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Interim Report

Nine-month period
ended August 31, 2007

Richelieu

Message to Shareholders

The third quarter ended August 31, 2007 brought our strongest sales increase since the beginning of the year. Our total sales reached \$111.9 million for the period, up by 16.3% or \$15.7 million, thanks to excellent internal growth of 7.1% and the four acquisitions closed in the past 12 months which generated 9.2% growth for the quarter.

Sales to manufacturers increased by 15.8%, of which 5.0% came from internal growth and 10.8% from acquisitions. Sales to retailers including renovation superstores were up 19.2% due to significant growth in all our product categories and the initial benefits of the agreement recently concluded with a major Canadian renovation chain, to whom we will supply a line of functional hardware products over several years.

In Canada, we posted a solid performance in our three geographic markets, especially in Western Canada where economic conditions are particularly strong. Overall, our market development efforts yielded benefits, while the economic climate was relatively favourable across the country.

The same goes for our operations in the United States, where sales in U.S. dollars almost doubled in the third quarter, with 15.5% coming from internal growth and 76.4% from acquisitions. We reaped the benefits of our acquisitions as we continued to efficiently integrate them during the quarter, while emphasizing selling synergies.

Our profit margins as a percentage of sales remained very satisfactory, although they declined slightly from the third quarter of 2006 when the EBITDA profit margin had been exceptionally high. This variation is also due to the investments required to develop new sales in the retailers market and to the effect of the exchange rate on the gross margin of our U.S. operations converted into Canadian dollars, especially since they account for a growing proportion of our total sales and have not yet achieved the profitability level of our Canadian activities given their stage of development. We ended the period with net earnings of \$9.1 million, up 3.8%, an excellent level of available cash and a healthy and solid financial position.

NEXT DIVIDEND PAYMENT

The payment of a quarterly dividend of \$0.07 per share was approved by the Board of Directors at its meeting on October 3, 2007. This dividend is payable on October 31, 2007 to shareholders of record on October 17, 2007.

Management's Discussion and Analysis of Operating Results and Financial Position for the Third Quarter and First Nine Months Ended August 31, 2007

This management's report relates to Richelieu's consolidated operating results and cash flows for the third quarter and first nine months ended August 31, 2007 in comparison with the third quarter and first nine months ended August 31, 2006, as well as the Company's financial position as at August 31, 2007, compared with November 30, 2006. 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 2007 as well as the analysis and notes to financial statements appearing in the 2006 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, 2007, 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 3, 2007, on which date the unaudited consolidated financial statements and the 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, forecast sales and earnings growth 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 and relate, by their very nature, to known and unknown risks and uncertainties such as economic conditions, exchange rate fluctuations and other factors set forth in the "Risk Management" section on page 33 of the management's report included in the Company's 2006 Annual Report as well as its Annual Information Form.

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.

CHANGES IN ACCOUNTING POLICIES

Effective December 1, 2006, the Company adopted the new recommendations of Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3865, *Hedges*, and Section 1530, *Comprehensive Income*, issued by the Canadian Institute of Chartered Accountants (CICA). These new sections contain standards for recognition and measurement for financial instruments, establish standards for hedge accounting and introduce a new measurement of results – comprehensive income – which is the change in equity or net assets of an enterprise during a period from transactions from non-owner sources.

The retroactive application of these new standards without restatement of prior-year financial statements had no material impact on the consolidated financial statements for the third quarter ended August 31, 2007. For further details, the reader is referred to note 2 accompanying the interim consolidated financial statements that follow this management's report.

GENERAL BUSINESS OVERVIEW

Richelieu Hardware Ltd. is Canada's leading distributor, importer and manufacturer of specialty hardware and complementary products. The Company also ranks among the top players in its specialty market in North America.

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 primarily from European and North American manufacturers. 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 50,000 stock-keeping units** targeted to a base of **over 38,000 customers** who are served by **47 distribution centres in North America** – 30 distribution centres across Canada, 15 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, veneer sheets and edgebanding products, kitchen accessories, ergonomic workstation components, ceramic tiles, 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.

The Company employs over 1,200 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. More than 50% 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 introducing every year an average of over 1,000 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.

OPERATING RESULTS FOR THE THIRD QUARTER ENDED AUGUST 31, 2007 COMPARED TO THE THIRD QUARTER ENDED AUGUST 31, 2006

Consolidated sales totalled \$111.9 million, an increase of \$15.7 million or 16.3%, of which 7.1% was due to internal growth and 9.2% to the acquisition of Specialty Supplies Inc. (Florida), L.B. Brass (New York), Village Square Cabinet Supply (Tennessee) and Sascos Products Inc. (Nova Scotia), respectively on October 17 and 30, 2006, March 5 and May 23, 2007.

