Reitmans
(CANADA) LIMITED

Interim Report

For the three months ended April 28, 2012

To Our Shareholders

Reitmans is Canada's leading specialty retailer. We are customer driven, value oriented and committed to excellence. By promoting innovation, growth, development and teamwork, we strive to serve our customers the best quality/value proposition in the marketplace.

Sales for the first quarter ended April 28, 2012 decreased 1% to $217,094,000 as compared with $219,296,000 for the first quarter ended April 30, 2011. Same store sales [1] decreased 0.7%. The first quarter ended April 28, 2012 resulted in weaker sales attributable to a difficult retail environment marked by increased promotional activity. Other factors included the impact of higher gasoline and food prices reducing consumer disposable income for apparel. The Company's gross margin for the first quarter ended April 28, 2012 decreased to 64.6% from 65.8% for the first quarter ended April 30, 2011, which was primarily attributable to the fluctuation in the US dollar. In the first quarter ended April 28, 2012, adjusted EBITDA [1] decreased by $1,829,000 or 12.7% to $12,540,000 as compared with $14,369,000 for the first quarter ended April 30, 2011. The Company recorded a net loss for the first quarter ended April 28, 2012 of $53,000 ($0.00 diluted loss per share) as compared with net earnings of $624,000 ($0.01 diluted earnings per share) for the first quarter ended April 30, 2011.

During the quarter, the Company opened 16 new stores, comprised of 4 Reitmans, 4 Smart Set, 1 RW & CO., 1 Thyme Maternity, 5 Penningtons and 1 Addition Elle. The Company closed 33 stores, comprised of 2 Reitmans, 1 Smart Set, 1 RW & CO., 3 Thyme Maternity, 3 Penningtons, 3 Addition Elle and 20 Cassis. Accordingly, at April 28, 2012, there were 925 stores in operation, consisting of 364 Reitmans, 153 Smart Set, 66 RW & CO., 74 Thyme Maternity, 154 Penningtons and 114 Addition Elle, as compared with a total of 965 stores as at April 30, 2011.

Sales for the month of May (the four weeks ended May 26, 2012) decreased 1.7% with same store sales [1] increasing 0.8%.

At the Board of Directors meeting held on May 29, 2012, a quarterly cash dividend (constituting eligible dividends) of $0.20 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable July 26, 2012 to shareholders of record on July 12, 2012.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, May 29, 2012

Highlights

Sales
$217,094,000 - 1.0 %

Adjusted EBITDA[1]
$12,540,000 - 12.7 %

Pre-tax loss
$(210,000) - 124.2 %

Net loss
$(53,000) - 108.5 %

Earnings per share[2]
$0.00 - 100.0 %

Cash and investments
$209,508,000 - 15.5 %

Stores
925 - 4.1 %

[1] These highlights include a reference to adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA is defined as earnings before income taxes, dividend income, interest income, realized gain on disposal of available-for-sale financial assets, impairment losses on available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses related to property and equipment. The Company also discloses same store sales, which are defined as sales generated by stores that have been open for at least one year. The Company believes these measures provide meaningful information on the Company's performance and operating results. However, readers should know that such a non-GAAP financial measure has no standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, it should not be considered in isolation.

[2] Earnings per share on a fully diluted basis.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the period ended April 28, 2012

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the unaudited condensed interim financial statements of Reitmans as at and for the fiscal period ended April 28, 2012 and the audited annual financial statements for the fiscal year ended January 28, 2012 and the notes thereto which are available at www.sedar.com. This MD&A is dated May 29, 2012.

All financial information contained in this MD&A and Reitmans' unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts in this report are in Canadian dollars, unless otherwise noted. The unaudited condensed interim financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on May 29, 2012.

Additional information about Reitmans is available on the Company's website at www.reitmans.ca or on the SEDAR website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Such risks include but are not limited to: the impact of general economic conditions, general conditions in the retail industry, seasonality, weather and other risks included in public filings of the Company. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements. The reader should not place undue reliance on the forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides adjusted EBITDA as a supplementary earnings measure, which is defined as earnings before income taxes, dividend income, interest income, realized gain on disposal of available-for-sale financial assets, impairment losses on available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses related to property and equipment. The Company also discloses same store sales, which are defined as sales generated by stores that have been open for at least one year. The Company believes these measures provide meaningful information on the Company's performance and operating results. However, readers should know that these non-GAAP financial measures have no standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

The following table reconciles adjusted EBITDA to (loss) earnings before income taxes for the three months ended April 28, 2012 and April 30, 2011:

(unaudited)	For the three months ended April 28, 2012	April 30, 2011
(Loss) earnings before income taxes	**$ (210,000)**	$ 869,000
Dividend income	**(874,000)**	(880,000)
Interest income	**(330,000)**	(284,000)
Interest expense	**157,000**	179,000
Depreciation and amortization	**13,797,000**	14,485,000
Adjusted EBITDA	**$ 12,540,000**	$ 14,369,000

CORPORATE OVERVIEW

Reitmans is a Canadian ladies' wear specialty apparel retailer. The Company has six banners: Reitmans, Smart Set, RW&CO., Thyme Maternity, Penningtons and Addition Elle. Each banner is focused on a particular niche in the retail marketplace with a distinct marketing program as well as a unique website thereby allowing the Company to continue to enhance its brands and strengthen customer loyalty. The Company has several competitors in each niche, including local, regional and national chains of specialty stores and department stores, as well as foreign-based competitors. The Company's stores are located in malls, retail power centres, strip plazas and on major shopping streets across Canada. The Company continues to enhance all areas of its business by investing in stores, technology and people. The Company continues to offer Canadian consumers affordable fashions and accessories at the best value reflecting price and quality.

The Company offers e-commerce website shopping for the Reitmans banner and its plus-size banners (Penningtons and Addition Elle) and is continuing to develop the infrastructure required to launch e-commerce for the other banners. These online channels offer customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands.

In addition to its individual retail outlets the Company operates 10 Thyme Maternity boutiques in select Babies"R"Us locations in Canada. Thyme Maternity customers are also offered access to e-commerce website shopping through the Babies"R"Us website. These new retail channels offer Thyme Maternity customers an easy and convenient offering in a 300 to 500 square foot environment along with the opportunity to access Thyme Maternity merchandise via the Internet.

