Interim Report
Three-month and nine-month periods ended August 31, 2010 3

Richelieu

www.richelieu.com

Message to Shareholders

We achieved strong growth during the third quarter and ended the period with an excellent balance sheet. The strength of our organization, our innovation strategy and development initiatives enabled us to benefit from the sustained robustness of Canadian markets and to win new market share in the United States, where economic conditions remain uncertain. During the quarter, we closed one acquisition in Canada and another in the United States, and on September 27, we closed our fifth acquisition since the beginning of 2010.

Remember that we opened a new distribution centre in Raleigh, North Carolina during the first quarter, while also completing the acquisition of Woodland Specialities Inc. in New York State and Raybern Company in Connecticut – both of which contributed to our third-quarter results. On July 14, we closed the acquisition of Gordon Industrial Materials Ltd., a distributor operating in Quebec and Ontario, which brought a six weeks contribution to quarterly results, and on August 30, 2010 came the closing of the acquisition of New Century Distributors Grp LLC in New Jersey. Then on September 27, we concluded the acquisition of E. Kinast Distributors, Inc., with operations in the Greater Chicago market. Another acquisition project (announced in July 2010) is currently undergoing due diligence and negotiation of the acquisition agreement to the satisfaction of both parties. With these five acquisitions and the transaction in progress, we will increase our sales by some $70 million annually and, as was the case for previous acquisitions, we will focus on creating attractive synergies in upcoming periods.

Our strongest growth was posted in our key customer segments during the third quarter – notably the kitchen cabinet makers niche where sales grew by 18.5% in Canada and 14.2% in the United States – and we recorded significant increases in the home furnishing and office furniture manufacturers markets in Canada. We also highlight the 16.7% growth in our sales in U.S. dollars in the U.S. manufacturers market, attesting to our successful efforts to win new market share. Our consolidated sales totalled $116.0 million, up 8.2% over the third quarter of 2009, of which 4.6% from internal growth and 3.6% from the acquisitions closed within the last 12 months. For the first nine months of the fiscal year, total sales amounted to $329.1 million, an increase of 7.2%, of which 5.0% from internal growth and 2.2% from acquisitions.

Our profit margins further improved thanks to our sales growth, sustained expense control and other favourable factors described in this Management's Report. For the third quarter of 2010, the EBITDA margin improved to 14.7%, up from 13.9% in the corresponding quarter of 2009, and for the first nine months of the year, it reached 14.2%, compared with 11.6% for the first nine months of 2009.

Our net earnings grew by 16.7% to 10.3 million or $ 0.48 per share, bringing year-to-date net earnings for the first nine months to $28.9 million or $1.33 per share, up 40.6% over the same period of the previous year.

We closed the period with total cash of $53.1 million, compared with $37.0 million at the end of the first nine months of 2009, a working capital of $164.0 million for a current ratio of 4.0:1 and total interest-bearing debt of $2.3 million. We are confident we will end the year as at November 30, 2010 with significant growth over a year earlier, a financial position that remains impeccable and promising prospects.

Next dividend payment

At its meeting on September 30, 2010, the Board of Directors approved the payment of a quarterly dividend of $0.09 per share. This dividend is payable on October 28, 2010 to shareholders of record as at October 14, 2010.

This management's report relates to Richelieu Hardware Inc.'s consolidated operating results and cash flows for the third quarter and first nine months ended August 31, 2010 in comparison with the third quarter and first nine months ended August 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 third quarter and first nine months 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 August 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 September 30, 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, 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 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 August 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 70,000 stock-keeping units (SKUs)** targeted to a base of **over 40,000** customers who are served by **53 centres in North America** – 30 distribution centres in Canada, 21 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 some 1,300 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 August 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a%)	**3 Months**			**9 Months**		
	2010	2009		**2010**	2009	
	$	$	Δ%	**$**	$	Δ%
Sales	**115,957**	107,181	+ 8.2	**329,100**	307,005	+ 7.2
EBITDA	**17,054**	14,929	+ 14.2	**46,698**	35,599	+ 31.2
EBITDA margin (%)	***14.7***	*13.9*		***14.2***	*11.6*	
Net earnings from continuing operations [1]	**10,348**	8,923	+ 16.0	**28,193**	20,772	+ 35.7
• basic and diluted per share ($)	**0.48**	0.40	+ 20.0	**1.30**	0.94	+ 38.3
Cash flows from continuing operations [2]	**12,791**	10,938	+ 16.9	**34,025**	26,683	+ 27.5
• per share ($)	**0.59**	0.50	+ 18.0	**1.56**	1.21	+ 28.9
Net earnings [1]	**10,348**	8,870	+ 16.7	**28,852**	20,524	+ 40.6
• basic and diluted per share ($)	**0.48**	0.40	+ 20.0	**1.33**	0.93	+ 43.0
Cash dividends paid on shares	**1,922**	1,758	+ 9.3	**5,845**	5,274	+ 10.8
• per share ($)	**0.09**	0.08	+ 12.5	**0.27**	0.24	+ 12.5
Weighted average number of shares outstanding (diluted) (in thousands)	**21,557**	22,034		**21,752**	22,019	

