Richelieu

Interim Report

Three-month period ended
February 28, 2011

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Message to Shareholders

We started 2011 by completing three acquisitions — two in the first quarter — adding to those closed the previous year, that brings to nine the total number of businesses acquired since the beginning of 2010. We achieved good growth for a first quarter, historically the weakest period of the year. Although the context remained challenging in the United States, our market penetration efforts yielded positive results, as reflected by the 15.1% internal growth in our U.S. dollar sales, to which was added a 40.4% growth from the five acquisitions closed since the beginning of 2010 in the United States. Our total sales in North America grew by 18.9% to $113.2 million, of which an internal growth of 2.4% and a major contribution from acquisitions of 16.5%. We generated net earnings from continuing operations of $7.0 million, an increase of 10.4%.

Our financial position remained excellent as at February 28, 2011. We ended the quarter with a cash balance of $18.1 million, after investing in acquisitions and in the expansion of two of our distribution centres, and after paying shareholder dividends that were up by 18.7% over the previous period. Our working capital stood at $155.4 million and shareholders' equity at $256.3 million. On account of the short-term balances payable on recent acquisitions, total interest-bearing debt amounted to $5.7 million, including long-term debt of $0.8 million, for a total interest-bearing debt to equity ratio of 2.2%.

In January 2011, we strengthened our presence in New Jersey by acquiring Outwater Hardware. This company operates a major specialty and decorative hardware distribution centre in Lincoln Park, from which it serves a base of some 18,000 residential and commercial woodworking customers, kitchen and bathroom cabinet makers and furniture manufacturers in 50 U.S. states. Outwater has developed an operational strategy fully compatible with Richelieu, notably a one-stop shop approach, a customer service active in the field and a transactional website. It achieves sales of more than $15 million on an annualized basis.

This transaction was followed by the acquisition of Madico Distribution, a Canadian leader in floor protection products located in the Quebec City area. Madico develops and distributes an extensive selection of specialty products under several well-known brands, such as Feltac™, targeted to a large base of hardware retailers and renovation superstores, mainly in Canada and also in the United States. This acquisition represents annualized sales of approximately $5 million.

Then on March 14, 2011, we closed the acquisition of 85% of the common shares of Provincial Woodproducts, a distributor of hardware, finishing products, panels and hardwood flooring benefiting from a dominant market share in Newfoundland. Provincial is a solid and profitable company that operates a distribution centre in St. John's and achieves sales of some $10 million on an annualized basis. Provincial's team brings solid knowledge of its market and two key employees remain shareholders, holding the remaining 15% interest in Provincial. We thereby reinforce our presence in Newfoundland and cover the entire Canadian market with our 36 distribution centres, to which are added two manufacturing centres in Quebec.

These last two acquisitions were the subject of agreements announced in 2010. Combined with the seven acquisitions closed since the beginning of 2010, they represent potential sales of some $100 million on an annualized basis. We are confident we will successfully integrate and leverage these businesses while optimizing their full potential in the coming years.

On January 27, 2011, in light of the performance achieved in 2010 and our outlook for 2011, we announced a 22.2% increase in the quarterly dividend which rose from $0.09 to $0.11.

NEXT DIVIDEND PAYMENT

At its meeting on March 31, 2011, the Board of Directors approved the payment of a quarterly dividend of $0.11 per share. This dividend is payable on April 28, 2011 to shareholders of record as at April 14, 2011.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the first quarter ended February 28, 2011, in comparison with the first quarter ended February 28, 2010, as well as the Company's financial position at those dates. This report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the first quarter of 2011 as well as the analysis and notes to audited consolidated financial statements appearing in the 2010 Annual Report. In this management's report, "Richelieu" or the "Company" 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 February 28, 2011 signed by the Company's President and Chief Executive Officer and Vice-President and Chief Financial Officer, is available on SEDAR's website at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to March 31, 2011, on which date the unaudited consolidated financial statements and the interim management's report were approved by the Company'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 Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements for the first quarter ended February 28, 2011 have not been audited or reviewed by the Company's auditors.

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

Richelieu also uses the cash flows from continuing operations and the cash flows per share from continuing operations. The cash flows from continuing operations is determined based on the net earnings from continuing operations to which is assed the fixed assets and intangible depreciation charges, the future income taxes charge (or recovery), the non-controlling interest charge (or recovery), and the stock based compensation expense, all attributable to continued operations. These additional measures do not take into account the net changes in non-cash working capital in order to exclude seasonality effects and are used by management in its long-term liquidity assessments.

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, the optimization of the synergies arising therefrom and their impact on sales and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including the assumption that economic conditions and exchange rates will not significantly deteriorate, changes in operating expenses will not increase significantly, the Company's deliveries will be sufficient to fulfill Richelieu's needs, the availability of credit will remain stable during the fiscal 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 Company's 2010 Annual Report de the Company (see the "Risk Management" section on page 32 of the 2010 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 February 28, 2011

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

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry**, as well as a large customer base of **hardware retailers, including renovation superstores**. The residential and commercial renovation industry is the Company'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 Company's product selection consists of **more than 75,000 stock-keeping units (SKUs)** targeted to a base of **over 60,000 customers** who are served by **60 centres in North America** — 35 distribution centres in Canada, 23 in the United States and two manufacturing plants in Canada.

