Richelieu

Interim Report

Three and nine-month periods ended August 31, 2011

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Message to Shareholders

The results for the third quarter ended August 31, 2011, demonstrate that our operations achieved a solid performance and that the nine businesses acquired in 2010-2011 made a substantial contribution to our sales. Despite the conditions that prevailed over the past three months — a period that moreover included the summer holidays — we increased our market share, particularly in the United States where we recorded excellent internal growth. We achieved this performance thanks to our distinctive execution, dynamic sales force and ability to market innovative, top-quality product lines and to develop selling synergies with our acquisitions.

Our consolidated sales totalled $136.1 million, up by 17.4%, marking a record for a third quarter. For the first nine months, they grew by 18.0% to $388.5 million. This sharp rise came from the contribution of acquisitions which represented a sales growth of 16.5% for the quarter and of 17.1% for the first nine months of the year. It also reflects the appreciable stability of our manufacturers market in Canada and the strong growth we achieved in the United States, i.e. a 10.7% internal growth plus 45.8% from acquisitions for the quarter, and an 11.1% internal growth plus 46.3% from acquisitions for the first nine months. Regarding the retailers market, its contribution to our growth came from a sales increase of 8.6% for the quarter and of 6.7% for the first nine months, thanks to Gordonply and Madico. We are further penetrating this market by introducing new products to retailers and renovation superstores in Canada; we have also started to penetrate this same market with a diversified offering in the United States.

We are closely monitoring our operating profitability, especially that of some recent acquisitions which yield lower profit margins than Richelieu because of their product mix. Overall, our tight expense control combined with our satisfactory gross profit margins enabled us to achieve a third-quarter EBITDA margin of 14.1% and net margin of 8.3%. We posted net earnings from continuing operations of $11.3 million for the quarter, up by 9.2% over the same period of 2010, or $0.54 per share, and our operating activities provided cash flows of $15.9 million, compared with $9.2 million for the third quarter of 2010.

During the third quarter, to maximize our asset use and optimize service, we merged the distribution centre of Montreal-based Gordonply, acquired in the second quarter of 2010, with our Laval centre, and merged Gordonply's Mississauga centre with our operations in Barrie, Ontario. Furthermore, now that the major expansion projects at our Montreal and Laval distribution centres have been completed, we can better meet growth needs while maintaining excellent standards of service.

NEXT DIVIDEND PAYMENT

At its meeting on October 6, 2011, the Board of Directors approved the payment of a quarterly dividend of $0.11 per share. This dividend is payable on November 3, 2011 to shareholders of record as at October 20, 2011.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the third quarter and first nine months ended August 31, 2011, in comparison with the third quarter and first nine months ended August 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 third quarter and first nine months 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 October 6, 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 capital assets and intangible assets, 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 August 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 90,000 stock-keeping units (SKUs)** targeted to a base of **over 70,000 customers** who are served by **59 centres in North America** — 34 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 annually introducing diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- expanding in North America through the opening of distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

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

SELECTED CONSOLIDATED QUARTERLY INFORMATION (UNAUDITED) (1)

Periods ended August 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 Months			9 Months		
	2011 **$**	2010 $	Δ%	**2011** **$**	2010 $	Δ%
Sales	**136,132**	115,957	+ 17.4	**388,502**	329,100	+ 18.0
EBITDA	**19,155**	17,054	+ 12.3	**48,412**	46,698	+ 3.7
EBITDA margin (%)	***14.1***	*14.7*		***12.5***	*14.2*	
Net earnings from continuing operations	**11,300**	10,348	+ 9.2	**28,310**	28,193	+ 0.4
Net margin from continuing operations %)	***8.3***	*8.9*		***7.3***	*8.6*	
• basic earnings per share ($)	**0.54**	0.48	+ 12.5	**1.34**	1.30	+ 3.1
• diluted earnings per share ($)	**0.53**	0.48	+ 10.4	**1.33**	1.30	+ 2.3
Cash flows from continuing operations (2)	**13,922**	12,791	+ 8.8	**35,380**	34,025	+ 4.0
• per share ($)	**0.66**	0.59	+ 11.9	**1.66**	1.56	+ 6.4
Net earnings	**11,300**	10,348	+ 9.2	**28,310**	28,852	– 1.9
• basic earnings per share ($)	**0.54**	0.48	+ 12.5	**1.34**	1.33	+ 0.8
• diluted earnings per share ($)	**0.53**	0.48	+ 10.4	**1.33**	1.33	+ 0.0
Cash dividends paid on shares	**2,310**	1,922	+ 20.2	**6,965**	5,845	+ 19.2
• per share ($)	**0.11**	0.09		**0.33**	0.27	
Weighted average number of shares outstanding (diluted) (in thousands)	**21,164**	21,557		**21,308**	21,752	

Balance sheet data

As at August 31	**2011** **$**	2010 $	Δ%
Total assets	**333,509**	314,786	+ 5.9
Working capital	**158,372**	163,970	– 3.4
Current ratio	***3.8***	*4.0*	
Shareholders' equity	**267,649**	253,486	+ 5.6
Return on average equity (%)	***14.8***	*13.8*	
Book value ($)	**12.77**	11.87	+ 7.6
Total interest-bearing debt	**5,983**	2,287	+ 161.6
Cash and cash equivalents	**16,771**	53,149	– 68.4

(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.

