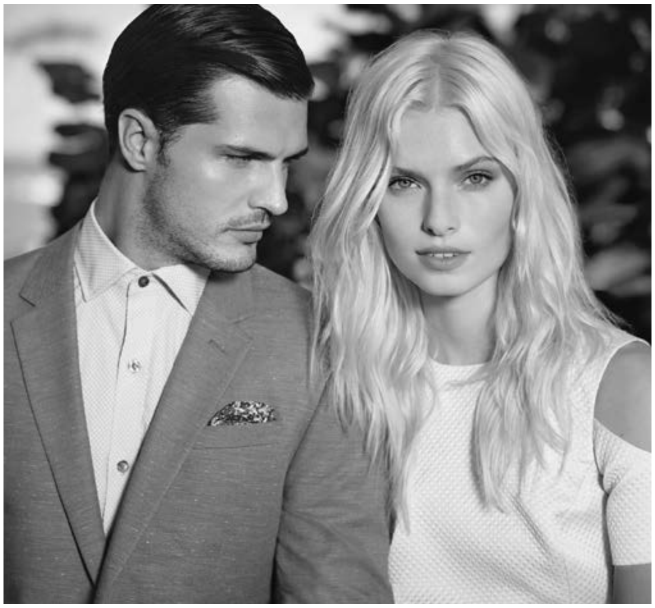
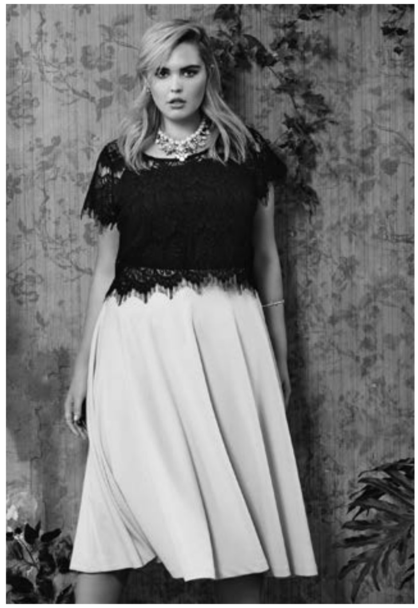
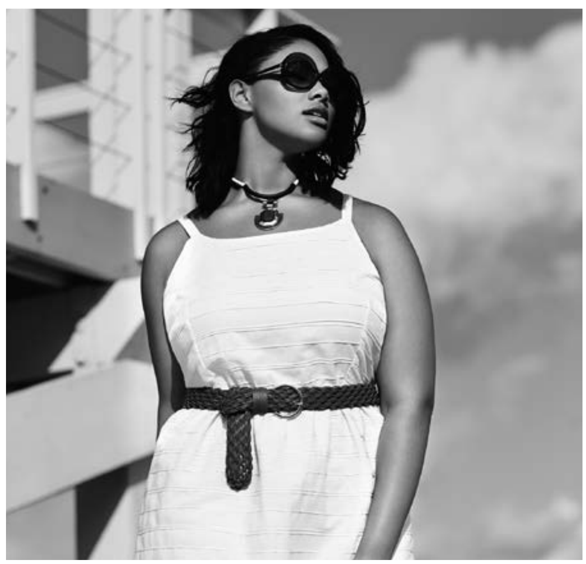



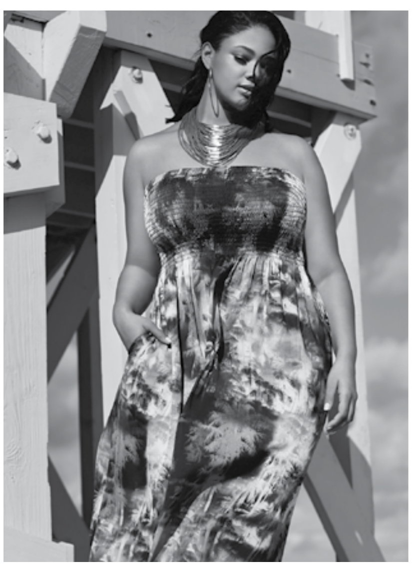
INTERIM REPORT FOR THE THREE MONTHS ENDED **MAY 2, 2015**

Reitmans
(CANADA) LIMITED

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.



TO OUR **SHAREHOLDERS**

Sales for the three months ended May 2, 2015 were $201.7 million as compared with $206.5 million for the three months ended May 3, 2014, a decrease of 2.3%, with 52 fewer stores in operation. Same store sales[1] increased by 3.0% with mall and power centre stores increasing 0.3% and e-commerce sales increasing 97.7%.

Gross margin for the three months ended May 2, 2015 increased to 59.5% from 58.0% for the three months ended May 3, 2014, largely due to improved margins in the plus-size banners and e-commerce. The Company's gross profit includes changes in fair value on foreign exchange contracts not eligible for hedge accounting previously reported in finance income or finance costs. For the three months ended May 2, 2015 a loss of $2.3 million on these contracts is included in gross profit (loss of $3.0 million for the three months ended May 3, 2014).