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

The Company employs about 1,500 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. Approximately 70% 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 Company continues to implement the strategy that has benefited it until now, with a focus on:

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

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

SELECTED CONSOLIDATED QUARTERLY INFORMATION (Unaudited) (1)

Quarters ended February 28

(in thousands of $, except per-share amounts, number of outstanding shares and data expressed as a %)	**2011 $**	2010 $	Δ %
Sales	**113,192**	95,183	+ 18.9
EBITDA	**12,063**	10,880	+ 10.9
EBITDA margin (%)	***10.7***	*11.4*	
Net earnings from continuing operations	**7,004**	6,343	+ 10.4
Net margin from continuing operations (%)	***6.2***	*6.7*	
• basic per share ($)	**0.33**	0.29	+ 13.8
• diluted per share ($)	**0.33**	0.29	+ 13.8
Cash flows from continuing operations (2)	**9,161**	7,848	+ 16.7
• per share ($)	**0.43**	0.36	+ 19.4
Net earnings	**7,004**	7,002	–
• basic per share ($)	**0.33**	0.32	+ 3.1
• diluted per share ($)	**0.33**	0.32	+ 3.1
Cash dividends paid on shares	**2,327**	1,961	+ 18.7
• Per share ($)	**0.11**	0.09	
Weighted average number of shares outstanding (in thousands)	**21,443**	21,915	

Balance sheet data As at February 28	**2011 $**	2010 $	Δ %
Total assets	**317,477**	292,560	+ 8.5
Working capital	**155,383**	156,087	– 0.5
Current ratio	***3.9:1***	*4.8:1*	
Shareholders' equity	**256,261**	245,720	+ 4.3
Return on average equity (%)	**15.6**	13.8	
Book value ($)	**12.11**	11.28	+ 7.4
Total interest-bearing debt	**5,693**	667	
Cash and cash equivalents	**18,123**	54,394	

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows of 2010 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

(2) Before net change in non-cash working capital balances related to operations.

ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2011 COMPARED WITH THOSE FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2010

Consolidated sales totalled $113.2 million, compared with $95.2 million for the same period of 2010. Of this 18.9% increase, 2.4% came from internal growth — were it not for the effect of exchange rate on U.S. sales, internal growth would have been 3.2% — and 16.5% came from the acquisitions closed in 2010, specifically Raybern Company, Inc. (Rocky Hill, Connecticut) ("**Raybern**"), Gordon Industrial Materials Ltd. (Montreal, Quebec and Mississauga, Ontario) ("**Gordonply**"), New Century Distributors Group LLC (Avenel, New Jersey) ("**New Century**"), E.Kinast Distributors Inc. (Hanover Park, Chicago, Illinois) ("**E.Kinast**"), and PJ White Hardwoods Ltd. (Vancouver, Victoria, C.-B. and Edmonton, Calgary, Alberta) ("**PJ White**") To these were added the partial contribution of the acquisitions closed in the first quarter of 2011, specifically Outwater Hardware (Lincoln Park, New Jersey) ("**Outwater**") and Madico Distribution Inc. (Quebec) ("**Madico**").

Sales to **manufacturers** amounted to $94.1 million, an increase of $16.4 million or 21.2% over the corresponding quarter of 2010, of which 3.7% from internal growth and 17.5% from the contribution of the acquisitions closed in 2010, adding to the partial contribution of the two businesses acquired during the quarter. Sales to hardware **retailers** including renovation superstores totalled $19.1 million, up by 9.0% or $1.6 million over the first quarter of the previous year. This increase came from the contribution of Gordonply, whose distribution operations are targeted notably to hardware retailers and renovation superstores in Quebec and Ontario. This growth offset the impact of a 3.4% internal decrease from the first quarter of 2010. Last year Canadian sales for both segments had benefited from the 2009 government-granted home renovation tax credits.

CONSOLIDATED SALES (1)

(in thousands of $))

Quarters ended February 28	2011 $	2010 $	Δ %
Canada	**92,582**	81,187	+ 14.0
United States (CA$))	**20,610**	13,996	+ 47.3
(US$)	**20,697**	13,312	+ 55.5
Average exchange rate	***0.9958***	*1.0514*	
Consolidated sales	**113,192**	95,183	+ 18.9

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows of 2010 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

In **Canada**, sales totalled $92.6 million, an increase of $11.4 million or 14.0% over the same quarter of 2010, of which 1.2% from internal growth and 12.8% from the contribution of PJ White, operating in British Columbia and Alberta, Gordonply, operating in Quebec and Ontario, and to a lesser extent, the one-month contribution of Madico, acquired on January 31, 2011. Thus, these acquisitions respectively yielded excellent sales growth in the manufacturers market in Western Canada, and an appreciable increase in the hardware retailers and renovation superstores market in Eastern Canada.

In the **United States**, sales totalled US$20.7 million, an increase of 55.5% or US$7.4 million, of which 15.1% from internal growth reflecting the sustained market penetration efforts with a more diversified product offering, and 40.4% from the contribution of Raybern, New Century and E.Kinast as well as the seven-week contribution of Outwater, acquired on January 10, 2011. Considering the effect of exchange rates, these sales expressed in Canadian dollars amounted to $20.6 million, compared with $14.0 million for the first quarter of the previous year. Thus, they accounted for 18.2% of the period's consolidated sales, up from 14.7% in the first quarter of 2010.