Sales to **manufacturers** amounted to \$94.7 million, an excellent increase of \$12.9 million or 15.8%, of which 5.0% came from internal growth and 10.8% from the aforementioned acquisitions – they accounted for 84.6% of consolidated sales for the third quarter of 2007. The cabinet makers and commercial and residential woodworking markets brought the strongest contribution to the period's sales growth. The hardware **retailers** market including renovation superstores made significant progress during the third quarter, benefiting from vigorous sales growth in all product categories and the initial benefits of the agreement recently concluded with a major Canadian renovation chain, to whom Richelieu will supply a line of functional hardware products over several years. Thus, sales to retailers increased by \$2.8 million or 19.2% from the corresponding period of 2006, to \$17.2 million in the third quarter of 2007.

Sales in **Canada** reached \$90.8 million, up by \$6.2 million or 7.3% due entirely to internal growth. They accounted for 81.2% of the period's consolidated sales. All markets contributed to this increase, with a greater contribution by Western Canada. In the **United States**, Richelieu almost doubled its sales in U.S. dollars, with 76.4% coming from acquisitions (U.S. dollars) and 15.5% from internal growth (U.S. dollars). U.S. sales amounted to \$21.1 million (US\$19.9 million), compared with \$11.6 million (US\$10.4 million) for the corresponding period of 2006.

SELECTED CONSOLIDATED QUARTERLY INFORMATION (Unaudited)

Periods ended August 31,	3 months			9 months		
	2007	2006	Δ(%)	2007	2006	Δ(%)
(in thousands of \$, except per-share amounts, ratio and number of outstanding shares)						
Sales	111,921	96,221	+16.3	322,761	281,687	+14.6
EBITDA	15,513	14,353	+8.1	40,768	37,542	+8.6
Net earnings	9,110	8,779	+3.8	23,734	22,766	+4.3
• basic per share	0.39	0.38	+2.6	1.03	0.98	+5.1
• diluted per share	0.39	0.38	+2.6	1.02	0.98	+4.1
Cash flows	10,725	9,972	+7.6	27,669	26,253	+5.4
• per share	0.46	0.43	+7.0	1.19	1.13	+5.3
Dividends/share	0.07	0.06	+16.7	0.21	0.18	+16.7
Weighted average number of shares outstanding (diluted)	23,214	23,271		23,210	23,282	
Balance Sheet Data						
Total assets	267,293	222,958	+19.9			
Shareholders' equity	206,252	180,754	+14.1			
Book value per share	8.93	7.81	+14.3			
Interest-bearing debt	13,627	1,775				
Ratio						
Interest-bearing debt/ shareholders' equity	6.6 %	1.0 %				

Earnings before income taxes, amortization and non-controlling interest (EBITDA)

stood at \$15.5 million, up by \$1.2 million or 8.1%. The **EBITDA profit margin** remained excellent at 13.9%, despite a 1.0% decline from the same period in 2006 when the EBITDA profit margin had been exceptionally high. This variation is mainly due to two factors influencing the gross margin: the original costs required to develop new sales in the retailers market and to the effect of the exchange rate on the profit margin on U.S. sales converted into Canadian dollars, as they account for a growing proportion of total sales, while not yet having achieved the profitability level of Canadian activities given their stage of development.

Interest was up by \$0.2 million as a result of the increase in debt consisting primarily of balances of purchase price payable for the previous year's acquisitions. **Amortization of intangible assets** with limited useful lives accounted for as of last year amounted to \$0.3 million for the third quarter of 2007. **Income taxes** totalled \$4.9 million, up by approximately \$0.2 million from the third quarter of 2006.

Net earnings increased by 3.8% to \$9.1 million, representing 8.1% of consolidated sales, compared with 9.1% for the third quarter of 2006.

Earnings per share amounted to \$0.39 basic and diluted, compared with \$0.38 basic and diluted for the same period in 2006. It should be noted that the number of shares and options outstanding did not vary significantly over the past 12 months.