Net loss for the three months ended May 2, 2015 was $7.7 million ($0.12 diluted loss per share) as compared with a net loss of $13.4 million ($0.21 diluted loss per share) for the three months ended May 3, 2014. Adjusted EBITDA[1] for the three months ended May 2, 2015 was $2.3 million as compared with an adjusted EBITDA[1] loss of $4.1 million for the three months ended May 3, 2014, an increase of $6.4 million. The reduction of the net loss and the improvement of the adjusted EBITDA[1] was primarily attributable to improved gross margins and reduced operating costs both at store level and head office in the first quarter ended May 2, 2015.

During the quarter, the Company opened 7 new stores and closed 20. Accordingly, at May 2, 2015, there were 810 stores in operation, consisting of 337 Reitmans, 138 Penningtons, 107 Addition Elle, 78 RW&CO., 68 Thyme Maternity and 82 Smart Set. The Company also operates 21 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada.

Sales for the month of May (the four weeks ended May 30, 2015) decreased 2.3% with same store sales[1] increasing 1.5%, mall and power centre stores decreasing 0.4% and e-commerce sales increasing 70.9%.

At the Board of Directors meeting held on June 2, 2015, a quarterly cash dividend (constituting eligible dividends) of $0.05 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable July 30, 2015 to shareholders of record on July 16, 2015.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, June 2, 2015

[1] Please refer to the note on non-GAAP financial measures included in the Management's Discussion & Analysis.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Reitmans as at and for the fiscal period ended May 2, 2015 ("first quarter of fiscal 2016") and the audited annual consolidated financial statements for the fiscal year ended January 31, 2015 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated June 2, 2015.

All financial information contained in this MD&A and Reitmans' unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this MD&A are in millions of Canadian dollars, except per share amounts. The unaudited condensed consolidated interim financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on June 2, 2015.

Additional information about Reitmans is available on the Company's website at www.reitmanscanadalimited.com 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, including those described in the "Operating Risk Management" and "Financial Risk Management" sections of this MD&A. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes are appropriate in the circumstances. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results and events, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. The reader should not place undue reliance on any 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 earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a non-GAAP financial measure. Adjusted EBITDA is defined as net earnings before income tax expense, other income, dividend income, interest income, net change in fair value of marketable securities, realized gains or losses on disposal of available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses. The following table reconciles the most comparable GAAP measure, net earnings, to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend and interest income eliminates the impact of revenue derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

The Company uses a key performance indicator ("KPI"), same store sales, to assess store performance (including each banner's e-commerce store) and sales growth. Same store sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. The same store sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses same store sales in evaluating the performance of stores and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Same store sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Same store sales should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net loss to adjusted EBITDA for the three months ended May 2, 2015 and May 3, 2014:

(in millions of Canadian dollars)
(unaudited)

	MAY 2, 2015	MAY 3, 2014
Net loss	**$ (7.7)**	$ (13.4)
Depreciation, amortization and net impairment losses	**11.9**	13.5
Dividend income	**(0.7)**	(0.7)
Interest income	**(0.2)**	(0.2)
Net change in fair value of marketable securities	**1.2**	–
Interest expense	**0.1**	0.1
Income tax recovery	**(2.3)**	(3.4)
Adjusted EBITDA	**$ 2.3**	$ (4.1)
Adjusted EBITDA as % of sales	**1.1%**	(2.0%)

CORPORATE OVERVIEW

The Company has a single reportable segment which derives its revenue from the sale of ladies' specialty apparel to consumers through its six retail banners. The Company's stores are primarily located in malls and retail power centres across Canada. The Company currently operates under the following banners:

The Reitmans banner, operating 337 stores averaging 4,600 sq. ft., is Canada's largest women's apparel specialty chain and leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise.

Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 14–32. Penningtons operates 138 stores in power centres across Canada averaging 6,000 sq. ft.

Addition Elle is a fashion destination for plus-size women with a focus on fashion, quality and fit delivering the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. Addition Elle operates 107 stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

RW & CO. operates 78 stores averaging 4,500 sq. ft. in premium locations in major shopping malls, catering to a customer with an urban mindset by offering fashions for men and women.

Thyme Maternity is a leading fashion brand for moms-to-be, offering current styles for every aspect of life, from casual to work, plus a complete line of nursing fashions and accessories. Thyme operates 68 stores averaging 2,300 sq. ft. in major malls and power centres across Canada. In addition, the Company operates 21 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada.

With 82 stores, averaging 3,400 sq. ft., Smart Set is a style destination offering the latest styles in women's fashions to mix, match and innovate from wear-to-work separates, denim, essentials and accessories.