Balance sheet data

As at August 31	**2010**	2009
	$	$
Total assets	**313,423**	285,161
Working capital	**163,970**	147,426
Current ratio	***4.0***	*4.6*
Shareholders' equity	**253,486**	237,957
Return on average equity (%)	**15.2**	13.3
Book value ($)	**11.87**	10.84
Total interest-bearing debt	**2,287**	551
Cash and cash equivalents	**53,149**	37,000

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

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2010 COMPARED WITH THOSE OF THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2009

Third-quarter consolidated sales totalled $116.0 million, up by $8.8 million or 8.2% over the third quarter of 2009. Richelieu continued to build upon all its product offering and quality of service strengths to benefit from the sustained robustness of its Canadian markets, while successfully making further efforts to win market share in the United States. This sales increase came from a 4.6% internal growth and a 3.6% 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, Raybern Company, Inc. ("Raybern") (Rocky Hill, Connecticut), acquired on April 26, 2010, and the six-week contribution of Gordon Industrial Materials Ltd. ("Gordon") (Montreal, Quebec and Mississauga, Ontario), acquired on July 14, 2010.

Richelieu's sales to **manufacturers** grew by 10.2% to $96.3 million, up from $87.4 million for the corresponding period of 2009, an increase of $8.9 million. The strongest growth was posted in the kitchen and bathroom cabinet makers, residential and commercial woodworking and office furniture manufacturers markets. In the hardware **retailers** and renovation superstore markets, sales remained relatively stable at $19.6 million, compared with $19.8 million for the same quarter of 2009.

In Canada, Richelieu achieved sales of $98.1 million, compared with $90.8 million for the third quarter of 2009, an increase of $7.3 million or 8.0%, of which 7.3% from internal growth and 0.7% from the contribution of Paint Direct and Gordon. The three Canadian markets remained robust, favouring solid growth over the same quarter of 2009, with more significant increases in Eastern Canada and Ontario.

In the United States, Richelieu's sales grew by 16.7% to US$17.2 million, an increase of US$2.5 million, of which 5.2% from internal growth and 11.5% from the contribution of Woodland and Raybern, acquired in the first quarter of the year. The Company won further market share in the United States thanks to its diversified and distinctive product offering and the dynamism of its sales force. Considering the effect of exchange rates, U.S. sales rose 9.1% upon conversion to Canadian dollars; they stood at $17.9 million, compared with $16.4 million for the corresponding quarter of 2009, thereby accounting for 15.4% of the quarter's consolidated sales.

Consolidated sales [1]

(in thousands of $, except exchange rate)

Periods ended August 31	3 Months 2010 $	3 Months 2009 $	Δ%	9 Months 2010 $	9 Months 2009 $	Δ%
Canada	**98,066**	90,784	+ 8.0	**280,522**	254,363	+ 10.3
United States (CA$)	**17,891**	16,397	+ 9.1	**48,578**	52,642	- 7.7
(US$)	**17,194**	14,736	+ 16.7	**46,820**	44,328	+ 5.6
Average exchange rate	***1.0405***	*1.1127*		***1.0375***	*1.1876*	
Consolidated sales	**115,957**	107,181	+ 8.2	**329,100**	307,005	+ 7.2

(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.

For the first nine months, Richelieu recorded consolidated sales of $329.1 million, up by $22.1 million or 7.2% over the corresponding period of 2009, of which 5.0% from internal growth and 2.2% from the acquisition of Paint Direct, Woodland and Raybern as well as Gordon's contribution for a six-week period.

Sales to **manufacturers** totalled $271.0 million, an increase of $16.7 million or 6.6% over the first nine months of the previous year. Sales to hardware **retailers** and renovation superstores stood at $58.1 million, up by $5.4 million or 10.3% over the corresponding period of 2009.

In Canada, Richelieu achieved sales of $280.5 million, an increase of $26.2 million or 10.3%, of which 9.6% from internal growth and 0.7% from the contribution of Paint Direct and Gordon. Canadian sales accounted for 85.2% of consolidated sales for the first nine months of 2010.