Consolidated EBITDA and EBITDA margin (1)

(in thousands of $, unless otherwise indicated)

Quarters ended February 28	2011 $	2010 $
Sales	**113,192**	95,183
EBITDA	**12,063**	10,880
EBITDA margin (%)	***10.7***	*11.4*

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows of 2010 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) from continuing operations grew by 10.9% to $12.1 million. The gross profit margin was slightly reduced due mainly to the fact that the profit margins of some of the acquisitions closed in 2010 are lower than Richelieu's because of their different product mix. This same factor affected the **EBITDA profit margin from continuing operations**, which stood at 10.7%, down from 11.4% for the first quarter of 2010, despite lower expenses as a percentage of sales in the first quarter of 2011.

Consolidated net earnings (1)

(in thousands of $, unless otherwise indicated)

Quarters ended February 28	2011 $	2010 $
EBITDA	**12,063**	10,880
Amortization of capital and intangible assets	**1,736**	1,586
Net interest	**(35)**	(22)
Income taxes	**3,374**	2,961
Non-controlling interest	**(16)**	12
Net earnings from continuing operations	**7,004**	6,343
Net profit margin from continuing operations (%)	***6.2***	*6.7*
Earnings from discontinued operations	**–**	659
Net earnings	**7,004**	7,002
Net profit margin (%)	***6.2***	*7.4*
Comprehensive income	**4,330**	6,869

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows of 2010 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Income taxes amounted to $3.4 million, compared with $3.0 million for the first quarter of 2010. This increase relates primarily to the growth in earnings before income taxes and non-controlling interest.

Net earnings from continuing operations grew by 10.4% to $7.0 million. On account of the aforementioned factors and the fact that the Company had recorded a non-recurring gain net of taxes of $0.7 million or $0.03 per share on the disposal of its ceramics inventories during the first quarter of 2010, net earnings for the first quarter of 2011 were relatively stable at $7.0 million. **Earnings per share** rose to $0.33 (basic and diluted), compared with $0.32 (basic and diluted) for the first quarter of 2010.

Comprehensive income amounted to $4.3 million, on account of a negative adjustment of $2.7 million on translation of the financial statements of the self-sustaining subsidiary in the United States, compared with $6.9 million for the corresponding quarter of 2010, on account of a negative adjustment of $0.1 million on translation of this same subsidiary's financial statements.

SUMMARY OF QUARTERLY RESULTS (1) (Unaudited)

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

Quarters	1	2	3	4
2011				
Sales	**113,192**			
EBITDA	**12,063**			
Net earnings	**7,004**			
basic per share	**0.33**			
diluted per share	**0.33**			
2010 (2)				
Sales	95,183	117,960	115,957	117,863
EBITDA	10,880	18,764	17,054	17,134
Net earnings	7,002	11,502	10,348	10,381
basic per share	0.32	0.53	0.48	0.49
diluted per share	0.32	0.53	0.48	0.48
2009				
Sales	91,924	107,900	107,181	108,587
EBITDA	8,077	12,593	14,929	15,989
Net earnings	4,348	7,306	8,870	9,880
basic per share	0.20	0.33	0.40	0.45
diluted per share	0.20	0.33	0.40	0.45

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows reported in previous periods have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

(2) Earnings per share (basic and diluted) account for the contribution of the discontinued operations of $0.03 per share for the first quarter of 2010.

Quarterly variations in earnings — The first quarter ending February 28 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 first quarter ended February 28, 2011

Change in cash and cash equivalents and capital resources [(1)]
(in thousands of $)

Quarters ended February 28	**2011 $**	2010 $
Cash flows provided by (used for):		
Operating activities	**(4,769)**	6,744
Financing activities	**(2,093)**	(1,847)
Investing activities	**(14,355)**	(1,355)
Effect of exchange rate fluctuations	**51**	155
Net change in cash and cash equivalents	**(21,166)**	3,697
Cash flows from discontinued operations	**–**	2,255
Cash and cash equivalents, beginning of period	**39,289**	48,442
Cash and cash equivalents, end of period	**18,123**	54,394
Working capital	**155,383**	156,087
Renewable line of credit (CA$)	**26,000**	26,000
Renewable line of credit (US$)	**5,000**	5,000

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. The results and cash flows of 2010 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Operating activities

Cash flows provided by operating activities (before net change in non-cash working capital balances related to operations) grew by 16.7% to $9.2 million or $0.43 per share, up from $7.8 million or $0.36 per share for the first quarter of 2010, primarily reflecting the increase in net earnings from continuing operations. Net change in non-cash working capital balances related to operations represented a cash outflow of $13.9 million, compared with $1.1 million in the first quarter of 2010. This change primarily reflects a major positive variation in inventories resulting from growth needs as well as the negative variations in accounts payable and income taxes payable. Consequently, operating activities used cash flows of $4.8 million, whereas they had provided cash flows of $6.7 million during the first quarter of 2010.

