Interim Report

Three-month and six-month periods ended May 31, 2010 2

Richelieu

www.richelieu.com

Message to Shareholders

The second quarter ended May 31, 2010 brought a vigorous increase in the demand for Richelieu products in the Canadian manufacturers and retailers/renovation superstore markets. In the United States, where the context is currently less conducive to a rise in demand, our markets nevertheless showed some stability during the second quarter, and we posted a slight increase in sales in U.S. dollars, driven by internal growth and acquisitions. After a very satisfactory beginning of the year, we intensified our deepening and development initiatives in all our markets in order to take advantage of growth opportunities, while maintaining our rigorous expense control measures. Consequently, we achieved one of our best quarterly performances ever.

In Canada, our sales increased by 12.7% over the second quarter of 2009 thanks to the contribution of our three geographic markets where activity remained vigorous in our key customer segments. Sales grew by some 19% in the retailers and renovation superstore market, as we are reaping the benefits of the major investments made in 2008 and 2009 to increase the display floor space at retailers. For our North American markets as a whole, our sales increased by 9.3%, of which a 7.7% internal growth; they totalled $118.0 million, including sales to manufacturers of $96.8 million, up 7.5% over the second quarter of 2009. For the first six months of the year, total sales grew to $213.1 million, up 6.7% over the first six months of 2009, of which 5.2% from internal growth.

Combined with our sales growth and tight expense control, several positive factors contributed to a significant improvement in profit margins. The 2010 second-quarter EBITDA margin rose to 15.9%, up from 11.7% for the corresponding quarter of 2009. We achieved record net earnings of $11.5 million or $0.53 per share, up by 57.4%, bringing net earnings for the first six months of the year to $18.5 million or $0.85 per share, up 58.8% over the same period of the previous year.

During the quarter, we completed a $8.9 million investment by repurchasing common shares of Richelieu under our normal course issuer bid. As at May 31, 2010, total cash amounted to $53.2 million, compared with $12.7 million at the end of the first half of 2009; we posted a working capital of $157.4 million, for a current ratio of 4.4:1, and almost no debt. We therefore benefit from a healthy and solid financial position to pursue our business strategy.

Since the beginning of the year, we have opened a new distribution centre in Raleigh, North Carolina, and completed two acquisitions: Woodland Specialties, Inc., based in New York State, on December 1, 2009, and Raybern Company, Inc., located in Rocky Hill, Connecticut, on April 26, 2010. Raybern is a distributor of decorative and architectural hardware, finishing products, high-pressure laminates and complementary products targeted primarily to kitchen cabinet makers and the residential and commercial woodworking industry.

This latest acquisition is fully compatible with our business and all our criteria and will provide us with an additional US$4 million in annual sales. We will integrate these operations into our U.S. network in the United States, which now consists of 20 distribution centres.

Furthermore, since May 31, 2010, we have signed three agreements in principle to acquire a distributor of hardware products, laminates and panels targeted to manufacturers in Western Canada; a distributor of specialty panels operating in Eastern Canada; and a distributor of hardware products for kitchen manufacturers and residential and commercial woodworkers in New Jersey (U.S.). Together, these three acquisitions represent additional sales of about $50 million and a global investment of approximately $15 million for Richelieu. The closing of each transaction is subject to due diligence and negociation of the acquisition agreement to the parties'satisfaction and could take place by the end of September 2010.

We will pursue our intensive development of our North American markets, while focusing on the cross-selling and synergies created with our latest acquisitions and new distribution centres opened in the United States in 2009 and the first half of 2010. Innovation continues to spearhead our growth and we are confident we will seize further expansion-by-acquisition and centre-start-up opportunities in North America.

Next dividend payment

At its meeting on July 8, 2010, the Board of Directors approved the payment of a quarterly dividend of $0.09 per share. This dividend is payable on August 5, 2010 to shareholders of record as at July 22, 2010.

This management's report relates to Richelieu Hardware Inc.'s consolidated operating results and cash flows for the second quarter and first half ended May 31, 2010 in comparison with the second quarter and first half ended May 31, 2009, 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 second quarter and first half of 2010 as well as the analysis and notes to audited consolidated financial statements appearing in the 2009 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 May 31, 2010 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 July 8, 2010, 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 interim consolidated financial statements 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.

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, growth outlook, the anticipated annual sales increase, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context, 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, including economic conditions, Richelieu's ability to successfully integrate new acquisitions and create synergies, exchange rate fluctuations, changes in operating expenses, the sufficiency of the Company's deliveries, the absence of unusual events requiring supplementary capital expenditures, the availability of credit and the absence of unusual events requiring 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 2009 Annual Report (see the "Risk Management" section on page 31 of the 2009 Annual Report available on SEDAR at www.sedar.com).

Richelieu's actual results could differ materially from those indicated or underlying these forward-looking statements. The reader is therefore recommended not to unduly rely on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that may be announced or occur subsequent to the date hereof. Richelieu undertakes no obligation to update or revise the forward-looking statements to account for new events or new circumstances, except where provided for by applicable legislation.