In the United States, sales amounted to US$46.8 million, up 5.6% – the 7.8% growth from the acquisition of Woodland and Raybern was partially offset by the 2.2% internal decrease due to the major market slowdown during the first two quarters of the year. Considering the effect of exchange rates, U.S sales declined by 7.7% upon conversion to Canadian dollars; they stood at US$48.6 million, compared with $52.6 million for the corresponding period of 2009, thereby accounting for 14.8% of consolidated sales for the first nine months of 2010.

Consolidated EBITDA and EBITDA margin [1]

(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 Months 2010 $	3 Months 2009 $	Δ%	9 Months 2010 $	9 Months 2009 $	Δ%
Sales	**115,957**	107,181	+ 8.2	**329,100**	307,005	+ 7.2
EBITDA	**17,054**	14,929	+ 14.2	**46,698**	35,599	+ 31.2
EBITDA margin (%)	***14.7***	*13.9*		***14.2***	*11.6*	

(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.

Third-quarter earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $17.1 million, up 14.2% over the corresponding quarter of 2009. The gross margin was positively affected by the strong Canadian dollar and the product mix sold in Canada. Combined with these positive factors, the increase in consolidated sales and tight cost control measures raised the EBITDA profit margin to 14.7%, up from 13.9% in the third quarter of 2009.

Income taxes increased by $0.8 million to $5.1 million, due to the period's earnings growth.

For the first nine months, earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) totalled $46.7 million, up 31.2% over the first nine months of 2009. The gross margin was positively affected by the strength of the Canadian dollar in 2010 and the product mix sold in Canada during the third quarter, 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 cost control measures raised the EBITDA profit margin to 14.2%, up from 11.6% for the first nine months of the previous year.

Income taxes increased by $3.7 million to $13.6 million, due to the earnings growth in the first nine months of 2010.

Consolidated net earnings [1]

(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 Months 2010 $	3 Months 2009 $	Δ%	9 Months 2010 $	9 Months 2009 $	Δ%
EBITDA	**17,054**	14,929	+ 14.2	**46,698**	35,599	+ 31.2
Amortization of capital and intangible assets	**1,617**	1,609	+ 0.5	**4,825**	4,829	- 0.1
Interest	**(94)**	(17)		**(154)**	(64)	
Income taxes	**5,049**	4,297	+ 17.5	**13,614**	9,879	+ 37.8
Non-controlling interest	**134**	117		**220**	183	
Net profit margin from continuing operations (%)	**8.9**	8.3		**8.6**	6,8	
Net earnings (loss) from discontinued operations	**–**	(53)		**659**	(248)	
Net earnings	**10,348**	8,870	+ 16.7	**28,852**	20,524	+ 40.6
Net profit margin (%)	***8.9***	*8.3*		***8.8***	*6.7*	
Comprehensive income	**11,333**	9,016		**29,348**	14,383	

(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.

In the third quarter, considering the major aforementioned factors for the EBITDA, **net earnings** grew by 16.7% to $10.3 million. The net profit margin from continuing operations improved to 8.9% of consolidated sales, up from 8.3% for the third quarter of the previous year. **Earnings per share** amounted to $0.48 (basic and diluted), an increase of 20.0%.

Comprehensive income amounted to $11.3 million, on account of a positive adjustment of $1.0 million on translation of the financial statements of the self-sustaining subsidiary in the United States, compared with comprehensive income of $9.0 million for the third quarter of the previous year, on account of a positive adjustment of $0.1 million on translation of this same subsidiary's financial statements.

For the first nine months, net earnings totalled $28.9 million, up 40.6% over the corresponding period of 2009. This growth reflects the various aforementioned factors for the EBITDA as well as 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 8.8% of consolidated sales, up from 6.7% for the first nine months of the previous year. **Earnings per share** amounted to $1.33 (basic and diluted), up 43.0% on account of the contribution of the discontinued operations of $0.03 per share for 2010, compared with a negative effect of $0.01 per share for 2009.