(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 2 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2011 COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2010

Third-quarter consolidated sales totalled $136.1 million, an increase of $20.2 million or 17.4% over the corresponding quarter of 2010, of which 0.9% from internal growth — were it not for the effect of exchange rate fluctuations on U.S. sales, internal growth would have reached 2.0% — and a 16.5% growth from the acquisition of 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**"), Madico Distribution Inc. (Quebec) ("**Madico**") and Provincial Woodproducts Ltd (Newfoundland) ("**Provincial**").

In its **manufacturers** market, Richelieu recorded sales of $114.7 million, compared with $96.2 million for the corresponding period of 2010, an increase of $18.5 million or 19.2% stemming from the previously mentioned acquisitions. All market segments contributed to this growth, with a stronger increase in the residential and commercial woodworking industries. Sales to hardware **retailers** and renovation superstores grew to $21.4 million, compared with $19.7 million for the same quarter of 2010, an increase of some $1.7 million or 8.6%, of which 3.2% from internal growth and 5.4% from the acquisition of Gordonply and Madico.

In Canada, sales totalled $110.0 million, compared with $98.1 million for the third quarter of 2010, an increase of $11.9 million or 12.1%, of which 0.4% from internal growth and 11.7% from the acquisition of Gordonply, PJ White, Madico and Provincial. Sales in the **manufacturers** market grew by $11.0 million or 14.0% to $89.7 million, compared with $78.6 million for the third quarter of 2010, thanks notably to a strong growth of 49.5% in Western Canada, of which 8.3% from internal growth and 41.2% from acquisitions. Sales to **retailers** increased by 4.5% over the corresponding quarter of 2010, to $20.3 million, compared with $19.4 million for the same quarter of 2010. This performance reflects the positive contributions of the Gordonply and Madico acquisitions, which offset the 0.3% internal decrease in Western and Central Canada.

In the United States where the economic context remained challenging, Richelieu enhanced its market penetration efforts and achieved sales of US$26.9 million, an increase of US$9.7 million or 56.6% over the third quarter of 2010, of which 10.7% from internal growth and 45.8% from the contribution of New Century, E.Kinast and Outwater. In Canadian dollars, these sales amounted to $26.2 million, compared with $17.9 million for the corresponding quarter of 2010. They accounted for 19.2% of third-quarter consolidated sales.

CONSOLIDATED SALES (1)

(in thousands of $, except exchange rates)

Periods ended August 31	3 Months 2011 $	3 Months 2010 $	Δ%	9 Months 2011 $	9 Months 2010 $	Δ%
Canada	**109,959**	98,066	+ 12.1	**316,491**	280,522	+ 12.8
United States (CA$)	**26,173**	17,891	+ 46.3	**72,011**	48,578	+ 48.2
(US$)	**26,921**	17,194	+ 56.6	**73,687**	46,820	+ 57.4
Average exchange rate	***0.9722***	*1.0405*		***0.9773***	*1.0375*	
Consolidated sales	**136,132**	115,957	+ 17.4	**388,502**	329,100	+ 18.0

(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 achieved **consolidated sales** of $388.5 million, an increase of $59.4 million or 18.0% over the corresponding period of 2010, of which 0.9% from internal growth and 17.1% from acquisitions.

Sales to **manufacturers** amounted to $327.1 million, compared with $271.6 million for the corresponding period of 2010, an increase of $55.5 million or 20.4%, of which 1.5% from internal growth and 18.9% from acquisitions. The residential and commercial woodworking and office furniture manufacturers markets brought the strongest contribution to this growth. Richelieu recorded sales of $61.4 million in the hardware **retailers** and renovation superstores market, compared with $57.6 million for the same period of 2010. This $3.9 million or 6.7% increase is entirely attributable to Gordonply's and Madico's contributions, which offset the 2.1% internal decrease due primarily to the reasons stated for the second quarter of 2011, notably the adverse springtime weather conditions, as was indicated by retailers themselves.

In Canada, sales increased to $316.5 million, compared $280.5 million for the first nine months of 2010. This $36.0 million or 12.8% growth is due entirely to the contribution of Gordonply, PJ White, Madico and Provincial. Sales to **manufacturers** grew to $257.3 million, compared with $223.9 million for the first nine months of 2010, an increase of $33.4 million or 14.9%, of which 1.2% from internal growth and 13.7% from acquisitions. Sales to **retailers** rose to $59.2 million, compared with $56.6 million for the corresponding period of 2010, up by $2.6 million or 4.5%. This growth reflects Gordonply's and Madico's contributions, which offset the 3.7% internal decrease in this market affected notably by the springtime weather conditions, as previously mentioned.

In the United States, sales totalled US$73.7 million, an increase of US$26.9 million or 57.4%, of which 11.1% from internal growth and 46.3% from the contribution of Raybern, New Century, E.Kinast and Outwater. In Canadian dollars, these sales amounted to $72.0 million, compared with $48.6 million for the corresponding period of 2010. They accounted for 18.5% of consolidated sales for the first nine months of 2011.

