Richelieu

Interim Report

Three and six-month periods ended May 31, 2011

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Message to Shareholders

Since the beginning of 2010, the Company has continued to expand, closing nine acquisitions and opening a distribution centre that have given it further momentum for growth while strengthening its positioning for the future. The integration of these new complementary operations is going well and efficiently, focused on operational profitability and the creation of sales synergies. During the second quarter, we acquired 85% of the common shares of Provincial Woodproducts Ltd, a distributor benefiting from a dominant position in Newfoundland, which allowed the Company to extend its physical presence to cover the Canadian market as a whole. Provincial is the third acquisition closed since the beginning of 2011. The second quarter also yielded relatively strong consolidated sales growth and profit margins we consider satisfactory under the circumstances, despite a decline from the second quarter of last year. It should be noted that the corresponding quarter of 2010 had benefited from exceptional conditions, and some of our recent acquisitions currently yield lower margins than Richelieu due to their respective different product mix.

Second-quarter consolidated sales totalled $139.2 million, an increase of 18% over the corresponding quarter of 2010, representing the strongest second-quarter growth in the last 10 years. This performance is attributable to the contribution of the eight acquisitions closed between May 31, 2010 and 2011, of which four in Canada and four in the United States, representing an 18.7% sales increase for the quarter. This growth also reflects the good performance of our manufacturers market in North America, which posted an internal growth of 2.7% in Canada and 7.8% in sales in U.S. dollars in the United States, and sales growth respectively of 16.8% and 61.2% in U.S. dollars, after factoring in acquisitions. We are particularly pleased with the internal growth of our U.S. sales as it results from our market penetration efforts at a time when the U.S. economy has not yet shown the expected signs of a recovery. Conversely, the retailers market, in which we operate primarily in Canada, underwent a slowdown during the quarter. As indicated by retailers themselves, this slowdown was caused by unfavourable weather, especially in Eastern Canada, as opposed to the early spring of 2010, and the fact that tax credit programs (abolished at the beginning of 2010) had stimulated home renovations while they were in effect. Consequently, our sales to retailers decreased by 4.1% or $0.9 million for the second quarter of 2011.

Second-quarter cash flows from operations amounted to $12.3 million and net earnings from continuing operations to $10 million or $0.48 per share, compared with $11.5 million or $0.53 per share in the second quarter of 2010.

We ended the period with $6.9 million in cash after investing $7.3 million to acquire Provincial and $5.1 million in capital assets, mostly to pursue the expansion of two of our distribution centres in Montreal and Laval, paying $2.3 million in shareholder dividends, an increase of 18.7% over the second quarter of 2010 following the quarterly dividend increase of 22.2% in January 2011, and the repurchase of $5.6 million in common shares as part of our normal course issuer bid. As at May 31, 2011, our working capital amounted to $149.7 million and interest-bearing debt totalled $7.1 million, including long-term debt of $1.9 million and short-term balances payable of $5.2 million on recent acquisitions.

At the end of the first six months of the year, Richelieu continues to benefit from an excellent financial position, with an impeccable, almost debt-free balance sheet, an organization and a positioning that will allow us to continue generating substantial cash flows in the future.

NEXT DIVIDEND PAYMENT

At its meeting on July 7, 2011, the Board of Directors approved the payment of a quarterly dividend of $0.11 per share. This dividend is payable on August 4, 2011 to shareholders of record as at July 21, 2011.

Management's discussion and analysis
of operating results and financial position for the second quarter and first half ended May 31, 2011

This management's report relates to Richelieu Hardware Inc.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2011, in comparison with the second quarter and first six months ended May 31, 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 second quarter and first half of 2011 as well as the analysis and notes to audited consolidated financial statements for the year ended November 30, 2010 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 May 31, 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 July 7, 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 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.

Richelieu also uses cash flows from continuing operations and cash flows from continuing operations per share. Cash flows from continuing operations are based on net earnings from continuing operations plus amortization of fixed assets and intangibles, future tax expense (or recovery), non-controlling interest and stock-based compensation expense, all attributable to continuing operations. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations.

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 May 31, 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 **61 centres in North America** — 36 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 tackboards. Richelieu also specializes in the manufacture of a wide variety of veneer sheets and edgebanding products through its subsidiary Cedan Industries Inc. — of components for the window and door industry and mouldings through Menuiserie des Pins Ltée — and of floor protection products through Madico Distribution Inc. 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 1,600 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 continuously 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 carry a limited range of products.