On account of the positive adjustment of $0.5 million on translation of the financial statements of the self-sustaining subsidiary in the United States, **comprehensive income** totalled $29.3 million for the first nine months, whereas comprehensive income for the corresponding period of 2009 stood at $14.4 million, on account of a negative adjustment of $6.1 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**	**115,957**	
EBITDA	**10,880**	**18,764**	**17,054**	
Net earnings	**7,002**	**11,502**	**10,348**	
basic per share	**0.32**	**0.53**	**0.48**	
diluted per share	**0.32**	**0.53**	**0.48**	
2009				
Sales	91,924	**107,900**	107,181	108,587
EBITDA	8,077	**12,593**	14,929	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 third quarter and first nine months ended August 31, 2010

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

(in thousands of $)

	3 Months		9 Months	
Periods ended August 31	**2010**	2009	**2010**	2009
	$	$	**$**	$
Cash flows provided by (used for) continuing operations:				
Operating activities	**9,213**	28,074	**27,832**	40,542
Financing activities	**(4,327)**	(1,758)	**(16,925)**	(5,370)
Investing activities	**(4,830)**	(673)	**(8,248)**	(2,445)
Effect of exchange rate fluctuations	**(156)**	(8)	**(207)**	(31)
Net change in cash and cash equivalents	**(100)**	25,635	**2,452**	32,696
Cash flows from discontinued operations	**–**	(1,288)	**2,255**	(1,822)
Cash and cash equivalents, beginning of period	**53,249**	12,653	**48,442**	6,126
Cash and cash equivalents, end of period	**53,149**	37,000	**53,149**	37,000
Working capital	**163,970**	147,426		
Renewable line of credit (CA$)	**26,000**	26,000		
Renewable line of credit (US$)	**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

Third-quarter cash flows provided by operating activities (before net change in non-cash working capital balances related to operations) totalled $12.8 million or $0.59 per share, up from $10.9 million or $0.50 per share for the third quarter of 2009, mainly reflecting the $1.4 million growth in net earnings for the quarter. Net change in non-cash working capital balances related to operations represented a cash outflow of $3.6 million due primarily to the increase in inventories, compared with a cash inflow of $17.1 million for the third quarter of 2009, generated by accounts payable, income taxes, inventories and accounts receivable. Consequently, operating activities provided cash flows of $9.2 million, compared with $28.1 million for the third quarter of 2009.

In the first nine months, operating activities provided cash flows (before net change in non-cash working capital balances related to operations) of $34.0 million or $1.56 per share, up from $26.7 million or $1.21 per share for the first nine months of 2009, mainly reflecting the $7.4 million growth in net earnings. Net change in non-cash working capital balances related to operations represented a cash outflow of $6.2 million, compared with a cash inflow of $13.9 million for the corresponding period of 2009. This variation is due to an increase in accounts receivable, inventories and prepaid expenses totalling $14.6 million, whereas accounts payable and income taxes payable represented a variance of $8.4 million. Consequently, operating activities provided cash flows of $27.8 million, compared with $40.5 million for the first nine months of 2009.

Financing activities

Third-quarter financing activities represented a cash outflow of $4.3 million, compared with $1.8 million for the third quarter of 2009. The Company paid $1.9 million in dividends to its shareholders, up by $0.2 million over the third quarter of the previous year considering the 12.5% increase in the quarterly dividend announced on January 28, 2010. In addition, a total of 102,800 common shares were repurchased for cancellation for a consideration of $2.6 million under Richelieu's normal course issuer bid, whereas no shares were repurchased in the third quarter of the previous year.

In the first nine months, financing activities represented a cash outflow of $16.9 million, compared with $5.4 million for the corresponding period of 2009. The Company paid $5.8 million in dividends to its shareholders, a growth of $0.6 million reflecting the 12.5% increase in the quarterly dividend announced on January 28, 2010. In addition, a total of 466,900 common shares were repurchased for cancellation for a consideration of $11.5 million, compared with a repurchase of 4,000 common shares for a consideration of approximately $0.1 million during the first nine months of the previous year.

Investing activities

In the third quarter, the Company made investments of $4.8 million, of which $4.2 million in the acquisition of the principal net assets of Gordon and New Century Distributors Grp LLC ("New Century") (as at August 30, 2010), and the balance in leasehold improvements, equipment to improve the distribution centres' productivity and showrooms.

In the first nine months, the Company invested $8.2 million, of which $6.0 million in the acquisition of the principal assets of Woodland, Raybern and Gordon, and the balance in various leasehold improvements, equipment to improve the distribution centres' productivity and showrooms.

Sources of financing

As at August 31, 2010, **cash and cash equivalents** totalled $53.1 million, up from $37.0 million for the same period of 2009. The Company posted an excellent working capital of $164.0 million for a current ratio of 4.0:1, compared with $150.5 million and a 4.7:1 ratio as at November 30, 2009.