Consolidated EBITDA and EBITDA margin (1)

(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 Months 2011 $	2010 $	Δ%	9 Months 2011 $	2010 $	Δ%
Sales	**136,132**	115,957	+ 17.4	**388,502**	329,100	+ 18.0
EBITDA	**19,155**	17,054	+ 12.3	**48,412**	46,698	+ 3.7
EBITDA margin (%)	***14.1***	*14.7*		***12.5***	*14.2*	

(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.

Third-quarter earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) amounted to $19.2 million, up by 12.3% over the corresponding quarter of 2010. In the third quarter of 2011, **the gross profit margin** was affected by some recent acquisitions that yield lower profit margins than Richelieu because of their different product mix. Excluding acquisitions, the gross profit margin remained stable with the same quarter of 2010 as the slightly higher profit margin of the Canadian operations offset the lower profit margin of the U.S. operations resulting from the aggressive market positioning approach adopted by the Company. Operating expenses increased as a result of the acquisitions of the past year, although they decreased as a percentage of sales from the corresponding quarter of 2010. **The EBITDA profit margin from continuing operations** stood at 14.1%, compared with 14.7% for the third quarter of 2010.

Income taxes amounted to $5.6 million, an increase of some $0.6 million resulting from the rise in pre-tax earnings and non-controlling interest as well as fluctuations in results by region where the Company and its subsidiaries are subject to tax authorities imposing tax rates differing from one another.

For the first nine months, earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) totalled $48.4 million, up by 3.7% over the first nine months of 2010. **The gross profit margin** was lowered by some acquisitions closed in 2010 that yield lower profit margins than Richelieu because of their different product mix, combined with the gross profit margin of operations in the United States where the business environment is exerting downward pressures on selling prices. These same factors, combined with the higher marketing expenses of various product lines, affected **the EBITDA profit margin from continuing operations** which decreased to 12.5%, compared with 14.2% for the corresponding period of 2010.

Income taxes increased by $0.3 million to $13.9 million due to fluctuations in results by region where the Company and its subsidiaries are subject to tax authorities imposing tax rates differing from one another.

Consolidated net earnings (1)

(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 Months 2011 $	2010 $	Δ%	9 Months 2011 $	2010 $	Δ%
EBITDA	**19,155**	17,054	+ 12.3	**48,412**	46,698	+ 3.7
Amortization of capital and intangible assets	**2,097**	1,617	+ 29.7	**5,964**	4,825	+ 23.6
Interest	**(32)**	(94)		**(18)**	(154)	
Income taxes	**5,607**	5,049	+ 11.1	**13,903**	13,614	+ 2.1
Non-controlling interest	**183**	134	+ 36.6	**253**	220	– 15.0
Net earnings from continuing operations	**11,300**	10,348	+ 9.2	**28,310**	28,193	+ 0.4
Net profit margin from continuing operations (%)	***8.3***	*8.9*		***7.3***	*8.6*	
Net earnings (loss) from discontinued operations	**–**	–		**–**	659	
Net earnings	**11,300**	10,348	+ 9.2	**28,310**	28,852	– 1.9
Net profit margin (%)	***8.3***	*8.9*		***7.3***	*8.8*	
Comprehensive income	**11,872**	11,333		**26,058**	29,348	

(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 net earnings totalled $11.3 million, up by 9.2% over the corresponding quarter of 2010. **The net profit margin from continuing operations** stood at 8.3% of consolidated sales, compared with 8.9% for the corresponding quarter of 2010, on account of the factors previously indicated for the EBITDA margin. **Net earnings from continuing operations per share** rose to $0.54 (basic) and $0.53 (diluted), compared with $0.48 (basic and diluted) for the same quarter of 2010, an increase of 12.5% and 10.4%, respectively.

Comprehensive income amounted to $11.9 million, on account of a positive adjustment of $0.6 million on translation of the financial statements of the subsidiary in the United States, compared with $11.3 million for the corresponding quarter of 2010, on account of a positive adjustment of $1.0 million on translation of the financial statements of the subsidiary in the United States.

Comprehensive income amounted to $11.9 million, on account of a positive adjustment of $0.6 million on translation of the financial statements of the subsidiary in the United States, compared with $11.3 million for the corresponding quarter of 2010, on account of a positive adjustment of $1.0 million on translation of the financial statements of the subsidiary in the United States.

For the first nine months, net earnings from continuing operations totalled $28.3 million, up by 0.4% over $28.2 million for the corresponding period of 2010, which excluded a non-recurring gain net of taxes of $0.7 million or $0.03 per share recognized in the first quarter of 2010 subsequent to the disposal of the Company's ceramics sales activities. **Net earnings from continuing operations** per share amounted to $1.34 (basic) and $1.33 (diluted), compared with $1.30 (basic and diluted) for the corresponding period of 2010, excluding the earnings of $0.03 per share related to discontinued operations.

