



## Interim Report

# 2

Three and six-month periods  
ended May 31, 2017

### MESSAGE TO SHAREHOLDERS

In the second quarter ended on May 31, 2017, we continued to grow and expand through our ongoing innovation and market development strategies, the synergies created with our acquisitions and our operational efficiency. This is reflected by our good financial performance, impeccable balance sheet, and the signing of a new acquisition in Ontario.

Therefore, our net earnings attributable to shareholders rose 14.1% to \$17.6 million, or \$0.30 diluted per share, up 15.4%. For the first half, net earnings increased 12.6% to \$29.6 million, or \$0.50 diluted per share, up 13.6%.

All our markets contributed to the 11.9% increase in second quarter sales, totalling \$243.3 million, with 6.7% from internal growth and 5.2% from acquisitions. For the first half, total sales grew 8.1% to \$439.2 million, with 4.7% from internal growth and 3.4% from acquisitions. In Canada, sales reached \$163.7 million, an increase of 10.6%, with 5.1% due to internal growth and 5.5% to acquisitions. In the United States, they were also up 10.6%, to US\$59.1 million, 6.1% from internal growth and 4.5% from acquisitions.

With a working capital of \$280.7 million and a ratio of 4.3:1, a net cash of \$9.3 million and an average return on equity of 17.0%, Richelieu continues to be in a strong financial position.

During the first half, we repurchased shares for \$4.1 million and paid dividends of \$6.6 million to shareholders. We invested \$29.0 million into the Ontario acquisition and \$6.3 million in equipment to improve operational efficiency.

On April 18, 2017, we purchased the principal net assets of Weston Premium Woods Inc. ("Weston"), whose distribution centre is located in Brampton, near Toronto. With its team, product lines, and operations that are fully compatible with those of Richelieu, Weston strengthens our position in the Ontario market, where we now operate eight distribution centres. We are proud of this transaction, which is increasing our annual sales by approximately \$60 million. A leader in its field, Weston distributes a broad range of materials, decorative products, and high-end lumber to a clientele covering the same markets as Richelieu.

We will continue to build on our business model tailored to customers' needs, our innovation strategy, our robust network, market knowledge and integration know-how to actively pursue our business strategy in North America and post healthy results in coming quarters.

### NEXT DIVIDEND PAYMENT

On July 6, 2017, the Board of Directors approved payment of a quarterly dividend of 5.67¢ per share. This dividend is payable on August 3, 2017 to shareholders of record as at July 20, 2017.



## Management's discussion and analysis of operating results and financial position for the second quarter and first semester ended May 31, 2017

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, 2017 in comparison with the second quarter and first six months ended May 31, 2016, 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 2017 as well as the analysis and notes to the audited consolidated financial statements appearing in the 2016 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, 2017 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 6, 2017, 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, 2017 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 given, 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 2016 Annual Report (see the "Risk Factors" section on page 33 of the 2016 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, 2017

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 80,000 customers served through 70 centres in North America - 37 distribution centres in Canada, 31 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 its network, close to half of whom work in marketing, sales and customer service. More than 50% of the Corporation's 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.

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 offering a limited range of products.