GENERAL BUSINESS OVERVIEW as at May 31, 2010

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 65,000 stock-keeping units (SKUs)** targeted to a base of **over 40,000 customers** who are served by **51 centres in North America** – 29 distribution centres in Canada, 20 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 tackboards. 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 over 1,200 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. More than 60% 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)*
Periods ended May 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 Months			6 Months		
	2010	2009		**2010**	2009	
	$	$	Δ%	**$**	$	Δ%
Sales	**117,960**	107,900	+ 9.3	**213,143**	199,824	+ 6.7
EBITDA	**18,764**	12,593	+ 49.0	**29,644**	20,670	+ 43.4
EBITDA margin (%)	***15.9***	*11.7*		***13.9***	*10.3*	
Net earnings from continuing operations [1]	**11,502**	7,481	+ 53.7	**17,845**	11,849	+ 50.6
• basic and diluted per share ($)	**0.53**	0.34	+ 55.9	**0.82**	0.54	+ 51.9
Cash flows from continuing operations [2]	**13,386**	9,424	+ 42.0	**21,234**	15,745	+ 34.9
• per share ($)	**0.61**	0.43	+ 41.9	**0.97**	0.72	+ 34.7
Net earnings	**11,502**	7,306	+ 57.4	**18,504**	11,654	+ 58.8
• basic and diluted per share ($)	**0.53**	0.33	+ 60.6	**0.85**	0.53	+ 60.4
Cash dividends paid on shares	**1,962**	1,758	+ 11.6	**3,923**	3,516	+ 11.6
• per share ($)	**0.09**	0.08	+ 12.5	**0.17**	0.16	+ 6.3
Weighted average number of shares outstanding (diluted) (in thousands)	**21,831**	22 011		**21,862**	22,015	

Balance sheet data

As at May 31	**2010**	2009	
	$	$	Δ%
Total assets	**297,709**	269,493	+ 10.5
Working capital	**157,435**	138,919	+ 13.3
Shareholders' equity	**246,302**	230,485	+ 6.9
Return on average equity (%)	**15.6**	14.1	
Book value ($)	**11.49**	10.49	+ 9.5
Total interest-bearing debt	**852**	550	+ 54.9
Cash and cash equivalents	**53,249**	12,653	+320.8

(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 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 SECOND QUARTER AND FIRST HALF ENDED MAY 31, 2010 COMPARED WITH THOSE OF THE SECOND QUARTER AND OF THE FIRST HALF ENDED MAY 31, 2009

In the second quarter, Richelieu achieved **consolidated sales** of $118.0 million, up 9.3% over the second quarter of 2009, reflecting the sustained growth of its Canadian markets and an improvement in the performance of the Company's operations in the United States. This $10.0 million sales increase stemmed from a 7.7% internal growth and a 1.7% growth from the acquisition of Paint Direct Inc. ("Paint Direct") (Calgary, Alberta) and Woodland Specialties, Inc. ("Woodland") (Syracuse, New York), acquired on November 4 and December 1, 2009 respectively, as well as the five-week contribution of Raybern Company, Inc. ("Raybern") (Rocky Hill, Connecticut), acquired on April 26, 2010.

Sales to **manufacturers** totalled $96.8 million, up by $6.8 million or 7.5% over from $90.0 million for the corresponding period of 2009. The strongest growth was achieved in the Canadian kitchen and bathroom cabinet makers, residential and commercial woodworking and furniture manufacturers markets. In the hardware **retailers** and renovation superstore markets, Richelieu continued to reap the benefits of the investments made in 2008 and 2009 to increase its presence and product offering in this important Canadian market. Thus, the Company recorded an 18.5% or $3.3 million growth in the second quarter, raising its sales to $21.2 million from $17.9 million for the corresponding quarter of 2009.

In Canada, sales totalled $101.3 million, compared with $89.9 million for the second quarter of 2009, an increase of $11.4 million or 12.7%, of which 12.0% from internal growth and 0.7% from the contribution of Paint Direct. The Eastern Canadian market kept up its momentum, whereas Ontario and Western Canada continued to benefit from the renewed activity seen in the first quarter of the year; thus, these three markets remained robust all quarter long.

In the United States, sales amounted to US$16.3 million, an increase of US$1.4 million or 9.8%, of which 2.3% from internal growth and 7.5% from the contribution of Woodland and Raybern for five weeks. The Canadian dollar has strengthened in relation to the U.S. dollar during recent months; as a result, U.S. sales decreased by 7.7% upon conversion into Canadian dollars; they stood at $16.7 million, compared with $18.0 million for the corresponding quarter of 2009, thereby accounting for 14.1% of second-quarter consolidated sales.

Consolidated sales [(1)]

(in thousands of $, except exchange rate)

Periods ended May 31	3 Months 2010 $	3 Months 2009 $	Δ%	6 Months 2010 $	6 Months 2009 $	Δ%
Canada	**101,299**	89,858	+ 12.7	**182,456**	163,676	+ 11.5
United States (CA$)	**16,661**	18,042	- 7.7	**30,687**	36,148	- 15.1
(US$)	**16,287**	14,838	+ 9.8	**29,627**	29,496	+ 0.4
Average exchange rate	***1.0229***	*1.2159*		***1.0358***	*1.2255*	
Consolidated sales	**117,960**	107,900	+ 9.3	**213,143**	199,824	+ 6.7

(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 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

First-half consolidated sales grew by $13.3 million to $213.1 million, an increase of 6.7%, of which 5.2% from internal growth and 1.5% from the contribution of Paint Direct and Woodland as well as Raybern for five weeks.

Sales to **manufacturers** totalled $174.7 million, up by $7.7 million or 4.6% over the first six months of the previous year. Sales to hardware **retailers** and renovation superstores amounted to $38.4 million, up by $5.7 million or 17.3% over the first half of the previous year.

In Canada, Richelieu recorded sales of $182.4 million, an increase of $18.7 million or 11.5%, of which 10.8% from internal growth and 0.7% from the contribution of Paint Direct. Canadian sales accounted for 85.6% of first-half consolidated sales.