Comprehensive income amounted to $26.1 million, on account of a negative adjustment of $2.3 million on translation of the financial statements of the subsidiary in the United States, compared with $29.3 million for the first nine months of 2010, on account of a positive 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**	**136,132**	
EBITDA	**12,063**	**17,194**	**19,155**	
Net earnings	**7,004**	**10,006**	**11,300**	
per share basic	**0.33**	**0.48**	**0.54**	
per share diluted	**0.33**	**0.47**	**0.53**	
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
per share basic	0.32	0.53	0.48	0.49
per share diluted	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
per share basic	0.20	0.33	0.40	0.45
per share diluted	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) Net 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 third quarter and first nine months ended August 31, 2011

Change in cash and cash equivalents and capital resources [1]
(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 Months 2011 $	3 Months 2010 $	9 Months 2011 $	9 Months 2010 $
Cash flows provided by (used for) continuing operations:				
Operating activities	**13,922**	12,791	**35,380**	34,025
Financing activities	**(4,385)**	(4,327)	**(13,939)**	(16,925)
Investing activities	**(1,647)**	(4,830)	**(28,504)**	(8,248)
Effect of exchange rate fluctuations	**(33)**	(156)	**19**	(207)
Net change in cash and cash equivalents	**9,870**	(100)	**(22,518)**	2,452
Cash flows from discontinued operations	**–**	–	**–**	2,255
Cash and cash equivalents, beginning of period	**6,901**	53,249	**39,289**	48,442
Cash and cash equivalents, end of period	**16,771**	53,149	**16,771**	53,149
Working capital	**158,372**	163,970	**158,372**	163,970
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

Third-quarter cash flows from operating activities (before net change in non-cash working capital balances related to operations) increased by $1.1 million to $13.9 million or $0.66 per share, up from $12.8 million or $0.59 per share for the third quarter of 2010. This growth mainly reflects the increase of some $1.0 million in net earnings from continuing operations, plus an increase of $0.5 million in amortization of capital assets and intangible assets related to the recent acquisitions, less a decrease of $0.3 million in future taxes. Net change in non-cash working capital balances related to operations represented a cash inflow of $2.0 million, as opposed to a cash outflow of $3.6 million in the third quarter of 2010. Whereas changes in accounts receivable, prepaid expenses, inventories and accounts payable represented a cash inflow of $3.1 million, changes in income taxes payable represented a cash outflow of $1.1 million. Consequently, operating activities provided cash flows of $15.9 million, compared with $9.2 million for the third quarter of 2010.

For the first nine months, cash flows from operating activities (before net change in non-cash working capital balances related to operations) totalled $35.4 million or $1.66 per share, compared with $34.0 million or $1.56 per share for the first nine months of 2010, mainly reflecting the increases of $0.1 million in net earnings from continuing operations, of $1.1 million in amortization of capital assets and intangible assets related to the recent acquisitions and of $0.2 million in future taxes. Net change in non-cash working capital balances related to operations represented a cash outflow of $15.5 million, compared with $6.2 million for the first nine months of 2010. Changes in accounts receivable, inventories, prepaid expenses and accounts payable represented substantially all of the cash outflow of $15.5 million. Consequently, operating activities provided cash flows of $19.9 million, compared with $27.8 million for the first nine months of 2010.

Financing activities

Third-quarter dividends paid to shareholders amounted to $2.3 million, up by 20.2% over the dividends paid for the corresponding quarter of 2010. During the period, Richelieu repaid $1.1 million in long-term debt, as opposed to no repayment during the third quarter of 2010, and repurchased common shares for cancellation under its normal course issuer bid for a consideration of $1.0 million, compared with $2.6 million for the corresponding quarter of 2010. Financing activities represented a total cash outflow of $4.4 million, equivalent to the third quarter of 2010.

For the first nine months, dividends paid to shareholders totalled $7.0 million, up by 19.2% over the same period of 2010. The Company also repaid $1.2 million in long-term debt, as opposed to no repayment in 2010; it issued common shares for a consideration of $0.8 million upon the exercise of options under the stock option plan, compared with $0.4 million for the first nine months of 2010, and repurchased shares under its normal course issuer bid for a consideration of $6.6 million, compared with $11.5 million in the first nine months of 2010. Financing activities therefore represented a total cash outflow of $13.9 million, compared with $16.9 million for the corresponding period of 2010.

Investing activities

In the third quarter, Richelieu invested $1.6 million in various capital assets, primarily in the expansion of the Montreal and Laval distribution centres to meet growth needs and to maintain excellent standards of service, as well as in complementary modules to the Company's information technology system. Both of these projects have now been finalized.

In the first nine months, the Company invested a total of $28.5 million, of which $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 $10.0 million in capital assets, mainly the expansion of the Montreal and Laval distribution centres.

Sources of financing

As at August 31, 2011, **cash and cash equivalents** totalled $16.8 million, compared with $53.1 million a year earlier. The Company posted **working capital** of $158.4 million for a current ratio of 3.8:1, compared with $164.0 million (4.0:1 ratio) as at August 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 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 estimates it could obtain access to other outside financing if necessary.

