MANAGEMENT'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Year Ended November 30, 2017

CONTENTS

HIGHLIGHTS OF THE YEAR ENDED NOVEMBER 30, 2017

The year ended November 30, 2017, was one of further growth and expansion during which Richelieu continued to make investments to create long term-value. The Corporation's main market segments increased thanks to its innovation strategy, stepped-up market development efforts, and web strategy through richelieu.com, in addition to its acquisitions. Apart from strengthening Richelieu's position in the Ohio and Ontario markets, acquisitions completed in 2017 contributed to sales growth and gave rise to new synergies. Richelieu ended the year with an impeccable financial situation, enabling it to continue its business strategy in North America while remaining customer and innovation oriented and maintaining its goals of profitability, strengthening its foundations, and leadership. As at November 30, 2017, the Corporation's market capitalization stood at $1.96 billion, up 25.6% over 2016 year-end. Its share price (RCH/TSX) rose 25.6% over the course of the year and has increased by an annual average of 16% over the last decade.

- **Consolidated sales totalled** $942.5 million, an increase of 11.6%, equally from internal growth and from acquisitions.
- **Earnings before income taxes, interest and amortization (EBITDA)**[1] grew by 9.1% to $103 million. The EBITDA margin stood at 10.9%.
- **Net earnings attributable to shareholders** increased by 7.8% to $67.7 million or $1.17 per share (basic) and $1.15 (diluted), up by 8.3% and 7.5% respectively.
- **Cash flows from operating activities**[1] (before net change in non-cash working capital balances) grew by 9.1% to $80.0 million.
- **Working capital** increased by 6.9% to $300.1 million, with a current ratio of 4.0 : 1.
- **Cash and cash equivalents** totalled $29 million.
- **Total debt** was $4.3 million.
- **Repurchase** of 458,088 common shares for $14.8 million and payment of $13.2 million in dividends to shareholders (representing 19.5% of net earnings attributable to shareholders for fiscal year 2017). Richelieu thus distributed $28 million to shareholders in 2017 while retaining the financial resources necessary for growth in 2018.

Two (2) acquisitions during the year:

- August 1st, 2017 — Principal net assets of Tamarack Distributors Inc., a specialty products distributor located in Cincinnati, Ohio;
- April 18, 2017 — Principal net assets of Weston Premium Woods Inc., a distributor of materials, decorative products and hardwoods located in Brampton, Ontario.

[1] EBITDA and cash flows from operating activities are non-IFRS measures, as indicated on page 26 of this report.

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2017, in comparison with the year ended November 30, 2016, as well as the Corporation's financial position at those dates. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended November 30, 2017, appearing in the Corporation's 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, such as the Annual Information Form, interim management's reports, Management Proxy Circular, certificates signed by the Corporation's President and Chief Executive Officer and Vice-President and Chief Financial Officer, as well as press releases issued during the year ended November 30, 2017, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to January 25, 2018, on which date the audited consolidated financial statements and annual 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").

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 2017 Annual Report (see the "Risk Factors" section on page 34 of the 2017 Annual Report available on SEDAR at www.sedar.com).

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

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.

GENERAL BUSINESS OVERVIEW as at November 30, 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** who are served by **69 centers in North America** with 36 distribution centers in Canada, 31 distribution centers 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 edgebanding 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 2,100 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's 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 centers 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.

FINANCIAL HIGHLIGHTS

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)

Years ended November 30	2017 $	2016 $	2015 $	2014 $	2013 $
Sales	942,545	844,473	749,646	646,909	586,775
EBITDA[1]	102,974	94,422	87,681	77,417	70,373
EBITDA margin (%)	*10.9*	*11.2*	*11.7*	*12.0*	*12.0*
Net earnings	67,932	63,013	58,878	52,573	46,657
Net earnings attributable to shareholders of the Corporation	67,704	62,814	58,739	52,393	46,403
• basic per share ($)[3]	1.17	1.08	1.00	0.89	0.75
• diluted per share ($)[3]	1.15	1.07	0.99	0.88	0.74
Net margin attributable to the shareholders of the Corporation (%)	*7.2*	*7.4*	*7.8*	*8.1*	*7.9*
Cash flows from operating activities[2]	79,951	73,296	68,052	60,253	54,978
• diluted per share ($)[3]	1.36	1.25	1.15	1.01	0.88
Dividends paid to Shareholders of the Corporation	13,157	12,374	11,717	11,023	10,768
• per share ($)[3]	0.227	0.213	0.200	0.187	0.173
Weighted average number of shares outstanding (diluted) (in thousands)[3]	58,659	58,781	59,343	59,754	62,790
As at November 30					
Total assets	542,667	486,046	449,792	390,721	356,325
Working capital	300,116	280,747	260,579	214,866	204,117
Current ratio	4.0	4.4	4.4	4.0	4.5
Equity attributable to shareholders of the Corporation	434,092	394,268	362,885	309,149	288,845
Return on average equity (%)	*16.3*	*16.6*	*17.5*	*17.5*	*16.2*
Book value ($)	7.51	6.81	6.19	5.27	4.80
Total debt	4,294	4,864	3,580	5,354	1,354
Cash and cash equivalents	29,162	42,969	29,454	33,721	46,187