SELECTED CONSOLIDATED QUARTERLY INFORMATION (Unaudited) (1)
Periods ended May 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 Months 2011 $	3 Months 2010 $	Δ%	6 Months 2011 $	6 Months 2010 $	Δ%
Sales	**139,178**	117,960	+ 18.0	**252,370**	213,143	+ 18.4
EBITDA	**17,194**	18,764	– 8.4	**29,257**	29,644	– 1.3
EBITDA margin (%)	***12.4***	*15.9*		***11.6***	*13.9*	
Net earnings from continuing operations	**10,006**	11,502	– 13.0	**17,010**	17,845	– 4.7
Net margin from continuing operations (%)	***7.2***	*9.8*		***6.7***	*8.4*	
• basic per share ($)	**0.48**	0.53	– 9.4	**0.81**	0.82	– 1.2
• diluted per share ($)	**0.47**	0.53	– 11.3	**0.80**	0.82	– 2.4
Cash flows from continuing operations (2)	**12,297**	13,386	– 8.1	**21,458**	21,234	+ 1.8
• per share ($)	**0.58**	0.61	– 4.9	**1.00**	0.97	+ 4.1
Net earnings	**10,006**	11,502	– 13.0	**17,010**	18,504	– 8.1
• basic per share ($)	**0.48**	0.53	– 9.4	**0.81**	0.85	– 4.7
• diluted per share ($)	**0.47**	0.53	– 11.3	**0.80**	0.85	– 5.9
Cash dividends paid on shares	**2,328**	1,962	+ 18.7	**4,655**	3,923	+ 18.7
• per share ($)	**0.11**	0.09		**0.22**	0.17	
Weighted average number of shares outstanding (diluted) (in thousands)	**21,367**	21,831		**21,388**	21,862	

Balance sheet data

As at May 31	2011 $	2010 $	Δ%
Total assets	**326,376**	298,746	+ 9.2
Working capital	**149,712**	157,435	– 4.9
Current ratio	***3.6***	*4.4*	
Shareholders' equity	**258,890**	246,302	+ 5.1
Return on average equity (%)	***14.9***	*15.6*	
Book value ($)	**12.33**	11.49	+ 7.3
Total interest-bearing debt	**7,074**	852	+ 730.3
Cash and cash equivalents	**6,901**	53,249	– 87.0

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

(2) Cash flows from continuing operations and cash flows from continuing operations per share are non-GAAP measures. The cash flows from continuing operations presented above exclude net change in non-cash working capital balances. The reader is referred to non-GAAP measures on page 4 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2011 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2010

Second-quarter consolidated sales totalled $139.2 million, up by $21.2 million or 18.0% over the corresponding quarter of 2010. This result reflects a 0.7% internal decrease – were it not for the effect of exchange rates on the sales recorded in the United States, internal growth would have come to 0.1% – and an 18.7% growth from the acquisition of 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**"), PJ White Hardwoods Ltd. (Vancouver, Victoria, B.C. and Edmonton, Calgary, Alberta) ("**PJ White**"), Outwater Hardware (Lincoln Park, New Jersey) ("**Outwater**"), Distribution Madico Inc. (Quebec) ("**Madico**") and Provincial Woodproducts Ltd (Newfoundland) ("**Provincial**"), the latter having been acquired on March 14, 2011.

Sales to **manufacturers** amounted to $118.9 million, compared with $96.8 million for the same period of 2010, an increase of $22.1 million or 22.8%, of which 2.7% from internal growth and 20.1% from the aforementioned acquisitions. The most significant increases were registered in the residential and commercial woodworking, kitchen and bathroom cabinet makers and office furniture manufacturing markets. Sales to hardware **retailers** and renovation superstores amounted to $20.3 million, compared with $21.2 million for the corresponding quarter of 2010, a decline of $0.9 million or 4.1% due to a 16.4% internal decrease in this market, partly offset by the growth from the acquisition of Gordonply and Madico. As indicated by retailers themselves, unfavourable weather conditions are mentioned as a cause of the slowdown in sales in the spring of 2011.

In Canada, sales totalled $113.8 million, compared with $101.3 million for the second quarter of 2010. This $12.5 million or 12.3% increase came from the contribution of Gordonply, PJ White, Madico and Provincial which represented a 13.4% growth, whereas the internal decrease was 1.1%. The markets in Eastern, Central and Western Canada posted a solid internal growth of 2.7% in the **manufacturers** market, with a more significant increase in Western Canada, and a 14.1% growth from acquisitions; they grew to $94.0 million, up from $80.5 million for the second quarter of 2010. Conversely, in the **retailers** market, Canadian sales were down by 4.9% from the corresponding quarter of 2010, due to a 15.8% internal decrease stemming mainly from the Eastern Canadian market for the aforementioned reasons, partly offset by the growth from the acquisition of Gordonply and Madico. Thus, sales to retailers amounted to $19.8 million, compared with $20.8 million for the corresponding quarter of 2010.

In the United States, sales amounted to US$26.3 million, an increase of US$10.0 million or 61.2%, of which 7.8% from internal growth and 53.4% from the contribution of Raybern, New Century, E.Kinast and Outwater. In Canadian dollars, sales recorded in the United States grew to $25.4 million, up from $16.7 million for the corresponding quarter of 2010. They accounted for 18.3% of second-quarter consolidated sales. The internal sales growth in the U.S. markets is all the more appreciable as it was achieved in an economic context that remains difficult.

CONSOLIDATED SALES [(1)]

(in thousands of $, except exchange rate)

Periods ended May 31	3 Months 2011 $	3 Months 2010 $	Δ%	6 Months 2011 $	6 Months 2010 $	Δ%
Canada	**113,764**	101,299	+ 12.3	**206,337**	182,456	+ 13.1
United States (CA$)	**25,414**	16,661	+ 52.5	**46,033**	30,687	+ 50.0
(US$)	**26,258**	16,287	+ 61.2	**46,963**	29,627	+ 58.5
Average exchange rate	***0.9679***	*1.0230*		***0.9802***	*1.0358*	
Consolidated sales	**139,178**	117,960	+ 18.0	**252,370**	213,143	+ 18.4

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

First-half consolidated sales totalled $252.4 million, an increase of $39.2 million or 18.4% over the first six months of 2010, of which 0.7% from internal growth and 17.7% from the eight acquisitions closed between May 31, 2010 and 2011.