RETAIL BANNERS

	Number of stores at January 28, 2012	Q1 Openings	Q1 Closings	Number of stores at April 28, 2012
Reitmans	362	4	2	364
Smart Set	150	4	1	153
RW&CO.	66	1	1	66
Thyme Maternity [1]	76	1	3	74
Penningtons	152	5	3	154
Addition Elle	116	1	3	114
Cassis	20	–	20	–
Total	**942**	**16**	**33**	**925**

[1] Excludes 10 boutiques in Babies"R"Us locations

Store closings take place for a variety of reasons as the viability of each store and its location is constantly monitored and assessed for continuing profitability. In most cases when a store is closed, merchandise at that location is sold off in the normal course of business and any unsold merchandise remaining at the closing date is generally transferred to other stores operating under the same banner for sale in the normal course of business.

OPERATING RESULTS FOR THE THREE MONTHS ENDED APRIL 28, 2012 ("FIRST QUARTER OF FISCAL 2013") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED APRIL 30, 2011 ("FIRST QUARTER OF FISCAL 2012")

Sales for the first quarter of fiscal 2013 decreased 1% to $217,094,000 as compared with $219,296,000 for the first quarter of fiscal 2012. Same store sales decreased by 0.7%. The first quarter ended April 28, 2012 resulted in weaker sales attributable to a difficult retail environment marked by increased promotional activity. Other factors included the impact of higher gasoline and food prices reducing consumer disposable income for apparel.

Gross profit for the first quarter of fiscal 2013 decreased 2.8% to $140,316,000 as compared with $144,355,000 for the first quarter of fiscal 2012. The Company's gross margin for the first quarter of fiscal 2013 decreased to 64.6% from 65.8% for the first quarter of fiscal 2012, which was primarily impacted by the fluctuation in the US dollar. In the first quarter of fiscal 2013, adjusted EBITDA decreased by $1,829,000 or 12.7% to $12,540,000 as compared with $14,369,000 for the first quarter of fiscal 2012.

Selling and distribution expenses for the first quarter of fiscal 2013 increased 0.2% or $243,000 to $129,468,000 as compared with $129,225,000 for the first quarter of fiscal 2012.

Administrative expenses for the first quarter of fiscal 2013 increased 8.4% or $846,000 to $10,958,000 as compared with $10,112,000 for the first quarter of fiscal 2012, largely attributable due to the positive impact in the prior year of retroactive workman's compensation refunds.

Depreciation and amortization expense, which is included in selling and distribution expenses and administrative expenses, for the first quarter of fiscal 2013 was $13,797,000 compared to $14,485,000 for the first quarter of fiscal 2012. Included in the first quarter of fiscal 2013 was $340,000 ($714,000 in the first quarter of fiscal 2012) of write-offs for closed and renovated stores.

Finance income for the first quarter of fiscal 2013 was $1,204,000 as compared to $1,164,000 for the first quarter of fiscal 2012. Dividend income for the first quarter of fiscal 2013 was $874,000 comparable with $880,000 for the first quarter of fiscal 2012. Interest income increased for the first quarter of fiscal 2013 to $330,000 as compared to $284,000 for the first quarter of fiscal 2012 due to improved rates of interest earned on short-term investments.

Finance costs for the first quarter of fiscal 2013 were $1,304,000 as compared to $5,313,000 for the first quarter of fiscal 2012. Included in the first quarter of fiscal 2013 was a foreign exchange loss of $1,061,000 (April 30, 2011 – loss of $5,134,000) largely attributable to the impact of the fluctuation of the US dollar vis-à-vis the Canadian dollar on US currency held by the Company. The Company has recorded an expense of $86,000 for the first quarter of fiscal 2013 (April 30, 2011 – nil) to recognize the net change in the fair value of a series of US dollar option contracts which were entered into to purchase call options and sell put options. Included in the first quarter of fiscal 2013 was interest on long-term debt of $157,000 compared to $179,000 for the first quarter of fiscal 2012. This decrease is primarily attributable to the continued repayment of the mortgage on the Company's distribution centre.

An income tax recovery for the first quarter of fiscal 2013 amounted to $157,000 (effective tax rate of 74.8%). An income tax recovery of $102,000 due to an adjustment for prior years' taxes contributed to the high effective tax rate. Excluding the effect of this adjustment the effective tax rate was 26.2%. In the first quarter of fiscal 2012 income tax expense amounted to $245,000 (effective tax rate of 28.2%). The Company's effective tax rates reflect the impact of a reduction in substantively enacted tax rates in various tax jurisdictions in Canada.

The Company recorded a net loss for the first quarter of fiscal 2013 of $53,000 ($0.00 diluted loss per share) as compared with net earnings of $624,000 ($0.01 diluted earnings per share) for the first quarter of fiscal 2012.

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending eight months. In the first quarter of fiscal 2013, these merchandise purchases, payable in US dollars, approximated $64,000,000 US. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding six months. In the first quarter of fiscal 2013, the Company satisfied its US dollar requirements through a combination of spot purchases and foreign exchange option contracts. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar. Purchased call options and sold put options expiring on the same date have the same strike price. Details of the foreign currency option contracts outstanding as at April 28, 2012 are as follows:

	Notional Amount in USD	Derivative Asset	Derivative Liability	Net
Put options sold	$ 18,000,000	$ 74,000	$ –	$ 74,000
Call options purchased	(42,000,000)	–	(914,000)	(914,000)
	$ (24,000,000)	**$ 74,000**	**$ (914,000)**	**$ (840,000)**

As at April 30, 2011, there were no foreign currency option contracts outstanding.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS.

	Sales	Net Earnings (Loss)	Earnings per Share Basic	Earnings per Share Diluted
April 28, 2012	$ 217,094,000	$ (53,000)	$ 0.00	$ 0.00
January 28, 2012	259,954,000	4,674,000	0.07	0.07
October 29, 2011	254,072,000	10,561,000	0.16	0.16
July 30, 2011	286,075,000	31,680,000	0.48	0.48
April 30, 2011	219,296,000	624,000	0.01	0.01
January 29, 2011	268,714,000	13,817,000	0.21	0.21
October 30, 2010	262,515,000	20,692,000	0.31	0.31
July 31, 2010	292,026,000	38,706,000	0.58	0.57

The retail business is seasonal and results of operations for any interim period are not necessarily indicative of the results of operations for the full fiscal year. Results for the first quarter of fiscal 2013 were significantly impacted by reduced traffic in mall locations and a difficult retail environment.