(1) EBITDA is a non-IFRS measure, as indicated on page 26 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 26 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 YEAR ENDED NOVEMBER 30, 2017, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2016

Consolidated sales

(in thousands of $, except exchange rates)

Years ended November 30	2017 $	2016 $	Δ (%)
Canada	635,498	559,137	+13.7
United States (CA$)	307,047	285,336	+ 7.6
(US$)	235,873	215,028	+ 9.7
Average exchange rates	*1.3017*	*1.3270*	
Consolidated sales	942,545	844,473	+11.6

Consolidated sales reached $942.5 million, an increase of $98.0 million or 11.6% over 2016, of which 5.8% from internal growth and 5.8% from acquisitions. At comparable exchange rates to 2016, the consolidated sales growth would have been 12.3% for the year ended November 30, 2017.

Sales to **manufacturers** grew to $799.9 million, compared with $720.7 million for 2016, an increase of $79.2 million or 11.0%, of which 4.2% from internal growth and 6.8% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 15.2% or $18.8 million to total $142.6 million.

In Canada, Richelieu achieved sales of $635.5 million, compared with $559.1 million for 2016, up by $76.4 million or 13.7%, of which 7.3% from internal growth and 6.4% from acquisitions. Sales to **manufacturers** rose to $507.9 million, up by $57.4 million or 12.7%, of which 4.7% from internal growth and 8.0% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $127.6 million, compared with $108.6 million, up by $19.0 million or 17.5% over 2016. This resulted primarily from market share gain, the addition of new customers and to a lesser extent an increase in some selling prices.

In the United States, the Corporation recorded sales of US$235.9 million, compared with US$215.0 million for 2016, an increase of US$20.9 million or 9.7%, of which 4.9% from internal growth and 4.8% from acquisitions. Sales to **manufacturers** totalled US$224.3 million, compared with US$203.6 million, an increase of US$20.7 million or 10.2% over 2016, of which 5.1% from internal growth and 5.1% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 1.8% from the previous year. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $307.0 million, compared with $285.3 million for 2016, an increase of 7.6%. They accounted for 32.6% of consolidated sales in 2017, whereas they had represented 33.8% of the year's consolidated sales in 2016.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Years ended November 30	2017 $	2016 $
Sales	942,545	844,473
EBITDA	102,974	94,422
EBITDA margin (%)	10.9	*11.2*

Earnings before income taxes, interest and amortization (EBITDA) totalled $103.0 million, up by $8.6 million or 9.1% over 2016. The **gross margin** was down from 2016 influenced by the lower gross margins of some recent acquisitions due to their different product mix as well as to investments in market development and sales initiatives in the retailers market with lower gross margins. The **EBITDA margin** stood at 10.9%, compared with 11.2% for 2016.

Amortization expenses amounted to $11.5 million compared with $9.6 million for the corresponding quarter of 2016, which is up by $1.9 million, resulting mainly from investments made in tangible and intangible assets in 2017. **Income taxes** amounted to $23.8 million, an increase of $2.0 million over 2016.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

Years ended November 30	2017 $	2016 $
EBITDA	102,974	94,422
Amortization of property, plant and equipment and intangible assets	11,454	9,601
Financial costs, net	(193)	31
Income taxes	23,781	21,777
Net earnings	67,932	63,013
Net earnings attributable to shareholders of the Corporation	67,704	62,814
Net margin attributable to the shareholders of the Corporation (%)	7.2	7.4
Non-controlling interests	228	199
Net earnings	67,932	63,013

Net earnings grew by 7.8%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $67.7 million, an increase of 7.8% over 2016. **Net earnings per share** amounted to $1.17 basic and $1.15 diluted, compared with $1.08 basic and $1.07 diluted for 2016, an increase of 8.3% and 7.5% respectively.