Sales to **manufacturers** amounted to $212.8 million, compared with $174.8 million for the corresponding period of 2010, an increase of $38.1 million or 21.8%, of which 2.8% from internal growth and 19.0% from acquisitions. The most significant increases were registered in the residential and commercial woodworking, kitchen and bathroom cabinet makers and office furniture manufacturing markets. Sales to hardware **retailers** and renovation superstores grew to $39.5 million, up from $38.4 million for the first six months of 2010. This $1.2 million or 3.0% growth is fully attributable to the contribution of Gordonply, which largely compensated for the 9.0% internal decrease caused by the factors discussed for the second quarter of 2011. It should be noted that Gordonply's distribution operations are specifically targeted to hardware retailers and renovation superstores in Quebec and Ontario.

In Canada, sales totalled $206.3 million, compared with $182.5 million for the first half of 2010. This $23.9 million or 13.1% increase came entirely from the contribution of Gordonply, PJ White, Madico and Provincial. The markets in Eastern, Central and Western Canada posted solid internal growth of 2.2% in the **manufacturers** market, with a more significant increase in Western Canada, and a 13.7% growth from acquisitions; they amounted to $167.7 million, compared with $144.7 million for the first half of 2010. Sales to **retailers** grew to $38.7 million, up from $37.8 million for the first half of 2010, an increase of 2.3%. This $0.9 million growth reflects the contribution of Gordonply, which largely compensated for the 8.4% internal decrease in this market adversely affected by the spring weather conditions, as indicated by retailers themselves.

In the United States, sales amounted to US$47.0 million, an increase of US$17.3 million or 58.5%, of which 10.5% from internal growth and 48.0% from the contribution of Raybern, New Century, E.Kinast and Outwater. In Canadian dollars, sales recorded in the United States amounted to $46.0 million, compared with $30.7 million for the first six months of 2010. They accounted for 18.2% of first-half consolidated sales.

Consolidated EBITDA and EBITDA margin (1)

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 Months 2011 $	3 Months 2010 $	Δ%	6 Months 2011 $	6 Months 2010 $	Δ%
Sales	**139,178**	117,960	+ 18.0	**252,370**	213,143	+ 18.4
EBITDA	**17,194**	18,764	– 8.4	**29,257**	29,644	– 1.3
EBITDA margin (%)	***12.4***	*15.9*		***11.6***	*13.9*	

(1) The Company discontinued its ceramic sales activities and disposed of these product inventories during the first quarter of 2010. 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 $17.2 million, down by 8.4% from the corresponding quarter of 2010. For comparative purposes, it should be pointed out that results for the second quarter of 2010 had been exceptional. In the second quarter of 2011, **the gross profit margin** did not benefit from the increase in the Canadian dollar, as opposed to 2010; in addition, it was affected by the following factors: the actual lower profit margins of some recent acquisitions than Richelieu because of their different product mix, and the gross margin of operations in the United States due to the aggressive market positioning approach adopted by the Company. These same factors combined with higher expenses related to the launch of new product lines affected **the EBITDA profit margin from continuing operations** which stood at 12.4%, compared with 15.9% for the second quarter of 2010.

Income taxes decreased by $0.7 million to $4.9 million. This decline is related to the lower earnings before income taxes and the non-controlling interest.

First-half earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $29.3 million, down by 1.3% from the first six months of 2010. **The gross profit margin** was affected mainly by the lower profit margins of some acquisitions closed in 2010 than Richelieu because of their different product mix, combined with the gross margin of operations in the United States where the business environment is exerting downward pressures on selling prices. These same factors affected **the EBITDA profit margin from continuing operations** which stood at 11.6%, compared with 13.9% for the first six months of 2010.

Income taxes decreased by $0.3 million to $8.3 million. This decline is primarily related to the lower earnings before income taxes and the non-controlling interest.

Consolidated net earnings (1)

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 Months 2011 $	3 Months 2010 $	Δ%	6 Months 2011 $	6 Months 2010 $	Δ%
EBITDA	**17,194**	18,764	– 8.4	**29,257**	29,644	– 1.3
Amortization of capital and intangible assets	**2,131**	1,622	+ 31.4	**3,867**	3,208	+ 20.5
Interest	**49**	(38)		**14**	(60)	
Income taxes	**4,922**	5,604	– 12.2	**8,296**	8,565	– 3.1
Non-controlling interest	**86**	74	+ 16.2	**70**	86	– 18.6
Net earnings from continuing operations	**10,006**	11,502	– 13.0	**17,010**	17,845	– 4.7
Net profit margin from continuing operations (%)	***7.2***	*9,8*		***6.7***	*8.4*	
Net earnings (loss) from discontinued operations	**–**	–		**–**	659	
Net earnings	**10,006**	11,502	– 13.0	**17,010**	18,504	– 8.1
Net profit margin (%)	***7.2***	*9.8*		***6.7***	*8.7*	
Comprehensive income	**9,856**	11,146		**14,186**	18,015	

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

In the second quarter, considering the factors previously provided for the EBITDA, **net earnings** amounted to $10.0 million, down by 13.0% from the corresponding quarter of 2010. The net profit margin from continuing operations stood at 7.2% of consolidated sales, compared with 9.8% for the corresponding quarter of 2010. **Earnings from continuing operations per share** stood at $0.48 (basic) and $0.47 (diluted), a decrease of 11.3%.