SUMMARY OF QUARTERLY RESULTS (unaudited)
(in thousands of \$, except per-share amounts)

Quarters	1	2	3	4
2007				
Sales	94,509	116,331	111,921	
EBITDA	10,470	14,784	15,513	
Net earnings	5,973	8,651	9,110	
basic	0.26	0.37	0.39	
diluted	0.26	0.37	0.39	
2006				
Sales	82,862	102,604	96,221	103,944
EBITDA	9,060	14,128	14,353	15,517
Net earnings	5,360	8,627	8,779	9,165
basic	0.23	0.37	0.38	0.40
diluted	0.23	0.37	0.38	0.39
2005				
Sales	76,056	92,560	88,032	93,529
EBITDA	8,260	12,241	11,952	13,332
Net earnings	4,874	7,422	7,251	8,141
basic	0.21	0.32	0.31	0.35
diluted	0.21	0.32	0.31	0.35

The first quarter ended February 28 or 29 is generally the year's slowest period for Richelieu, since it includes fewer business days because of the end of the year holidays and the slowdown in renovation and construction work in the wintertime. The third quarter ended August 31 also comprises fewer business days as a result of the summer holidays, which could have an impact on the period's results. As for the second and fourth quarters ended May 31 and November 30 respectively, they generally represent the most active periods and are conducive to a major increase in financial results.

THIRD-QUARTER LIQUIDITY AND FINANCIAL RESOURCES

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances related to operations) increased by 7.6% to \$10.7 million or \$0.46 per share, up from \$10.0 million or \$0.43 per share for the third quarter of 2006. Net change in non-cash working capital balances related to operations used cash flows of \$0.8 million, whereas they provided cash flows of \$2.0 million in the equivalent period of the previous year. This variation came from the increase in inventory compared with the third quarter of 2006 to meet the needs of the new centre in Barrie, Ontario, of the agreement recently signed with a major Canadian renovation chain, and of the Company's growth, as well as the increase in accounts receivable due to the strong sales growth over the same quarter of 2006. Consequently, operating activities provided cash flows of \$9.9 million, compared with \$11.9 million for the equivalent period of the previous year.

Financing activities

Richelieu paid dividends totalling \$1.6 million to shareholders in the third quarter, up from \$1.4 million for the corresponding quarter of 2006. This growth mainly reflects the 16.7% increase in the dividend rate announced on January 26, 2007. The Company also repaid \$0.3 million in long-term debt, compared with \$0.5 million in the third quarter of 2006. Accordingly, financing activities used cash flows of \$1.7 million, compared with \$1.9 million for the equivalent quarter of 2006.

Investing activities

Richelieu invested \$0.9 million in various capital expenditures during the third quarter, up from \$0.7 million for the corresponding quarter of 2006. This amount was allocated to the purchase of equipment and improvement of business premises.

OPERATING RESULTS FOR THE FIRST NINE MONTHS ENDED AUGUST 31, 2007 COMPARED TO THE FIRST NINE MONTHS ENDED AUGUST 31, 2006

Consolidated sales totalled \$322.8 million, an increase of 14.6%, of which 5.3% came from internal growth and 9.3% from the four acquisitions closed since October 2006. All of Richelieu's markets, particularly cabinet makers and residential and commercial woodworkers, as well as furniture manufacturers, made a solid contribution to this sales increase, which was also driven by the sales and marketing programs in which the Company has significantly invested over the past two years.

Sales to **manufacturers** amounted to \$269.0 million, a strong increase of \$35.3 million or 15.1% from the same period in 2006, of which 4.3% came from internal growth and 10.8% from the aforementioned acquisitions – they accounted for 83.3% of consolidated sales for the first nine months of 2007. Sales to hardware **retailers** including renovation superstores were up by \$5.8 million or 12.0% from the corresponding period of 2006. This major increase mainly reflects the solid performance posted in this market during the third quarter of 2007, whereas sales grew significantly in all product categories, to which were added the new orders obtained subsequent to the agreement recently concluded with a major Canadian renovation chain.

For the first nine months of 2007, Richelieu recorded sales of \$260.7 million in **Canada**, up by \$12.6 million or 5.1% from the same period in 2006, due mainly to internal growth. These revenues accounted for 80.8% of the period's sales. In the **United States**, sales reached \$62.0 million (US\$55.7 million), compared with \$33.5 million (US\$29.5 million) for the first nine months of 2006, an increase of 85.1% in Canadian dollars and 88.9% in U.S. dollars, of which 15.3% came from internal growth and 73.6% from acquisitions.