Balance Sheet Analysis as at August 31, 2011

Summary balance sheet
(in thousands of $)

As at August 31	**2011 $**	2010 $
Current assets	**214,181**	218,852
Long-term assets	**119,328**	95,934
Total	**333,509**	314,786
Current liabilities	**55,809**	54,882
Other liabilities	**10,051**	6,418
Shareholders' equity	**267,649**	253,486
Total	**333,509**	314,786

Assets

Total assets amounted to $333.5 million as at August 31, 2011, compared with $314.8 million a year earlier, an increase of 5.9% primarily reflecting the impact of the acquisitions over the past 12 months. **Current assets** were down by $4.7 million from August 31, 2010. This decrease notably reflects the $36.4 million reduction in cash and cash equivalents, whereas accounts receivable were up by $16.3 million and inventories by $14.4 million due to acquisitions and a growth in demand.

Net cash (in thousands of $) As at August 31	2011 $	2010 $
Current portion of long-term debt	**4,465**	1,536
Long-term debt	**1,518**	751
Total	**5,983**	2,287
Cash and cash equivalents	***16,771***	*53,149*
Total net cash	**10,788**	50,862

Total interest-bearing debt amounted to $6.0 million, including long-term debt of $1.5 million and a current portion of $4.5 million representing balances payable on acquisitions.

As at August 31, 2011, **shareholders' equity** totalled $267.6 million, compared with $253.5 million a year earlier, a growth of 5.6% primarily reflecting the $17.0 million increase in retained earnings which amounted to $252.9 million, and the $1.3 million increase in capital stock, less changes of $7.8 million in accumulated other comprehensive income. **The book value per share** stood at $12.77 at the end of the first nine months, compared with $11.87 as at August 31, 2010. The Company benefits from an excellent financial position to pursue its business strategy.

As at August 31, 2011, the Company's **capital stock** consisted of 20,959,309 common shares (21,135,209 shares as at November 30, 2010). In the first nine months of the year, the Company issued 49,300 common shares at an average price of $16.82 (43,950 in 2010 at an average price of $10.04) upon the exercise of options under its stock option plan. Also during the nine-month period ended August 31, 2011, 225,200 common shares were purchased for cancellation under the normal course issuer bid for a cash consideration of $6.6 million (466,900 common shares for a cash consideration of $11.5 million in 2010). Furthermore, during the nine-month period ended August 31, 2011, the Company granted 51,000 stock options (35,000 in 2010). Consequently, as at August 31, 2011, 918,000 stock options were outstanding (925 800 as at August 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 2010 Annual Report, 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 August 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 August 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 completeds
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	• Identification of material differences between Canadian GAAP and IFRS • Examination of possible choices for the initial application of IFRS • The following table presents the preliminary conclusions for the majority of IFRS standards and interpretation that differs 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 added during the preparation of the opening balance sheet and for the first reporting of the financial statements

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

Accounting Policies	Comparisons between IFRS and GAAP on the Company's activities as at August 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 nine-month period ended August 31, 2011, the Company capitalized an amount of $218,000 as acquisition fees
Fixed and intangible assets	• Capital assets must be amortized based on their components, while Canadian GAAP are less restrictive • Following the first adoption of IFRS, the Company will have the choice to measure fixed and intangible assets using the cost model or the reevaluation model	• Based on the significance and the nature of the Company's capital 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 capital assets

(continued...)

Accounting Policies	Comparisons between IFRS and GAAP on the Company's activities as at August 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 inflows that are largely independent from other group of assets • Depreciation charges accorded for under IFRS, applicable to other assets than goodwill and intangible assets without a definite life, must be reversed when events indicates that the situation no longer prevails, without exceeding the initial cost	• The Company is presently calculating 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 an liability with a cash outflow that can be reliably estimated • These liabilities must be presented in the notes to the financial statements • Based on Canadian GAAP, the recognition criteria for similar situations requires a higher level of certainty	• These differences should not have a significant impact on the Company's results
Share-based payments	• To comply with IFRS, since the stock option awards vests gradually, each bracket must be considered as a separate award • Canadian GAAP allows stock option awards that vest gradually to be considered as one award	• The Company does not anticipate any significant impact

The Company 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 in 2012. 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 31 to 33 of Richelieu's 2010 Annual Report.

OUTLOOK

During the fourth quarter, the Company will further integrate the businesses acquired in 2010 and 2011 by intensifying selling synergies and improving the operating profitability of these new operations. Richelieu continues to deepen and develop its North American markets by constantly enhancing its product offering with innovations and providing on-site and Web service meeting its customers' ever-evolving needs. Moreover, the Company is always seeking new acquisition targets compatible with its criteria of growth over the short and long term.