<b>FINANCIAL HIGHLIGHTS</b>						
(unaudited)						
Periods ended May 31						
(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	3 months			6 months		
	2017	2016	Δ (%)	2017	2016	Δ (%)
	\$	\$		\$	\$	
Sales	243,269	217,413	+11.9	439,178	406,322	+8.1
EBITDA <sup>(1)</sup>	26,648	23,074	+15.5	44,989	39,784	+13.1
EBITDA margin (%)	11.0	10.6		10.2	9.8	
Net earnings	17,646	15,478	+14.0	29,603	26,321	+12.5
Net earnings attributable to shareholders of the Corporation	17,587	15,408	+14.1	29,585	26,269	+12.6
• basic per share (\$)	0.30	0.27	+11.1	0.51	0.45	+13.3
• diluted per share (\$)	0.30	0.26	+15.4	0.50	0.44	+13.6
Net margin attributable to the shareholders of the Corporation (%)	7.2	7.1		6.7	6.5	
Cash flows from operating activities <sup>(2)</sup>	20,893	18,059	+15.7	35,823	31,431	+14.0
• diluted per share (\$)	0.36	0.31	+16.1	0.61	0.53	+15.1
Dividends paid on shares	3,287	3,094	+6.2	6,573	6,212	+5.8
• per share (\$)	0.0567	0.0533	+6.4	0.1134	0.1066	+6.4
Weighted average number of shares outstanding (diluted) (in thousands)	58,751	58,820		58,716	59,037	
<b>Financial position data</b>						
As at	May 31	November 30				
	2017	2016				
	\$	\$	Δ (%)			
Total assets	510,391	486,046	+5.0			
Working capital	280,741	280,747	—			
Current ratio	4.3 : 1	4.4 : 1				
Equity attributable to shareholders of the Corporation	415,427	394,268	+5.4			
Return on average equity (%)	17.0	16.6				
Book value (\$)	7.18	6.81	+5.4			
Total debt	7,064	4,864				
Cash and cash equivalents	16,391	42,969				
(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.						

## ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2017 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2016

<b>Consolidated sales</b>						
(in thousands of \$, except exchange rate)						
Periods ended May 31	3 months			6 months		
	2017	2016	Δ (%)	2017	2016	Δ (%)
	\$	\$		\$	\$	
Canada	163,664	148,001	+10.6	289,300	268,299	+7.8
United States(CA\$)	79,605	69,412	+14.7	149,878	138,023	+8.6
(US\$)	59,051	53,389	+10.6	112,258	102,727	+9.3
Average exchange rate	1.3481	1.3001		1.3351	1.3436	
Consolidated sales	243,269	217,413	+11.9	439,178	406,322	+8.1

**Second-quarter consolidated sales** amounted to \$243.3 million, compared with \$217.4 million for the corresponding quarter of 2016, an increase of \$25.9 million or 11.9%, of which 6.7% from internal growth and 5.2% from acquisitions. At comparable exchange rates to the second quarter of 2016, the consolidated sales growth would have been 10.6% for the quarter ended May 31, 2017.

Richelieu achieved sales of \$207.7 million in the **manufacturers** market, compared with \$186.5 million for the second quarter of 2016, an increase of \$21.2 million. All market segments contributed to this 11.4% increase, of which 5.3% resulted from internal growth and 6.1% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$35.6 million, up by \$4.7 million or 15.2% over the second quarter of 2016.

**In Canada**, Richelieu recorded sales of \$163.7 million, an increase of \$15.7 million or 10.6% over the second quarter of 2016, of which 5.1% from internal growth and 5.5% from acquisitions. Sales to **manufacturers** amounted to \$131.7 million compared with \$120.4 million an increase of 9.4% of which 2.7% from internal growth and 6.7% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to \$32.0 million, up by \$4.4 million or 15.9% over the corresponding quarter of 2016. This growth results primarily from market share gain, seasonal sales and, to a lesser extent, from the increase in some selling prices.

**In the United States**, sales totalled US\$59.1 million, compared with US\$53.4 million for the second quarter of 2016, an increase of US\$5.7 million or 10.6%, of which 6.1% from internal growth and 4.5% from acquisitions. Sales to **manufacturers** amounted to US\$56.4 million, compared to \$50.8 million, an increase of 11.0% over the second quarter of 2016, of which 6.3% from internal growth and 4.7% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 3.1% from the corresponding quarter of 2016. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$79.6 million, compared with \$69.4 million, an increase of 14.7%. They accounted for 32.7% of consolidated sales for the second quarter of 2017, whereas they had represented 31.9% of the period's consolidated sales for the second quarter of 2016.

**First-half, consolidated sales** reached \$439.2 million, an increase of \$32.9 million or 8.1% over the first six months of 2016, of which 4.7% from internal growth and 3.4% from acquisitions.

Sales to **manufacturers** grew to \$372.7 million, compared with \$347.0 million for the first six months of 2016, an increase of \$25.7 million or 7.4%, of which 3.4% from internal growth and 4.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 12.1% or \$7.2 million to total \$66.5 million.