BALANCE SHEET

Cash and cash equivalents as at April 28, 2012 amounted to $138,187,000 (April 30, 2011 – $176,871,000) or 29.8% lower than $196,835,000 as at January 28, 2012. The reduction in cash and cash equivalents of $58,648,000 from January 28, 2012 was mainly attributable to reduced cash generated from operations due to lower sales, build-up of inventory for the spring and summer selling season and continued investment in information technology and store renovations in the first quarter of fiscal 2013. Marketable securities of $71,321,000 at April 28, 2012 remained largely unchanged as compared to $71,442,000 at January 28, 2012 and $70,979,000 at April 30, 2011.

The Company's trade and other receivables are primarily credit card sales from the last few days of the fiscal quarter. Trade and other receivables as at April 28, 2012 were $3,783,000 (April 30, 2011 – $4,214,000) or $750,000 higher than as at January 28, 2012. This increase was largely due to higher credit card receivables. As at April 28, 2012 income taxes recoverable were $15,507,000 (January 28, 2012 – $4,735,000; April 30, 2011 – $10,846,000), attributable to instalments made in excess of estimated tax liabilities. Inventories as at April 28, 2012 were $102,625,000 (April 30, 2011 – $99,066,000) or $24,340,000 higher than as at January 28, 2012, reflecting the planned build-up of inventories for the spring and summer selling seasons. Prepaid expenses, consisting mainly of prepaid insurance, maintenance contracts and realty and business taxes, were $12,330,000 as at April 28, 2012 (April 30, 2011 – $12,715,000) or $428,000 higher than as at January 28, 2012. This increase is primarily attributable to the timing of payment of realty and business taxes.

The Company invested $20,245,000 of cash in additions to property and equipment and intangible assets in the first quarter of fiscal 2013. This included $18,328,000 in new store construction and existing store renovation costs and $1,917,000 mainly related to information technology system hardware and software enhancements. The Company is in the process of a significant upgrade to its merchandising and supply chain operations, important to the Company's growth strategy. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Company with improved integration, while enabling the Company to reduce the overall cost of system maintenance and upgrades. The total project, which is being phased in through to completion in fiscal 2014, is estimated to cost approximately $23,000,000.

Total trade and other payables were $82,711,000 as at April 28, 2012 (April 30, 2011 – $78,333,000), or $7,726,000 higher than as at January 28, 2012 due mainly to trade payables relative to the build-up of inventory in the quarter. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities.

The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar. These option contracts extended over a period of six months. Purchased call options and sold put options expiring on the same date have the same strike price. The Company has recorded a net derivative financial liability, related to a series of foreign exchange option contracts, as at April 28, 2012 of $840,000 (April 30, 2011 – nil) as compared to $754,000 as at January 28, 2012.

Deferred revenue consists of unredeemed gift cards and loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed. Deferred revenue was $13,557,000 as at April 28, 2012 (April 30, 2011 – $16,265,000), or $8,721,000 lower than as at January 28, 2012 due primarily to the timing of gift card and loyalty program issuances prior to Christmas relative to customer redemptions in the new year.

Tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases. As at April 28, 2012 deferred lease credits were $16,768,000 (April 30, 2011 – $18,112,000) as compared to $17,317,000 as at January 28, 2012.

The Company's long-term debt consists of a mortgage, which is secured by the Company's distribution centre. As at April 28, 2012 long-term debt was $9,688,000 (April 30, 2011 – $11,094,000) as compared to $10,047,000 as at January 28, 2012. The decrease in long-term debt is attributable to the continued repayment of the mortgage debt.

Pension liability as at April 28, 2012 was $15,044,000 (April 30, 2011 – $13,876,000), or $167,000 higher than as at January 28, 2012. The increase is due to $330,000 of pension expense offset by pension contributions paid in the quarter of $163,000.

OPERATING RISK MANAGEMENT

Economic Environment

The Bank of Canada in its April 2012 Monetary Policy Report noted that consumer confidence improved in 2012 at a faster pace than previously anticipated. The Company closely monitors economic conditions in order to react to consumer spending habits and constraints in developing both its short-term and long-term operating decisions. The Company is in a strong financial position with significant liquidity available and ample financial credit resources to draw upon as deemed necessary.

Competitive Environment

The apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by the arrival over the past few years of a number of foreign-based competitors and additional foreign retailers which have announced plans to expand into the Canadian marketplace. Additionally, Canadian women have a significant number of e-commerce shopping alternatives available to them on a global basis. The Company believes that it is well positioned to compete with any competitor. The Company operates multiple banners with product offerings that are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. Our stores, located throughout Canada, offer affordable fashions to consumers.

Seasonality

The Company is principally engaged in the sale of women's apparel through 925 leased retail outlets operating under six banners located across Canada. The Company's business is seasonal and is also subject to a number of factors, which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences.

Distribution and Supply Chain

The Company depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. natural disaster, system failures, destruction or major damage by fire), could materially delay or impair its ability to replenish its stores on a timely basis causing a loss of future sales, which could have a significant effect on the Company's results of operations.

Information Technology

The Company depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Company regularly invests to upgrade, enhance, maintain and replace these systems. The Company is presently upgrading its merchandising and supply chain operations and warehouse management systems. Any significant disruptions in the performance of these systems could have a material adverse impact on the Company's operations and financial results.

Government Regulation

The Company is structured in a manner that management considers to be most effective to conduct its business across Canada. The Company is therefore subject to all manner of material and adverse changes in government regulation that can take place in any one or more of these jurisdictions as they might impact income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

Merchandise Sourcing

Virtually all of the Company's merchandise is private label. On an annual basis, the Company directly imports approximately 80% of its merchandise, largely from China. In the first quarter of fiscal 2013, no supplier represented more than 9% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

Record high prices for cotton in calendar 2010 and into 2011, an important component in clothing fabrication, along with a significant shortage of supply placed strains on certain product margins. A slowdown in demand combined with higher production has resulted in sharply lower cotton prices over the past few months. The Company continues to closely monitor commodity costs in an effort to maintain its value pricing proposition.