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

October 6, 2011

Consolidated statements of earnings (unaudited)

(In thousands of dollars, except earnings per share)

	For the three-month period ended August 31		For the nine-month period ended August 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Sales	**136,132**	115,957	**388,502**	329,100
Cost of sales and warehouse, selling and administrative expenses	**116,977**	98,903	**340,090**	282,402
Earnings before the following	**19,155**	17,054	**48,412**	46,698
Amortization of capital assets	**1,500**	1,295	**4,405**	3,851
Amortization of intangible assets	**597**	322	**1,559**	974
Financial costs, net	**(32)**	(94)	**(18)**	(154)
	2,065	1,523	**5,946**	4,671
Earnings before income taxes, non-controlling interest and discontinued operations	**17,090**	15,531	**42,466**	42,027
Income taxes	**5,607**	5,049	**13,903**	13,614
Earnings before non-controlling interest and discontinued operations	**11,483**	10,482	**28,563**	28,413
Non-controlling interest	**183**	134	**253**	220
Net earnings from continued operations	**11,300**	10,348	**28,310**	28,193
Net profit from discontinued operations *(note 8)*	**–**	–	**–**	659
Net earnings	**11,300**	10,348	**28,310**	28,852
Earnings per share *(note 4)*				
Basic				
From continued operations	**0.54**	0.48	**1.34**	1.30
From discontinued operations	**–**	–	**–**	0.03
	0.54	0.48	**1.34**	1.33
Diluted				
From continued operations	**0.53**	0.48	**1.33**	1.30
From discontinued operationss	**–**	–	**–**	0.03
	0.53	0.48	**1.33**	1.33

See accompanying notes

Consolidated statements retained earnings (unaudited)

(In thousands of dollars)

	For the three-month period ended August 31		For the nine-month period ended August 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net earnings	**11,300**	10,348	**28,310**	28,852
Retained earnings, beginning of period	**244,825**	229,938	**237,907**	223,986
Dividends	**(2,310)**	(1,922)	**(6,965)**	(5,845)
Premium on redemption of common shares for cancellation *(note 3)*	**(935)**	(2,521)	**(6,372)**	(11,150)
Retained earnings, end of period	**252,880**	235,843	**252,880**	235,843

See accompanying notes

Consolidated statements of comprehensive income (unaudited)

(In thousands of dollars)

	For the three-month period ended August 31		For the nine-month period ended August 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net earnings	**11,300**	10,348	**28,310**	28,852
Other comprehensive income				
Translation adjustment of the net investment in self-sustaining foreign operations	**572**	985	**(2,252)**	496
Comprehensive income	**11,872**	11,333	**26,058**	29,348

See accompanying notes

Consolidated statements of cash flows (unaudited)

(In thousands of dollars)

	For the three-month period ended August 31		For the nine-month period ended August 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
OPERATING ACTIVITIES				
Net earnings from continued operations	**11,300**	10,348	**28,310**	28,193
Non-cash items				
Amortization of capital assets	**1,500**	1,295	**4,405**	3,851
Amortization of intangible assets	**597**	322	**1,559**	974
Future income taxes	**203**	515	**422**	225
Non-controlling interest	**183**	134	**253**	220
Stock-based compensation expense	**139**	177	**431**	562
	13,922	12,791	**35,380**	34,025
Net change in non-cash working capital balances related to operations	**2,013**	(3,578)	**(15,474)**	(6,193)
	15,935	9,213	**19,906**	27,832
FINANCING ACTIVITIES				
Reimbursement of long term debt	**(1,132)**	–	**(1,227)**	–
Dividends paid	**(2,310)**	(1,922)	**(6,965)**	(5,845)
Issue of common shares	**26**	197	**829**	441
Redemption of common shares for cancellation	**(969)**	(2,602)	**(6,576)**	(11,521)
	(4,385)	(4,327)	**(13,939)**	(16,925)
INVESTING ACTIVITIES				
Business acquisitions *(note 2)*	**–**	(4,239)	**(18,498)**	(6,006)
Additions to capital assets and intangible assets	**(1,647)**	(591)	**(10,006)**	(2,242)
	(1,647)	(4,830)	**(28,504)**	(8,248)
Effect of exchange rate fluctuations on cash and cash equivalents	**(33)**	(156)	**19**	(207)
Net change in cash and cash equivalents from continued operations	**9,870**	(100)	**(22,518)**	2,452
Cash flows from discontinued operations *(note 8)*	**–**	–	**–**	2,255
Cash and cash equivalents, beginning of period	**6,901**	53,249	**39,289**	48,442
Cash and cash equivalents, end of period	**16,771**	53,149	**16,771**	53,149
Supplemental information				
Income taxes paid	**6,114**	3,113	**16,722**	10,909
Interest received, net	**23**	(64)	**(30)**	(115)

See accompanying notes

Consolidated balance sheets (unaudited)

(In thousands of dollars)

	As at August 31, 2011 $	As at August 31, 2010 $	As at November 30, 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	**16,771**	53,149	39,289
Accounts receivable	**73,909**	57,604	65,017
Inventories	**122,252**	107,804	117,609
Prepaid expenses	**1,249**	295	837
	214,181	218,852	222,752
Capital assets	**26,238**	18,184	19,132
Intangible assets	**22,551**	12,668	13,242
Future income taxes	**2,517**	1,363	2,327
Goodwill	**68,022**	63,719	63,363
	333,509	314,786	320,816
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**50,241**	49,875	52,641
Income taxes payable	**1,103**	3,471	5,312
Current portion of long-term debt	**4,465**	1,536	2,072
	55,809	54,882	60,025
Long-term debt	**1,518**	751	786
Future income taxes	**3,318**	2,315	2,706
Non-controlling interest	**5,215**	3,352	3,430
	65,860	61,300	66,947
Shareholders' equity			
Capital stock *(note 3)*	**18,905**	17,613	17,623
Contributed surplus	**3,683**	3,858	3,906
Retained earnings	**252,880**	235,843	237,907
Accumulated other comprehensive income *(note 5)*	**(7,819)**	(3,828)	(5,567)
	267,649	253,486	253,869
	333,509	314,786	320,816