Richelieu believes it has the capital resources needed to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities planned for the rest of the year and a foreseeable future. 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 August 31, 2010

Summary balance sheet
(in thousands of $)

As at August 31	2010 $	2009 $
Current assets	**218,852**	188,803
Long-term assets	**94,571**	96,358
Total	**313,423**	285,161
Current liabilities	**54,882**	41,377
Long-term liabilities	**5,055**	5,827
Shareholders' equity	**253,486**	237,957
Total	**313,423**	285,161

Assets

As at August 31, 2010, **total assets** amounted to $313.4 million, up from $285.2 million a year earlier, a 9.9% growth reflecting the increase in cash and the expansion completed since the beginning of the year. Current assets grew by 15.9% or $30.0 million over August 31, 2009; this growth is due mainly to the $16.1 million increase in cash and cash equivalents, a nil amount of income taxes receivable, compared with an amount receivable of $1.1 million as at August 31, 2009, a $2.9 million increase in accounts receivable related to acquisitions completed within the last 12 months and a $12.7 million increase in inventories derived from acquisitions and in response to the greater demand.

Net cash
(in thousands of $)

As at August 31	2010 $	2009 $
Current portion of long-term debt	**1,536**	223
Long-term debt	**751**	328
Total	**2,287**	551
Cash and cash equivalents	***53,149***	*37,000*
Total net cash	**50,862**	36,449

After deducting total interest-bearing debt of $2.3 million, the Company posted total net cash of $50.9 million as at August 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 field.

Shareholders' equity totalled $253.5 million as at August 31, 2010, up from $238.0 million a year earlier; this 6.5% growth mainly reflects the $16.0 million increase in retained earnings, which amounted to $235.8 million at the end of the period, and an increase of $0.5 million in capital stock and of approximately $0.2 million in contributed surplus, less the $3.8 million reduction in accumulated comprehensive income. At the close of the first nine months, **the book value per share** stood at $11.87, compared with $10.84 as at August 31, 2009.

Richelieu's **capital stock** consisted of 21,356,809 common shares as at August 31, 2010 (21,779,759 common shares as at November 30, 2009). During the first nine months of the year, the Company issued 43,950 common shares at an average price of $10.04 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, 466,900 common shares were repurchased for cancellation for a cash consideration of $11.5 million (4,000 common shares for a cash consideration of $60,000 in 2009). As at August 31, 2010, 925,800 stock options were outstanding (946,050 as at August 31, 2009), on account of the 35,000 options granted during the period (153,000 options during the first nine months of 2009).

SHARE INFORMATION AS AT SEPTEMBER 30, 2010

Issued and outstanding common shares	21,361,809
Share options under share option plan	920,800

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 rest 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 nine-month periods ended August 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 August 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	• Material differences between Canadian GAAP and IFRS identified • Examination of possible choices for the initial application of IFRS completed • 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 August 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.

SUBSEQUENT EVENT

On September 27, 2010, Richelieu closed the acquisition of the net assets of E. Kinast Distributors, Inc. ("EKD"), located in Hannover Park, in the Chicago region, Illinois (U.S.) for a cash consideration of US$2.4 million and a conditional balance of sale of US$0.7 million. EKD is a distributor of hardware, laminates, finishing and complementary products targeted to a customer base of kitchen cabinet makers and the residential and commercial woodworking industry.

Through this acquisition, Richelieu establishes its presence in the Greater Chicago Area, increases its sales by some $10 million annually and adds a new distribution centre to its U.S. network, which now comprises 22 centres. EKD's activities are fully compatible with Richelieu's operations and acquisition criteria and will contribute to the Company's earnings.

OUTLOOK

We remain focused on our innovation strategy, the sales synergies arising from our new acquisitions, the opening of new distribution centres and winning new market share in Canada and the United States. We expect to end the year as at November 30, 2010 with increased results thanks to internal growth, the benefits of the new Raleigh, North Carolina centre and the acquisitions closed during the year.

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

September 30, 2010

Consolidated statements of earnings (unaudited)

(In thousands of dollars, except earnings per share)

	For the three-month period ended August 31, 2010		For the nine-month period ended August 31, 2010	
	2010	2009 Adjusted *(note 9)*	2010	2009 Adjusted *(note 9)*
	$	$	$	$
Sales	115,957	107,181	329,100	307,005
Cost of sales and warehouse, selling and administrative expenses	98,903	92,252	282,402	271,406
Earnings before the following	17,054	14,929	46,698	35,599
Amortization of capital assets	1,295	1,281	3,851	3,797
Amortization of intangible assets	322	328	974	1,032
Financial costs, net	(94)	(17)	(154)	(64)
	1,523	1,592	4,671	4,765
Earnings before income taxes, non-controlling interest and discontinued operations	15,531	13,337	42,027	30,834
Income taxes	5,049	4,297	13,614	9,879
Earnings before non-controlling interest and discontinued operations	10,482	9,040	28,413	20,955
Non-controlling interest	134	117	220	183
Net earnings from continued operations	10,348	8,923	28,193	20,772
Net profit (net loss) from discontinued operations [note 9]	–	(53)	659	(248)
Net earnings	10,348	8,870	28,852	20,524
Earnings per share *(note 5)*				
Basic				
From continued operations	0.48	0.40	1.30	0.94
From discontinued operations	–	–	0.03	(0.01)
	0.48	0.40	1.33	0.93
Diluted				
From continued operations	0.48	0.40	1.30	0.94
From discontinued operations	–	–	0.03	(0.01)
	0.48	0.40	1.33	0.93