In the United States, sales amounted to US$29.6 million, up 0.4% – whereas the growth from the acquisition of Woodland and Raybern was 6.0%, the internal decrease was 5.5% for the first six months of the year. The Canadian dollar has strengthened in relation to the U.S. dollar during recent months; as a result, U.S. sales decreased by 15.1% upon conversion into Canadian dollars; they stood at $30.7 million, compared with $36.1 million for the corresponding six months of 2009, thereby accounting for 14.4% of first-half consolidated sales.

Consolidated EBITDA and EBITDA margin [(1)]

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 Months 2010 $	3 Months 2009 $	Δ%	6 Months 2010 $	6 Months 2009 $	Δ%
Sales	**117,960**	107,900	+ 9.3	**213,143**	199,824	+ 6.7
EBITDA	**18,764**	12,593	+ 49.0	**29,644**	20,670	+ 43.4
EBITDA margin (%)	***15.9***	*11.7*		***13.9***	*10.3*	

(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 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Second quarter **earnings before income taxes, interest, amortization and non-controlling interest (EBITDA)** amounted to $18.8 million, up 49.0% over the corresponding quarter of 2009. The gross margin was positively affected by the strength of the Canadian dollar in 2010 (whereas in 2009 the sudden fluctuations in the U.S. dollar had had a negative impact) and by the fact that the costs incurred to penetrate the retailers market were lower than last year and the Company is now reaping the benefits of this investment. Combined with these positive factors, the increase in consolidated sales and tight expense control measures brought the EBITDA profit margin to 15.9%, up from 11.7% in the second quarter of 2009.

Income taxes increased by $2.1 million to $5.6 million, due to the period's earnings growth.

First-half **earnings before income taxes, interest, amortization and non-controlling interest (EBITDA)** totalled $29.6 million, up 43.4% over the corresponding six months of 2009.The gross margin was positively affected by the strength of the Canadian dollar in 2010 (whereas in 2009 the sudden fluctuations in the U.S. dollar had had a negative impact) and by the fact that the costs incurred to penetrate the retailers market were lower than last year and the Company is now reaping the benefits of this investment. Combined with these positive factors, the increase in consolidated sales and tight expense control measures brought the EBITDA profit margin to 13.9%, up from 10.3% in first half of the previous year.

Income taxes increased by $3.0 million to $8.6 million, due to the earnings growth for the first six months of the year.

Consolidated net earnings (1)

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 Months 2010 $	3 Months 2009 $	Δ%	6 Months 2010 $	6 Months 2009 $	Δ%
EBITDA	**18,764**	12,593	+ 49.0	**29,644**	20,670	+43.4
Amortization of capital and intangible assets	**1,622**	1,603	+ 1.2	**3,208**	3,220	- 0.4
Interest	**(38)**	(49)	- 22.4	**(60)**	(47)	+ 27.7
Income taxes	**5,604**	3,506	+ 59.8	**8,565**	5,582	+53.4
Non-controlling interest	**74**	52	+ 42.3	**86**	66	+30.3
Net profit margin from continuing operations (%)	**9.8**	6.9		**8.4**	5.9	
Net earnings (loss) from discontinued operations	**–**	(175)		**659**	(195)	
Net earnings	**11,502**	7,306		**18,504**	11,654	
Net profit margin (%)	***9.8***	*6.8*		***8.7***	*5.8*	
Comprehensive income	**11,146**	(517)		**18,015**	5,367	

(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 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Second-quarter **net earnings** grew by 57.4% to $11.5 million. The net profit margin from continuing operations improved significantly to 9.8% of consolidated sales, up from 6.9% for the second quarter of the previous year. **Earnings per share** amounted to $0.53 (basic and diluted), an increase of 60.6%.

Comprehensive income amounted to $11.1 million, on account of a negative adjustment of $0.4 million on translation of the financial statements of the self-sustaining subsidiary in the United States, whereas during the second quarter of the previous year, a negative adjustment of $7.8 million on translation of this same subsidiary's financial statements had resulted in a comprehensive loss of $0.5 million.

First-half **net earnings** increased to $18.5 million, up 58.8% over the corresponding period of 2009. This growth reflects the various aforementioned factors for the EBITDA and includes an after-tax non-recurring gain of $0.7 million on the disposal of the ceramics activities, as indicated in note 9 (Discontinued operations) to the consolidated financial statements accompanying this management's report. The net profit margin improved significantly to 8.7% of consolidated sales, up from 5.8% for the first half of the previous year. **Earnings per share** amounted to $0.85 (basic and diluted), up 60.4%, on account of the contribution of the discontinued operations of $0.03 per share for 2010, compared with a negative contribution of $0.01 for 2009.

On account of a negative adjustment of $0.5 million on translation of the financial statements of the self-sustaining subsidiary in the United States, **comprehensive income** amounted to $18.0 million for the first half, whereas comprehensive income for the corresponding period of 2009 stood at $5.4 million, on account of a negative adjustment of $6.3 million on translation of this same subsidiary's financial statements.

