

## Message to shareholders

During the second quarter, our innovation, market development and acquisition strategies yielded further benefits in Canada and the United States, enabling us to pursue our growth and maintain our solid financial health while strengthening our U.S. positioning through two new acquisitions.

For the quarter ended May 31, 2016, we achieved a 13.9% sales increase, of which 11.7% from internal growth and 2.2% from acquisitions. We point to the solid contribution of the manufacturers market where sales grew by 15.4% – 11.7% in Canada and 17.1% in US\$ in the United States (23.0% in CA\$). We also posted a 5.7% increase in sales to retailers and renovation superstores in North America. For the first six months of the year, total sales grew by 16.1%, of which 14.1% from internal growth. We posted second-quarter net earnings attributable to shareholders of \$15.4 million, up by 5.2%, and for the first six months, they rose to \$26.3 million, up by 5.6%.

We closed two new acquisitions in the United States representing annual sales of approximately \$10 million and reinforcing our presence in markets where we already operate. On April 18<sup>th</sup>, we acquired the assets of JFH Corporation, a specialty hardware distributor located in Memphis. We thereby increased our market share in Tennessee, where we were already present with a centre in Nashville, and expanded our reach into the neighbouring states, including Mississippi, Arkansas and Alabama.

Then, on May 16<sup>th</sup>, we strengthened our positioning in New York City by acquiring the assets of Eveready Hardware, a specialty hardware distributor strategically located in Long Island City, adding a distribution centre in New York City where we already operate one. Those two distributors acquired in the second quarter serve cabinetmakers, woodworkers and a broad customer base of manufacturers in the storage and closet market. Overall, since the beginning of the fiscal year, we have closed three acquisitions in the United States for annual additional sales of over \$15 million.

During the first half, we repurchased 804,700 shares under our normal course issuer bid for a consideration of \$17.7 million, of which \$3.7 million in the second quarter, and paid dividends of \$6.2 million, including \$3.1 million in the second quarter. Our financial position remains robust, almost debt-free, with a working capital of \$253.9 million, for a current ratio of 4.4:1, as at May 31, 2016.

We remain focused on long-term growth and the lookout for further acquisition opportunities.

### NEXT DIVIDEND PAYMENT

On July 7<sup>th</sup>, 2016, the Board of Directors approved the payment of a quarterly dividend of 5.33 ¢ per share. This dividend is payable on August 4, 2016 to shareholders of record as at July 21, 2016.

# Management's discussion and analysis of operating results and financial position for the second quarter and first six months ended May 31, 2016



This management report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2016 in comparison with the second quarter and first six months ended May 31, 2015, as well as the Corporation's financial position at those dates. This report should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the second quarter and first six months of 2016 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2015 Annual Report. In this management's report, "Richelieu" or the "Corporation" 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, 2016 signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

The information contained in this management's report accounts for any major event occurring prior to July 7, 2016, on which date the unaudited consolidated interim financial statements and interim management's report were approved by the Corporation'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 International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the second quarter and first six months ended May 31, 2016 have not been audited or reviewed by the Corporation's auditors.

## NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") because this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted financial indicator of a Corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or the net earnings attributable to shareholders of the Corporation, as an indicator of financial performance or cash flows, or as a measure of liquidities. Since EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses cash flows from operating activities and cash flows from operating activities per share. Cash flows from operating activities are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) and share-based compensation expense. 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. Therefore, cash flows from operating activities may not be comparable to the cash flows from operating activities 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, 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, 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. Assumptions are that economic conditions and exchange rates will not significantly deteriorate, the Corporation's deliveries will be sufficient to fulfill Richelieu's needs, the availability of credit will remain stable during the 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 Corporation's 2015 Annual Report (see the "Risk Factors" section on page 33 of the 2015 Annual Report available on SEDAR at [www.sedar.com](http://www.sedar.com)).

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

## GENERAL BUSINESS OVERVIEW

as at May 31, 2016

**Richelieu 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, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers, and hardware retailers including renovation superstores. The residential and commercial renovation industry is the Corporation'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 Corporation's product selection consists of over 110,000 different items targeted to a base of more than 70,000 customers who are served by 68 centres in North America – 36 distribution centres in Canada, 30 distribution centres in the United States and two manufacturing plants in Canada.