Comprehensive income totalled $63.5 million, considering a negative adjustment of $4.4 million on translation of the financial statements of the subsidiary in the United States, compared with $63.8 million for 2016, considering a positive adjustment of $0.8 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
2017				
• Sales	**195,909**	**243,269**	**253,190**	**250,177**
• EBITDA	**18,341**	**26,648**	**27,924**	**30,061**
• Net earnings attributable to shareholders of the Corporation	**11,998**	**17,587**	**18,135**	**19,984**
basic per share	**0.21**	**0.30**	**0.31**	**0.34**
diluted per share	**0.20**	**0.30**	**0.31**	**0.34**
2016				
• Sales	188,909	217,413	220,155	217,996
• EBITDA	16,710	23,074	25,942	28,696
• 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
2015				
• 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

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.

Note: For further information about the Corporation's performance in the first, second and third quarters of 2017, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2017

Fourth-quarter consolidated sales amounted to $250.2 million, compared with $218.0 million for the corresponding quarter of 2016, an increase of $32.2 million or 14.8%, of which 6.8% from internal growth and 8.0% from acquisitions. At comparable exchange rates to the fourth quarter of 2016, the consolidated sales growth would have been 16.7% for the quarter ended November 30, 2017.

Richelieu achieved sales of $214.2 million in the **manufacturers** market, compared with $187 million for the fourth quarter of 2016, an increase of $27.2 million or 14.5%, of which 5.2% from internal growth and 9.3% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $36 million, up by $5 million or 16.1% over the fourth quarter of 2016.

In Canada, Richelieu recorded sales of $174.5 million, an increase of $29.8 million or 20.6% over the fourth quarter of 2016, of which 11.2% from internal growth and 9.4% from acquisitions. Sales to **manufacturers** amounted to $141.4 million, an increase of 20.2%, of which 8.7% from internal growth and 11.5% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to $33.1 million, up by $6.0 million or 22.1%, mainly due to market share gain and the addition of new customers.

In the United States, sales totalled US$60.3 million, compared with US$55.2 million for the fourth quarter of 2016, an increase of US$5.1 million or 9.2%, of which 3.5% from internal growth and 5.7% from acquisitions. Sales to **manufacturers** amounted to US$58.0 million, an increase of US$5.7 million or 10.9% over the fourth quarter of 2016, of which 4.9% from internal growth and 6% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 20.7% from the corresponding quarter of 2016, mainly caused by initial sales related to product introductions in stores in 2016. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $75.7 million, an increase of 3.3%. They accounted for 30.3% of consolidated sales for the fourth quarter of 2017, whereas they had represented 33.6% of the period's consolidated sales for the fourth quarter of 2016.

Earnings before income taxes, interest and amortization (EBITDA) amounted to $30.1 million, an increase of $1.4 million or 4.8% over the fourth quarter of 2016. The **gross margin** and the **EBITDA margin** were influenced by lower gross margins of certain recent acquisitions due to their different product mixes, seasonal sales initiatives in the retailer market with lower gross margins, and lower revenues due to hurricanes that impacted our customers in the south-east states. The **EBITDA margin** stood at 12.0%, compared with 13.2% for the fourth quarter of 2016.

Income taxes amounted to $7.2 million, an increase of $0.1 million over 2016.

Net earnings grew by 4.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $20.0 million, up by 4.0% over the fourth quarter of 2016. **Net earnings per share** rose to $0.34 basic and diluted, compared with $0.33 basic and diluted for the fourth quarter of 2016, an increase of 3.0%.

Comprehensive income amounted to $22.8 million, considering a positive adjustment of $2.8 million on translation of the financial statements of the subsidiary in the United States, compared with $21.8 million for the fourth quarter of 2016, considering a positive adjustment of $2.6 million on translation of the financial statements of the subsidiary in the United States.

Cash flows from operating activities (before net change in non-cash working capital balances) amounted to $22.2 million or $0.38 per share, compared with $21.6 million or $0.37 per share for the fourth quarter of 2016, an increase of 2.9% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $2.4 million, reflecting the change in inventory and accounts receivables ($15.7 million), whereas the change in accounts payable and other items represented a cash inflow of $13.3 million. Consequently, operating activities provided cash flows of $19.8 million, compared with $27.6 million for the fourth quarter of 2016.