SUMMARY OF QUARTERLY FINANCIAL RESULTS (1)

(Unaudited)

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

Quarters	1	2	3	4
2010 (2)				
Sales	**95,183**	**117,960**		
EBITDA	**10,880**	**18,764**		
Net earnings	**7,002**	**11,502**		
basic per share	**0.32**	**0.53**		
diluted per share	**0.32**	**0.53**		
2009				
Sales	91,924	**107,900**	107,181	108,587
EBITDA	8,077	**12,538**	14,930	16,043
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
2008				
Sales	92,119	**111,147**	108,619	115,651
EBITDA	10,603	**15,150**	15,804	16,877
Net earnings	6,628	**9,100**	9,639	10,240
basic per share	0.29	**0.40**	0.42	0.46
diluted per share	0.29	**0.40**	0.42	0.46

(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 or 29 is generally the year's weakest for Richelieu in light of the smaller number of business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

FINANCIAL POSITION

Analysis of principal cash flows for the second quarter and first half ended May 31, 2010

CHANGE IN CASH AND CASH EQUIVALENTS AND CAPITAL RESOURCES (1)

(in thousands of $))

Periods ended May 31	3 Months 2010 $	3 Months 2009 $	6 Months 2010 $	6 Months 2009 $
Cash flows provided by (used for) continuing operations:				
Operating activities	**11,875**	11,274	**18,619**	12,468
Financing activities	**(10,751)**	(1,794)	**(12,598)**	(3,612)
Investing activities	**(2,063)**	(835)	**(3,418)**	(1,772)
Effect of exchange rate fluctuations	**(206)**	136	**(51)**	(23)
Net change in cash and cash equivalents	**(1,145)**	8,781	**2,552**	7,061
Cash flows from discontinued operations	**–**	686	**2,255**	(534)
Cash and cash equivalents, beginning of period	**54,394**	3,186	**48,442**	6,126
Cash and cash equivalents, end of period	**53,249**	12,653	**53,249**	12,653
Working capital	**157,435**	138,919	**157,435**	138,919
Renewable line of credit (CA$)	**26,000**	26,000	**26,000**	26,000
Renewable line of credit (US$)	**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 have been adjusted subsequent to the reclassification of the ceramic sales activities' results as discontinued operations.

Operating activities

Second quarter cash flows provided by operating activities (before net change in non-cash working capital balances related to operations) totalled $13.4 million or $0.61 per share, up from $9.4 million or $0.43 per share for the second quarter of 2009, mainly reflecting the $4.0 million growth in net earnings for the quarter. Net change in non-cash working capital balances related to operations represented a cash outflow of $1.5 million, compared with a cash inflow of $1.9 million for the second quarter of 2009. Consequently, operating activities provided cash flows of $11.9 million, compared with $11.3 million for the second quarter of 2009.

First-half operating activities provided cash flows (before net change in non-cash working capital balances related to operations) of $21.2 million or $0.97 per share, up from $15.7 million or $0.72 per share for the first half of 2009, mainly reflecting the $6.0 million growth in net earnings. Net change in non-cash working capital balances related to operations represented a cash outflow of $2.6 million, compared with $3.3 million for the corresponding period of 2009. This variation is primarily attributable to an increase in accounts receivable, inventories and prepaid expenses totalling $7.8 million, whereas accounts payable and income taxes payable represented a variance of $4.4 million. Consequently, operating activities provided cash flows of $18.6 million, compared with $12.5 million for the first half of 2009.

Financing activities

Second-quarter financing activities represented a cash outflow of $10.8 million, compared with $1.8 million for the second quarter of 2009. The Company paid $2.0 million in shareholder dividends, up by $0.2 million over the second quarter of the previous year considering the 12.5% increase in the quarterly dividend announced on January 28, 2010. In addition, a total of 364,100 common shares were repurchased for cancellation for a consideration of $8.9 million under Richelieu's normal course issuer bid, whereas no shares were repurchased in the second quarter of the previous year.

First-half financing activities represented a cash outflow of $12.6 million, compared with $3.6 million for the corresponding period of 2009. The Company paid $3.9 million in shareholder dividends, up by $0.4 million considering the 12.5% increase in the quarterly dividend announced on January 28, 2010. In addition, a total of 364,100 common shares were repurchased for cancellation for a consideration of $8.9 million under Richelieu's normal course issuer bid, compared with a repurchase of 4,000 common shares for a consideration of approximately $0.1 million during the first half of the previous year.

Investing activities

In the second quarter, the Company made investments of $2.1 million, of which $1.1 million in the acquisition of the principal net assets of Raybern on April 26, 2010, and the balance in equipment to improve the distribution centres' productivity and in showrooms.

In the first half, the Company invested $3.4 million, of which $1.8 million in the acquisition of Woodland and Raybern, and the balance in equipment to improve the distribution centres' productivity and in showrooms.

Sources of financing

As at May 31, 2010, **cash and cash equivalents** totalled $53.2 million, up from $12.7 million for the same period of 2009. The Company posted an excellent **working capital** of $157.4 million for a current ratio of 4.4:1, compared with $150.5 million and a 4.7:1 ratio as at November 30, 2009.

Richelieu believes it had the capital resources needed to fulfill its ongoing commitments and obligations during the second half of 2010 and to assume the funding requirements needed for its growth and the financing and investing activities planned for the rest of the 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.

The expectation set forth above consists of forward-looking information based on the assumptions that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, credit availability will remain stable all year long, no unusual events will entail additional capital expenditures and market conditions will be favourable to the completion of acquisitions. This expectation also remains subject to the risks identified under "Risk Management" on page 31 of the Company's 2009 Annual Report, available on SEDAR at www.sedar.com.