Main product categories include furniture, glass and building decorative and functional hardware, lighting systems, finishing and decorating products, ergonomic workstation components, kitchen and closet storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates and floor protection products. This offering is completed by the Corporation's two subsidiaries, Les Industries Cedan inc. and Menuiserie des Pins Ltée, which manufacture a variety of veneer sheets and edgbanding products as well as a broad selection of decorative mouldings and components for the window and door industry. In addition, many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 2,000 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 Corporation 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.

## SELECTED CONSOLIDATED QUARTERLY INFORMATION (unaudited)

Periods ended May 31

	3 months			6 months		
	2016	2015	Δ %	2016	2015	Δ %
(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	\$	\$		\$	\$	
Sales	<b>217,413</b>	190,801	+13.9	<b>406,322</b>	350,120	+16.1
EBITDA <sup>(1)</sup>	<b>23,074</b>	21,878	+ 5.5	<b>39,784</b>	37,584	+ 5.9
EBITDA margin (%)	<b>10.6</b>	11.5		<b>9.8</b>	10.7	
Net earnings	<b>15,478</b>	14,667	+ 5.5	<b>26,321</b>	24,851	+ 5.9
Net earnings attributable to shareholders of the Corporation	<b>15,408</b>	14,653	+ 5.2	<b>26,269</b>	24,869	+ 5.6
• basic per share (\$) <sup>(3)</sup>	<b>0.27</b>	0.25	+ 8.0	<b>0.45</b>	0.42	+ 7.1
• diluted per share (\$) <sup>(3)</sup>	<b>0.26</b>	0.25	+ 4.0	<b>0.44</b>	0.42	+ 4.8
Net margin attributable to shareholders of the Corporation (%)	<b>7.1</b>	7.7		<b>6.5</b>	7.1	
Cash flows from operating activities <sup>(2)</sup>	<b>18,059</b>	17,004	+ 6.2	<b>31,431</b>	29,454	+ 6.7
• diluted per share (\$) <sup>(3)</sup>	<b>0.31</b>	0.29	+ 6.9	<b>0.53</b>	0.49	+ 8.2
Cash dividends paid to shareholders of the parent Corporation	<b>3,094</b>	2,939	+ 5.3	<b>6,212</b>	5,878	+ 5.7
• per share (\$) <sup>(3)</sup>	<b>0.0533</b>	0.0500	+ 6.6	<b>0.107</b>	0.100	+ 6.6
Weighted average number of shares outstanding (diluted) (in thousands) <sup>(3)</sup>	<b>58,820</b>	59,619		<b>59,037</b>	59,626	

## Financial position data

As at	May 31, 2016	November 30, 2015	Δ %
	\$	\$	
Total assets	<b>450,407</b>	449,792	+ 0.1
Working capital	<b>253,854</b>	260,579	- 2.6
Current ratio	<b>4.4:1</b>	4.4:1	
Equity attributable to shareholders of the Corporation	<b>364,191</b>	362,885	+ 0.4
Return on average equity (%)	<b>17.4</b>	17.5	
Book value (\$)	<b>6.29</b>	6.19	+ 1.7
Total debt	<b>3,757</b>	3,580	+ 4.9
Cash and cash equivalents	<b>228</b>	29,454	

(1) EBITDA is a non-IFRS measure, as indicated on page 2 of this report.

(2) Cash flows from operating activities and cash flows from operating activities per share are non-IFRS measures, as indicated on page 2 of this report.

(3) All share data in this report have been restated to reflect the impact of the three-for-one split of all common shares effective February 29, 2016.

## ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2016 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2015

### Consolidated sales

(in thousands of \$, except exchange rate)

Periods ended May 31,	3 months			6 months		
	2016	2015	Δ %	2016	2015	Δ %
Canada	148,001	133,646	+ 10.7	268,299	241,309	+ 11.2
United States (CAS)	69,412	57,155	+ 21.4	138,023	108,811	+ 26.8
(US\$)	53,389	46,214	+ 15.5	102,727	89,018	+ 15.4
Average exchange rate	1.3001	1.2367		1.3436	1.2223	
Consolidated sales	217,413	190,801	+ 13.9	406,322	350,120	+ 16.1

**Second-quarter consolidated sales** amounted to \$217.4 million, compared with \$190.8 million for the corresponding quarter of 2015, an increase of \$26.6 million or 13.9%, of which 11.7% from internal growth and 2.2% from acquisitions. At comparable exchange rates to the second quarter of 2015, the consolidated sales growth would have been 12.2% for the quarter ended May 31, 2016.

Richelieu achieved sales of \$186.3 million in the **manufacturers** market, compared with \$161.4 million for the second quarter of 2015, an increase of \$24.9 million or 15.4%, of which 12.8% from internal growth and 2.6% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$31.1 million, up by \$1.7 million or 5.8% over the second quarter of 2015.

**In Canada**, Richelieu recorded sales of \$148.0 million, an increase of \$14.4 million over the second quarter of 2015, of which 10.7% from internal growth. Sales to **manufacturers** amounted to \$120.3 million, an increase of \$12.6 million or 11.7% from internal growth resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the rise in the U.S. dollar and the Euro. Sales to hardware **retailers** and renovation superstores grew to \$27.7 million, up by \$1.8 million or 6.9% over the corresponding quarter of 2015.

**In the United States**, sales totalled US\$53.4 million, compared with US\$46.2 million for the second quarter of 2015, an increase of US\$7.2 million or 15.5%, of which 8.4% from internal growth and 7.1% from acquisitions. Sales to **manufacturers** amounted to US\$50.7 million, an increase of US\$7.4 million or 17.1% over the second quarter of 2015, of which 9.6% from internal growth and 7.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 6.9% from the corresponding quarter of 2015. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$69.4 million, an increase of 21.4%. They accounted for 31.9% of consolidated sales for the second quarter of 2016, whereas they had represented 30.0% of the period's consolidated sales for the second quarter of 2015.

**First-half consolidated sales** reached \$406.3 million, an increase of \$56.2 million or 16.1% over the first six months of 2015, of which 14.1% from internal growth and 2.0% from acquisitions. At comparable exchange rates to the first six months of 2015, the consolidated sales growth would have been 12.5% for the six-month period ended May 31, 2016.

Sales to **manufacturers** grew to \$346.7 million, compared with \$295.7 million for the first six months of 2015, an increase of \$51.0 million or 17.2%, of which 14.8% from internal growth and 2.4% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 9.6% or \$5.2 million to total \$59.6 million.

**In Canada**, Richelieu achieved sales of \$268.3 million, compared with \$241.3 million for the first six months of 2015, up by \$27.0 million or 11.2% from internal growth. Sales to **manufacturers** rose to \$216.2 million, up by \$22.2 million or 11.4% from internal growth resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the rise in the U.S. dollar and the Euro. Sales to hardware **retailers** and renovation superstores reached \$52.1 million, compared with \$47.3 million, up by \$4.8 million or 10.1% over the first half of 2015.

**In the United States**, the Corporation recorded sales of US\$102.7 million, compared with US\$89.0 million for the first six months of 2015, an increase of US\$13.7 million or 15.4%, of which 9.5% from internal growth and 5.9% from acquisitions. Sales to **manufacturers** totalled US\$97.2 million, compared with US\$83.3 million, an increase of US\$13.9 million or 16.7% over the first half of 2015, of which 10.4% from internal growth and 6.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 3.5% from the corresponding period of 2015. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$138.0 million, compared with \$108.8 million for the corresponding six months of 2015, an increase of 26.8%. They accounted for 34.0% of consolidated sales for the first half of 2016, whereas they had represented 31.1% of the period's consolidated sales for the first six months of 2015.

### Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Periods ended May 31	3 months			6 months		
	2016	2015	Δ %	2016	2015	Δ %
Sales	217,413	190,801	+ 13.9	406,322	350,120	+ 16.1
EBITDA	23,074	21,878	+ 5.5	39,784	37,584	+ 5.9
EBITDA margin (%)	10.6	11.5		9.8	10.7	

**Second-quarter earnings before income taxes, interest and amortization (EBITDA)** amounted to \$23.1 million, up by \$1.2 million or 5.5% over the second quarter of 2015. The **gross margin** and the **EBITDA margin** were affected by the following factors: the higher purchasing costs of certain products attributable to the appreciation of the U.S. dollar and the Euro, the higher proportion of sales in the United States where the product mix is different, the lower margins of certain acquisitions also having a different product mix, and the expenses involved in expanding and moving certain centres. The **EBITDA margin** stood at 10.6%, compared with 11.5% for the second quarter of 2015.

**First-half earnings before income taxes, interest and amortization (EBITDA)** totalled \$39.8 million, up by \$2.2 million or 5.9% over the first six months of 2015. The **gross margin** and the **EBITDA margin** were mainly affected by the higher purchasing costs of certain products attributable to the appreciation of the U.S. dollar and the Euro, the higher proportion of sales in the United States where the product mix is different, and the lower margins of certain acquisitions also having a different product mix. The **EBITDA margin** stood at 9.8%, compared with 10.7% for the first six months of 2015.

<b>Consolidated net earnings attributable to shareholders</b>							
(in thousands of \$, unless otherwise indicated)							
Periods ended May 31	3 months			6 months			
	2016	2015	Δ %	2016	2015	Δ %	
	\$	\$		\$	\$		
EBITDA	23,074	21,878	+ 5.5	39,784	37,584	+ 5.9	
Amortization of property, plant and equipment and intangible assets	2,317	2,061		4,624	4,046		
Financial cost, net	112	(43)		88	(127)		
Income taxes	5,167	5,193		8,751	8,814		
Net earnings	15,478	14,667	+ 5.5	26,321	24,851	+ 5.9	
Net earnings attributable to shareholders of the Corporation	15,408	14,653	+ 5.2	26,269	24,869	+ 5.6	
Net margin attributable to shareholders of the Corporation (%)	7.1	7.7		6.5	7.1		
Non-controlling interests	70	14		52	(18)		
Net earnings	15,478	14,667	+ 5.5	26,321	24,851	+ 5.9	

**Second-quarter net earnings** grew by 5.5%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$15.4 million, up by 5.2% over the second quarter of 2015. **Net earnings per share** rose to \$0.27 basic and \$0.26 diluted, compared with \$0.25 basic and diluted for the second quarter of 2015, an increase of 8.0% and 4.0% respectively.

**Comprehensive income** amounted to \$12.6 million, considering a negative adjustment of \$2.9 million on translation of the financial statements of the subsidiary in the United States, compared with \$14.3 million for the second quarter of 2015, considering a negative adjustment of \$0.4 million on translation of the financial statements of the subsidiary in the United States.

**First-half net earnings** grew by 5.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$26.3 million, up by 5.6% over the corresponding six months of 2015. **Net earnings per share** amounted to \$0.45 basic and \$0.44 diluted, compared with \$0.42 basic and diluted for the first half of 2015, an increase of 7.1% and 4.8% respectively.

**Comprehensive income** totalled \$24.5 million, considering a negative adjustment of \$1.8 million on translation of the financial statements of the subsidiary in the United States, compared with \$31.1 million for the first half of 2015, considering a positive adjustment of \$6.2 million on translation of the financial statements of the subsidiary in the United States.

## SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Quarters	1	2	3	4
<b>2016</b>				
Sales	188,909	217,413		
EBITDA	16,710	23,074		
Net earnings attributable to shareholders of the Corporation	10,861	15,408		
basic per share	0.19	0.27		
diluted per share	0.18	0.26		
<b>2015</b>				
Sales	159,319	190,801	199,457	200,069
EBITDA	15,706	21,878	24,394	25,703
Net earnings attributable to shareholders of the Corporation	10,216	14,653	16,340	17,530
basic per share	0.17	0.25	0.28	0.30
diluted per share	0.17	0.25	0.28	0.30
<b>2014</b>				
Sales	136,108	165,155	167,809	177,837
EBITDA	13,704	19,185	21,054	23,474
Net earnings attributable to shareholders of the Corporation	8,859	13,036	14,554	15,944
basic per share	0.15	0.22	0.25	0.27
diluted per share	0.15	0.22	0.24	0.27