Financing activities used cash flows of $13.7 million, compared with $2.9 million for the fourth quarter of 2016. This change mainly reflects the significant common shares repurchased issued of $10.6 million done in the fourth quarter of 2017.

Investing activities represented a cash outflow of $3.7 million for equipment to improve operational efficiency, for IT equipment, and for the design and manufacturing of new displays for the retailers market.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2017

Change in cash and cash equivalents and capital resources

(in thousands of $, unless otherwise indicated)

Years ended November 30	2017 $	2016 $
Cash flows provided by (used for):		
Operating activities	55,956	66,529
Financing activities	(26,547)	(33,431)
Investing activities	(43,324)	(19,749)
Effect of exchange rate fluctuations	108	166
Net change in cash and cash equivalents	(13,807)	13,515
Cash and cash equivalents, beginning of year	42,969	29,454
Cash and cash equivalents end of year	29,162	42,969
As at November 30		
Working capital	300,116	280,747
Renewable line of credit (CA$)	50,000	26,000
Renewable line of credit (US$)	6,000	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached $80.0 million or $1.36 diluted per share, compared with $73.3 million or $1.25 diluted per share for 2016, an increase of 9.1% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $24.0 million, primarily representing changes in inventory and accounts receivables ($37.9 million), whereas accounts payable and other items represented a cash inflow of $13.9 million. Consequently, operating activities provided cash flows of $56.0 million, compared with $66.5 million for 2016.

Financing activities

Financing activities used cash flows of $26.5 million, compared with $33.4 million for 2016. During the year, Richelieu repurchased common shares for cancellation for $14.8 million, compared with $23.1 million in 2016. The Corporation paid dividends to shareholders of $13.2 million, up by 6.3% over 2016.

Investing activities

Investing activities represented a total cash outflow of $43.3 million, of which $30.2 million for business acquisitions and $13.1 million for equipment to improve operational efficiency, for IT equipment, and for the design and manufacturing of new displays for the retailers market.

Sources of financing

As at November 30, 2017, **cash and cash equivalents** amounted to $29.2 million, compared with $43.0 million as at November 30, 2016. The Corporation posted a working capital of $300.1 million for a current ratio of 4.0:1, compared with $280.7 million (4.4:1ratio) 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 2018. The Corporation continues to benefit 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.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2018, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

Analysis of financial position as at November 30, 2017

Summary of financial position

(in thousands of $, except exchange rates)

As at November 30	2017 $	2016 $
Current assets	399,187	362,803
Non-current assets	143,480	123,243
Total	542,667	486,046
Current liabilities	99,071	82,056
Non-current liabilities	5,392	5,679
Equity attributable to shareholders of the Corporation	434,092	394,268
Non-controlling interests	4,112	4,043
Total	542,667	486,046
Exchange rates on translation of a subsidiary in the United States	*1.289*	*1.343*

Assets

Total assets amounted to $542.7 million as at November 30, 2017, compared with $486.0 million as at November 30, 2016. Current assets increased by 10.0% or $36.4 million from November 30, 2016. This increase resulted from the Corporation's growth and the acquisitions completed in 2017.

Cash position

(in thousands of $)

As at November 30	2017 $	2016 $
Current portion of long-term debt	4,294	4,336
Long-term debt	—	528
Total debt	4,294	4,864
Cash and cash equivalents	*29,162*	*42,969*

As at November 30, 2017, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $4.3 million representing balances payable on acquisitions and financing contracts for equipment.

Equity attributable to shareholders of the Corporation totalled $434.1 million as at November 30, 2017, compared with $394.3 million as at November 30, 2016, an increase of $39.8 million stemming primarily from a growth of $40.1 million in retained earnings which amounted to $376.9 million, and of $4.1 million in share capital and contributed surplus, whereas accumulated other comprehensive income were down by $4.4 million. As at November 30, 2017, **the book value per share** was $7.51, up by 10.3% over November 30, 2016, and the return on average shareholders' equity was 16.3%.

As at November 30, 2017, the Corporation's **share capital** consisted of 57,795,603 common shares (57,920,466 shares as at November 30, 2016). In 2017, upon the exercise of options under the stock option plan, Richelieu issued 333,225 common shares at an average price of $8.34 (281,559 in 2016 at an average price of $8.42). In addition, 458,088 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of $14.8 million (1,004,700 common shares for a cash consideration of $23.1 million in 2016).