See accompanying notes

On behalf of the Board,

(Signed)Richard Lord
Director

(Signed) Mathieu Gauvin
Director

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

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 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. 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 fees, and a balance of sale of $2,920 ($2,937 US). This Company based in Lincoln Park, New Jersey (U.S.) operates a specialty and decorative hardware distribution centre that serves a base of some 18,000 residential and commercial woodworking customers and kitchen, bathroom and furniture manufacturers.

On January 31, 2011, the Company acquired all the outstanding common shares of Madico Inc. for a consideration in cash of $2,814, including acquisition fees, and a balance of sale of $95. This Company based in the Quebec city (Quebec, Canada) 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 fees, 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 fees. This business (Syracuse, New York) is a distributor of hardware products, high-pressure laminates, finishing products and other complementary products targeted mainly to kitchen cabinet makers and the commercial woodworking segment.

On April 26, 2010, the Company acquired the principal net assets of Raybern Company, Inc. for a cash consideration of $1,145 ($1,126 US) and a balance of sale of $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.

On July 14, 2010, the Company acquired the principal net assets of Gordon Industrial Materials Ltd. for a consideration in cash of $3,450, including acquisition fees, and a balance of sale of $991. With its distribution centers in Montreal (Quebec) and Mississauga (Ontario), Gordon is a leading distributor of products for the manufacturing of 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 consideration in cash of $689 (US $650), including acquisition fees, and a balance of sale of $428 (US $404). Located in Avenel, New Jersey, this distributor of specialized hardware products serves kitchen cabinet makers and residential and commercial woodworking customers.

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 Provincial Woodproducts Ltd., Madico Inc., and of Outwater Hardware, as well as the final purchase price allocation of New Century Distributors Group LLC, Gordon Industrial Materials Ltd., Raybern Company Inc., and of Woodland Specialties Inc. done in 2010 are as follow:

Summary of acquisitions

	2011	2010
	$	$
Net assets acquired		
Accounts receivable	**3,972**	3,188
Inventories	**4,439**	5,659
Other assets	**227**	6
Capital assets	**2,753**	231
Intangible assets	**10,280**	643
Goodwill	**5,246**	846
	26,917	10,573
Current liabilities assumed		
Accounts payable and accrued liabilities	**2,042**	2,964
Income taxes payable	**466**	–
Future income taxes	**155**	–
Non controlling interest	**1,532**	–
	4,195	2,694
Net assets acquired	**22,722**	7,609
Consideration		
Cash, net of cash acquired	**18,225**	6,006
Balances of sale payable	**4,497**	1,603
	22,722	7,609

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

3) CAPITAL STOCK

Issued

As at August 31, 2011, capital stock outstanding amounted to 20,959,309 common shares (21,135,209 common shares as at November 30, 2010).

During the nine-month period ended August 31, 2011, the Company issued 49,300 common shares at a weighted average price of $16.82 (43,950 common shares at a weighted average price of $10.04 in 2010) pursuant to the exercise of options under the share option plan. In addition, during the nine-month period ended August 31, 2011, the Company, through a normal course issuer bid, purchased 225,200 common shares for cancellation in consideration of $6,576 (466,900 common shares for a cash consideration of $11,521 in 2010).

Stock option plan

During the nine-month period ended August 31, 2011, the Company granted 51,000 options (2010 – 35,000) with a weighted average exercise price of $30.49 (2010 – $22.98) and an average fair value of $8.73 per option (2010 – $6.52) as determined using the Black & Scholes option pricing model based on an expected dividend yield of 1.46% (2010 – 1.54%), a volatility of 25% (2010 – 25%), an average risk free interest rate of 3.69% (2010 – 3.72%) and an expected life of 7 years (2010 – 7 years). As at August 31, 2011, 918,000 share options were outstanding (2010 – 925,800) with exercise prices varying from $11.35 to $30.68 (2010 – $6.35 to $24.76) for a weighted average of $21.21 (2010 – $20.34).

For the three-month and nine-month periods ended August 31, 2011, the stock-based compensation expense amounted to $139 and $431 (2010 – $177 and $562).