**In Canada**, Richelieu achieved sales of \$289.3 million, compared with \$268.3 million for the first six months of 2016, up by \$21.0 million or 7.8%, of which 4.8% from internal growth and 3.0% from acquisitions. Sales to **manufacturers** rose to \$230.1 million, up by \$13.9 million or 6.4% of which 2.7% from internal growth and 3.7% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$59.2 million, compared with \$52.1 million, up by \$7.1 million or 13.6% over the first half of 2016. This growth results primarily from market share gain, the addition of new customers and, to a lesser extent, from the increase in some selling prices.

**In the United States**, the Corporation recorded sales of US\$112.3 million, compared with US\$102.7 million for the first six months of 2016, an increase of US\$9.6 million or 9.3%, of which 5.0% from internal growth and 4.3% from acquisitions. Sales to **manufacturers** totalled US\$106.8 million, compared with US\$97.4 million, an increase of US\$9.4 million or 9.7% over the first half of 2016, of which 5.2% from internal growth and 4.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 3.8% from the corresponding period of 2016. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$149.9 million, compared with \$138.0 million for the corresponding six months of 2016, an increase of 8.6%. They accounted for 34.1% of consolidated sales for the first half of 2017, whereas they had represented 34.0% of the period's consolidated sales for the first six months of 2016.

<b>Consolidated EBITDA and EBITDA margin</b>						
(in thousands of \$, unless otherwise indicated)						
Periods ended May 31	3 months			6 months		
	2017	2016	Δ (%)	2017	2016	Δ (%)
	\$	\$		\$	\$	
Sales	243,269	217,413	+11.9	439,178	406,322	+8.1
EBITDA	26,648	23,074	+15.5	44,989	39,784	+13.1
EBITDA margin (%)	11.0	10.6		10.2	9.8	

**Second-quarter earnings before income taxes, interest and amortization (EBITDA)** amounted to \$26.6 million, up by \$3.6 million or 15.5% over the second quarter of 2016. The **gross margin** and the **EBITDA margin** improved during the second quarter of 2017. They had declined in the second quarter of 2016 because of the spike in the US and euro currencies which had an upward effect on the supply costs of some products, consequently **EBITDA margin** stood at 11.0%, compared with 10.6% for the second quarter of 2016.

**First-half, earnings before income taxes, interest and amortization (EBITDA)** totalled \$45.0 million, up by \$5.2 million or 13.1% over the first six months of 2016. The **gross margin** and the **EBITDA margin** improved during the first half of 2017 and stood at 10.2%, compared with 9.8% for the first six months of 2016.

<b>Consolidated net earnings attributable to shareholders</b>						
(in thousands of \$, unless otherwise indicated)						
Periods ended	3 months			6 months		
	2017	2016		2017	2016	
May 31	\$	\$	Δ (%)	\$	\$	Δ (%)
EBITDA	26,648	23,074	+15.5	44,989	39,784	+13.1
Amortization of property, plant and equipment and intangible assets	2,791	2,317		5,428	4,624	
Financial cost, net	(57)	112		(141)	88	
Income taxes	6,268	5,167		10,099	8,751	
Net earnings	17,646	15,478	+14.0	29,603	26,321	+12.5
Net earnings attributable to shareholders of the Corporation	17,587	15,408	+14.1	29,585	26,269	+12.6
Net margin attributable to the shareholders of the Corporation(%)	7.2	7.1		6.7	6.5	
Non-controlling interests	59	70		18	52	
Net earnings	17,646	15,478	+14.0	29,603	26,321	+12.5

**Second-quarter net earnings** grew by 14.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$17.6 million, up by 14.1% over the second quarter of 2016. **Net earnings per share** rose to \$0.30 basic and diluted, compared with \$0.27 basic and \$0.26 diluted for the second quarter of 2016, an increase of 11.1% and 15.4%.

**Comprehensive income** amounted to \$19.3 million, considering a positive adjustment of \$1.7 million on translation of the financial statements of the subsidiary in the United States, compared with \$12.6 million for the second quarter of 2016, considering a negative adjustment of \$2.9 million on translation of the financial statements of the subsidiary in the United States.