Comprehensive income amounted to $9.9 million, on account of a negative adjustment of $0.2 million on translation of the financial statements of the subsidiary in the United States, compared with $11.1 million for the same quarter of 2010, on account of a negative adjustment of $0.4 million on translation of the financial statements of the subsidiary in the United States.

For the first half, net earnings from continuing operations totalled $17.0 million, down by 4.7% from the corresponding period of 2010. This decline reflects the previously discussed factors and the fact that in the first quarter of 2010, the Company had realized a non-recurring gain net of taxes of $0.7 million or $0.03 per share on the disposal of the inventories of its ceramics activities. **Earnings per share** stood at $0.81 (basic) and $0.80 (diluted), compared with $0.82 (basic and diluted), excluding the earnings of $0.03 per share related to discontinued operations.

Comprehensive income amounted to $14.2 million, on account of a negative adjustment of $2.8 million on translation of the financial statements of the subsidiary in the United States, compared with $18.0 million for the first half of 2010, on account of a negative adjustment of $0.5 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS (1) (Unaudited)

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

Quarters	1	2	3	4
2011				
Sales	**113,192**	**139,178**		
EBITDA	**12,063**	**17,194**		
Net earnings	**7,004**	**10,006**		
basic per share	**0.33**	**0.48**		
diluted per share	**0.33**	**0.47**		
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 second quarter and first six months ended May 31, 2011

Change in cash and cash equivalents and capital resources (1)

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 Months 2011 $	3 Months 2010 $	6 Months 2011 $	6 Months 2010 $
Cash flows provided by (used for) continuing operations:				
Operating activities	**8,740**	11,875	**3,971**	18,619
Financing activities	**(7,461)**	(10,751)	**(9,554)**	(12,598)
Investing activities	**(12,502)**	(2,063)	**(26,857)**	(3,418)
Effect of exchange rate fluctuations	**1**	(206)	**52**	(51)
Net change in cash and cash equivalents	**(11,222)**	(1,145)	**(32,388)**	2,552
Cash flows from discontinued operations	**–**	–	**–**	2,255
Cash and cash equivalents, beginning of period	**18,123**	54,394	**39,289**	48,442
Cash and cash equivalents, end of period	**6,901**	53,249	**6,901**	53,249
Working capital	**149,712**	157,435	**149,712**	157,435
Renewable line of credit (CA$)	**26,000**	26,000	**26,000**	26,000
Renewable line of credit (US$)	**5,000**	5,000	**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 from operating activities (before net change in non-cash working capital balances related to operations) amounted to $12.3 million or $0.58 per share, compared with $13.4 million or $0.61 per share for the second quarter of 2010, primarily reflecting the $1.5 million decline in net earnings from continuing operations, less the $0.5 million increase in amortization of capital and intangible assets related to recent acquisitions. Net change in non-cash working capital balances related to operations represented a cash outflow of $3.6 million, compared with $1.5 million for the second quarter of 2010. Whereas accounts receivable and prepaid expenses represented a cash outflow of $9.3 million, changes in inventories, accounts payable and prepaid taxes provided cash flows of $5.7 million. Consequently, operating activities provided cash flows of $8.7 million, compared with $11.9 million for the second quarter of 2010.

First-half cash flows from operating activities (before net change in non-cash working capital balances related to operations) totalled $21.5 million or $1.00 per share, compared with $21.2 million or $0.97 per share for the first six months of 2010, mainly reflecting the $0.8 million decrease in net earnings from continuing operations. Net change in non-cash working capital balances related to operations required cash flows of $17.5 million, compared with $2.6 million for the first half of 2010.

Changes in accounts receivable, inventories, prepaid expenses, accounts payable and income taxes payable required cash flows representing substantially all of the cash outflow of $17.5 million. Consequently, operating activities generated cash flows of $4.0 million, compared with $18.6 million for the first six months of 2010.

Financing activities

Second-quarter dividends paid to shareholders amounted to $2.3 million, up by 18.7% over the dividends paid for the corresponding quarter of 2010. During the period, Richelieu issued common shares for a consideration of $0.6 million upon the exercise of options under the stock option plan, compared with $0.1 million in the second quarter of 2010. The Company also repurchased shares under its normal course issuer bid for a consideration of $5.6 million, compared with $8.9 million in the second quarter of 2010. Consequently, financing activities represented a cash outflow of $7.5 million, compared with $10.8 million for the corresponding quarter of 2010.

First-half dividends paid to shareholders totalled $4.7 million, up by 18.7% over the first six months of 2010. The Company also issued common shares for a consideration of $0.8 million upon the exercise of options under the stock option plan, compared with $0.2 million in the first half of 2010, and repurchased shares under its normal course issuer bid for a consideration of $5.6 million, compared with $8.9 million in the first half of 2010. Financing activities therefore represented a total cash outflow of $9.6 million, compared with $12.6 million for the first six months of 2010.

Investing activities

In the second quarter, Richelieu made investments of $12.5 million, of which $7.4 million in the acquisition of Provincial and $5.1 million in capital assets, primarily in the expansion of the Montreal and Laval distribution centres to meet growth requirements and to maintain excellent standards of service, as well as in complementary modules to the Company's information technology system.