Financing activities

Richelieu paid approximately $2.3 million in shareholder dividends during the first quarter of 2011, an increase of 18.7% over the corresponding quarter of 2010. The Company also issued common shares for a consideration of $0.2 million subsequent to the exercise of options under the stock option plan. Thus, financing activities represented a cash outflow of $2.1 million, compared with $1.8 million for the corresponding quarter of 2010.

Investing activities

During the first quarter of 2011, Richelieu invested a total of $14.4 million, including $11.1 million in the acquisition of the principal net assets of Outwater and the shares of Madico as well as $3.3 million in fixed assets, primarily the expansion of the Montreal and Laval distribution centres to meet growth needs and to maintain excellent standards of service.

Sources of financing

As at February 28, 2011, **cash and cash equivalents** totalled $18.1 million, compared with $54.4 million as at February 28, 2010. The Company posted a **working capital** of $155.4 million for a current ratio of 3.9:1, compared with $156.1 million (4.8:1 ratio) as at February 28, 2010 and $162.7 million (3.7:1 ratio) as at November 30, 2010.

Richelieu believes it has the capital resources needed to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities planned for the rest of year. Furthermore, the Company has an authorized line of credit of $26.0 million, renewable annually and bearing interest at the bank's prime rate, as well as a line of credit of US$5 million bearing interest at prime rate plus 2%. In addition, the Company could obtain access to other outside financing if necessary.

Balance sheet analysis as at February 28, 2011

Summary balance sheet
(in thousands of $)

As at February 28	**2011 $**	2010 $
Current assets	**209,349**	197,466
Long-term assets	**108,128**	95,094
Total	**317,477**	292,560
Current liabilities	**53,966**	41,379
Other liabilities	**7,250**	5,461
Shareholders' equity	**256,261**	245,720
Total	**317,477**	292,560

Assets

As at February 28, 2010, **total assets** amounted to $317.5 million, up from $292.6 million a year earlier, an 8.5% growth primarily reflecting the impact of the recent acquisitions. **Current assets** were up by 6.0% or $11.9 million over February 28, 2010. This growth is due notably to the $33.9 million increase in inventories relating to the acquisitions and further demand and the $14.7 million increase in accounts receivable, whereas cash and cash equivalents decreased by $36.3 million from February 28, 2010.

Net cash
(in thousands of $)

As at February 28	**2011** **$**	2010 $
Bank indebtedness	**–**	–
Current portion of long-term debt	**4,861**	351
Long-term debt	**832**	316
Total	**5,693**	667
less cash and cash equivalents	***18,123***	*54,394*
Net cash	**12,430**	53,727

Total interest-bearing debt stood at $5.7 million, including long-term debt of $0.8 million and the current portion of $4.9 million representing balances payable on acquisitions. Deducting this total debt, total net cash amounted to $12.4 million as at February 28, 2011. The Company continues to benefit from a healthy and solid financial position that enables it to pursue its business strategy in its field.

Shareholders' equity totalled $256.3 million as at February 28, 2011, up from $245.7 million a year earlier; this 4.3% growth primarily reflects the $13.6 million increase in retained earnings which amounted to $242.6 million as at February 28, 2011, and a $0.9 million increase in capital stock, less changes of $3.8 million in accumulated comprehensive income and of $0.2 million in contributed surplus. **The book value per share** was $12.11 at the end of the first quarter, compared with $11.28 as at February 28, 2010.

The Company's **capital stock** consisted of 21,155,709 common shares as at February 28, 2011 (21,135,209 shares as at November 30, 2010). During the first three months of the year, the Company issued 20,500 common shares at an average price of $11.43 per share subsequent to the exercise of options under its stock option plan (17,050 in 2010 at an average price of $6.70). In addition, during the three-month periods ended February 28, 2011 and 2010, no shares were purchased for cancellation under its normal course issuer bid. As at February 28, 2011, 917,800 stock options were outstanding (957,450 as at February 28, 2010), on account of the 20,000 stock options granted during the first quarter (30,000 during the first quarter of 2010).

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth on page 28 of the Company's 2010 Annual Report. For 2011 and the foreseeable future, the Company 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 Company has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As described in the annual report 2010, management has designed and evaluated internal controls over financial reporting (ICFR) and over disclosure controls and procedures (DC&P) to provide reasonable assurance that the Company's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with Canadian GAAP. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have evaluated, within the meaning of NI 52-109, the design and the maintenance of internal controls over financial reporting as at November 30, 2010. In light of this evaluation, the Company's management has determined that the design and the maintenance of internal controls over financial reporting are reliable to provide reasonable assurance and that such controls are effective. During the period ended February 28, 2011, management has evaluated that there were no material changes in the Company's procedures that had or are reasonably likely to have a material impact on its internal control over financial reporting.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and cannot forecast or detect inaccuracies. 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 AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

Significant accounting policies and estimates are described on page 31 of the Company's 2010 Annual Report.

In February 2008, the CICA's Accounting Standards Board confirmed that publicly-accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Company will have to present its interim and annual financial statements for the year ending November 30, 2012 in accordance with IFRS. The following table presents the activities undertaken and planned in order for the Company to disclose its financial reporting in compliance with IFRS.