Earnings before income taxes, interest, amortization and non-controlling interest (EBITDA) stood at \$40.8 million, up by \$3.2 million or 8.6%. **The EBITDA profit margin** and gross profit margin remained satisfactory, despite a slight decline from the same period in 2006. This decrease is attributable mainly to the factors described in the second and third quarters, specifically – the major increase in raw material costs – the sudden devaluation of the Canadian dollar in relation to the U.S. dollar and the Euro in late 2006 and early 2007, when the Company had acquired products for which selling prices were not rapidly adjusted accordingly – the investments required to develop new sales in the retailers market – and the effect of the exchange rate on the profit margin on U.S. sales converted into Canadian dollars, as they represent a growing proportion of total sales while not yet having achieved the profitability level of Canadian activities given to their stage of development.

Interest was up by \$0.8 million as a result of the increase in debt consisting primarily of balances of purchase price payable for the previous year's acquisitions. **Amortization of intangible assets** with limited useful lives accounted for in 2006 amounted to \$0.7 million for the first nine months of the current year.

Income taxes amounted to \$12.6 million, compared with \$12.0 million for the first nine months of the previous year.

Net earnings increased by 4.3% to \$23.7 million, representing 7.4% of consolidated sales, compared with 8.1% for the same period in 2006.

Earnings per share amounted to \$1.03 (\$1.02 diluted), an increase of 5.1%, whereas the number of shares and options outstanding did not vary significantly over the past 12 months.

LIQUIDITY AND FINANCIAL RESOURCES FOR THE FIRST NINE MONTHS OF 2007

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances related to operations) were up by 5.4% to \$27.7 million or \$1.19 per share, compared with \$26.3 million or \$1.13 per share for the first nine months of 2006. This increase primarily reflects the period's net earnings growth, the amortization of intangible assets, whereas it was not recognized in 2006, and an exchange gain on the debt in U.S. dollars. Net change in non-cash working capital balances related to operations used cash flows of \$11.7 million, compared with \$8.5 million for the same period in 2006. This variation came from the increase in inventory to meet the needs of the new centre in Barrie, Ontario, of the agreement recently signed with a major Canadian renovation chain, and of the Company's growth, as well as the increase in accounts receivable due to the strong sales growth. Consequently, operating activities provided cash flows of \$16.0 million, compared with \$17.7 million for the equivalent period of 2006.

Financing activities

Richelieu paid dividends totalling \$4.8 million to shareholders for the first nine months of 2007, up from \$4.2 million for the corresponding period of 2006. This \$0.6 million growth reflects the increase in the dividend rate announced in January 2007. During the period, Richelieu issued new shares for approximately \$0.3 million under its share option plan, compared with \$0.1 million for the first nine months of 2006. Furthermore, it did not purchase any common shares, as opposed to 2006 when it redeemed shares for an amount of \$0.7 million. The Company repaid \$0.5 million in long-term debt, compared with repayments of bank indebtedness and long-term debt totalling \$2.8 million in 2006. Accordingly, financing activities used cash flows of \$5.1 million, compared with \$7.6 million for the corresponding period of 2006.

Investing activities

Since the beginning of the year, Richelieu has invested \$4.6 million in the acquisition of two distributors, specifically the principal net assets of Village Square Cabinet Supply and Sasco Products Inc., and \$3.3 million in various capital expenditures, specifically for the purchase of information technology, improvement of business premises and warehousing equipment. Investing activities therefore used cash flows of \$7.9 million in the first nine months of 2007, down from \$16.3 million in the corresponding period of 2006, of which \$14.4 million had been allocated to the acquisition of three distributors.

As at August 31, 2007, the Company had **cash and cash equivalents** of \$9.9 million.

FINANCIAL POSITION AS AT AUGUST 31, 2007

Richelieu remains in a healthy and solid financial position, with low indebtedness and substantial cash flows regularly generated by its operations, which should enable it to meet its financial obligations and to pursue its expansion and growth. Principal changes in balance sheet items as at August 31, 2007 mainly reflect the growth and expansion-by-acquisition achieved since the beginning of the year. **Total assets** amounted to \$267.3 million, an increase of 9.1% from \$245.0 million as at November 30, 2006.

As at August 31, 2007, Richelieu had an excellent **working capital** of \$120.0 million for a current ratio of 3.4:1, up from \$103.9 million and a ratio of 3.2:1 as at November 30, 2006.

Total interest-bearing debt amounted to \$13.6 million as at August 31, 2007, at the same level as at November 30, 2006. As previously indicated, this debt consists primarily of balances of purchase price payable on acquisitions closed in 2006, composed of a current portion of \$6.5 million and a long-term portion of \$7.1 million bearing interest at rates of up to 7.25% and maturing on various dates until 2008.

