**(7)**	5	**(148)**	93

See accompanying notes to the interim consolidated financial statements.

August 31, 2017 and 2016 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

NATURE OF BUSINESS

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

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing the annual consolidated financial statements as at November 30, 2016, and for the year ended at this date, 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 2016.

2. CHANGES IN ACCOUNTING METHODS

Adopted in 2017

IAS 1, Presentation of Financial Statements

IAS 1 *Presentation of Financial Statements* clarifies 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. The Corporation considers that the application of IAS 1 has no significant impact on its consolidated financial statements.

Recently issued and not yet adopted

IFRS 9, Financial Instruments

In July 2014, IFRS 9 *Financial Instruments* replaced IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 introduces a revised approach for the classification of financial assets based on the characteristics of the contractual cash flows of the financial assets. IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk-management activities. IFRS 9 is effective for fiscal years beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 15, Revenue from contracts with customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue,* IAS 11, *Construction Contracts* and related interpretations. Under IFRS 15, 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 is effective for fiscal years beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 16, Leases

IFRS 16 *Leases* 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 fiscal years beginning on or after January 1st, 2019, with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

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

3. BUSINESS ACQUISITIONS

2017

On August 1st, 2017, the Corporation purchased the principal net assets of Tamarack Distributors Inc., a specialty product distributor located in Cincinnati, Ohio.

On April 18, 2017, the Corporation purchased the principal net assets of Weston Premium Woods Inc., a distributor of materials, decorative products and hardwoods located in Brampton, Ontario.

During the nine-month period ending August 31, 2017, those acquisitions generated sales of $23 million. If those acquisitions had been acquired on December 1st, 2016, management believes that the sales included in the consolidated statement of earnings would have been approximately $46 million.

2016

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

On 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.

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

On 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.

The purchase price allocations, at the transaction date is summarized as follows:

	2017
	$
Current assets acquired	**15,812**
Non-current assets acquired	**20,489**
	36,301
Current liabilities assumed	**2,297**
Net assets acquired	**34,004**
Considerations	
Cash, net of cash acquired	**30,203**
Considerations payable	**3,801**
	34,004

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.

Changes in common shares are summarized as follows:

(in thousands)	**Number of shares**	**$**
Outstanding, November 30, 2015	58,644	33,566
Issued	282	3,062
Repurchased	(1,005)	(578)
Outstanding, November 30, 2016	**57,921**	**36,050**
Issued	**302**	**3,046**
Repurchased	**(146)**	**(93)**
Outstanding, August 31, 2017	**58,077**	**39,003**

During the nine-month period ended August 31, 2017, the Corporation issued 302,425 common shares [FY2016 - 281,559] at an average price of $8.02 per share [2016 - $8.42] pursuant to the exercise of options under the share option plan. In addition, during the nine-month period ended August 31, 2017, the Corporation repurchased 146,200 common shares for cancellation in consideration of $4,127, which resulted in a premium on the redemption in the amount of $4,034, recorded in reduction of retained earnings [FY2016 - 1,004,700 common shares in consideration of $23,087 which resulted in a premium on the redemption in the amount of $22,509].

Stock option plan

Changes in stock options are summarized as follows:

(in thousands)	**Number of stock options**	**Weighted average share price** $
Outstanding, November 30, 2015	1,579	10.70
Granted	357	22.31
Exercised	(282)	8.42
Cancelled	(4)	18.93
Outstanding, November 30, 2016	**1,650**	**13.58**
Granted	**330**	**25.71**
Exercised	**(302)**	**8.02**
Cancelled	**(7)**	**22.13**
Outstanding, August 31, 2017	**1,671**	**16.95**

Stock options granted during the nine-month period ended August 31, 2017, have an average fair value of $5.93 per option [2016 - $4.21] as determined using the Black & Scholes option pricing model using an expected dividend yield of 0.9% [2016 - 1.0%], a volatility of 20% [2016 - 20%], a risk-free interest rate of 1.86% [2016 - 1.24%] and an expected life of 7 years [2016 - 7 years]. For the three and nine-month periods ended August 31, 2017, the compensation expense related to stock options amounted to $487 and $1,386 [2016 - $293 and $606] and is recognized under *Operating expenses excluding amortization and financial costs*. As at August 31, 2017, stock options outstanding had exercise price varying from $5.57 to $26.29 [stock options outstanding as at November 30, 2016, had an exercise price varying from $5.57 to $26.29].