On November 25, 2014 the Company announced its plan to close all Smart Set stores. Management determined that its optimum strategy to improve operating results was to refocus its sales and merchandising efforts either through conversion of Smart Set stores to other Company banners or through store closures. The majority of store conversions will occur by October 31, 2015 while the remaining stores are anticipated to close by the year ending January 28, 2017.

E-COMMERCE

The Company also offers e-commerce website shopping for all of its banners. These online channels offer customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands.

RETAIL BANNERS

	NUMBER OF STORES AT JANUARY 31, 2015	Q1 OPENINGS	Q1 CLOSINGS	NUMBER OF STORES AT MAY 2, 2015	NUMBER OF STORES AT MAY 3, 2014
Reitmans	341	–	(4)	337	345
Penningtons	139	1	(2)	138	146
Addition Elle	105	2	–	107	102
RW & CO.	76	3	(1)	78	77
Thyme Maternity [1]	68	1	(1)	68	68
Smart Set	94	–	(12)	82	124
Total	**823**	**7**	**(20)**	**810**	**862**

[1] Excludes boutiques in Babies"R"Us shop-in-shop locations.

Thyme Maternity shop-in-shop locations:

Babies"R"Us – Canada	21	–	–	21	23
Babies"R"Us – U.S. [2]	–	–	–	–	67
Total	**21**	**–**	**–**	**21**	**90**

[2] In June 2014, the remaining Thyme Maternity shop-in-shop boutiques in the U.S. were closed.

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.

STRATEGIC INITIATIVES

The Company has undertaken a number of strategic initiatives to enhance its brands, improve productivity and profitability at all levels through system advances and foster a culture of process improvements.

Ongoing and new Company initiatives include:

INITIATIVES	STATUS
The Company announced a plan to close the stores operating under the Smart Set banner.	Execution of its planned conversions to other Company banners and closures of the remaining Smart Set stores is progressing well. This strategy has improved operating results by allowing the Company to refocus its sales and merchandising efforts on the remaining banners.
In March 2015, the Company launched a Penningtons product offering through Amazon.com in the U.S.	This entrance into e-commerce in the U.S. provides the Company with an introduction of its plus-size offering in the U.S. market while leveraging its current buying and distribution systems. The Company is closely monitoring this initiative which is still in the early stages of operation.
The Company is committed to continued investment in e-commerce, including improvements in customer relationship management and technology.	The Company continues to invest in e-commerce, including the deployment of mobile technology. An initiative is underway to optimize the use of the Company's customer relationship database through technological improvements such as advanced email technology enabling targeted marketing. The Company is pleased with the continued growth in e-commerce sales.
Continuation of a companywide supply chain optimization and retail enterprise initiative, internally branded as "SCORE", focused on deploying best-in-class retail applications supported by a new and improved technology platform. SCORE will enable new processes that will permit flexibility and adaptability across the merchandising and supply chain operations.	Remaining phases of the SCORE project are on track for completion in fiscal 2017.
A comprehensive review of the Company's global sourcing strategy and execution continues with a goal of reducing lead time for bringing products to market.	This initiative is progressing well with significant milestone achievements. A corporate global sourcing unit has been developed with a goal of improving current sourcing practices, reducing costs and evaluating other sourcing opportunities. Vendor consolidation has been achieved and further improvements in the supply chain are ongoing.
A corporate initiative aimed at reducing costs across the Company was introduced which included a review of head office activities and processes targeted at improving efficiencies.	Process improvements continue to be implemented and have resulted in savings with further continuing improvements in efficiencies.

OPERATING RESULTS FOR THE THREE MONTHS ENDED MAY 2, 2015 ("FIRST QUARTER OF FISCAL 2016") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED MAY 3, 2014 ("FIRST QUARTER OF FISCAL 2015")

Sales for the first quarter of fiscal 2016 were $201.7 million as compared with $206.5 million for the first quarter of fiscal 2015, a decrease of 2.3%. Same store sales increased 3.0% with mall and power centre stores increasing 0.3% and e-commerce sales increasing 97.7%. The following factors impacted sales in the first quarter of fiscal 2016:

- a net reduction of 52 stores was primarily attributable to the closure of Smart Set stores;
- mall and power centre stores were impacted by e-commerce alternatives, a highly competitive environment and consumers with near record high debt levels;
- e-commerce sales continued to show strong growth, although representing a small proportion of total Company sales.