Shareholders' equity totalled \$206.3 million as at August 31, 2007, compared with \$186.6 million as at November 30, 2006, up by 10.5% due to the \$18.9 million increase in retained earnings which amounted to \$186.9 million as at August 31, 2007. **The book value per share** grew to \$8.93, compared with \$8.09 as at November 30, 2006. **The interest-bearing debt/equity ratio** stood at 6.6%, versus 7.3% as at November 30, 2006.

As at August 31, 2007, Richelieu's share capital consisted of 23,095,587 common shares (23,052,612 common shares as at November 30, 2006) due to the issue of 42,875 common shares under the share option plan, and 644,500 options (536,200 options as at November 30, 2006) were outstanding.

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth in the Company's 2006 Annual Report. For 2007 and the foreseeable future, management expects cash flows from operating activities and other sources of financing to meet Richelieu's ongoing contractual commitments. This expectation is based on the assumptions that economic conditions and exchange rate will not deteriorate significantly, operating expenses will not increase considerably, deliveries will meet the Company's requirements and no unusual events will entail additional capital expenditures. Richelieu remains subject to the risks set forth in the "Risk Management" section of the management's report included in its 2006 Annual Report.

RISK FACTORS

Risk factors are described in the "Risk Management" section of the management's report included in Richelieu's 2006 Annual Report.

GROWTH OUTLOOK

We expect to continue achieving a solid performance across Canada, especially since economic conditions should remain relatively favourable. In the United States, we will further expand our product mix, penetrate new markets and take advantage of development opportunities that arise, in accordance with our long-term profitability and growth criteria. A further improvement in profitability throughout our organization, as well as the quality of our customer service and innovation in our product mix, will remain major drivers of our growth. We are currently pursuing our various operational improvement projects, such as optimizing our distribution management system and our transactional website, which is gaining more and more users. We expect to achieve satisfactory growth for the year ending November 30, 2007. This expectation is based on the assumptions that economic conditions and exchange rate will not deteriorate significantly, operating expenses will not increase considerably, deliveries will meet the Company's requirements and no unusual events will entail additional capital expenditures. This expectation is also subject to the risks set forth in the "Risk Management" section of the management report included in its 2006 Annual Report.

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 3, 2007

Consolidated statements of earnings and retained earnings (unaudited)

	For the nine months ended August 31,		For the three months ended August 31,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	322,761	281,687	111,921	96,221
Cost of sales, warehouse, selling and administrative expenses	281,993	244,145	96,408	81,868
Earnings before the following	40,768	37,542	15,513	14,353
Interest on short-term debt, net	30	(70)	(54)	(72)
Interest on long-term debt	737	65	238	21
Amortization of capital assets	2,754	2,614	958	874
Amortization of intangible assets	699	—	298	—
Earnings before income taxes and non-controlling interest	36,548	34,933	14,073	13,530
Income taxes	12,609	11,971	4,855	4,668
Earnings before non-controlling interest	23,939	22,962	9,218	8,862
Non-controlling interest	205	196	108	83
Net earnings	23,734	22,766	9,110	8,779
Retained earnings, beginning of period	168,020	144,430		
Premium on redemption of common shares for cancellation	—	(713)		
Dividends	(4,847)	(4,168)		
Retained earnings, end of period	186,907	162,315		
Earnings per share (Note 5)				
Basic	1.03	0.98	0.39	0.38
Diluted	1.02	0.98	0.39	0.38

See accompanying notes.

Consolidated statements of comprehensive income (unaudited)

	For the nine months ended August 31,		For the three months ended August 31,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net earnings	23,734	22,766	9,110	8,779
Other comprehensive income, net of income tax				
Change in fair value of derivatives designated as cash flow edge	(129)	—	134	—
Comprehensive income	23,605	22,766	9,244	8,779

See accompanying notes.