**First-half, net earnings** grew by 12.5%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$29.6 million, up by 12.6% over the corresponding six months of 2016. **Net earnings per share** amounted to \$0.51 basic and \$0.50 diluted, compared with \$0.45 basic and 0.44 \$ diluted for the first half of 2016, an increase of 13.3% and 13.6% respectively.

**Comprehensive income** totalled \$30.1 million, considering a positive adjustment of \$0.5 million on translation of the financial statements of the subsidiary in the United States, compared with \$24.5 million for the first half of 2016, considering a negative adjustment of \$1.8 million on translation of the financial statements of the subsidiary in the United States.

<b>SUMMARY OF QUARTERLY RESULTS</b>				
(unaudited)				
(in thousands of \$, except per-share amounts)				
Quarters	1	2	3	4
<b>2017</b>				
o Sales	195,909	243,269		
o EBITDA	18,341	26,648		
o Net earnings attributable to shareholders of the Corporation	11,998	17,587		
basic per share	0.21	0.30		
diluted per share	0.20	0.30		
<b>2016</b>				
o Sales	188,909	217,413	220,155	217,996
o EBITDA	16,710	23,074	25,942	28,696
o Net earnings attributable to shareholders of the Corporation	10,861	15,408	17,331	19,214
basic per share	0.19	0.27	0.30	0.33
diluted per share	0.18	0.26	0.30	0.33
<b>2015</b>				
o Sales	159,319	190,801	199,457	200,069
o EBITDA	15,706	21,878	24,394	25,703
o 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

**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 wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

## FINANCIAL POSITION

### Analysis of principal cash flows for the second quarter and first six months ended May 31, 2017

<b>Change in cash and cash equivalents and capital resources</b>				
(in thousands of \$, unless otherwise indicated)				
Periods ended	3 months		6 months	
	2017	2016	2017	2016
May 31	\$	\$	\$	\$
Cash flows provided by (used for):				
Operating activities	17,181	15,751	19,718	9,410
Financing activities	(6,038)	(6,436)	(10,919)	(23,755)
Investing activities	(31,114)	(7,346)	(35,290)	(14,900)
Effect of exchange rate fluctuations	(53)	93	(87)	19
Net change in cash and cash equivalents	(20,024)	2,062	(26,578)	(29,226)
Cash and cash equivalents, beginning of period	36,415	(1,834)	42,969	29,454
Cash and cash equivalents end of period	16,391	228	16,391	228
	<b>As at May 31</b>		<b>As at November 30</b>	
	2017		2016	
	\$		\$	
Working capital	280,741		280,747	
Renewable line of credit (CA\$)	50,000		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 \$20.9 million or \$0.36 per share, compared with \$18.1 million or \$0.31 per share for the second quarter of 2016, an increase of 15.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$3.7 million, reflecting the change in inventories and accounts payable (\$4.4 million), whereas the change in accounts receivable and other items used cash flows of \$8.1 million. Consequently, operating activities provided cash flows of \$17.2 million, compared with \$15.8 million for the second quarter of 2016.

**First-half, cash flows from operating activities** (before net change in working capital balances) reached \$35.8 million or \$0.61 per share, compared with \$31.4 million or \$0.53 per share for the first six months of 2016, an increase of 15.1% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$16.1 million, primarily representing changes in accounts receivable. Consequently, operating activities provided cash flows of \$19.7 million compared with \$9.4 million for the first six months of 2016.

## Financing activities

**Second-quarter financing activities** used cash flows of \$6.0 million, compared with \$6.4 million for the second quarter of 2016. This change mainly reflects the Corporation's repurchase of common shares for cancellation for \$2.9 million during the second quarter of 2017 compared with \$3.7 million for the corresponding quarter of 2016.

**First-half, financing activities** used cash flows of \$10.9 million, compared with \$23.8 million for the first half of 2016. During the first half of the year, Richelieu repurchased common shares for cancellation for \$4.1 million, compared with \$17.7 million in the first half of 2016. The Corporation paid dividends to shareholders of \$6.6 million, up by 5.4% over the first six months of 2016.