Activities	Key Phases	Status as of March 31, 2011
Preparation for changeover to IFRS	• Development of changeover plan • Awareness of senior officers • Assignment of resources to project • Establishment of means of communicating the progress achieved	• Phases completed
Analysis and assessment of impact on Richelieu	• Determination of differences between Richelieu's accounting policies (established in accordance with Canadian GAAP) and IFRS • Selection of accounting policies in accordance with IFRS • Selection of accounting policies for the initial application of IFRS (IFRS 1) • Identification of IT infrastructure requirements, or changes to such infrastructures if needed	• Material differences between Canadian GAAP and IFRS identified • Examination of possible choices for the initial application of IFRS completed • The following table presents the preliminary conclusions for the majority of IFRS standards and interpretation that differs from the Company's accounting policies
Design and preparation of production of IFRS financial reporting	• Quantification of impact of changeover to IFRS, including effects of the initial adoption of IFRS • Development of a financial statement model, including notes • Training of key Finance Department personnel	• Quantification of the impact resulting from the changeover to IFRS in progress
Other effects	• Internal control over financial reporting process — Review and approval of changes related to conversion to IFRS • Impact on business affairs — review of business and banking agreements and renegotiation as needed	• Internal control over the financial reporting process in compliance with IFRS will have to be added during the preparation of the opening balance sheet and for the first reporting of the financial statements

The Company has identified differences between its accounting policies and IFRS. The following table presents the Company's preliminary conclusions in regards to those identified differences:

Accounting policies	Comparison between IFRS and GAAP on the Company's activities as at March 31, 2011	Preliminary conclusions
Business acquisitions	• According to IFRS, the acquisitions costs incurred for the closing of transactions must be recorded as expenses while Canadian GAAP allows those costs to be taken into consideration with the purchase price allocation	• There will be no impact on business acquisitions concluded prior to the IFRS changeover date since the Company chose to benefit from the exemption related to retroactive application (IFRS 1) • Acquisition costs incurred on transactions closed will be expensed starting with the application of IFRS
Fixed and intangible assets	• Fixed assets must be amortized based on their components, while Canadian GAAP are less restrictive • Following the first adoption of IFRS, the Company will have the choice to measure fixed and intangible assets using the cost model or the reevaluation model	• Based on the significance and the nature of the Company's fixed assets, this change will not have a significant impact on the financial statements prepared in accordance with IFRS • In order to avoid variations in the Company's results, the cost method will be applied to fixed assets
Asset impairment tests	• Canadian GAAP requires that the impairment test be conducted at the level of reporting units; • Based on IFRS, the impairment test must be conducted at the level of the cash generating unit, that is the lowest level of group of assets that generates cash inflows that are largely independent from other group of assets • Depreciation charges accorded for under IFRS, applicable to other assets than goodwill and intangible assets without a definite life, must be reversed when events indicates that the situation no longer prevails, without exceeding the initial cost	• The Company is presently estimating the impact of those modifications
Other liabilities, provisions and contingent liabilities	• IFRS requires that a provision must be recorded when it is probable (>50%) that the Company will settle an liability with a cash outflow that can be reliably estimated • These liabilities must be presented in the notes to the financial statements • Based on Canadian GAAP, the recognition criteria for similar situations requires a higher level of certainty	• These differences should not have a significant impact on the Company's results
Share-based payments	• To comply with IFRS, since the stock option awards vests gradually, each bracket must be considered as a separate award • Canadian GAAP allows stock option awards that vest gradually to be considered as one award	• The Company does not anticipate any significant impact

The Company monitors closely the progress of the IASB's work (International Accounting Standard Board) who should adopt during the second quarter of 2011 a new standard applicable to leases. If adopted, the actual standard project on leases would require the recognition of assets and liabilities arising from leases. The commercial facilities leased by the Company are actually accounted for as operating leases (note 9 of the November 30, 2010 financial statements). If adopted, this standard project could have a significant impact on the Company's financial statements presented in compliance with IFRS.

RISK FACTORS

Risk factors are described in the "Risk Management" section on pages 31 to 33 of Richelieu's 2010 Annual Report.

EVENT SUBSEQUENT TO BALANCE SHEET DATE

On March 14, 2011, Richelieu closed the acquisition of 85% of the shares of Provincial Woodproducts Ltd. ("Provincial"), a distributor of hardware, finishing products, panels and hardwood floors that operates a distribution centre in St. John's, Newfoundland and achieves annual sales of some $10 million. The remaining 15% interest is held by two of Provincial's officers.

OUTLOOK

In view of our strong expansion since the beginning of 2010, one of our priorities is to efficiently integrate our nine acquired businesses while building synergies and improving their operating profitability, as we have always done with earlier acquisitions. In upcoming quarters, we will reap the benefits of these recent acquisitions while further intensifying our sales efforts in our North American markets with an increasingly diversified and innovative product offering tailored to our customers' ever-changing needs and maintaining tight control operating expenses, consistent with our profitability objective.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

(Signed) Richard Lord
President and
Chief Executive Officer

(Signed) Alain Giasson
Vice-President and
Chief Financial Officer

March 31, 2011

Consolidated statements of earnings (unaudited)

Periods ended February 28 (in thousands of dollars, except earnings per share)