The Corporation granted 329,500 stock options during the year (356,500 in 2016). Consequently, as at November 30, 2017, 1,637,361 stock options were outstanding (1,650,086 as at November 30, 2016).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2017

(in thousands of $)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	4 294	—	—	4 294
Operating leases	10 745	21 308	6 308	38 361
Total	15 039	21 308	6 308	42 655

For 2018 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2018, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into foreign exchange forward 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.

In notes (1) and (12) of the audited consolidated financial statements for the year ended November 30, 2017, the Corporation presents the information on the classification and fair value of its financial instruments, as well as on their value and management of the risks arising from their use.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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, 2017. 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 year ended November 30, 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 AND ESTIMATES

The Corporation's audited consolidated financial statements for the year ended November 30, 2017, have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period, are summarized as follows:

Valuation of inventory impairment, including loss and obsolescence, goodwill and intangible assets with indefinite useful lives and deferred tax assets requires the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.

NEW ACCOUNTING METHODS

Recently issued

IFRS 9, Financial Instruments

IFRS 9, *Financial instruments* replaces IAS 39 *Financial instruments: Recognition and Measurement* and includes a single approach to determine whether a financial asset is measured at amortized cost or fair value, a new hedge accounting model to enable financial statement users to better understand an entity's risk exposure and its risk management activities, and a new impairment model for financial assets based on expected credit losses. IFRS 9 is effective for fiscal year beginning on or after January 1st, 2018, thus for fiscal year beginning on December 1st, 2018 for the Corporation. The Corporation has made a preliminary assessment the adoption of this new standard will have on its consolidated financial statements and does not anticipate any significant impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue*, IAS 11, *Construction Contracts* and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal year beginning on or after January 1st, 2018, thus for fiscal year beginning on December 1st, 2018 for the Corporation. The Corporation has made a preliminary assessment the adoption of this new standard will have on its consolidated financial statements and does not anticipate any significant impact.

IFRS 16, Leases

IFRS 16 *Leases* replaces IAS 17 *Leases* and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations and is effective for periods beginning on or after January 1st, 2019, thus for fiscal year beginning on December 1st, 2019 for the Corporation. Earlier adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

The Corporation being committed under operating leases for warehouse and office premises, it expects that the adoption of IFRS 16 will result in the recognition, in the consolidated statement of financial position, of a related asset and a liability and, in the consolidated statement of earnings, of a reduction in rent expense and an increase in financial costs and amortization of property, plant and equipment.

RISK FACTORS

Richelieu is exposed to different risks that can have a material adverse effect on its profitability. To offset such risks, the Corporation has adopted various strategies adapted to the major risk factors below:

Economic conditions

The Corporation's business and financial results partly depend on general economic conditions and the economic factors specific to the renovation and construction industry. Any economic downturn could lead to a decline in sales and have an adverse impact on the Corporation's financial performance.

Market and competition

The specialty hardware and renovation products segment is highly competitive. Richelieu has developed a business strategy rooted in a diversified product offering in various targeted niche markets in North America and sourced from suppliers around the world, in creative marketing and in unparalleled expertise and quality of service. Up to now, this strategy has enabled it to benefit from a solid competitive edge. However, if Richelieu were unable to implement its business strategy with the same success in the future, it could lose market shares and its financial performance could be adversely affected.

Foreign currency

Richelieu is exposed to the risks related to currency fluctuations, primarily in regard to foreign-currency denominated purchases and sales made abroad.

The Corporation's products are regularly sourced from abroad. Thus, any increase in foreign currencies (primarily the U.S. dollar and Euro) compared with the Canadian dollar tends to raise its supply cost and thereby affect its consolidated financial results. These currency fluctuations related risks are mitigated by the Corporation's ability to adjust its selling prices within a relatively short timeframe so as to protect its profit margins although significant volatility in foreign currencies may have an adverse impact on its sales.

Sales made abroad are mainly recorded in the United States and account for approximately 33% of Richelieu's total sales. Any volatility in the Canadian dollar therefore tends to affect consolidated results. This risk is partially offset by the fact that major purchases are denominated in U.S. dollars.

To manage its currency risk, the Corporation uses derivative financial instruments, more specifically forward exchange contracts in U.S. dollars and euros. There can be no assurance that the Corporation will not sustain losses arising from these financial instruments or fluctuations in foreign currency.

Supply and inventory management

Richelieu must anticipate and meet its customers' supply needs. To that end, Richelieu must maintain solid relationships with suppliers respecting its supply criteria. The inability to maintain such relationships or to efficiently manage the supply chain and inventories could affect the Corporation's financial position. Similarly, Richelieu must track trends and its customers' preferences and maintain inventories meeting their needs, failing which its financial performance could be adversely affected.