The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address the environmental concerns of its customers. The Company has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Company requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Company's reputation, as they are independent third parties that the Company does not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company's financial results, by increasing costs and potentially causing delays in delivery.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three months ended April 28, 2012 from those described in the Company's audited annual financial statements for the year ended January 28, 2012.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at April 28, 2012 amounted to $479,675,000 or $7.31 per share (April 30, 2011 – $502,374,000 or $7.56 per share; January 28, 2012 – $492,852,000 or $7.51 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash, cash equivalents and investments in marketable securities of $209,508,000 (April 30, 2011 – $247,850,000; January 28, 2012 – $268,277,000). Cash is conservatively invested in short-term deposits with major Canadian financial institutions and commercial paper rated not less than R1. The Company closely monitors its risk with respect to short-term cash investments. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $125,000,000 or its US dollar equivalent. As at April 28, 2012, $43,158,000 (April 30, 2011 – $58,149,000; January 28, 2012 – $52,187,000) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for US dollar letters of credit to satisfy offshore third-party vendors, which require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other purposes.

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at April 28, 2012, the maximum potential liability under these guarantees was $5,009,000 (April 30, 2011 – $5,060,000; January 28, 2012 – $5,083,000). The standby letters of credit mature at various dates during fiscal 2013. The Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for these items.

The Company is self-insured on a limited basis with respect to certain property risks and also purchases excess insurance coverage from financially stable third-party insurance companies. The Company maintains comprehensive internal security and loss prevention programs aimed at mitigating the financial impact of theft.

The Company continued repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $359,000 in the first quarter of fiscal 2013. The Company paid $0.20 dividends per share totalling $13,117,000 in the first quarter of fiscal 2013 compared to $0.20 dividends per share totalling $13,288,000 in the first quarter of fiscal 2012.

In the first quarter of fiscal 2013, the Company invested $20,245,000 on new and renovated stores and information technology system enhancements. The Company is in the process of a significant upgrade to its merchandising and supply chain operations, important to the Company's growth strategy. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Company, with improved integration while enabling the Company to reduce the overall cost of systems maintenance and upgrades. The total project, which is being phased in through to completion in fiscal 2014, is estimated to cost approximately $23,000,000. In the fiscal year ending February 2, 2013, the Company expects to invest approximately $60,000,000 in capital expenditures. These expenditures, together with the payment of cash dividends, the repayments related to the Company's bank credit facility and long-term debt obligations and purchases of Class A non-voting shares, under a normal course issuer bid approved in November 2011, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

FINANCIAL COMMITMENTS

There have been no material changes in the Company's financial commitments that are outside of the ordinary course of the Company's business from those described in the Company's audited annual financial statements for the year ended January 28, 2012.

OUTSTANDING SHARE DATA

At May 29, 2012, 13,440,000 Common shares and 52,145,506 Class A non-voting shares of the Company were issued and outstanding. Each Common share entitles the holder thereof to one vote at meetings of shareholders of the Company. The Company has 1,820,000 share options outstanding at an average exercise price of $14.98. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

The Company did not purchase any shares under a normal course issuer bid approved in November 2011. For further information with respect to the normal course issuer bid refer to the Company's audited annual financial statements for the year ended January 28, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. Most of these purchases must be paid for in US dollars. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar long-term commitments, including spot rate purchases and foreign currency option contracts with maturities not exceeding six months. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar ("USD"). These option contracts will expire within the next three months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign currency option contracts outstanding for each of the periods listed are as follows:

	April 28, 2012			
	Notional Amount in USD	Derivative Asset	Derivative Liability	Net
Put options sold	$ 18,000,000	$ 74,000	$ –	$ 74,000
Call options purchased	(42,000,000)	–	(914,000)	(914,000)
	$ (24,000,000)	**$ 74,000**	**$ (914,000)**	**$ (840,000)**

	January 28, 2012			
	Notional Amount in USD	Derivative Asset	Derivative Liability	Net
Put options sold	$ 44,000,000	$ 751,000	$ –	$ 751,000
Call options purchased	(100,000,000)	–	(1,505,000)	(1,505,000)
	$ (56,000,000)	**$ 751,000**	**$ (1,505,000)**	**$ (754,000)**

As of April 30, 2011, there were no foreign currency option contracts outstanding.

A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty at a predetermined date and amount. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally Canadian chartered banks. The Company does not use derivative financial instruments for speculative purposes.

Included in the determination of the Company's net loss for the three months ended April 28, 2012 were net foreign exchange losses of $1,061,000 (April 30, 2011 – $5,134,000).

RELATED PARTY TRANSACTIONS

There have been no significant changes in related party transactions from those disclosed in the Company's audited annual financial statements for the year ended January 28, 2012.

FINANCIAL INSTRUMENTS

The Company's significant financial instruments consist of cash and cash equivalents along with marketable securities. The Company uses its cash resources to fund ongoing store construction and renovations along with working capital needs. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces its credit risks by investing available cash in bank bearer deposit notes and bank term deposits with major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments. Marketable securities consist primarily of preferred shares of Canadian public companies. The Company's investment portfolio is subject to stock market volatility. The Company is highly liquid with its cash and cash equivalents and invests on a short-term basis in term deposits with major Canadian financial institutions and commercial paper rated not less than R1.

The volatility of the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, such as spot rate purchases and foreign exchange option contracts, this volatility can result in exposure to risk.

CRITICAL ACCOUNTING ESTIMATES

Deferred Income Tax Assets

Management is required to make subjective assessments to determine the amount of deferred income tax assets to be recognized. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

Pension Plans

The Company maintains a contributory, defined benefit plan and sponsors a Supplemental Executive Retirement Plan ("SERP"). The costs of the defined benefit plan and SERP are determined periodically by independent actuaries. Pension expense is included in the results of operations. Assumptions used in developing the net pension expense and projected benefit obligation include a discount rate, rate of increase in salary levels and expected long-term rate of return on plan assets. Based upon the most recently filed actuarial valuation report as at December 31, 2010, the defined benefit plan, despite being fully funded on a going concern basis, had a solvency deficiency. The Company has funded the required amounts as at April 28, 2012. The SERP is an unfunded pay as you go plan.

Sales Returns

The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise returned in the past.

Share-Based Compensation

The Company accounts for share-based compensation and other share-based payments using the fair value based method. Share options granted result in an expense over their vesting period based on their estimated fair values on the date of grant, determined using the Black-Scholes option pricing model. In computing the compensation cost related to share option awards under the fair value based method, various assumptions are used to determine the expected option life, risk-free interest rate, expected share price volatility and average dividend yield. The use of different assumptions could result in a share compensation expense that differs from that which the Company has recorded.