In the first half, the Company invested a total of $26.9 million, including $18.5 million in the acquisition of the net assets of Outwater, the shares of Madico and 85% of the common shares of Provincial, plus $8.4 million in capital assets, primarily in the expansion of the Montreal and Laval distribution centres to meet growth requirements and to maintain excellent standards of service, as well as in complementary modules to the Company's information technology system.

Sources of financing

At the end of the first six months, **cash and cash equivalents** totalled $6.9 million, compared with $53.2 million as at May 31, 2010. The Company posted working capital of $149.7 million for a current ratio of 3.6:1, compared with $157.4 million (4.4:1 ratio) as at May 31, 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 in 2011 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 continues to benefit from 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 May 31, 2011

Summary balance sheet
(in thousands of $)

As at May 31	**2011 $**	2010 $
Current assets	**207,067**	204,191
Long-term assets	**119,309**	94,555
Total	**326,376**	298,746
Current liabilities	**57,355**	46,756
Long-term liabilities	**10,131**	5,688
Shareholders' equity	**258,890**	246,302
Total	**326,376**	298,746

Assets

As at May 31, 2011, **total assets** amounted $326.4 million, compared with $298.7 million a year earlier, an increase of 9.2% mainly reflecting the impact of the acquisitions over the past 12 months. **Current assets** were up by $2.9 million over May 31, 2010. This growth is due notably to the $29.5 million increase in inventories, of which $4.4 million from acquisitions and the balance to meet further demand, and a total $19.2 million increase in accounts receivable, including $4.0 million from acquisitions, whereas cash and cash equivalents were down by $46.3 million from May 31, 2010.

Net cash
(in thousands of $)

Aux 31 mai	**2011 $**	2010 $
Current portion of long-term debt	**5,150**	539
Long-term debt	**1,924**	313
Total	**7,074**	852
Cash and cash equivalents	***6,901***	*53,249*
Total net cash	**(173)**	52,397

Total interest-bearing debt amounted to $7.1 million, including long-term debt of $1.9 million and a current portion of $5.2 million representing balances payable on acquisitions.

As at May 31, 2011, **shareholders' equity** totalled $258.9 million, compared with $246.3 million a year earlier, a growth of 5.1% primarily reflecting the $14.9 million increase in retained earnings which amounted to $244.8 million, and the $1.7 million increase in capital stock, less changes of $3.6 million in accumulated other comprehensive income and of $0.4 million in contributed surplus. **The book value per share** stood at $12.33 at the end of the first half, compared with $11.49 as at May 31, 2010. The Company continues to benefit from a healthy and solid financial position that enables it to pursue its business strategy.

As at May 31, 2011, the Company's **capital stock** consisted of 20,994,209 common shares (21,135,209 shares as at November 30, 2010). During the first six months of the year, the Company issued 47,800 common shares at an average price of $16.80 (23,450 in 2010 at an average price of $10.40) upon the exercise of options under its stock option plan. Also during the six-month period ended May 31, 2011, 188,800 common shares were purchased for cancellation under the normal course issuer bid for a cash consideration of $5.6 million (364,100 common shares for a cash consideration of $8.9 million in 2010). Furthermore, during the six-month period ended May 31, 2011, the Company granted 50,000 stock options (30,000 in 2010). Consequently, 919,000 stock options were outstanding as at May 31, 2011 (949,050 as at May 31, 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 May 31, 2011, management 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 METHODS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

Significant accounting methods 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 at May 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 methods (established in accordance with Canadian GAAP) and IFRS • Selection of accounting methods in accordance with IFRS • Selection of accounting methods 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 differ from the Company's accounting methods
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 implemented 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 regard to those identified differences:

Accounting policies	Comparisons between IFRS and GAAP on the Company's activities as at May 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 – during the first semester, the Company capitalized an amount of $262 as acquisition costs
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 amounts 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 and intangible assets

(continued...)

Accounting policies	Comparisons between IFRS and GAAP on the Company's activities as at May 31, 2011	Preliminary Conclusions
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 flows that are largely independent from other group of assets • Depreciation charges accounted for under IFRS, applicable to other assets than goodwill and intangible assets without a definite life, must be reversed when events indicate that the situation no longer prevails, without exceeding the initial cost	• The Company is presently assessing the impact of those modifications, which could lead to a major adjustment
Other liabilities, provisions and contingent liabilities	• IFRS requires that a provision must be recorded when it is probable (>50%) that the Company will settle a 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 vest 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 is closely monitoring the progress of the work of the IASB (International Accounting Standard Board), which is expected to adopt a new standard applicable to leases during the fourth quarter of 2011. 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 currently accounted for (under Canadian GAAP) 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 32 and 33 of Richelieu's 2010 Annual Report.

OUTLOOK

The Company's priorities for the second half of this year will mainly be the:

- further integration of the businesses acquired in 2010 and 2011, with a focus on creating sales synergies and improving operational profitability;
- intensification of its market development efforts in Canada and the United States with an innovative and diversified product offering tailored to customers' changing needs;
- ongoing development of the richelieu.com website, a most efficient tool for customers and Richelieu's growth; and
- the identification of new acquisition targets compatible with the Company's operations.