To mitigate its supply-related risks, Richelieu has built solid long-term relationships with numerous suppliers on several continents, most of whom are world leaders.

Acquisitions

Acquisitions in North America remain an important strategic focus for Richelieu. The Corporation will maintain its strict acquisition criteria and pay particular attention to the integration of its acquisitions. Nevertheless, there is no guarantee that a business matching Richelieu's acquisition criteria will be available and there can be no assurance that the Corporation will be able to make acquisitions at the same pace as in the past. However, the fact that the U.S. market remains highly fragmented and that acquisitions are generally of limited size reduces the inherent financial and operational risks.

Credit

The Corporation is exposed to the credit risk related to its accounts receivable. Richelieu has adopted a policy defining the credit conditions for its customers to safeguard against credit losses arising from doing business with them. For each customer, the Corporation sets a specific limit that is regularly reviewed. The diversification of its products, customers and suppliers reasonably safeguards the Corporation against a concentration of its credit risk. No customer of the Corporation accounts for more than 10% of its revenues.

Labour relations and qualified employees

To achieve its objectives, Richelieu must attract, train and retain qualified employees while controlling its payroll. The inability to attract, train and retain qualified employees and to control its payroll could have an impact on the Corporation's financial performance. Close to 15% of Richelieu's workforce is unionized. The Corporation's policy is to negotiate collective agreements at conditions enabling it to maintain its competitive edge and a positive and satisfactory working environment for its entire team. Richelieu has not experienced any major labour conflicts over the past five years. Any interruption in operations as a result of a labour conflict could have an adverse impact on the Corporation's financial results.

Stability of key officers

Richelieu offers a stimulating working environment and a competitive compensation plan, which help it retain a stable management team. Failure to retain the services of a highly qualified management team could compromise the success of Richelieu's strategic execution and expansion, which could have an adverse impact on its financial results. To adequately manage its future growth, the Corporation adjusts its organizational structure as needed and strengthens the teams at the various levels of its business. It should be noted that more than 50% of its employees, including senior officers, are Richelieu shareholders.

Product liability

In the normal course of business, Richelieu is exposed to various product liability claims that could result in major costs and affect the Corporation's financial position. Richelieu has agreements containing the usual limits with insurance companies to cover the risks of claims associated with its operations.

Crisis management, IT contingency plan and data security

The IT structure implemented by Richelieu enables it to support its operations and contributes to ensure their efficiency. As the occurrence of a disaster, including a major interruption of its computer systems, could affect its operations and financial performance, the Corporation has implemented a crisis management and IT contingency plan to reduce the extent of such a risk. This plan provides among others for an alternate physical location in the event of a disaster, generators in the event of power outages and a relief computer as powerful as the central computer.

A breach of the Corporation's IT security, loss of customer data or system disruption could adversely affect its business and reputation.

Richelieu's business is dependent on its payroll, transaction, financial, accounting and other data processing systems. The Corporation relies on these systems to process, on a daily basis, a large number of transactions. Any security breach in its business processes and/or systems has the potential to impact its customer information, which could result in the potential loss of business. If any of these systems fail to operate properly or become disabled, the Corporation could potentially lose control of customer data and suffer financial loss, a disruption of our businesses, liability to customers, regulatory intervention or damage to its reputation.

In addition, any issue of data privacy as it relates to unauthorized access to, or loss of, customer and/or employee information could result in the potential loss of business, damage to Richelieu's market reputation, litigation and regulatory investigation and penalties.

To reduce its risk, the Corporation continuously invests in the security of its IT systems, business processes improvements and enhancements to its culture of information security.

SHARE INFORMATION AS AT JANUARY 25, 2018

Issued and outstanding common shares :	57,836,214
Outstanding stock options	1,961,375

OUTLOOK

In 2018, as in the past, Richelieu will be customer-oriented, focusing on quality of service and innovation. Its two major sources of growth will remain innovation and business acquisition strategies in its sector. The Corporation will pursue its current market development in North America and its efforts to penetrate new territories, especially in the United States. It remains on the lookout for strategic acquisitions to further strengthen its positioning and create additional sales and operational synergies, while giving priority to operational efficiency and sound financial management.

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) Antoine Auclair

Vice-President and
Chief Financial Officer

January 25, 2018