**Quarterly variations in earnings** – The first quarter closed at the end of February 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 winter-time slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

## FINANCIAL POSITION

Analysis of principal cash flows for the second quarter and first six months ended May 31, 2016

<b>Change in cash and cash equivalents and capital resources</b>				
(in thousands of \$)				
Periods ended May 31	3 months		6 months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows provided by (used for):				
Operating activities	15,751	9,084	9,410	(3,341)
Financing activities	(6,436)	(11,969)	(23,755)	(15,447)
Investing activities	(7,346)	(2,604)	(14,900)	(4,469)
Effect of exchange rate fluctuations	93	(103)	19	(381)
Net change in cash and cash equivalents	2,062	(5,592)	(29,226)	(23,638)
Cash and cash equivalents, beginning of period	(1,834)	15,675	29,454	33,721
Cash and cash equivalents end of period	228	10,083	228	10,083
	As at May 31, 2016		As at November 30, 2015	
	\$		\$	
Working capital	253,854		260,579	
Renewable line of credit (CA\$)	26,000		26,000	
Renewable line of credit (US\$)	6,000		6,000	

## Operating activities

**Second-quarter cash flows from operating activities** (before net change in working capital balances) amounted to \$18.1 million or \$0.31 per share, compared with \$17.0 million or \$0.29 per share for the second quarter of 2015, an increase of 6.2% stemming primarily from the net earnings growth. Net change in non-cash capital balances used cash flows of \$2.3 million, reflecting the change in accounts receivable (\$13.0 million), whereas the change in inventories and other items represented a cash inflow of \$10.7 million. Consequently, operating activities provided cash flows of \$15.8 million, compared with \$9.1 million for the second quarter of 2015.

**First-half cash flows from operating activities** (before net change in working capital balances) reached \$31.4 million or \$0.53 per share, compared with \$29.5 million or \$0.49 per share for the first six months of 2015, an increase of 6.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$22.0 million, primarily representing changes in accounts receivable, inventories and income taxes receivable. Consequently, operating activities provided cash flows of \$9.4 million, whereas they had used cash flows of \$3.3 million for the first six months of 2015.

## Financing activities

**Second-quarter financing activities** used cash flows of \$6.4 million, compared with \$12.0 million for the second quarter of 2015. This change mainly reflects the Corporation's repurchase of common shares for cancellation for \$3.7 million during the second quarter of 2016, compared with \$8.7 million for the corresponding quarter of 2015, and payment of dividends to shareholders of \$3.1 million, up by \$0.2 million over the second quarter of 2015.

**First-half financing activities** used cash flows of \$23.8 million, compared with \$15.4 million for the first half of 2015. During the first six months of the year, Richelieu repurchased common shares for cancellation for \$17.7 million, compared with \$9.2 million in the first half of 2015. The Corporation paid dividends to shareholders of \$6.2 million, up by \$0.3 million over the first six months of 2015.

## Investing activities

**Second-quarter investing activities** represented a cash outflow of \$7.3 million, of which \$4.6 million for business acquisitions and \$2.7 million for the expansion of some distribution centres and equipment to improve operational efficiency.

**First-half investing activities** represented a total cash outflow of \$14.9 million, of which \$8.9 million for business acquisitions and \$6.0 million for the expansion of some distribution centres, computer hardware and equipment to improve operational efficiency.

## Sources of financing

As at May 31, 2016, cash and cash equivalents amounted to \$0.2 million, compared with cash of \$29.5 million as at November 30, 2015. This change primarily reflects the major share repurchases during the first six months, the business acquisitions, the investments in property, plant and equipment and the increase in inventories during the period. The Corporation posted a **working capital** of \$253.9 million for a current ratio of 4.4:1, compared with \$260.6 million (4.4:1 ratio) as at November 30, 2015.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities planned for the second half of 2016. The Corporation continues to benefit from an authorized line of credit of CA\$26 million as well as a line of credit of US\$6 million renewable annually and bearing interest respectively at prime and base rates. In addition, Richelieu considers it could obtain access to other outside financing if necessary.