Consolidated statements of cash flows (unaudited)

(in thousands of dollars)	For the nine months ended August 31,		For the three months ended August 31,	
	2007 \$	2006 \$	2007 \$	2006 \$
OPERATING ACTIVITIES				
Net earnings	23,734	22,766	9,110	8,779
Non-cash items				
Amortization of capital assets	2,754	2,614	958	874
Amortization of intangible assets	699	—	298	—
Future income taxes	140	225	79	75
Exchange loss (gain) on US debt	(518)	—	(64)	—
Non-controlling interest	205	196	108	83
Stock-based compensation expense	655	452	236	161
	27,669	26,253	10,725	9,972
Net change in non-cash working capital balances related to operations	(11,688)	(8,541)	(786)	1,975
	15,981	17,712	9,939	11,947
FINANCING ACTIVITIES				
Increase (decrease) of bank loans	—	(1,910)	—	—
Repayment of long-term debt	(501)	(925)	(198)	(545)
Dividends paid	(4,847)	4,168	(1,617)	(1,389)
Issue of common shares (Note 4)	255	145	107	63
Redemption of common shares for cancellation	—	(741)	—	(63)
	(5,093)	(7,599)	(1,708)	(1,934)
INVESTING ACTIVITIES				
Business acquisitions (Note 3)	(4,611)	(14,391)	(12)	(116)
Additions to capital assets	(3,292)	(1,927)	(862)	(659)
	(7,903)	(16,318)	(874)	(775)
Net change in cash and cash equivalents	2,985	(6,205)	7,357	9,238
Cash and cash equivalents at beginning	6,964	20,103	2,592	4,660
Cash and cash equivalents at the end	9,949	13,898	9,949	13,898
Supplemental information				
Income taxes paid	14,680	13,531	3,721	5,711
Interest paid (received)	1,332	3	580	(42)

See accompanying notes.

Consolidated balance sheets

(in thousands of dollars)

	As at August 31, 2007 \$ (unaudited)	As at August 31, 2006 \$ (unaudited)	As at November 30, 2006 \$ (audited)
ASSETS			
Current assets			
Cash and cash equivalents	9,949	13,898	6,964
Accounts receivable	59,800	53,502	57,443
Inventories	98,678	84,070	86,784
Prepaid expenses	1,100	1,157	541
	169,527	152,627	151,732
Capital assets	19,088	18,613	18,463
Intangible assets	14,504	9,767	13,227
Goodwill	64,174	41,951	61,580
	267,293	222,958	245,002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	42,849	35,880	38,425
Income taxes payable	196	425	2,334
Current portion of long term debt	6,491	1,759	7,064
	49,536	38,064	47,823
Long-term debt	7,136	16	6,571
Future income taxes	1,982	1,999	1,842
Non-controlling interest	2,387	2,125	2,182
	61,041	42,204	58,418
Shareholders' equity			
Capital stock (Note 4)	17,725	17,503	17,470
Contributed surplus (Note 4)	1,749	936	1,094
Retained earnings	186,907	162,315	168,020
Accumulated other comprehensive income (Note 6)	(129)	—	—
	206,252	180,754	186,584
	267,293	222,958	245,002

See accompanying notes.

Notes to interim consolidated financial statements

August 31, 2007 and 2006 (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.

During the three-month and nine-month periods ended August 31, 2007, the Company’s sales to foreign countries, almost entirely directed to the United States, amounted to \$21,085 (2006 – \$11,604) and to \$62,026 (2006 – \$33,515) respectively in Canadian dollars compared to \$19,884 (2006 – \$10,362) and to \$55,726 (2006 – \$29,496) respectively in US dollars.

As at August 31, 2007, out of a total amount of \$19,088 in capital assets (\$18,463 as at November 30, 2006), \$947 (\$876 as at November 30, 2006) are located in the USA. In addition, intangible assets located in the USA amounted to \$10,230 (\$8,964 as at November 30, 2006) and goodwill at \$23,040 (\$20,528 as at November 30, 2006).

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 the management opinion, these interim financial statements reflect all the adjustments required to fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the period are not necessarily indicative of the results that may be expected for the full year as the operating level of the Company is subject to seasonal fluctuations. 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 2006.

2) CHANGES IN ACCOUNTING POLICIES

Since December 1st, 2006, the Company adopted the new recommendations of Section 3855, Financial Instruments – Recognition and Measurement, Section 3865, Hedges, and Section 1530, Comprehensive Income, issued by the Canadian Institute of Chartered Accountants (CICA). These new sections contain standards for recognition and measurement for financial instruments, establish standards for hedge accounting and introduce a new measurement of results – comprehensive income – which is the change in equity or net assets of an enterprise during a period from transactions from non-owner sources.