Gift Cards / Loyalty Points and Awards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns. Loyalty points and awards granted under customer loyalty programs are recognized as a separate component of revenue and are deferred at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

Inventory Valuation

The Company uses the retail inventory method in arriving at cost. Merchandise inventories are valued at the lower of cost and net realizable value. Excess or slow moving items are identified and a write-down is taken using management's best estimate. In addition, a provision for shrinkage is also recorded using historical rates experienced. Given that inventory and cost of sales are significant components of the financial statements, any changes in assumptions and estimates could have a material impact on the Company's financial position and results of operations.

Asset Impairment

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make significant judgments related to future cash flows to determine the amount of asset impairment that should be recognized.

Goodwill

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses.

Fair Value of Derivative Financial Instruments

Derivative financial instruments are carried in the balance sheet at fair value estimated by using valuation techniques.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended April 28, 2012 and have not been applied in preparing the condensed interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

On December 16, 2011, the IASB issued amendments to IFRS 7 which increases the disclosure requirements for transactions involving offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 9 – Financial Instruments

On November 12, 2009, the IASB issued a new standard, IFRS 9, Financial Instruments ("IFRS 9") which will ultimately replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities and was initiated in response to the crisis in financial markets. On December 16, 2011, the IASB deferred the effective date to annual periods beginning on or after January 1, 2015.

IFRS 13 – Fair Value Measurement

On May 12, 2011, the IASB issued a new standard, IFRS 13, Fair Value Measurements ("IFRS 13"), which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted.

IAS 1 – Presentation of Financial Statements

Amendments to IAS 1, Presentation of Financial Statements enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings in the future from those that would never be reclassified to the statement of earnings. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 19 – Employee Benefits

Amendments to IAS 19, Employee Benefits include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has designed disclosure controls and procedures to provide reasonable assurance that material information related to the Company is included in the annual and quarterly filings. In addition, the Company evaluated the effectiveness of the disclosure controls and procedures as of January 28, 2012 and concluded that these controls were effective.

The Company, under the supervision of the Chief Executive Officer and Chief Financial Officer, has designed internal controls over financial reporting, as defined by *National Instrument 52-109*, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company evaluated the effectiveness of the internal controls over financial reporting as of January 28, 2012 and concluded that these controls were effective.

There have been no changes in the Company's internal controls over financial reporting during the three months ended April 28, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Bank of Canada in its April 2012 Monetary Policy Report projected that the economy will grow by 2.4% in both calendar 2012 and 2013. However, it was noted that despite the recent improvements to the outlook for Canada and the global economy, risks remain elevated. We believe that we remain poised to strengthen the Company's market position in all of our market niches by offering a broad assortment of quality merchandise at affordable prices. The Company has virtually no debt and has liquid cash reserves which provide us with the ability to act when opportunities present themselves in whatever format including merchandising, store acquisition/construction, system replacements/upgrading or expansion by acquisition.

The Company's Hong Kong office continues to serve the Company well, with over 120 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners.

We believe that our merchandise offerings will continue to remain attractive values to the consumer. The Company has a strong balance sheet, with excellent liquidity and borrowing capacity. Its systems, including merchandise procurement, inventory control, planning, allocation and distribution, distribution centre management, point-of-sale, financial management and information technology are fully integrated. The Company is committed to continue to invest in training for all levels of its employees.

Condensed Statements of Earnings

(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	For the three months ended	
	April 28, 2012	**April 30, 2011**
Sales	**$ 217,094**	$ 219,296
Cost of goods sold (note 6)	**76,778**	74,941
Gross profit	**140,316**	144,355
Selling and distribution expenses	**129,468**	129,225
Administrative expenses	**10,958**	10,112
Results from operating activities	**(110)**	5,018
Finance income (note 12)	**1,204**	1,164
Finance costs (note 12)	**1,304**	5,313
(Loss) earnings before income taxes	**(210)**	869
Income tax (recovery) expense (note 11)	**(157)**	245
Net (loss) earnings	**$ (53)**	$ 624
Earnings per share (note 13):		
Basic	**$ 0.00**	$ 0.01
Diluted	**0.00**	0.01

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Condensed Statements of Comprehensive Income

(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended	
	April 28, 2012	**April 30, 2011**
Net (loss) earnings	**$ (53)**	$ 624
Other comprehensive income:		
Net change in fair value of available-for-sale financial assets (net of tax of $29; 2011 – $60)	**(197)**	401
Total comprehensive (loss) income	**$ (250)**	$ 1,025

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Condensed Balance Sheets

(Unaudited)
(in thousands of Canadian dollars)

	April 28, 2012	April 30, 2011	January 28, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 4)	**$ 138,187**	$ 176,871	$ 196,835
Marketable securities	**71,321**	70,979	71,442
Trade and other receivables	**3,783**	4,214	3,033
Derivative financial asset (note 5)	**74**	–	751
Income taxes recoverable	**15,507**	10,846	4,735
Inventories	**102,625**	99,066	78,285
Prepaid expenses	**12,330**	12,715	11,902
Total Current Assets	**343,827**	374,691	366,983
NON-CURRENT ASSETS			
Property and equipment	**191,577**	189,487	184,221
Intangible assets	**17,329**	14,012	17,057
Goodwill	**42,426**	42,426	42,426
Deferred income taxes	**23,198**	19,438	23,174
Total Non-Current Assets	**274,530**	265,363	266,878
Total Assets	**$ 618,357**	$ 640,054	$ 633,861
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables (note 7)	**$ 71,616**	$ 67,940	$ 63,875
Derivative financial liability (note 5)	**914**	–	1,505
Deferred revenue (note 8)	**13,557**	13,870	22,278
Current portion of long-term debt	**1,497**	1,406	1,474
Total Current Liabilities	**87,584**	83,216	89,132
NON-CURRENT LIABILITIES			
Other payables (note 7)	**11,095**	10,393	11,110
Deferred revenue (note 8)	**–**	2,395	–
Deferred lease credits	**16,768**	18,112	17,317
Long-term debt	**8,191**	9,688	8,573
Pension liability	**15,044**	13,876	14,877
Total Non-Current Liabilities	**51,098**	54,464	51,877
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**39,890**	31,426	39,890
Contributed surplus	**5,348**	6,291	5,158
Retained earnings	**425,897**	456,113	439,067
Accumulated other comprehensive income (note 9)	**8,540**	8,544	8,737
Total Shareholders' Equity	**479,675**	502,374	492,852
Total Liabilities and Shareholders' Equity	**$ 618,357**	$ 640,054	$ 633,861