Balance sheet analysis as at May 31, 2010

Summary balance sheet
(in thousands of $)

As at May 31	2010 $	2009 $
Current assets	**204,191**	172,294
Long-term assets	**93,518**	97,199
Total	**297,709**	269,493
Current liabilities	**46,756**	33,375
Long-term liabilities	**4,651**	5,633
Shareholders' equity	**246,302**	230,485
Total	**297,709**	269,493

Assets

As at May 31, 2010, total assets amounted to $297.7 million, compared with $269.5 million a year earlier, an increase of 10.5%. Current assets grew by 18.5% or $32.0 million over May 31, 2009; this growth notably reflects the $40.6 million increase in cash and cash equivalents, a nil amount of income taxes receivable, compared with a $4.1 million receivable as at May 31, 2009, and a $4.6 million reduction in inventories subsequent to the optimization of the supply chain management.

Net cash
(in thousands of $)

As at May 31	2010 $	2009 $
Current portion of long-term debt	**539**	222
Long-term debt	**313**	328
Total	**852**	550
Cash and cash equivalents	***53,249***	*12,653*
Total net cash	**52,397**	12,103

After deducting total interest-bearing debt of $0.9 million, the Company posted total net cash of $52.4 million as at May 31, 2010, showing that it continues to benefit from a healthy and solid financial position that enables it to pursue its business strategy in its segment.

Shareholders' equity totalled $246.3 million as at May 31, 2010, up from $230.5 million a year earlier; this 6.9% growth mainly reflects the $17.3 million increase in retained earnings which amounted to $229.9 million as at May 31, 2010, and an increase of approximately $0.5 million in contributed surplus, less the $2.0 million reduction in accumulated comprehensive income. At the close of the first half, **the book value per share** stood at $11.49, compared with $10.40 as at May 31, 2009.

Richelieu's **capital stock** consisted of 21,439,109 common shares as at May 31, 2010 (21,779,759 common shares as at November 30, 2009). During the first six months of the year, the Company issued 23,450 common shares at an average price of $10.40 subsequent to the exercise of options under its stock option plan (no shares were issued subsequent to the exercise of options in 2009). In addition, during the same period, under the Company's normal course issuer bid, 364,100 common shares were repurchased for cancellation for a cash consideration of $8.9 million (4,000 common shares for a cash consideration of $60,000 in 2009). As at May 31, 2010, 949,050 stock options were outstanding (946,050 as at May 31, 2009), on account of the 30,000 options granted during the period (153,000 options during the first half of 2009).

SHARE INFORMATION AS AT JULY 8, 2010

Issued common shares	21,439,209
Share options under share option plan	949,050

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 2009 Annual Report. For the second half of 2010 and the foreseeable future, the Company expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumptions that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, credit availability will remain stable all year long, no unusual events will entail additional capital expenditures and market conditions will be favourable to the completion of acquisitions. This expectation also remains subject to the risks identified under "Risk Management" on page 31 of the Company's 2009 Annual Report, available on SEDAR at www.sedar.com.

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.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Significant accounting policies and estimates are described on pages 30 and 31 of the Company's 2009 Annual Report. Changes in accounting policies for the current year are described in Note 2 of the notes to unaudited consolidated financial statements for the three-month and six-month periods ended May 31, 2010 accompanying this management's 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 the fiscal years beginning on or after January 1, 2011. The Company will have to present its interim and annual financial statements for the fiscal 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 May 31, 2010
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 choices of accounting policies for the initial application of IFRS (IFRS # 1) • Identification of IT infrastructure requirements, or changes to such infrastructures if needed	• Identification of material differences between Canadian GAAP and IFRS • Examination of possible choices for the initial application of IFRS • In-depth analysis of IFRS underway to identify the choices of accounting policies, and identification of new disclosure requirements, phase planned for 2010
Design and preparation of production of IFRS financial reporting	• Quantification of impact of changeover to IFRS, including effects of the initial adoption of IFRS • Training of key Finance Department personnel • Development of a financial statement model, including notes	• Phase planned for 2011
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	• Process for review and approval for changes has been established

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the period ended May 31, 2010, there were no changes in the Company's procedures that had or are reasonably likely to have a material impact on its internal control over financial reporting.

RISK FACTORS

Risk factors are described in the "Risk Management" section on pages 31 to 33 of Richelieu's 2009 Annual Report.

SUBSEQUENTS EVENTS

In recognition of 23 years of service, the Board of Directors approved a retirement allowance for the Company's President and Chief Executive Officer in the amount of $1.7 million, which will be increased to a maximum of $2.3 million as at December 1, 2016.

Since May 31, 2010, Richelieu has signed three agreements in principle to acquire a distributor of hardware products, laminates and panels targeted to manufacturers in Western Canada; a distributor of specialty panels operating in Eastern Canada; and a distributor of hardware products for kitchen manufacturers and residential and commercial woodworkers in New Jersey (U.S.). Together, these three acquisitions represent additional sales of about $50 million for Richelieu and a global investment of approximately $15 million for the Company. The closing of each transaction is subject to due diligence and negociation of the acquisition agreement to the parties'satisfaction and could take place by the end of September 2010.

OUTLOOK

Management is confident the Company will achieve satisfactory growth in its results for the year ending November 30, 2010 – it will pursue its innovation and expansion strategy and continue to develop its North American markets with a focus on the cross-selling and synergies created with its acquisitions and new distribution centres.

The expectation set forth above consists of forward-looking information based on the assumptions that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, credit availability will remain stable all year long, no unusual events will entail additional capital expenditures, market conditions will be favourable to the completion of acquisitions and the Company will generate cross-selling and realize synergies with its new acquisitions and distribution centre openings. This expectation also remains subject to the risks identified under "Risk Management" on page 31 of the Company's 2009 Annual Report, available on SEDAR at www.sedar.com.