	2011 $	2010 $
Sales	**113,192**	95,183
Cost of sales and warehouse, selling and administrative expenses	**101,129**	84,303
Earnings before the following	**12,063**	10,880
Amortization of capital assets	**1,336**	1,261
Amortization of intangible assets	**400**	325
Financial costs, net	**(35)**	(22)
	1,701	1,564
Earnings before income taxes, non-controlling interest and discontinued operations	**10,362**	9,316
Income taxes	**3,374**	2,961
Earnings before non-controlling interest and discontinued operations	**6,988**	6,355
Non-controlling interest	**(16)**	12
Net earnings from continued operations	**7,004**	6,343
Bénéfice net des activités abandonnées *(note 8)*	**–**	659
Net earnings	**7,004**	7,002
Earnings per share *(note 4)*		
Basic		
From continued operations	**0.33**	0.29
From discontinued operations	**–**	0.03
	0.33	0.32
Diluted		
From continued operations	**0.33**	0.29
From discontinued operations	**–**	0.03
	0.33	0.32

See accompanying notes

Consolidated statements of retained earnings (unaudited)

Periods ended February 28 (in thousands of dollars)

	2011 $	2010 $
Net earnings	**7,004**	7,002
Retained earnings, beginning of period	**237,907**	223,986
Dividends	**(2,327)**	(1,961)
Retained earnings, end of period	**242,584**	229,027

See accompanying notes

Consolidated statements of comprehensive income (unaudited)

Periods ended February 28 (in thousands of dollars)

	2011 $	2010 $
Net earnings	**7,004**	7,002
Other comprehensive income		
Translation adjustment of the net investment in self-sustaining foreign operations	**(2,674)**	(133)
Comprehensive income	**4,330**	6,869

See accompanying notes

Consolidated statements of cash flows (unaudited)

Periods ended February 28 (in thousands of dollars)

	2011	2010
	$	$
OPERATING ACTIVITIES		
Net earnings from continued operations	**7,004**	6,343
Non-cash items		
Amortization of capital assets	**1,336**	1,261
Amortization of intangible assets	**400**	325
Future income taxes	**282**	(291)
Non-controlling interest	**(16)**	12
Stock-based compensation expense	**155**	198
	9,161	7,848
Net change in non-cash working capital balances related to operations	**(13,930)**	(1,104)
	(4,769)	6,744
FINANCING ACTIVITIES		
Dividends paid	**(2,327)**	(1,961)
Issue of common shares	**234**	114
Redemption of common shares for cancellation	**–**	–
	(2,093)	(1,847)
INVESTING ACTIVITIES		
Businesses acquisitions *(note 2)*	**(11,095)**	(622)
Additions to capital assets	**(3,260)**	(733)
	(14,355)	(1,355)
Effect of exchange rate fluctuations on cash and cash equivalents	**51**	155
Net change in cash and cash equivalents from continued operations	**(21,166)**	3,697
Cash flows from discontinued operations *(note 8)*	**–**	2,255
Cash and cash equivalents, beginning of year	**39,289**	48,442
Cash and cash equivalents, end of year	**18,123**	54,394
Supplemental information		
Income taxes paid	**7,337**	4,735
Interest received, net	**(56)**	(25)

See accompanying notes

Consolidated balance sheets
(In thousands of dollars)

	As at February 28, 2011 $	As at February 28, 2010 $	As at November 30, 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	**18,123**	54,394	39,289
Accounts receivable	**65,699**	50,951	65,017
Income tax receivable	**–**	550	–
Inventories	**124,527**	90,639	117,609
Prepaid expenses	**1,000**	932	837
	209,349	197,466	222,752
Capital assets	**23,397**	19,037	19,132
Intangible assets	**18,358**	12,708	13,242
Future income taxes	**2,343**	885	2,327
Goodwill	**64,030**	62,464	63,363
	317,477	292,560	320,816
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**47,925**	41,028	52,641
Income taxes payable	**1,180**	–	5,312
Current portion of long-term debt	**4,861**	351	2,072
	53,966	41,379	60,025
Long-term debt	**832**	316	786
Future income taxes	**3,004**	2,001	2,706
Non-controlling interest	**3,414**	3,144	3,430
	61,216	46,840	66,947
Shareholders' equity			
Capital stock *(note 3)*	**18,250**	17,305	17,623
Contributed surplus	**3,668**	3,845	3,906
Retained earnings	**242,584**	229,027	237,907
Accumulated other comprehensive income *(note 5)*	**(8,241)**	(4,457)	(5,567)
	256,261	245,720	253,869
	317,477	292,560	320,816

See accompanying notes

On behalf of the Board,

(Signed) Richard Lord
Director

(Signed) Mathieu Gauvin
Director

NATURE OF BUSINESS

Richelieu Hardware Ltd. (the "Company") acts as a distributor, importer, and manufacturer of specialty hardware and complementary products. These products are targeted to an extensive customer base of kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry, as well as a large customer base of retailers, including hardware and renovation products superstores.

1) ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and follow the same accounting principles and methods of application as the recent audited annual consolidated financial statements. In management's opinion, these interim financial statements reflect all the adjustments required for a fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the period are not necessarily indicative of the results that may be expected for the full year as the operating level of the Company is subject to seasonal fluctuations. The first quarter has historically generated lower sales and earnings. These interim financial statements should be read in conjunction with the audited consolidated annual financial statements and the accompanying notes included in Company's annual report for the fiscal year 2010.