See accompanying notes

Consolidated statements retained earnings (unaudited)

(In thousands of dollars)

	For the three-month period ended August 31, 2010		For the nine-month period ended August 31, 2010	
	2010	2009	2010	2009
	$	$	$	$
Net earnings	10,348	8 870	28,852	20,524
Retained earnings, beginning of period	229,938	212,672	223,986	204,591
Dividends	(1,922)	(1,758)	(5,845)	(5,274)
Premium on redemption of common shares for cancellation *(note 4)*	(2,521)	–	(11,150)	(57)
Retained earnings, end of period	235,843	219,784	235,843	219,784

See accompanying notes

Consolidated statements of comprehensive income (unaudited)

(In thousands of dollars)

	For the three-month period ended August 31, 2010		For the nine-month period ended August 31, 2010	
	2010	2009	2010	2009
	$	$	$	$
Net earnings	10,348	8,870	28,852	20,524
Other comprehensive income				
Translation adjustment of the net investment in self-sustaining foreign operations	985	146	496	(6,141)
Comprehensive income	11,333	9,016	29,348	14,383

See accompanying notes

Consolidated statements of cash flows (unaudited)

(In thousands of dollars)

	For the three-month period ended August 31, 2010		For the nine-month period ended August 31, 2010	
	2010	2009 Adjusted *(note 9)*	2010	2009 Adjusted *(note 9)*
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings from continued operations	10,348	8,923	28,193	20,772
Non-cash items				
Amortization of capital assets	1,295	1,281	3,851	3,797
Amortization of intangible assets	322	328	974	1,032
Future income taxes	515	76	225	226
Non-controlling interest	134	117	220	183
Stock-based compensation expense	177	213	562	673
	12,791	10,938	34,025	26,683
Net change in non-cash working capital balances related to operations	(3,578)	17,136	(6,193)	13,859
	9,213	28,074	27,832	40,542
FINANCING ACTIVITIES				
Reimbursement of long term debt	–	–	–	(36)
Dividends paid	(1,922)	(1,758)	(5,845)	(5,274)
Issue of common shares	197	–	441	–
Redemption of common shares for cancellation	(2,602)	–	(11,521)	(60)
	(4,327)	(1,758)	(16,925)	(5,370)
INVESTING ACTIVITIES				
Business acquisitions *(note 3)*	(4,239)	–	(6,006)	–
Additions to capital assets	(591)	(673)	(2,242)	(2,445)
	(4,830)	(673)	(8,248)	(2,445)
Effect of exchange rate fluctuations on cash and cash equivalents	(156)	(8)	(207)	(31)
Net change in cash and cash equivalents from continued operations	(100)	25,635	2,452	32,696
Cash flows from discontinued operations *(note 9)*	–	(1,288)	2,255	(1,822)
Cash and cash equivalents, beginning of period	53,249	12,653	48,442	6,126
Cash and cash equivalents, end of period	53,149	37,000	53,149	37,000
Supplemental information				
Income taxes paid	3,113	2,232	10,909	11,945
Interest received, net	(64)	(18)	(115)	(105)

See accompanying notes

Consolidated balance sheets (unaudited)

(In thousands of dollars)

	As at August 31, 2010 $	As at August 31, 2009 $	As at November 30, 2009 $
ASSETS			
Current assets			
Cash and cash equivalents	53,149	37,000	48,442
Accounts receivable	57,604	54,716	55,793
Income tax receivable	–	1,134	–
Inventories	107,804	95,153	87,058
Prepaid expenses	295	800	327
	218,852	188,803	191,620
Capital assets	18,184	20,241	19,569
Intangible assets	12,668	13,138	12,853
Goodwill	63,719	62,979	62,449
	313,423	285,161	286,491
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	49,875	41,154	40,108
Income taxes payable	3,471	–	676
Current portion of long-term debt	1,536	223	351
	54,882	41,377	41,135
Long-term debt	751	328	317
Future income taxes	952	2,478	1,407
Non-controlling interest	3,352	3,021	3,132
	59,937	47,204	45,991
Shareholders' equity			
Capital stock *(note 4)*	17,613	17,102	16,916
Contributed surplus	3,858	3,711	3,922
Retained earnings	235,843	219,784	223,986
Accumulated other comprehensive income *(note 6)*	(3,828)	(2,640)	(4,324)
	253,486	237,957	240,500
	313,423	285,161	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 periods 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. 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 ACQUISITIONS