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

July 7, 2011

Consolidated statements of earnings (unaudited)

(In thousands of dollars, except earnings per share)

	For the three-month period ended May 31		For the six-month period ended May 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Sales	**139,178**	117,960	**252,370**	213,143
Cost of sales and warehouse, selling and administrative expenses	**121,984**	99,196	**223,113**	183,499
Earnings before the following	**17,194**	18,764	**29,257**	29,644
Amortization of capital assets	**1,569**	1,295	**2,905**	2,556
Amortization of intangible assets	**562**	327	**962**	652
Financial costs, net	**49**	(38)	**14**	(60)
	2,180	1,584	**3,881**	3,148
Earnings before income taxes, non-controlling interest and discontinued operations	**15,014**	17,180	**25,376**	26,496
Income taxes	**4,922**	5,604	**8,296**	8,565
Earnings before non-controlling interest and discontinued operations	**10,092**	11,576	**17,080**	17,931
Non-controlling interest	**86**	74	**70**	86
Net earnings from continued operations	**10,006**	11,502	**17,010**	17,845
Net profit from discontinued operations *(note 8)*	**–**	–	**–**	659
Net earnings	**10,006**	11,502	**17,010**	18,504
Earnings per share *(note 4)*				
Basic				
From continued operations	**0.48**	0.53	**0.81**	0.82
From discontinued operations	**–**	–	**–**	0.03
	0.48	0.53	**0.81**	0.85
Diluted				
From continued operations	**0.47**	0.53	**0.80**	0.82
From discontinued operationss	**–**	–	**–**	0.03
	0.47	0.53	**0.80**	0.85

See accompanying notes

Consolidated statements retained earnings (unaudited)

(In thousands of dollars)

	For the three-month period ended May 31		For the six-month period ended May 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net earnings	**10,006**	11,502	**17,010**	18,504
Retained earnings, beginning of period	**242,584**	229,027	**237,907**	223,986
Dividends	**(2,328)**	(1,962)	**(4,655)**	(3,923)
Premium on redemption of common shares for cancellation *(note 3)*	**(5,437)**	(8,629)	**(5,437)**	(8,629)
Retained earnings, end of period	**244,825**	229,938	**244,825**	229,938

See accompanying notes

Consolidated statements of comprehensive income (unaudited)

(In thousands of dollars)

	For the three-month period ended May 31		For the six-month period ended May 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net earnings	**10,006**	11,502	**17,010**	18,504
Other comprehensive income				
Translation adjustment of the net investment in self-sustaining foreign operations	**(150)**	(356)	**(2,824)**	(489)
Comprehensive income	**9,856**	11,146	**14,186**	18,015

See accompanying notes

Consolidated statements of cash flows (unaudited)

(In thousands of dollars)

	For the three-month period ended May 31		For the six-month period ended May 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
OPERATING ACTIVITIES				
Net earnings from continued operations	**10,006**	11,502	**17,010**	17,845
Non-cash items				
Amortization of capital assets	**1,569**	1,295	**2,905**	2,556
Amortization of intangible assets	**562**	327	**962**	652
Future income taxes	**(63)**	1	**219**	(290)
Non-controlling interest	**86**	74	**70**	86
Stock-based compensation expense	**137**	187	**292**	385
	12,297	13,386	**21,458**	21,234
Net change in non-cash working capital balances related to operations	**(3,557)**	(1,511)	**(17,487)**	(2,615)
	8,740	11,875	**3,971**	18,619
FINANCING ACTIVITIES				
Reimbursement of long term debt	**(95)**	–	**(95)**	–
Dividends paid	**(2,328)**	(1,962)	**(4,655)**	(3,923)
Issue of common shares	**569**	130	**803**	244
Redemption of common shares for cancellation	**(5,607)**	(8,919)	**(5,607)**	(8,919)
	(7,461)	(10,751)	**(9,554)**	(12,598)
INVESTING ACTIVITIES				
Business acquisitions *(note 2)*	**(7,403)**	(1,145)	**(18,498)**	(1,767)
Additions to capital assets and intangible assets	**(5,099)**	(918)	**(8,359)**	(1,651)
	(12,502)	(2,063)	**(26,857)**	(3,418)
Effect of exchange rate fluctuations on cash and cash equivalents	**1**	(206)	**52**	(51)
Net change in cash and cash equivalents from continued operations	**(11,222)**	(1,145)	**(32,388)**	2,552
Cash flows from discontinued operations *(note 8)*	**–**	–	**–**	2,255
Cash and cash equivalents, beginning of period	**18,123**	54,394	**39,289**	48,442
Cash and cash equivalents, end of period	**6,901**	53,249	**6,901**	53,249
Supplemental information				
Income taxes paid	**3,271**	3,061	**10,608**	7,796
Interest received, net	**3**	(26)	**(53)**	(51)

See accompanying notes

Consolidated balance sheets (unaudited)

(In thousands of dollars)