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Condensed Statements of Changes in Shareholders' Equity

(Unaudited)
(in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at January 29, 2012		**$ 39,890**	**$ 5,158**	**$ 439,067**	**$ 8,737**	**$ 492,852**
Share-based compensation costs	10	**–**	**190**	**–**	**–**	**190**
Net loss		**–**	**–**	**(53)**	**–**	**(53)**
Dividends	9	**–**	**–**	**(13,117)**	**–**	**(13,117)**
Net change in fair value of available-for-sale financial assets (net of tax of $29)	12	**–**	**–**	**–**	**(197)**	**(197)**
Balance as at April 28, 2012		**$ 39,890**	**$ 5,348**	**$ 425,897**	**$ 8,540**	**$ 479,675**
Balance as at January 30, 2011		$ 29,614	$ 6,266	$ 468,777	$ 8,143	$ 512,800
Cash consideration on exercise of share options	9	1,443	–	–	–	1,443
Ascribed value credited to share capital from exercise of share options	9	369	(369)	–	–	–
Share-based compensation costs	10	–	394	–	–	394
Net earnings		–	–	624	–	624
Dividends	9	–	–	(13,288)	–	(13,288)
Net change in fair value of available-for-sale financial assets (net of tax of $60)	12	–	–	–	401	401
Balance as at April 30, 2011		$ 31,426	$ 6,291	$ 456,113	$ 8,544	$ 502,374

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Condensed Statements of Cash Flows

(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended	
	April 28, 2012	**April 30, 2011**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (loss) earnings	**$ (53)**	$ 624
Adjustments for:		
Depreciation and amortization	**13,797**	14,485
Share-based compensation costs	**190**	394
Amortization of deferred lease credits	**(1,194)**	(1,214)
Deferred lease credits	**645**	315
Pension contribution	**(163)**	(129)
Pension expense	**330**	379
Net change in fair value of derivatives	**86**	–
Foreign exchange loss	**623**	2,931
Interest and dividend income, net	**(1,047)**	(985)
Interest paid	**(157)**	(179)
Interest received	**368**	322
Dividends received	**868**	862
Income tax (recovery) expense	**(157)**	245
	14,136	18,050
Changes in:		
Trade and other receivables	**(782)**	(1,368)
Inventories	**(24,340)**	(25,865)
Prepaid expenses	**(428)**	(224)
Trade and other payables	**6,546**	6,143
Deferred revenue	**(8,721)**	(5,953)
Cash used in operating activities	**(13,589)**	(9,217)
Income taxes paid	**(10,610)**	(15,566)
Net cash flows used in operating activities	**(24,199)**	(24,783)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of marketable securities	**(105)**	(105)
Additions to property and equipment and intangible assets	**(20,245)**	(13,162)
Cash flows used in investing activities	**(20,350)**	(13,267)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Dividends paid	**(13,117)**	(13,288)
Repayment of long-term debt	**(359)**	(337)
Proceeds from exercise of share options	**–**	1,443
Cash flows used in financing activities	**(13,476)**	(12,182)
FOREIGN EXCHANGE LOSS ON CASH HELD IN FOREIGN CURRENCY	**(623)**	(2,931)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(58,648)**	(53,163)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**196,835**	230,034
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 138,187**	$ 176,871

Supplementary cash flow information (note 14)

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Notes
to the Condensed Interim Financial Statements

(Unaudited)

1. REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 3300 Highway #7 West, Suite 702, Vaughan, Ontario L4K 4M3. The principal business activity of the Company is the sale of women's wear at retail.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements. These condensed interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Accordingly, these condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements and the notes thereto for the year ended January 28, 2012.

These condensed interim financial statements were approved for issue by the Board of Directors on May 29, 2012.

b) Basis of Measurement

These condensed interim financial statements have been prepared on the historical cost basis except for the following material items:

- available-for-sale financial assets are measured at fair value through other comprehensive income;
- the pension liability is recognized as the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service cost; and
- derivative financial instruments are measured at fair value.

c) Seasonality of Interim Operations

The retail business is seasonable and the results of operations for any interim period are not necessarily indicative of the results of operation for the full fiscal year or any future period.

d) Functional and Presentation Currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

e) Estimates, Judgments and Assumptions

The preparation of the condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are as those applied and described in the Company's audited annual financial statements for the year ended January 28, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited annual financial statements for the year ended January 28, 2012 have been applied consistently in the preparation of these unaudited condensed interim financial statements.

a) New Standards and Interpretations Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended April 28, 2012 and have not been applied in preparing these condensed interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

On December 16, 2011, the IASB issued amendments to IFRS 7 which increases the disclosure requirements for transactions involving offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 9 – Financial Instruments

On November 12, 2009, the IASB issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9") which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities and was initiated in response to the crisis in financial markets. On December 16, 2011, the IASB deferred the effective date to annual periods beginning on or after January 1, 2015.

IFRS 13 – Fair Value Measurement

On May 12, 2011, the IASB issued a new standard, IFRS 13, *Fair Value Measurements* ("IFRS 13"), which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted.

IAS 1 – Presentation of Financial Statements

Amendments to IAS 1, *Presentation of Financial Statements* enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings in the future from those that would never be reclassified to the statement of earnings. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 19 – Employee Benefits

Amendments to IAS 19, *Employee Benefits* include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

The extent of the impact of adoption of the above noted standards and interpretations on the condensed interim financial statements of the Company has not yet been determined.

4. CASH AND CASH EQUIVALENTS

	April 28, 2012	April 30, 2011	January 28, 2012
Cash on hand and with banks	**$ 12,267**	$ 9,969	$ 12,563
Short-term deposits, bearing interest at 0.9% (April 30, 2011 – 0.5%; January 28, 2012 – 0.9%)	**125,920**	166,902	184,272
	$ 138,187	$ 176,871	$ 196,835

5. FINANCIAL INSTRUMENTS

The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar ("USD"). These option contracts will expire within the next three months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign currency option contracts outstanding for each of the periods listed are as follows:

	April 28, 2012			
	Notional Amount in USD	Derivative Asset	Derivative Liability	Net
Put options sold	$ 18,000	$ 74	$ –	$ 74
Call options purchased	(42,000)	–	(914)	(914)
	$ (24,000)	**$ 74**	**$ (914)**	**$ (840)**

	January 28, 2012			
	Notional Amount in USD	Derivative Asset	Derivative Liability	Net
Put options sold	$ 44,000	$ 751	$ –	$ 751
Call options purchased	(100,000)	–	(1,505)	(1,505)
	$ (56,000)	**$ 751**	**$ (1,505)**	**$ (754)**

As of April 30, 2011, there were no foreign currency option contracts outstanding.