The adoption of these standards requires classifying all financial assets, liabilities and derivatives of the Company for which clearly defined rules determine the standards to be applied. In accordance with the standards in these new CICA handbook sections, all derivative financial instruments used will be recorded in the balance sheet at their fair value. Depending on financial instruments’ classification, specific standards are applied. The Company has implemented the following classifications:

- Cash and cash equivalents are classified as “Financial Assets held for Trading”. They are presented at their fair value and the gains/losses arising on the revaluation at each period end are included in consolidated income. The carrying value of cash and cash equivalents is a reasonable estimate of their fair value due to their short term maturity.
- Accounts receivable are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the company, the measured amount generally corresponds to cost due to their short term maturity.
- Derivative financial instruments that are designated as treasury hedges are included in “Assets and liabilities available for sale”. They are presented at their fair value, representing the approximate amount the Company would receive or pay on settlement of these contracts at spot rates, and the gains/losses arising from the revaluation at the end of each period are included in comprehensive income.
- Bank loan, accounts payable and accrued liabilities and long-term debt are classified as “Other financial Instruments”. They are initially presented at their fair value. Subsequent measurements are at cost, net of amortization, using the effective interest rate method. For the company, that value corresponds to cost either as a result of their short term maturity or the floating rate nature of some loans or because management estimates that the loans payable with fixed interest rates have no significant difference between their fair value and their carrying value, based on rates currently available to the Company on loans with similar terms and remaining maturities.

Notes to interim consolidated financial statements

August 31, 2007 and 2006 (in thousands of dollars, except per-share amounts) (unaudited)

2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive adoption of these new standards without restating prior years involved no restatement of the opening balance of accumulated other comprehensive income relating to derivative financial instruments that are designated as treasury hedges. The financial liability relating to derivative financial instruments is included in "Accounts payable and accrued liabilities" in the consolidated balance sheet.

3) BUSINESS ACQUISITIONS

On March 5, 2007, the Company acquired the principal net assets of Village Square Cabinet Supply for a consideration in cash of US \$3,527 and a balance of sale of US \$860. Based in Nashville, Tennessee, this distributor of hardware and related products mainly serves a customer base of kitchen cabinet manufacturers.

On May 23, 2007, the Company acquired the principal net assets of Sasco Products Inc. for a consideration in cash of \$470 and a balance of sale of \$202. This business located in Dartmouth, Nova Scotia, distributes finishing products for kitchen and home furniture manufacturers.

These transactions were accounted using the purchase method and the results of operations are included in the financial statements from the acquisition dates. The purchase price allocations are as follows:

Summary of acquisitions

	2007 \$	2006 \$
Net assets acquired		
Current assets	1,501	6,708
Capital assets	115	326
Provisional intangible assets	1,976	—
Provisional goodwill	2,596	9,767
	6,188	16,801
Current liabilities assumed	363	1,299
Net assets acquired	5,825	15,502
Consideration		
Cash	4,611	14,391
Balance of sale	1,214	1,111

4) CAPITAL STOCK

Issued

As at August 31, 2007, capital stock outstanding amounted to 23,095,587 common shares (23,052,612 common shares as at November 30, 2006).

During the nine-month period ended August 31, 2007, the Company issued 42,875 common shares (2006 – 16,550) at a weighted average price of \$5.96 per share (2006 – \$8.69) under the share option plan.

Stock option plan

During the nine-month period ended August 31, 2007, the Company granted 170,500 options (2006 – 82,000) with a weighted average exercise price of \$24.76 (2006 – \$22.40) and an average fair value of \$7.40 per option (2006 – \$7.70) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1% (2006 – 1%), a volatility of 22% (2006 – 25%), a risk free interest rate of 4.17% (2006 – 4.16%) and an expected life of 7 years (2006 – 8 years). As at August 31, 2007, 644,500 share options were outstanding (2006 – 539,600) with exercise prices varying from \$4.26 to \$24.76 (2006 – \$4.26 to \$22.43) for a weighted average of \$19.66 (2006 – \$17.07).

For the three-month and nine-month periods ended August 31, 2007, the stock-based compensation expense amounted to \$236 (2006 – \$161) and to \$655 (2006 – \$452) respectively.

Notes to interim consolidated financial statements

August 31, 2007 and 2006 (in thousands of dollars, except per-share amounts) (unaudited)

5) EARNINGS PER SHARE

3-MONTH PERIOD ENDED AUGUST 31

	2007			2006		
	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	9,110	23,089	0.39	8,779	23,151	0.38
Dilutive effect of stock options	—	125	(0.00)	—	120	(0.00)
Diluted net earnings	9,110	23,214	0.39	8,779	23,271	0.38

9-MONTH PERIOD ENDED AUGUST 31

	2007			2006		
	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	23,734	23,074	1.03	22,766	23,156	0.98
Dilutive effect of stock options	—	136	(0.01)	—	126	(0.00)
Diluted net earnings	23,734	23,210	1.02	22,766	23,282	0.98

For the three-month and nine-month periods ended August 31, 2007, outstanding options to purchase 158,500 common shares with an exercise price of \$24.76 were excluded from the computation of diluted earnings because their effect would have been anti-dilutive.