2) BUSINESSES ACQUISITIONS

On January 10, 2011, the Company acquired the principal net assets of Outwater Hardware for a consideration in cash of $8,797 ($8,849 US), including acquisition fees, and a balance of sale of $2,920 ($2,937 US). This Company based in Lincoln Park, New Jersey (U.S.) operates a specialty and decorative hardware distribution centre that serves a base of some 18,000 residential and commercial woodworking customers and kitchen, bathroom and furniture manufacturers.

On January 31, 2011, the Company acquired all the outstanding common shares of Madico Inc. for a consideration in cash of $2,801, including acquisition fees, and a balance of sale of $95. This Company based in the Quebec city area develops and distributes floor protection products and serves a customer base of hardware retailers and renovation superstores, mainly in Canada and in the United States.

On December 1, 2009, the Company acquired the principal net assets of Woodland Specialties Inc. for a consideration in cash of $622 ($596 US), including acquisition fees. This business (Syracuse, New York) is a distributor of hardware products, high-pressure laminates, finishing products and other complementary products targeted mainly to kitchen cabinet makers and the commercial woodworking segment.

These transactions were accounted for using the purchase method and the results of operations are included in the financial statements from the acquisition date. The preliminary purchase price allocations of Outwater and Madico, as well as the final purchase price allocation of Woodland done in 2010 is as follow:

Summary of acquisition

	2011 $	2010 $
Net assets acquired		
Current assets	**5,608**	597
Capital assets	**2,512**	64
Intangible assets	**5,677**	203
Goodwill	**1,428**	179
	15,225	1,043
Liabilities assumed	**1,115**	421
Net assets acquired	**14,110**	622
Consideration		
Cash, net of cash acquired	**11,095**	622
Balance of sale payable	**3,015**	–
	14,110	622

3) CAPITAL STOCK

Issued

As at February 28, 2011, capital stock outstanding amounted to 21,155,709 common shares (21,135,209 common shares as at November 30, 2010).

During the three-month period ended February 28, 2011, the Company issued 20,500 common shares at a weighted average price of $11.43 (17,050 in 2010 at a weighted average price of $6.70) pursuant to the exercise of options under the share option plan. In addition, during the three-month periods ended February 28, 2011 and 2010, the Company, through a normal course issuer bid, did not purchased common shares for cancellation.

Stock option plan

During the three-month period ended February 28, 2011, the Company granted 20,000 options (2010 – 30,000) with a weighted average exercise price of $30.68 (2010 – $22.92) and an average fair value of $8.95 per option (2010 – $6.54) as determined using the Black & Scholes option pricing model based on an expected dividend yield of 1.4% (2010 – 1.6%), a volatility of 25% (2010 – 25%), an average risk free interest rate of 3.80% (2010 – 3.83%) and an expected life of 7 years (2010 – 7 years). As at February 28, 2011, 917,800 share options were outstanding (2010 – 957,450) with exercise prices varying from $9.96 to $24.76 (2010 – $6.35 to $24.76) for a weighted average of $20.64 (2010 – $20.09).

For the three-month period ended February 28, 2011, the stock-based compensation expense amounted to $155 (2010 – $198).

4) EARNINGS PER SHARE

3-MONTH PERIODS ENDED FEBRUARY 28

		2011			2010	
	Earnings $	**Weighted average number of shares (in thousands)**	**Earnings per share $**	Earnings $	Weighted average number of shares (in thousands)	Earnings per share $
Basic net earnings	**7,004**	**21,146**	**0.33**	7,002	21,783	0.32
Dilutive effect of stock options	**–**	**297**	**–**	–	132	–
Diluted net earnings	**7,004**	**21,443**	**0.33**	7,002	21,915	0.32

(in thousands of dollars, except per-share amounts) (unaudited)

For the three-month period ended February 28, 2011, all options were considered in the computation of diluted earnings whereas in 2010, outstanding options to purchase 149,500 common shares with a weighted average exercise price of $24.76 were excluded from the computation of diluted earnings because their effect would have been anti-dilutive.

5) ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income includes the following items and the changes that occurred during the periods ended February 28 were as follows:

	2011 **$**	2010 $
Balance – beginning of period	**(5,567)**	(4,324)
Translation adjustment of net investment in self-sustaining foreign operation	**(2,674)**	(133)
Balance – end of period	**(8,241)**	(4,457)

6) OTHER INFORMATION

Credit risk

The Company sells its products to numerous customers in Canada, and in a lesser proportion in the United States of America. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Company. The average days outstanding of accounts receivable as at February 28, 2011 is acceptable given the specific industry in which the Company evolves.

The Company performs ongoing credit evaluations of customers and generally does not require collateral. The allowance for doubtful accounts has increased by $331 during the three-month period ended February 28, 2011 for a total of $4,938 (increase of $495 in 2010 for a total of $5,067).

Market risk

The Company's foreign currency exposure arises from purchases and sales denominated in foreign currency (mainly in US dollars). Administrative charges included, for the three-month period ended February 28, 2011, an exchange loss of $543 [2010 — $192 gain].