SUPPLEMENTARY INFORMATION

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

(Signed) Richard Lord

President and
Chief Executive Officer

(Signed) Alain Giasson

Vice-President and
Chief Financial Officer

July 8, 2010

Consolidated statements of earnings (unaudited)

(In thousands of dollars, except earnings per share)

	For the three-month period ended May 31, 2010		For the six-month period ended May 31, 2010	
	2010	2009 Adjusted *(note 9)*	2010	2009 Adjusted *(note 9)*
	$	$	$	$
Sales	117,960	107,900	213,143	199,824
Cost of sales and warehouse, selling and administrative expenses	99,196	95,307	183,499	179,154
Earnings before the following	18,764	12,593	29,644	20,670
Amortization of capital assets	1,295	1,255	2,556	2,516
Amortization of intangible assets	327	348	652	704
Financial costs, net	(38)	(49)	(60)	(47)
	1,584	1,554	3,148	3,173
Earnings before income taxes, non-controlling interest and discontinued operations	17,180	11,039	26,496	17,497
Income taxes	5,604	3,506	8,565	5,582
Earnings before non-controlling interest and discontinued operations	11,576	7,533	17,931	11,915
Non-controlling interest	74	52	86	66
Net earnings from continued operations	11,502	7,481	17,845	11,849
Net profit (net loss) from discontinued operations *(note 9)*	–	(175)	659	(195)
Net earnings	11,502	7,306	18,504	11,654
Earnings per share *(note 5)*				
Basic				
From continued operations	0.53	0.34	0.82	0.54
From discontinued operations	–	(0.01)	0.03	(0.01)
	0.53	0.33	0.85	0.53
Diluted				
From continued operations	0.53	0.34	0.82	0.54
From discontinued operations	–	(0.01)	0.03	(0.01)
	0.53	0.33	0.85	0.53

See accompanying notes

Consolidated statements retained earnings (unaudited)

(In thousands of dollars)

	For the three-month period ended May 31, 2010		For the six-month period ended May 31, 2010	
	2010	2009	2010	2009
	$	$	$	$
Net earnings	11,502	7,306	18,504	11,654
Retained earnings, beginning of period	229,027	207,124	223,986	204,591
Dividends	(1,962)	(1,758)	(3,923)	(3,516)
Premium on redemption of common shares for cancellation *(note 4)*	(8,629)	–	(8,629)	(57)
Retained earnings, end of period	229,938	212,672	229,938	212,672

See accompanying notes

Consolidated statements of comprehensive income (unaudited)

(In thousands of dollars)

	For the three-month period ended May 31, 2010		For the six-month period ended May 31, 2010	
	2010	2009	2010	2009
	$	$	$	$
Net earnings	11,502	7,306	18,504	11,654
Other comprehensive income				
Translation adjustment of the net investment in self-sustaining foreign operations	(356)	(7,823)	(489)	(6,287)
Comprehensive income	11,146	(517)	18,015	5,367

See accompanying notes.

Consolidated statements of cash flows (unaudited)

(In thousands of dollars)

	For the three-month period ended May 31, 2010		For the six-month period ended May 31, 2010	
	2010	2009 Adjusted *(note 9)*	2010	2009 Adjusted *(note 9)*
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings from continued operations	11,502	7,481	17,845	11,849
Non-cash items				
Amortization of capital assets	1,295	1,255	2,556	2,516
Amortization of intangible assets	327	348	652	704
Future income taxes	1	75	(290)	150
Non-controlling interest	74	52	86	66
Stock-based compensation expense	187	213	385	460
	13,386	9,424	21,234	15,745
Net change in non-cash working capital balances related to operations	(1,511)	1,850	(2,615)	(3,277)
	11,875	11,274	18 619	12,468
FINANCING ACTIVITIES				
Reimbursement of long term debt	–	(36)	–	(36)
Dividends paid	(1,962)	(1,758)	(3,923)	(3,516)
Issue of common shares	130	–	244	–
Redemption of common shares for cancellation	(8,919)	–	(8,919)	(60)
	(10,751)	(1,794)	12,598	(3,612)
INVESTING ACTIVITIES				
Business acquisition *(note 3)*	(1,145)	–	(1 767)	–
Additions to capital assets	(918)	(835)	(1 651)	(1,772)
	(2,063)	(835)	(3 418)	(1,772)
Effect of exchange rate fluctuations on cash and cash equivalents	(206)	136	(51)	(23)
Net change in cash and cash equivalents from continued operations	(1,145)	8,781	2,552	7,061
Cash flows from discontinued operations *(note 9)*	–	686	2,255	(534)
Cash and cash equivalents, beginning of period	54,394	3,186	48,442	6,126
Cash and cash equivalents, end of period	53,249	12,653	53,249	12,653
Supplemental information				
Income taxes paid	3,061	3,610	7,796	9,713
Interest received, net	(26)	(102)	(51)	(87)

See accompanying notes

Consolidated balance sheets (unaudited)

(In thousands of dollars)

	As at May 31, 2010 $	As at May 31, 2009 $	As at November 30, 2009 $
ASSETS			
Current assets			
Cash and cash equivalents	**53,249**	12,653	48,442
Accounts receivable	**57,223**	57,172	55,793
Income tax receivable	**–**	4,118	–
Inventories	**92,622**	97,205	87,058
Prepaid expenses	**1,097**	1,146	327
	204,191	172,294	191,620
Capital assets	**18,821**	20,965	19,569
Intangible assets	**12,313**	13,320	12,853
Goodwill	**62,384**	62,914	62,449
	297,709	269,493	286,491
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**44,467**	33,153	40,108
Income taxes payable	**1,750**	–	676
Current portion of long-term debt	**539**	222	351
	46,756	33,375	41,135
Long-term debt	**313**	328	317
Future income taxes	**1,121**	2,402	1,407
Non-controlling interest	**3,217**	2,903	3,132
	51,407	39,008	45,991
Shareholders' equity			
Capital stock *(note 4)*	**17,173**	17,102	16,916
Contributed surplus	**4,004**	3,497	3,922
Retained earnings	**229,938**	212,672	223,986
Accumulated other comprehensive income *(note 6)*	**(4,813)**	(2,786)	(4,324)
	246,302	230,485	240,500
	297,709	269,493	286,491

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, except for the new accounting policies described in note 2). 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 2009.