6. INVENTORIES

During the three months ended April 28, 2012, inventories recognized as cost of goods sold amounted to $75,025 (April 30, 2011 – $73,092). In addition, $1,753 (April 30, 2011 – $1,849) of write-downs of inventory as a result of net realizable value being lower than cost was recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

7. TRADE AND OTHER PAYABLES

	April 28, 2012	April 30, 2011	January 28, 2012
Trade payables	**$ 36,460**	$ 23,760	$ 26,155
Non-trade payables due to related parties	**44**	56	56
Other non-trade payables	**9,202**	11,550	10,553
Personnel liabilities	**21,389**	28,000	23,053
Payables relating to premises	**14,235**	13,552	14,398
Provision for sales returns	**1,381**	1,415	770
	82,711	78,333	74,985
Less non-current portion	**11,095**	10,393	11,110
	$ 71,616	$ 67,940	$ 63,875

The non-current portion of trade and other payables, which is included in payables relating to premises, represents the portion of deferred rent to be amortized beyond the next twelve months.

8. DEFERRED REVENUE

Deferred revenue consists of the following:

	April 28, 2012	April 30, 2011	January 28, 2012
Loyalty points and awards granted under loyalty programs	**$ 6,901**	$ 9,268	$ 10,979
Unredeemed gift cards	**6,656**	6,997	11,299
	13,557	16,265	22,278
Less amounts expected to be redeemed in the next twelve months	**13,557**	13,870	22,278
Deferred revenue – non-current	**$ –**	$ 2,395	$ –

9. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The change in share capital for each of the periods listed was as follows:

	For the three months ended			
	April 28, 2012		April 30, 2011	
	Number of shares (in 000's)	Carrying amount	Number of shares (in 000's)	Carrying amount
Common shares				
Balance at beginning and end of the period	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning of the period	**52,146**	**39,408**	52,869	29,132
Shares issued pursuant to exercise of share options	**–**	**–**	118	1,812
Balance at end of the period	**52,146**	**39,408**	52,987	30,944
Total share capital	**65,586**	**$ 39,890**	66,427	$ 31,426

Authorized Share Capital

The Company has authorized for issuance an unlimited number of Common shares and Class A non-voting shares. Both Common shares and Class A non-voting shares have no par value. All issued shares are fully paid.

The Common shares and Class A non-voting shares of the Company rank equally and pari passu with respect to the right to receive dividends and upon any distribution of the assets of the Company. However, in the case of share dividends, the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares and the holders of Common shares shall have the right to receive Common shares.

Issuance of Class A Non-Voting Shares

During the three months ended April 28, 2012, there were no Class A non-voting shares issued as a result of the exercise of vested options arising from the Company's share option program (April 30, 2011 – 118,000). As of April 30, 2011 the amounts credited to share capital from the exercise of share options include a cash consideration of $1,443, as well as an ascribed value from contributed surplus of $369.

Purchase of Shares for Cancellation

In November 2011, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,580,000 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 14, 2011. The bid commenced on November 28, 2011 and may continue to November 27, 2012. No Class A non-voting shares were purchased during the three months ended April 28, 2012.

Accumulated Other Comprehensive Income ("AOCI")
AOCI is comprised of the following:

	April 28, 2012	April 30, 2011	January 28, 2012
Net change in fair value of available-for-sale financial assets, net of taxes	**$ 8,540**	$ 8,544	$ 8,737

Dividends
The following dividends were declared and paid by the Company:

	For the three months ended	
	April 28, 2012	April 30, 2011
Common shares and Class A non-voting shares	**$ 13,117**	$ 13,288

10. SHARE-BASED PAYMENTS

a) Description of the Share-Based Payment Arrangements

The Company has a share option plan that provides that up to 10% of the Class A non-voting shares outstanding, from time to time, may be issued pursuant to the exercise of options granted under the plan to key management and employees. The granting of options and the related vesting period, which is normally up to 5 years, are at the discretion of the Board of Directors and the options have a maximum term of 10 years. The exercise price payable for each Class A non-voting share covered by a share option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's shares on the trading day immediately preceding the effective date of the grant.

b) Disclosure of Equity-Settled Share Option Plan

Changes in outstanding share options were as follows:

	For the periods ended			
	April 28, 2012		April 30, 2011	
	Options (000's)	Weighted Average Exercise Price	Options (000's)	Weighted Average Exercise Price
Outstanding, at beginning of period	**1,945**	**$ 15.07**	3,095	$ 14.58
Exercised	**–**	**–**	(118)	12.23
Forfeited	**(75)**	**14.50**	(110)	14.93
Expired	**(50)**	**19.23**	–	–
Outstanding, at end of period	**1,820**	**$ 14.98**	2,867	$ 14.67
Options exercisable, at end of period	**188**	**$ 18.70**	826	$ 14.00

The weighted average share price at the date of exercise for the share options exercised during the three months ended April 30, 2011 was $17.67.

c) Employee Expense

For the three months ended April 28, 2012, the Company recognized compensation costs of $190 relating to share-based payment arrangements ($394 for the three months ended April 30, 2011), with a corresponding credit to contributed surplus.

11. INCOME TAX

Income Tax Expense

The Company's income tax expense is comprised as follows:

	April 28, 2012	April 30, 2011
Current period income tax recovery	**$ (60)**	$ (1,078)
Adjustment for prior years taxes	**(102)**	(201)
Current income tax recovery	**(162)**	(1,279)
Deferred tax expense	**5**	1,524
Income tax (recovery) expense	**$ (157)**	$ 245
Effective income tax rate	**74.76%**	28.19%

12. FINANCE INCOME AND FINANCE COSTS

Recognized in Net Earnings

	For the three months ended	
	April 28, 2012	April 30, 2011
Dividend income from available-for-sale financial assets	**$ 874**	$ 880
Interest income from loans and receivables	**330**	284
Finance income	**1,204**	1,164
Interest expense – mortgage	**157**	179
Net change in fair value of derivatives	**86**	–
Foreign exchange loss	**1,061**	5,134
Finance costs	**1,304**	5,313
Net finance costs recognized in net earnings	**$ (100)**	$ (4,149)

Recognized in Other Comprehensive Income

	For the three months ended	
	April 28, 2012	April 30, 2011
Net change in fair value of available-for-sale financial assets arising during the period (net of tax of $29; $60 for the three months ended April 30, 2011)	**$ (197)**	$ 401
Finance (costs) income recognized in other comprehensive income (net of tax)	**$ (197)**	$ 401

Notes to the Condensed Interim Financial Statements

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on a net loss for the three months ended April 28, 2012 of $53 (net earnings of $624 for the three months ended April 30, 2011).