## Investing activities

**Second-quarter investing activities** represented a cash outflow of \$31.1 million, of which \$29.0 million for a business acquisition and \$2.1 million, primarily for equipment to improve operational efficiency.

**First-half, investing activities** represented a total cash outflow of \$35.3 million, of which \$29.0 million for a business acquisition and \$6.3 million, primarily for equipment to improve operational efficiency.

## Sources of financing

As at May 31, 2017, cash and cash equivalents amounted to \$16.4 million, compared with \$43.0 million as at November 30, 2016. This change primarily reflects the investing activities made over the period. The Corporation posted a **working capital** of \$280.7 million for a current ratio of 4.3:1, compared with \$280.7 million (4.4:1 ratio) as at November 30, 2016.

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 between now and the end of 2017. The Corporation benefits from an authorized line of credit of \$50 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, 2017

<b>Summary financial position</b>		
(in thousands of \$, except exchange rate)		
As at	May 31 2017	November 30 2016
	\$	\$
Current assets	366,463	362,803
Non-current assets	143,928	123,243
<b>Total</b>	<b>510,391</b>	<b>486,046</b>
Current liabilities	85,722	82,056
Non-current liabilities	5,350	5,679
Equity attributable to shareholders of the Corporation	415,427	394,268
Non-controlling interests	3,892	4,043
<b>Total</b>	<b>510,391</b>	<b>486,046</b>
<i>Exchange rate on translation of a subsidiary in the United States</i>	<b>1.350</b>	1.343

## Assets

**Total assets** amounted to \$510.4 million as at May 31, 2017, compared with \$486.0 million as at November 30, 2016. **Current assets** increased by 1.0% or \$3.7 million from November 30, 2016. **Non-current assets** increased by 16.8%. This change is mainly due to the increase in intangible assets resulting from the business acquisition carried out during the second quarter of 2017.

<b>Cash position</b>		
(in thousands of \$)		
As at	May 31 2017	November 30 2016
	\$	\$
Current portion of long-term debt	6,844	4,336
Long term-debt	220	528
<b>Total debt</b>	<b>7,064</b>	<b>4,864</b>
<i>Cash and cash equivalents</i>	<b>16,391</b>	42,969

The Corporation continues to benefit from a healthy and solid financial position. As at May 31, 2017, **total debt** was \$7.1 million, of which \$0.2 million in long-term debt and \$6.8 million in short-term debt representing balances payable on acquisitions.

**Equity** attributable to shareholders of the Corporation totalled \$415.4 million as at May 31, 2017, compared with \$394.3 million as at November 30, 2016, an increase of \$21.2 million stemming primarily from a growth of \$19.0 million in retained earnings which amounted to \$355.8 million, and of \$1.7 million in share capital and contributed surplus, whereas accumulated other comprehensive income increased by \$0.5 million. As at May 31, 2017, **the book value per share** was \$7.18, up by 5.4% over November 30, 2016.

As at May 31, 2017, at the close of markets, the Corporation's **share capital** consisted of 57,883,916 common shares (57,920,466 shares as at November 30, 2016). During the first half of 2017, the Corporation issued 109,650 common shares at an average price of \$8.42 (281,559 in 2016 at an average price of \$8.42) upon the exercise of options under its stock option plan. As at May 31, 2017, 1,863,311 stock options were outstanding (1,650,086 as at November 30, 2016). Furthermore, during the first half of 2017, the Corporation repurchased 146,200 common shares for cancellation for a cash consideration of \$4.1 million, compared with 1,004,700 common share repurchase for an amount of \$17.7 million during the year of 2016.

## 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 2016 Annual Report, available on SEDAR at [www.sedar.com](http://www.sedar.com). For 2017 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 2016 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, 2016. 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, 2017, 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 ended May 31, 2017 have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended May 31, 2017 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, 2016 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 2016 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).

President and Chief Executive Officer



**Richard Lord**

Vice-President and Chief Financial Officer



**Antoine Auclair**

July 6, 2017