## Analysis of financial position as at May 31, 2016

<b>Summary financial position</b>		
(in thousands of \$, except exchange rate)		
As at	May 31, 2016	November 30, 2015
	\$	\$
Current assets	<b>329,600</b>	337,308
Non-current assets	<b>120,807</b>	112,484
<b>Total</b>	<b>450,407</b>	449,792
Current liabilities	<b>75,746</b>	76,729
Non-current liabilities	<b>6,564</b>	6,256
Equity attributable to shareholders of the Corporation	<b>364,191</b>	362,885
Non-controlling interests	<b>3,906</b>	3,922
<b>Total</b>	<b>450,407</b>	449,792
<i>Exchange rate on translation of a subsidiary in the United States</i>	<b>1.311</b>	1.335

## Assets

**Total assets** amounted to \$450.4 million as at May 31, 2016, compared with \$449.8 million as at November 30, 2015. **Current assets** were down by \$7.7 million from November 30, 2015 due mainly to the business acquisitions and significant share repurchases during the six-month period.

<b>Cash position</b>		
(in thousands of \$)		
As at	May 31, 2016	November 30, 2015
	\$	\$
Current portion of long-term debt	<b>2,118</b>	2,245
Long-term debt	<b>1,639</b>	1,335
<b>Total debt</b>	<b>3,757</b>	3,580
<i>Cash and cash equivalents</i>	<b>228</b>	29,454

The Corporation continues to benefit from a healthy and solid financial position. **Total debt** was \$3.8 million, of which \$1.6 million in long-term debt and \$2.1 million in short-term debt representing balances payable on acquisitions.

**Equity** attributable to shareholders of the Corporation totalled \$364.2 million as at May 31, 2016, compared with \$362.9 million as at November 30, 2015, an increase of \$1.3 million stemming primarily from a growth of \$2.8 million in retained earnings which amounted to \$311.7 million, and of \$0.4 million in share capital and contributed surplus, whereas accumulated other comprehensive income decreased by \$1.8 million. As at May 31, 2016, the book value per share was \$6.29, up by 1.7% over November 30, 2015.

As at May 31, 2016, at the close of markets, the Corporation's **share capital** consisted of 57,892,742 common shares (58,643,607 shares as at November 30, 2015). During the first six months, the Corporation issued 53,835 common shares at an average price of \$8.99 (104,274 in 2015 at an average price of \$7.74) upon the exercise of options under its stock option plan. Furthermore, the Corporation repurchased 804,700 common shares for cancellation for a cash consideration of \$17.7 million, compared with a common share repurchase for an amount of \$9.2 million during the first half of 2015. As at May 31, 2016, 1,874,810 stock options were outstanding (1,578,645 as at November 30, 2015).

## 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 32 of the Corporation's 2015 Annual Report, available on SEDAR at [www.sedar.com](http://www.sedar.com). For 2016 and the foreseeable future, the Corporation 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 Corporation has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2015 Annual Report, available on SEDAR at [www.sedar.com](http://www.sedar.com), management has designed and evaluated internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P) to provide reasonable assurance that the Corporation's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, the design and the effectiveness of internal controls over financial reporting as at November 30, 2015. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting (ICFR and DC&P) were effective. During the quarter ended May 31, 2016, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and may not prevent or detect misstatements. 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 POLICIES

The Corporation's interim consolidated financial statements for the quarter and first six months ended May 31, 2016 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended May 31, 2016 presents the accounting policies recently released and applicable in the future.

The interim consolidated financial statements were prepared in accordance with the accounting methods that the Corporation adopted for the establishment of its consolidated financial statements as at November 30, 2015 and for the year ended on that date and require management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and appearing in the accompanying notes, which could be modified. The estimates are based on management's knowledge of current events, on the measures the Corporation could take in the future and on other factors deemed relevant and reasonable.

Risk factors are described in the "Risk Factors" section on page 33 of Richelieu's 2015 Annual Report, available on SEDAR at [www.sedar.com](http://www.sedar.com).

## SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).



**(Signed) Richard Lord**  
President and  
Chief Executive Officer



**(Signed) Antoine Auclair**  
Vice-President and  
Chief Financial Officer

July 7, 2016