2) CHANGES IN ACCOUNTING POLICIES

Adopted in 2009

Inventories

In March 2007, the CICA adopted the new Section 3031, "Inventories", which has replaced Section 3030, "Inventories". This standard is the Canadian equivalent to IAS 2, "Inventories", of the International Framework Reporting Standards ("IFRS"). The new Section prescribes measurement of inventories at the lower of cost and net realizable value, which is in compliance with the accounting policy of the Compay. It provides guidance on the determination of cost and requires reversal of previous write-downs when there is a subsequent increase in the value of inventories.

The new standard was applied on December 1, 2008 and did not have a significant impact on the consolidated financial statements of the Company.

Goodwill and Intangible Assets

In February 2008, the CICA issued a Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets", as well as Section 3450, "Research and Development Costs".

The Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets [including research and development costs].

As for subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062.

The new standard was applied on December 1, 2008 and did not have a significant impact on the consolidated financial statements of the Company.

3) BUSINESS ACQUISITION

On December 1, 2009, the Company acquired the principal net assets of Woodland Specialties Inc. for a consideration 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.

On April 26, 2010, the Company acquired the principal net assets of Raybern Company, inc. for a cash consideration of $1,145 ($1,126 US) and a balance of sale of $184. Based in Rocky Hill, Connecticut, this distributor of decorative and architectural hardware, finishing products, high pressure laminates and related products mainly serves a customer base of kitchen cabinet manufacturers plus the residential and commercial woodworking industry.

These transactions were accounted for using the purchase method and the results of operations are included in the financial statements from their respective acquisition dates. The preliminary purchase price allocation is as follow:

Summary of acquisition

	2010 $
Net assets acquired	
Current assets	**2,214**
Capital assets	**187**
Intangible assets	**204**
Goodwill	**74**
	2,679
Current liabilities assumed	**729**
Net assets acquired	**1,950**
Consideration	
Cash	**1,767**
Balance of sale payable	**183**
	1,950

4) CAPITAL STOCK

Issued

As at May 31, 2010, capital stock outstanding amounted to 21,439,109 common shares (21,779,759 common shares as at November 30, 2009).

During the six-month period ended May 31, 2010, the Company issued 23,450 common shares at a weighted average price of $10.40 (none in 2009) pursuant to the exercise of options under the share option plan. In addition, during the six-month period ended May 31, 2010, the Company, through a normal course issuer bid, purchased 364,100 common shares for cancellation in consideration of $8,919 (4,000 common shares for a cash consideration of $60 in 2009).

Stock option plan

During the six-month period ended May 31, 2010, the Company granted 30,000 options (2009 – 153,000) with a weighted average exercise price of $22.92 (2009 – $17.40) and an average fair value of $6.54 per option (2009 – $4.02) as determined using the Black & Scholes option pricing model based on an expected dividend yield of 1.6% (2009 – 1.7%), a volatility of 25% (2009 – 23%), an average risk free interest rate of 3.83% (2009 – 2.36%) and an expected life of 7 years (2009 – 7 years). As at May 31, 2010, 949,050 share options were outstanding (2009 – 946,050) with exercise prices varying from $6.35 to $24.76 (2009 – $5.15 to $24.76) for a weighted average of $20.09 (2009 – $19.73).

For the three-month and six-month periods ended May 31, 2010, the stock-based compensation expense amounted to $187 and $385 (2009 – $213 and $460).

5) EARNINGS PER SHARE

3-MONTH PERIODS ENDED MAY 31		2010			2009	
	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	**11,502**	**21,686**	**0.53**	7,306	21,972	0.33
Dilutive effect of stock options	**–**	**145**	**–**	–	39	–
Diluted net earnings	**11,502**	**21,831**	**0.53**	7,306	22,011	0.33

5) EARNINGS PER SHARE (CONTINUED)

6-MONTH PERIODS ENDED MAY 31	2010			2009		
	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	**18,504**	**21,734**	**0.85**	11,654	21,973	0.53
Dilutive effect of stock options	**–**	**128**	**–**	–	42	–
Diluted net earnings	**18,504**	**21,862**	**0.85**	11,654	22,015	0.53

For the three-month and six-month periods ended May 31, 2010, outstanding options to purchase 149,500 common shares (2009 – 793,800 and 792,800) with a weighted average exercise price of $24.76 (2009 – $21.24 and $21.25) were excluded from the computation of diluted earnings because their effect would have been anti-dilutive.

6) ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	For the three-month period ended May 31		**For the three-month period ended May 31**	
	2010 $	2009 $	**2010 $**	2009 $
Balance – beginning of period	**(4,457)**	5,037	**(4,324)**	3,501
Translation adjustment of net investment in self-sustaining foreign operation	**(356)**	(7,823)	**(489)**	(6,287)
Balance – end of period	**(4,813)**	(2,786)	**(4,813)**	(2,786)

7) 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 May 31, 2010 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 $589 and $1,084 during the three-month and six-month periods ended May 31, 2010 for a total of $5,379 (increase of $359 and $847 in 2009 for a total of $4,508).