	As at May 31, 2011 $	As at May 31, 2010 $	As at November 30, 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	**6,901**	53,249	39,289
Accounts receivable	**76,453**	57,223	65,017
Inventories	**122,163**	92,622	117,609
Prepaid expenses	**1,550**	1,097	837
	207,067	204,191	222,752
Capital assets	**26,222**	18,821	19,132
Intangible assets	**22,839**	12,313	13,242
Future income tax	**2,422**	1,037	2,327
Goodwill	**67,826**	62,384	63,363
	326,376	298,746	320,816
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**50,081**	44,467	52,641
Income taxes payable	**2,124**	1,750	5,312
Current portion of long-term debt	**5,150**	539	2,072
	57,355	46,756	60,025
Long-term debt	**1,924**	313	786
Future income taxes	**3,175**	2,158	2,706
Non-controlling interest	**5,032**	3,217	3,430
	67,486	52,444	66,947
Shareholders' equity			
Capital stock *(note 3)*	**18,896**	17,173	17,623
Contributed surplus	**3,560**	4,004	3,906
Retained earnings	**224,825**	229,938	237,907
Accumulated other comprehensive income *(note 5)*	**(8,391)**	(4,813)	(5,567)
	258,890	246,302	253,869
	326,376	298,746	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 METHODS

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 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) BUSINESS ACQUISITIONS

On January 10, 2011, the Company acquired the principal net assets of Outwater Hardware for a consideration in cash of $8,817 ($8,871 US), including acquisition costs, 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 $2,814, including acquisition costs, 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 March 14, 2011, the Company acquired 85% of the outstanding common shares of Provincial Woodproducts Ltd. for a cash consideration of $7,296, including acquisition costs, and a balance of sale of $1,482. This Company based in St-John's (Newfoundland) operates a distribution centre of hardware, finishing products, panels and hardwood floors.

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 costs. 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) including acquisition costs, and a balance of sale of $183. 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 the acquisition date. The preliminary purchase price allocations of Outwater Hardware, Madico inc., Provincial Woodproducts Ltd., Raybern Company inc., as well as the final purchase price allocation of Woodland Specialties Inc. done in 2010 are as follow:

Summary of acquisitions

	2011 $	2010 $
Assets acquired		
Accounts receivable	**3,972**	634
Inventories	**4,439**	1,580
Other assets	**227**	–
Capital assets	**2,753**	187
Intangible assets	**10,280**	204
Goodwill	**5,246**	74
	26,917	2,679
Current liabilities assumed		
Accounts payable and accrued liabilities	**2,042**	729
Income taxes payable	**466**	–
Future income taxes	**155**	–
Non controlling interest	**1,532**	–
	4,195	729
Net assets acquired	**22,722**	1,950
Consideration		
Cash, net of cash acquired	**18,225**	1,767
Balances of sale payable	**4,497**	183
	22,722	1,950

During the six month period ended May 31, 2011, the Company disbursed an amount of $273 and reduced the balance of sale by $24 as a result of purchase price adjustments on previous acquisitions.

3) CAPITAL STOCK

Issued

As at May 31, 2011, capital stock outstanding amounted to 20,994,209 common shares (21,135,209 common shares as at November 30, 2010).

During the six-month period ended May 31, 2011, the Company issued 47,800 common shares at a weighted average price of $16.80 (23,450 at a weighted average price of $10.40) pursuant to the exercise of options under the share option plan. In addition, during the six-month period ended May 31, 2011, the Company, through a normal course issuer bid, purchased 188,800 common shares for cancellation in consideration of $5,607 (364,100 common shares for a cash consideration of $8,919 in 2010).

Stock option plan

During the six-month period ended May 31, 2011, the Company granted 50,000 options (2010 – 30,000) with a weighted average exercise price of $30.54 (2010 – $22.92) and an average fair value of $8.76 per option (2010 – $6.54) as determined using the Black & Scholes option pricing model based on an expected dividend yield of 1.5% (2010 – 1.6%), a volatility of 25% (2010 – 25%), an average risk free interest rate of 3.71% (2010 – 3.83%) and an expected life of 7 years (2010 – 7 years). As at May 31, 2011, 919,000 share options were outstanding (2010 – 949,050) with exercise prices varying from $9.97 to $30.68 (2010 – $6.35 to $24.76) for a weighted average of $20.89 (2010 – $20.09).

For the three-month and six-month periods ended May 31, 2011, the stock-based compensation expense amounted to $137 and $292 (2010 – $187 and $385).

4) EARNINGS PER SHARE

3-MONTH PERIODS ENDED MAY 31

	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	**10,006**	**21,114**	**0.48**	11,502	21,686	0.53
Dilutive effect of stock options	**–**	**253**	**(0.01)**	–	145	–
Diluted net earnings	**10,006**	**21,367**	**0.47**	11,502	21,831	0.53

4) EARNINGS PER SHARE (continued)

6-MONTH PERIODS ENDED MAY 31

	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	**17,010**	**21,130**	**0.81**	18,504	21,734	0.85
Dilutive effect of stock options	**–**	**258**	**(0.01)**	–	128	–
Diluted net earnings	**17,010**	**21,388**	**0.80**	18,504	21,862	0.85

For the three-month and six-month periods ended May 31, 2011, outstanding options to purchase 20,000 common shares (2010 – 149,500) with a weighted average exercise price of $30.68 (2010 – $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 following periods were as follows:

	For the three-month period ended May 31		**For the six-month period ended May 31**	
	2011 $	2010 $	**2011 $**	2010 $
Balance – beginning of period	**(8,241)**	(4,457)	**(5,567)**	(4,324)
Translation adjustment of net investment in self-sustaining foreign operation	**(150)**	(356)	**(2,824)**	(489)
Balance – end of period	**(8,391)**	(4,813)	**(8,391)**	(4,813)

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 May 31, 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 $268 and $599 during the three-month and six-month periods ended May 31, 2011 for a total of $5,206 (increase of $589 and $1,084 in 2010 for a total of $5,379).