On December 1, 2009, the Company acquired the principal net assets of Woodland Specialties Inc. for a cash 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 $1,245 ($1,225 US) including the acquisition fees, and a balance of sale of $184 ($181 US). 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.

On July 14, 2010, the Company acquired the principal net assets of Gordon Industrial Materials Ltd. for a cash consideration of $3,450 including the acquisition fees, and a balance of sale of $991. With distribution centers in Montreal (Quebec) and Mississauga (Ontario), Gordon is a leading distributor of products for the manufacturing doors, decorative wall panels and other specialty products serving the hardware retailers, including renovation superstores and industrial markets.

On August 30, 2010, the Company acquired the principal net assets of New Century Distributors Group LLC for a cash consideration of $689 ($650 US) including the acquisition fees, and a balance of sale of $428 ($404 US). Located in Avenel, New Jersey, this distributor of specialty hardware products serves a customer base of kitchen manufacturers and the residential and commercial woodworking industry.

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

Summary of acquisitions	2010 $
Net assets acquired	
Current assets	**8,853**
Capital assets	**231**
Intangible assets	**643**
Goodwill	**846**
	10,573
Current liabilities assumed	**2,964**
Net assets acquired	**7,609**
Consideration	
Cash	**6,006**
Balance of sale payable	**1,603**
	7,609

4) CAPITAL STOCK

Issued

As at August 31, 2010, capital stock outstanding amounted to 21,356,809 common shares (21,779,759 common shares as at November 30, 2009).

During the nine-month period ended August 31, 2010, the Company issued 43,950 common shares at a weighted average price of $10.04 (none in 2009) pursuant to the exercise of options under the share option plan. In addition, during the nine-month period ended August 31, 2010, the Company, through a normal course issuer bid, purchased 466,900 common shares for cancellation in consideration of $11,521 (4,000 common shares for a cash consideration of $60 in 2009).

Stock option plan

During the nine-month period ended August 31, 2010, the Company granted 35,000 options (2009 - 153,000) with a weighted average exercise price of $22.98 (2009 - $17.40) and an average fair value of $6.52 per option (2009 – $4.02) as determined using the Black & Scholes option pricing model based on an expected dividend yield of 1.54% (2009 – 1.7%), a volatility of 25% (2009 – 23%), an average risk free interest rate of 3.72% (2009 – 2.36%) and an expected life of 7 years (2009 – 7 years). As at August 31, 2010, 925,800 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 $20.34 (2009 – $19.73).

For the three-month and nine-month periods ended August 31, 2010, the stock-based compensation expense amounted to $177 and $562 (2009 – $213 and $673).

5) EARNINGS PER SHARE

3-MONTH PERIODS ENDED AUGUST 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	**10,348**	**21,397**	**0.48**	8,870	21,972	0.40
Dilutive effect of stock options	**—**	**160**	**—**	—	62	—
Diluted net earnings	**10,348**	**21,557**	**0.48**	8,870	22,034	0.40

5) EARNINGS PER SHARE (continued)

9-MONTH PERIODS ENDED AUGUST 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	**28,852**	**21,621**	**1.33**	20,524	21,973	0.93
Dilutive effect of stock options	**—**	**131**	**—**	—	46	—
Diluted net earnings	**28,852**	**21,752**	**1.33**	20,524	22,019	0.93

For the nine-month period ended August 31, 2010, outstanding options to purchase 147,500 common shares (2009 – 641,800 and 788,800) with a weighted average exercise price of $24.76 (2009 – $22.15 and $21,27) 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 August 31		**For the nine-month period ended August 31**	
	2010 $	2009 $	**2010 $**	2009 $
Balance – beginning of period	**(4,813)**	(2,786)	**(4,324)**	3,501
Translation adjustment of net investment in self-sustaining foreign operation	**985**	146	**496**	(6,141)
Balance – end of period	**(3,828)**	(2,640)	**(3,828)**	(2,640)

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 August 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 $584 and $1,669 during the three-month and nine-month periods ended August 31, 2010 for a total of $5,781 (increase of $424 and $1,271 in 2009 for a total of $4,932).