6) ACCUMULATED OTHER COMPREHENSIVE INCOME

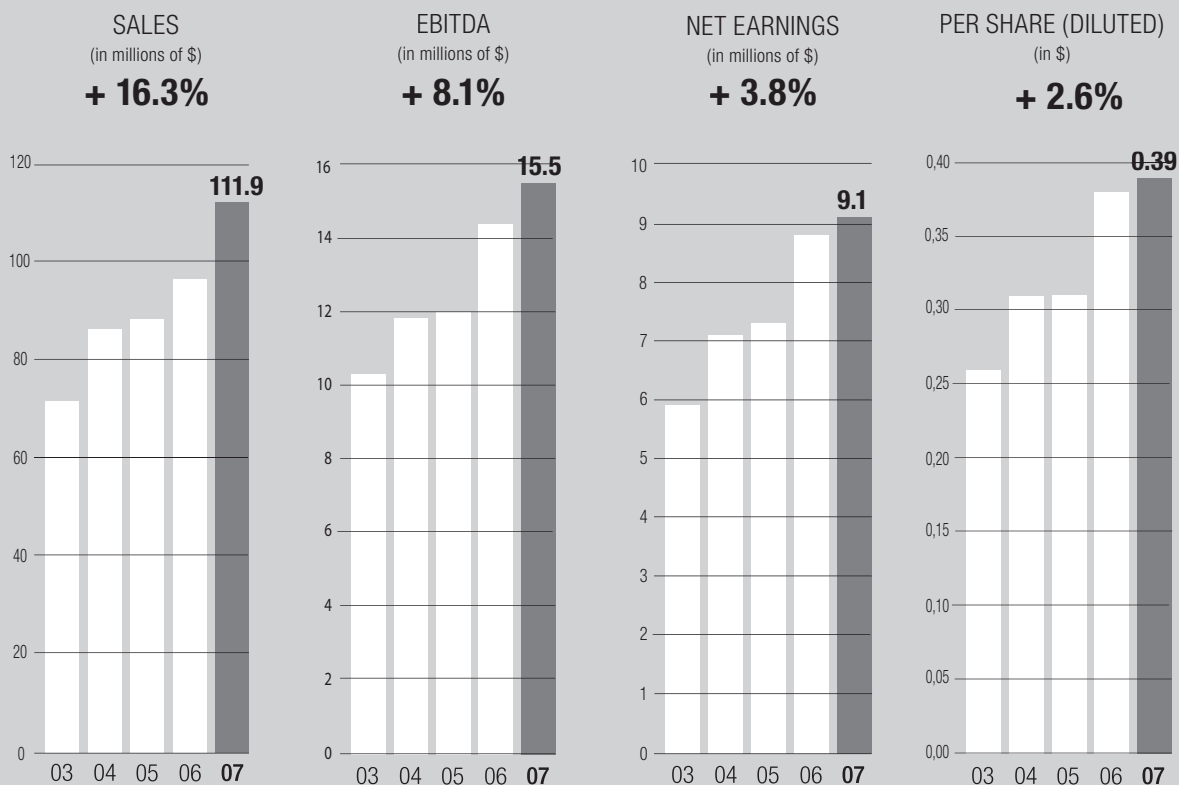
Derivative financial instruments that are designated as treasury hedges constitute the sole item of Accumulated other Comprehensive Income. The change that occurred during the period was as follows:

	Three months		Nine months	
	2007	2006	2007	2006
Adjusted opening balance due to the new accounting policies regarding financial instruments, net of income taxes	(263)	—	—	—
Change in fair value during the period, net of income taxes	134	—	(129)	—
Balance-end of period	(129)	—	(129)	—

7) FOREIGN CURRENCY RISK

The Company's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and the net positioning in US dollars from its American subsidiary. During the three-month and the nine-month periods ended August 31, 2007, foreign exchange gain of \$4 (2006 – \$206 loss) and of \$523 (2006 – \$213 loss) respectively were recorded in administrative charges.

Third Quarter
ended August 31, 2007



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