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 and six-month periods ended May 31, 2010, an exchange gain of $192 and $234 [2009 – $275 loss and $156 gain].

As at May 31, 2010 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 $448. 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.

For the three-month and six-month periods ended May 31, 2010, the statements of comprehensive income include a foreign exchange loss of $356 and $489 (loss of $7,823 and $6,287 as at May 31, 2009) 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 and six-month periods ended May 31, 2010, the amount of inventories recorded as expenses from the distribution, imports and manufacturing activities, excluding discontinued operations, totals $79,489 and $145,636 ($78,334 and $146,835 in 2009). An expense of $445 and $811 for obsolescence are included in these amounts ($86 and $400 in 2009).

8) GEOGRAPHIC INFORMATION

During the three-month and six-month periods ended May 31, 2010, near 85% of sales were made in Canada, while sales to foreign countries, almost entirely in the United States, amounted to $16,661 and $30,687 (2009 – $18,042 and $36,148) in Canadian dollars compared to $16,287 and $29,627 (2009 – $14,838 and $29,496) in US dollars.

As at May 31, 2010, of a total amount of $18,821 in capital assets ($19,569 as at November 30, 2009), $1,064 ($968 as at November 30, 2009) are located in the USA. In addition, intangible assets located in the USA amounts to $8,243 ($8,398 as at November 30, 2009) and goodwill at $20,703 ($20,768 as at November 30, 2009).

9) 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 six-month period ended May 31, 2010. During that period, the ceramic distribution activities classified as discontinued operations generated sales of $1,471 and realized pre-tax earnings of $13.

The comparative figures included in the consolidated statements of earnings and cash flow have been adjusted to reflect the classification of the results from the ceramic distribution activities as discontinued operations.

10) MANAGEMENT OF CAPITAL

For the six-month period ended May 31, 2010, the Company maintained the same capital management objectives as for the year ended November 30, 2009 and achieved the following results:

- a debt/equity ratio: 0.3% (2009- 0.2%) (interest-bearing debt/shareholders'equity)
- a return on shareholders' equity of 15.6% over the last 12 months (14.1% for the 12 previous months)

11) SUBSEQUENT EVENTS

In recognition of 23 years of service, the Board of Directors approved a retirement allowance for the Company's President and Chief Executive Officer in the amount of $1.7 million, which will be increased to a maximum of $2.3 million as at December 1, 2016.

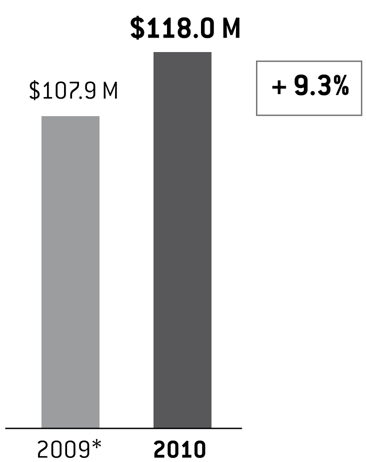
Since May 31, 2010, Richelieu has signed three agreements in principle to acquire a distributor of hardware products, laminates and panels targeted to manufacturers in Western Canada; a distributor of specialty panels operating in Eastern Canada; and a distributor of hardware products for kitchen manufacturers and residential and commercial woodworkers in New Jersey (U.S.). Together, these three acquisitions represent additional sales of about $50 million for Richelieu and a global investment of approximately $15 million for the Company. The closing of each transaction is subject to due diligence and negociation of the acquisition agreement to the parties'satisfaction and could take place by the end of September 2010.

12) COMPARATIVE FIGURES

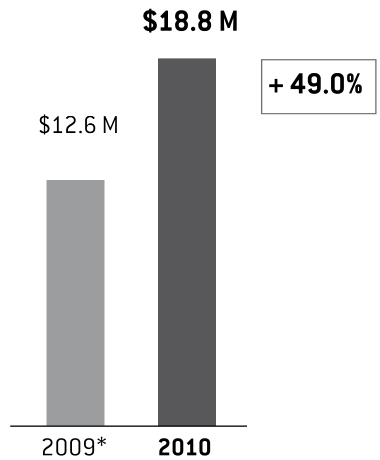
Some figures disclosed for the three-month and six-month periods ended May 31, 2009 have been reclassified accordingly to the presentation adopted during the three-month and six-month periods ended May 31, 2010.

Second Quarters ended on May 31, 2009 and 2010

SALES



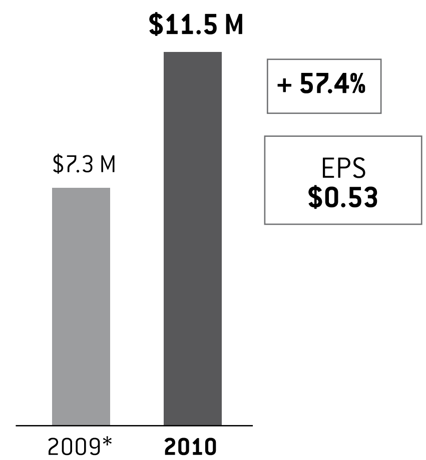
EBITDA



EBITDA Margins

11.7% **15.9%**

NET EARNINGS



Net Margins

6.8% **9.8%**

* Adjusted to account for the disposal of the ceramic distribution activities

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