The number of shares (in thousands) used in the earnings per share calculation is as follows:

	For the three months ended	
	April 28, 2012	April 30, 2011
Weighted average number of shares per basic earnings per share calculations	**65,586**	66,349
Effect of dilutive share options outstanding	**–**	353
Weighted average number of shares per diluted earnings per share calculations	**65,586**	66,702

As at April 28, 2012, a total of 1,820,000 (April 30, 2011 – 388,000) share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive, because the exercise prices were greater than the average market price of the shares during the period.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

14. SUPPLEMENTARY CASH FLOW INFORMATION

	April 28, 2012	April 30, 2011	January 28, 2012
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 4,208**	$ 736	$ 3,028
Ascribed value credited to share capital from exercise of share options	**–**	369	2,228

15. FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three months ended April 28, 2012 from those described in the Company's audited annual financial statements for the year ended January 28, 2012.

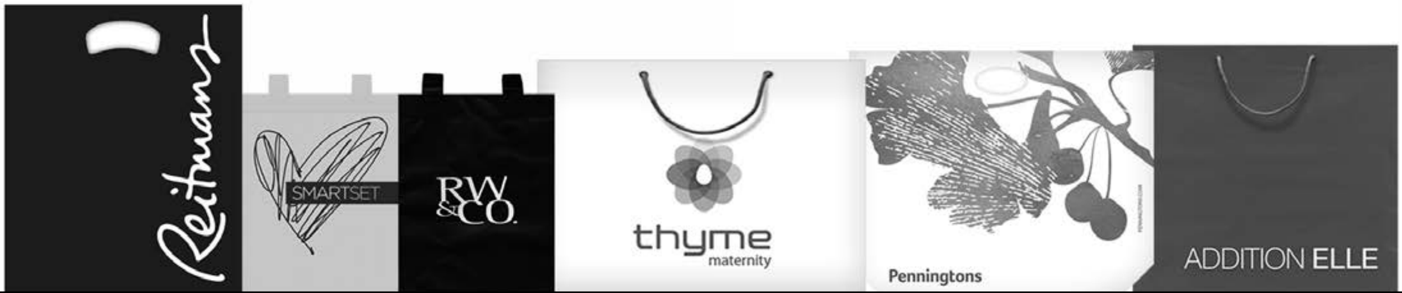
16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Stores
Across Canada

925

	Reitmans	Smart Set	RW & CO.	Thyme	Penningtons	Addition Elle	
Newfoundland	14	3	1	-	4	2	**24**
Prince Edward Island	2	3	-	-	1	-	**6**
Nova Scotia	19	5	1	2	9	2	**38**
New Brunswick	16	6	3	1	4	5	**35**
Québec	84	42	15	21	26	29	**217**
Ontario	119	54	25	26	56	39	**319**
Manitoba	13	5	2	2	5	4	**31**
Saskatchewan	12	3	-	2	6	5	**28**
Alberta	43	17	9	11	22	16	**118**
British Columbia	40	15	10	9	21	12	**107**
Northwest Territories	1	-	-	-	-	-	**1**
Yukon	1	-	-	-	-	-	**1**
Total	**364**	**153**	**66**	**74**	**154**	**114**	**925**



Inspired by role models not supermodels, Reitmans offers affordable, stylish fashions designed to fit everybody and every body. Operating **364 STORES** averaging 4,600 sq. ft., Reitmans, Canada's largest women's apparel specialty chain and leading fashion brand, has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. Reitmans, designed for real life. Reitmans fashions can also be purchased online at reitmans.com.

With **153 STORES**, Smart Set is Canada's fashion destination for young stylish women aged 25 to 35. Averaging 3,400 sq. ft., Smart Set's energetic environment provides our customer with the fashions she needs to create her own lifestyle wardrobe. Smart Set offers great value in a wide assortment of styles from workwear essentials and accessories, to activewear and city casual clothing.

Established in 1999, RW & CO. is a young and energetic fashion lifestyle brand that continues to grow, with **66 STORES** across Canada, averaging 4,500 sq. ft. in premium locations in major shopping malls. Focusing on Him and Her ages 25–35, RW & CO. blends style, aspiration, quality and a unique attention to detail into a fashion brand that is unique and incomparable in Canada.

Thyme, Canada's leading maternity fashion brand, offers all pregnant women current maternity styles with expert and friendly staff. Thyme caters to all pregnant women who want to stay fun-loving and stylish throughout their pregnancy. Thyme operates **74 STORES** averaging 2,400 sq. ft. in major malls and power centres.

Averaging 6,100 sq. ft., Penningtons stores offer a versatile selection of affordable fashion, which includes everyday apparel, lingerie, sleepwear, outerwear, dresses, activewear, swimwear, accessories, hosiery and more – in sizes 14 to 32. At each one of our **154 STORES** across Canada, our knowledgeable and friendly sales staff will expertly assist our customer when it comes to selecting clothing that will fit their personal style and suit their shape. Our goal is to make it relaxing and easy for our customers to shop. Visit penningtons.com to learn about our stylish outfits or shop online.

At Addition Elle we champion the belief that size shouldn't limit a woman's access to fashionable and trend right clothing. Operating **114 STORES** across Canada, Addition Elle offers a complete assortment from intimate apparel, polished career to casual fashion denim, trendy MXM, accessories and outerwear that bridges fashion with our notable fits to provide our clientele modern, figure flattering clothing. Averaging 6,200 sq. ft., Addition Elle stores are located in power centres and malls across Canada. Addition Elle fashions can also be purchased online at additionelle.com.

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Stock Symbols
THE TORONTO STOCK EXCHANGE

Common	**RET**
Class A non-voting	**RET.A**

Une version française de ce rapport peut être obtenue en écrivant au secrétaire de Reitmans (Canada) Limitée, 250, rue Sauvé ouest, Montréal, Québec H3L 1Z2

Reitmans

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RW & CO.

Thyme

Penningtons

Addition Elle

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