As at February 28, 2011 a decrease of 1% of the Canadian dollar against the US dollar and the Euro, all other variables remaining the same, would not have had a significant impact on the consolidated net earnings and would have increased the consolidated comprehensive income by $542. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments as of the balance sheet date.

As at February 28, 2011, the statements of comprehensive income include a foreign exchange loss of $2,674 (loss of $133 as at February 28, 2010) on the net investment in self-sustaining foreign operation resulting mainly from the conversion of the long-term investment in that operation.

Current period expenses

During the three-month period ended February 28, 2011, the amount of inventories recorded as expenses from the distribution, imports and manufacturing activities, excluding discontinued operations, totals $80,376 ($66,147 in 2010). An expense of $454 for obsolescence is included in this amount ($366 in 2010).

7) GEOGRAPHIC INFORMATIONS

During the three-month period ended February 28, 2011, near 82% of sales were made in Canada, while sales to foreign countries, almost entirely in the United States, amounted to $20,610 (2010 — $13,996) in Canadian dollars compared to $20,697 (2010 — $13,312) in US dollars.

As at February 28, 2011, of a total amount of $23,397 in capital assets ($19,132 as at November 30, 2010), $2,676 ($1,696 as at November 30, 2010) are located in the USA. In addition, intangible assets located in the USA amounts to $14,258 ($9,389 as at November 30, 2010) and goodwill at $21,529 ($21,324 as at November 30, 2010).

8) DISCONTINUED OPERATIONS

On December 29, 2009, the Company decided to discontinue its ceramic distribution activities and entered into a selling agreement, carried out on January 29, 2010, to dispose of its inventories for a consideration of $2,495. The Company has realized a gain, net of income taxes, of $650 through this transaction, which was included in the profit from discontinued operations disclosed in the income statement of the three-month period ended February 28, 2010. During that period, the ceramic distribution activities classified as discontinued operations generated sales of $1,471 and realized pre-tax earnings of $13.

9) MANAGEMENT OF CAPITAL

For the three-month period ended February 28, 2011, the Company maintained the same capital management objectives as for the year ended November 30, 2010 and achieved the following results:

- a debt/equity ratio: 2.2% (2010 — 0.3%) (interest-bearing debt/ shareholders'equity)
- a return on shareholders' equity of 15.6% over the last 12 months (13.8% for the 12 previous months)

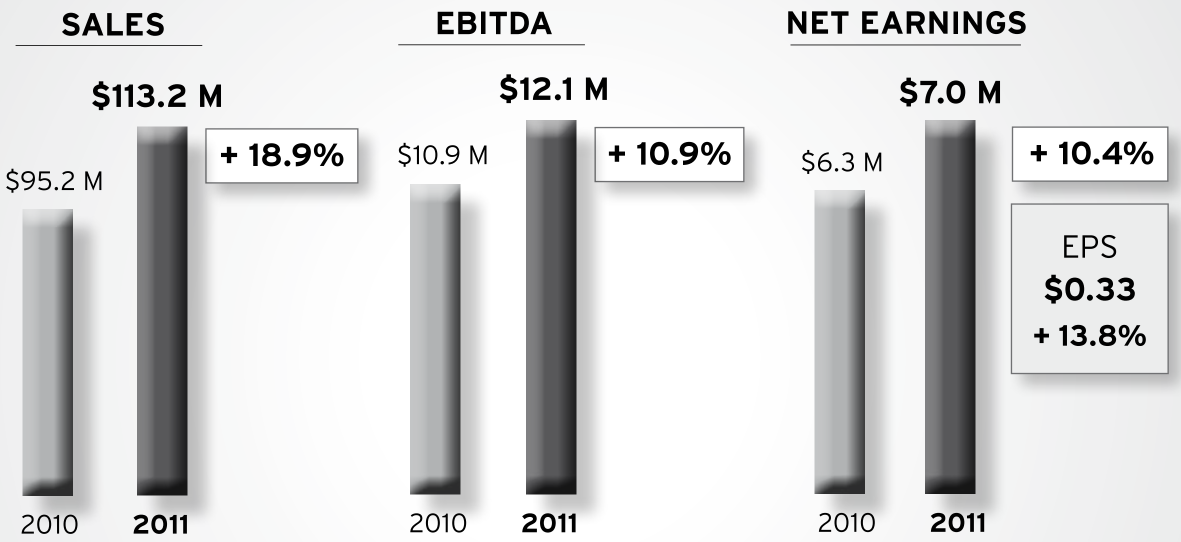
10) SUBSEQUENT EVENTS

On March 14, 2011, the Company acquired 85% of the outstanding common shares of Provincial Woodproducts Ltd. for a consideration in cash of $7,200, excluding acquisition fees, and a balance of sale of 1,640$. This Company located in St-John's, (NF, Canada) is a distributor of hardware, finishing products, panels and hardwood floors. Provincial Woodproducts Ltd. generates annual sales of approximately $10 millions.

11) COMPARATIVE FIGURES

Some figures disclosed for the three-month period ended February 28, 2010 have been reclassified accordingly to the presentation adopted during the three-month period ended February 29, 2011.

First Quarters
ended on February 28
Continuing operations



EBITDA margins
11.4% **10.7%**

Net margins
6.7% **6.2%**

Transfert Agent and Registrar
Computershare Trust Company of Canada

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