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 nine-month periods ended August 31, 2010, an exchange gain of $185 and $419 (2009 – loss of $280 and $124).

As at August 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 $476. 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 nine-month periods ended August 31, 2010, the statements of comprehensive income include a foreign exchange gain of $985 and $496 (gain of $146 and a loss $6,141 as at August 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 nine-month periods ended August 31, 2010, the amount of inventories recorded as expenses from the distribution, imports and manufacturing activities, excluding discontinued operations, totals $78,595 and $224,231 ($76,294 and $223,131 in 2009). An expense of $471 and $1,282 for obsolescence are included in these amounts ($711 and $1,111 in 2009).

8) GEOGRAPHIC INFORMATION

During the three-month and nine-month periods ended August 31, 2010, near 85% of sales were made in Canada, while sales to foreign countries, almost entirely in the United States, amounted to $17,891 and $48,578 (2009 – $16,397 and $52,642) in Canadian dollars compared to $17,194 and $46,820 (2009 – $14,736 and $44,328) in US dollars.

As at August 31, 2010, of a total amount of $18,184 in capital assets ($19,569 as at November 30, 2009), $1,077 ($968 as at November 30, 2009) are located in the USA. In addition, intangible assets located in the USA amounts to $8,618 ($8,398 as at November 30, 2009) and goodwill at $21,896 ($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 nine-month period ended August 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 nine-month period ended August 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: 0.9% (2009 – 0.2%) (interest-bearing debt/shareholders' equity)
- a return on shareholders' equity of 15.2% over the last 12 months (13.3% for the 12 previous months)

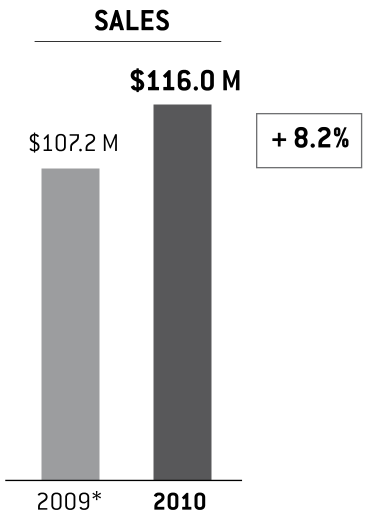
11) SUBSEQUENT EVENT

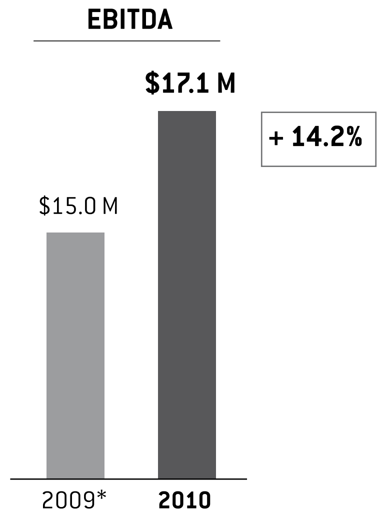
On September 27, 2010, Richelieu closed the acquisition of the net assets of E. Kinast Distributors, Inc. ("EKD"), located in Hannover Park, in the Chicago region, Illinois (U.S.) for a cash consideration of US$2.4 million and a conditional balance of sale of US$0.7 million. EKD is a distributor of hardware, laminates, finishing and complementary products targeted to a customer base of kitchen cabinet makers and the residential and commercial woodworking industry.

12) COMPARATIVE FIGURES

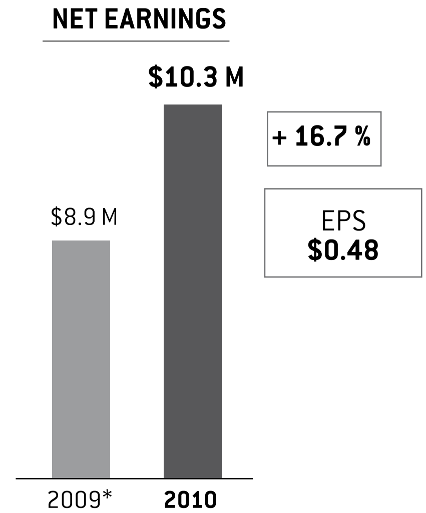
Some figures disclosed for the three-month and nine-month periods ended August 31, 2009 have been reclassified accordingly to the presentation adopted during the three-month and nine-month periods ended August 31, 2010.

Third Quarters ended on August 31, 2009 and 2010





EBITDA Margins
13.9% **14.7%**



Net Margins
8.3% **8.9%**

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

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