Deferred Share Unit Plan

The financial liability resulting from the DSU plan of $7,071 [November 30, 2016 - $5,486] is presented under the *Accounts payable and accrued liabilities*. As at August 31, 2017, the fair value of the equity swaps amounted to a liability of $151 [November 30, 2016 - amounted to an asset of $272] 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 DSUs during the three and nine-month periods ended August 31, 2017, amounted to $164 and $458 [2016 - $3 and $245] and is recognized under *Operating expenses excluding amortization*.

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to $196 and $517 for the three and nine-month periods ended August 31, 2017 [2016 - $168 and $450] and is recognized under *Operating expenses excluding amortization*.

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,**	
(in thousands)	**2017**	2016	**2017**	2016
Weighted average number of shares outstanding - Basic	**57,969**	57,844	**57,941**	58,100
Dilutive effect under stock option plan	**756**	796	**688**	722
Weighted average number of shares outstanding - Diluted	**58,725**	58,640	**58,629**	58,822

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,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Balance at the beginning of the period	**20,418**	17,341	**19,966**	19,150
Exchange differences on translation of foreign operations	**(7,644)**	65	**(7,192)**	(1,744)
Balance at the end of the period	**12,774**	17,406	**12,774**	17,406

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, 2017, the fair value of the foreign exchange forward contracts amounted to a liability of $4 [asset of $228 as at November 30, 2016] representing the amount the Corporation would collect on the 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.

August 31, 2017 and 2016 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

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 of days outstanding of accounts receivable, as at August 31, 2017, 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 $382 and $1,634 [2016 - $647 and $1,206] during the three and nine-month periods ended August 31, 2017, for a total of $7,957 as at August 31, 2017 [November 30, 2016 - $6,323].

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, 2017, an exchange loss of $438 and a gain of $319 [2016 - an exchange gain of $333 and gain of $262].

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.

As at August 31, 2017, 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 [no significant impact as at August 31, 2016] and would have increased the consolidated comprehensive income by $5,804 [$6,008 as at August 31, 2016] . 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, 2017.

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

	For the three months ended August 31,		For the nine months ended August 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Inventories from the distribution, imports and manufacturing activities	**187,092**	159,317	**508,338**	458,854
Salaries and related charges	**32,819**	29,697	**95,404**	87,034
Other charges	**5,355**	5,199	**15,713**	14,863
	225,266	194,213	**619,455**	560,751

For the three and nine-month periods ended August 31, 2017, an expense of $996 and $2,638 [2016 - $839 and $2,374] 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, 2017, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.1 % [1.2 % as at November 30, 2016] [Long-term debt/ Equity]
- Return on average shareholders' equity of 16.7% over the last 12 months [16.6% for the year ended November 30, 2016]

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, 2017, near 67% of sales had been made in Canada [2016 - 66%]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to $81,483 and $231,428 [2016 - $74,007 and $212,091] in Canadian dollars and to $63,375 and $175,633 [2016 - $56,988 and $159,715] in US dollars.

As at August 31, 2017, out of the total amount of property, plant and equipment, $3,086 [November 30, 2016 - $3,080] are located in the United States. In addition, intangible assets located in the United States amounted to $13,351 [November 30, 2016 - $15,410] and goodwill to $10,522 [November 30, 2016 - $13,159] in Canadian dollars and to $10,650 [November 30, 2016 - $11,476] and goodwill to $8,394 [November 30, 2016 - $9,799] in US dollars.

9. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the three and nine-month periods ended August 31, 2017, the Corporation paid a quarterly dividend of 5.67¢ per share to common shareholders [2016 - quarterly dividend of 5.33¢ per share] for a total amount of $3,290 and $9,863 [2016 - $3,078 and $9,290].

10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and nine-month periods ended August 31, 2017 (including the comparative figures) were approved for issue by the Board of Directors on October 5, 2017.

11. COMPARATIVE FIGURES

Some figures disclosed for the three and nine-month periods ended August 31, 2016, have been reclassified to conform to the presentation adopted in the three and nine-month periods ended August 31, 2017.