4) EARNINGS PER SHARE

3-MONTH PERIODS ENDED AUGUST 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	**11,300**	**20,978**	**0.54**	10,348	21,397	0.48
Dilutive effect of stock options	**–**	**185**	**0.01**	–	160	–
Diluted net earnings	**11,300**	**21,163**	**0.53**	10,348	21,557	0.48

9-MONTH PERIODS ENDED AUGUST 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	**28,310**	**21,079**	**1.34**	28,852	21,621	1.33
Dilutive effect of stock options	**–**	**229**	**0.01**	–	131	–
Diluted net earnings	**28,310**	**21,308**	**1.33**	28,852	21,752	1.33

For the nine-month period ended August 31, 2011, outstanding options to purchase 51,000 and 50,000 common shares (2010 – 147,500) with a weighted average exercise price of $30.49 and $30.54 (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 August 31,		For the nine-month period ended August 31,	
	2011 $	2010 $	**2011 $**	2010 $
Balance – beginning of period	**(8,391)**	(4,813)	**(5,567)**	(4,324)
Translation adjustment of net investment in self-sustaining foreign operation	**572**	985	**(2,252)**	496
Balance – end of period	**(7,819)**	(3,828)	**(7,819)**	(3,828)

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 August 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 decreased by $397 and increased by $202 during the three-month and nine-month periods ended August 31, 2011 for a total of $4,809 (increase of $584 and $1,669 in 2010 for a total of $5,781 in 2010).

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, 2011, an exchange gain of $261 and a loss of $384 (2010 – gain of $185 and $419).

As at August 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 $547 (2010 – 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, 2011, the statements of comprehensive income include a foreign exchange gain of $572 and a loss of $2,252 (gain of $985 and $496 as at August 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 nine-month periods ended August 31, 2011, the amounts of inventories recorded as expenses from the distribution, imports and manufacturing activities, excluding discontinued operations, total $94,513 and $272,502 ($78,595 and $224,231 in 2010). Expenses of $287 and $1,285 for obsolescence are included in these amounts ($471 and $1,282 in 2010).

7) GEOGRAPHIC INFORMATION

During the three-month and nine-month periods ended August 31, 2011, near 81% of sales were made in Canada, while sales to foreign countries, almost entirely in the United States, amounted to $26,173 and $72,011 (2010 – $17,891 and $48,578) in Canadian dollars compared to $26,921 and $73,687 (2010 – $17,194 and $46,820) in US dollars.

As at August 31, 2011, of a total amount of $26,238 in capital assets ($19,132 as at November 30, 2010), $2,522 ($1,696 as at November 30, 2010) are located in the USA. In addition, intangible assets located in the USA amounts to $13,894 ($9,389 as at November 30, 2010) and goodwill at $21,719 ($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 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.

9) MANAGEMENT OF CAPITAL

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

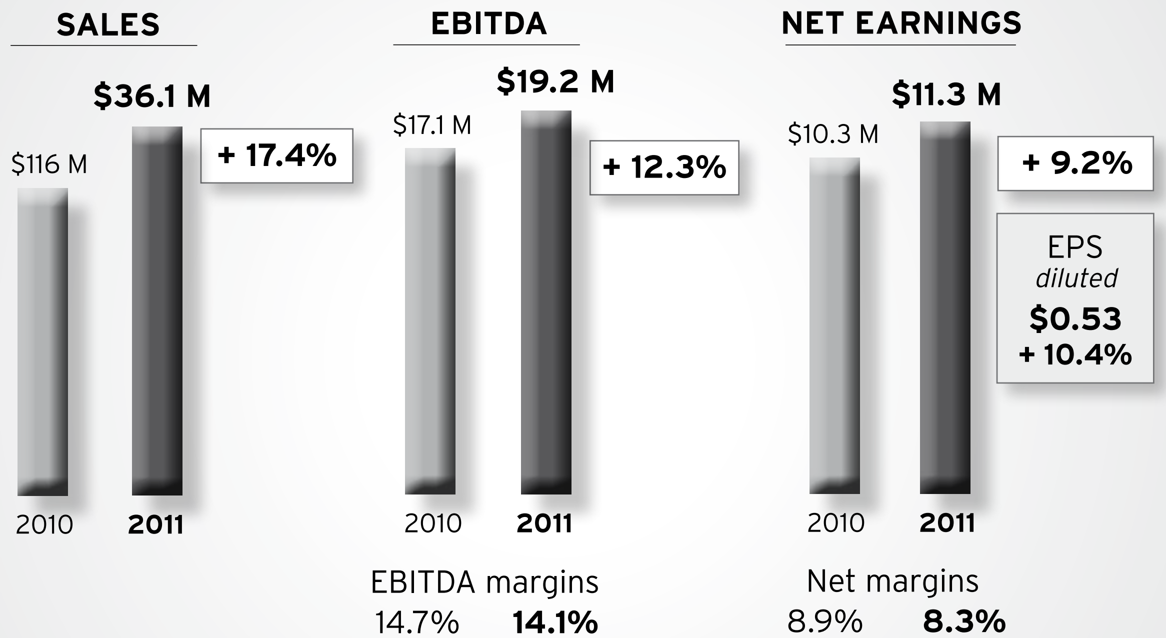
- a debt/equity ratio: 2.2% (2010 – 0.9%) (interest-bearing debt/ shareholders'equity)
- a return on shareholders' equity of 14.8% over the last 12 months (15.2% for the 12 previous months)

10) COMPARATIVE FIGURES

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

Nine-month periods
ended on August 31,

Continuing operations



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