Market risk

The Company's foreign currency exposure arises from purchases and sales denominated in foreign currency (mainly in US dollars). Administrative expanses included, for the three-month and six-month periods ended May 31, 2011, an exchange loss of $102 and $645 [2010 – gain of $192 and $234].

As at May 31, 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 $541 (2010 - $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, 2011, the statements of comprehensive income include a foreign exchange loss of $150 and $2,824 (loss of $356 and $489 as at May 31, 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 and six-month periods ended May 31, 2011, the amount of inventories recorded as expenses from the distribution, imports and manufacturing activities, excluding discontinued operations, totals $97,613 and $177,989 ($79,489 and $145,636 in 2010). These amounts include obsolescence expenses of $544 and $998 respectively in 2011 ($445 and $811 in 2010).

7) GEOGRAPHIC INFORMATION

During the three-month and six-month periods ended May 31, 2011, approximately 82% of sales were made in Canada, while sales to foreign countries, almost entirely in the United States, amounted to $25,414 and $46,033 (2010 - $16,661 and $30,687) in Canadian dollars compared to $26,258 and $46,963 (2010 - $16,287 and $29,627) in US dollars.

As at May 31, 2011, of a total amount of $26,222 in capital assets ($19,132 as at November 30, 2010), $2,575 ($1,696 as at November 30, 2010) are located in the USA. In addition, intangible assets located in the USA amounted to $13,979 ($9,389 as at November 30, 2010) and goodwill stood at $21,492 ($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 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.

9) MANAGEMENT OF CAPITAL

For the six-month period ended May 31, 2011, the Company maintained the same capital management objectives as for the year ended November 30, 2010 and achieved the following results:

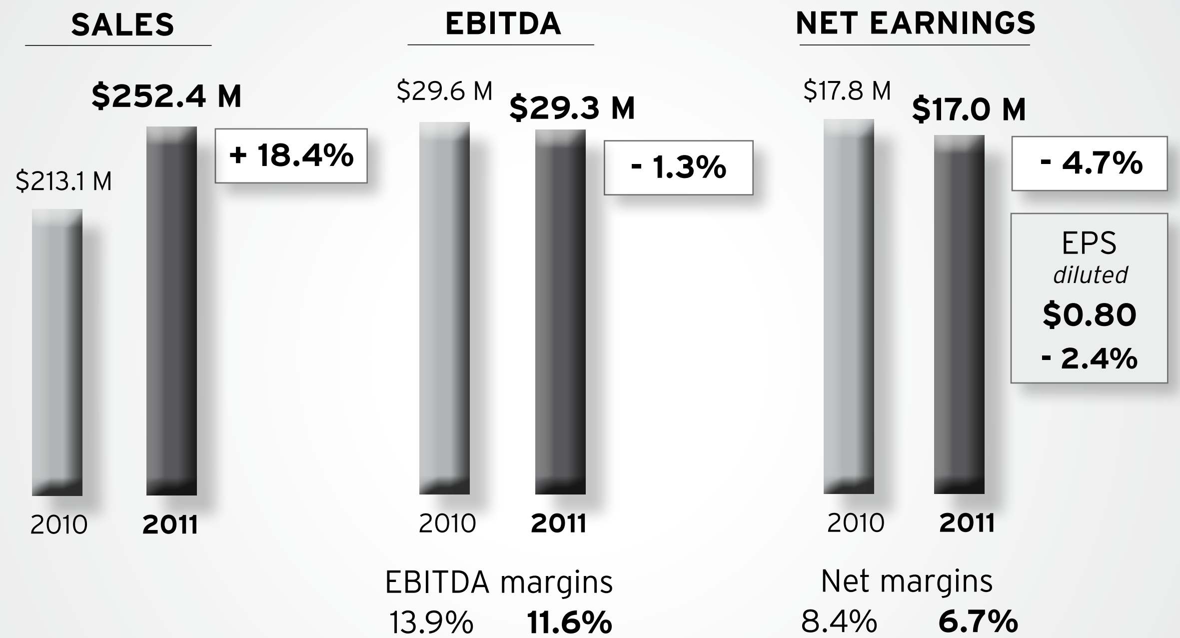
- a debt/equity ratio: 2.7% (2010 – 0.3%) (interest-bearing debt/ shareholders'equity)
- a return on shareholders' equity of 14.9% over the last 12 months (15.6% for the 12 previous months)

10) COMPARATIVE FIGURES

Some figures disclosed for the three-month and six-month periods ended May 31, 2010 have been reclassified accordingly to the presentation adopted during the three-month and six-month periods ended May 31, 2011.

Six-month periods
ended on May 31,

Continuing operations



Transfert Agent and Registrar
Computershare Trust Company of Canada

Auditors
Ernst & Young LLP
800 René-Lévesque Blvd. West
Suite 1900
Montreal, Québec
H3B 1X9

Head Office
Richelieu Hardware Ltd.
7900 Henri-Bourassa Boulevard West
Saint-Laurent, Québec H4S 1V4
Telephone: (514) 336-4144
Fax: (514) 832-4002

www.richelieu.com

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