Gross profit for the first quarter of fiscal 2016 increased 0.3% to $120.1 million as compared with $119.8 million for the first quarter of fiscal 2015, an increase of $0.3 million. Gross margin for the first quarter of fiscal 2016 increased to 59.5% from 58.0% for the first quarter of fiscal 2015. Improvement in the gross margin is largely attributable to:

- improved margins in the plus-size banners and e-commerce;
- improved inventory management, reducing the negative effect of foreign exchange (average rate for the U.S. dollar ranging between $1.20 and $1.28 Canadian during the first quarter of fiscal 2016 as compared to $1.09 and $1.13 Canadian in the first quarter of fiscal 2015);
- a loss of $2.3 million for the first quarter of fiscal 2016 (loss of $3.0 million for the first quarter of fiscal 2015), representing changes in fair value on foreign exchange contracts not eligible for hedge accounting. Gains and losses on these foreign exchange contracts were previously reported in finance income and finance costs.

Selling and distribution expenses for the first quarter of fiscal 2016 decreased 5.1% or $6.4 million to $118.9 million as compared with $125.3 million for the first quarter of fiscal 2015. Factors contributing to this change included:

- a net decrease in stores, mainly due to the Smart Set closures;
- savings related to ongoing corporate cost reduction initiatives;
- lower net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures ($1.0 million for the first quarter of fiscal 2016 compared to $1.6 million for the first quarter of fiscal 2015). This decrease is primarily due to reduced impairment charges related to Thyme Maternity shop-in-shop boutiques in the U.S. and the Smart Set banner;
- a reduction in depreciation and amortization.

Administrative expenses for the first quarter of fiscal 2016 were $11.4 million comparable with $11.1 million for the first quarter of fiscal 2015. Depreciation, amortization and net impairment losses included in administrative expenses for the first quarter of fiscal 2016 were $0.4 million, compared to $0.7 million for the first quarter of fiscal 2015.

Net finance income recognized in net earnings was $0.2 million for the first quarter of fiscal 2016 as compared to net finance loss of $0.2 million for the first quarter of fiscal 2015, an increase of $0.4 million. This change is largely attributable to the following:

- a foreign exchange gain of $0.6 million for the first quarter of fiscal 2016 (loss of $0.9 million for the first quarter of fiscal 2015), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities; and
- a $1.2 million loss for the first quarter of fiscal 2016 compared to nil for the first quarter of fiscal 2015 due to a change in the fair value of marketable securities, as a result of the adoption of IFRS 9 (2014) *Financial Instruments* ("IFRS 9 (2014)") in the first quarter of fiscal 2016. The change in fair value in the previous fiscal period was recorded as part of other comprehensive income.

For the first quarter of fiscal 2016, loss before income taxes was $9.9 million as compared to a loss before income taxes of $16.8 million for the first quarter of fiscal 2015, a decrease of $6.9 million. Adjusted EBITDA for the first quarter of fiscal 2016 was $2.3 million as compared with an adjusted EBITDA loss of $4.1 million for the first quarter of fiscal 2015, an increase of $6.4 million. These improvements were primarily attributable to improved gross margins in the first quarter of fiscal 2016 as explained above combined with reduced operating costs both at the store level and head office. Previously reported initiatives aimed at reducing costs across the organization have yielded savings. A reduction in the number of employees in both head office and field operations, in conjunction with a reduction in the number of store locations, have resulted in wages and benefit savings. Additional savings have been achieved through improved cost management in non-wage areas.

Income tax recovery for the first quarter of fiscal 2016 amounted to $2.3 million for an effective tax rate of 22.8%. In the first quarter of fiscal 2015, income tax recovery amounted to $3.4 million for an effective tax recovery rate of 20.3%. The effective tax rate for the first quarter of fiscal 2016 was impacted by the change in the fair value of marketable securities due to the adoption of IFRS 9 (2014). The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net loss for the first quarter of fiscal 2016 was $7.7 million ($0.12 diluted loss per share) as compared with a net loss of $13.4 million ($0.21 diluted loss per share) for the first quarter of fiscal 2015.

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company enters into foreign exchange forward contracts to hedge a significant portion of its exposure to fluctuations in the value of the U.S. dollar generally up to twelve months in advance. In the first quarter of fiscal 2016, the Company satisfied its U.S. dollar requirements through a combination of foreign exchange forward and option contracts and spot purchases. The Company entered into transactions with its banks whereby it purchased forward and call options and sold put options, all on the U.S. dollar. Purchased call options and sold put options expiring on the same date have the same strike price.

In the first quarter of fiscal 2016, these merchandise purchases, payable in U.S. dollars, approximated $68 million U.S. The Company's U.S. dollar holdings, along with contracts to purchase U.S. dollars are sufficient to satisfy over 80% of projected U.S. dollar denominated merchandise purchases for the fiscal year ending January 30, 2016 with any additional requirements being met through spot U.S. dollar purchases. In the first quarter of fiscal 2016, the Company recorded a $4.2 million mark-to-market foreign exchange loss as a component of other comprehensive income related to foreign exchange contracts that it designated as cash flow hedging instruments under IFRS 9 (2014).

Details of the foreign currency contracts outstanding as at May 2, 2015 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	**$ 1.204**	**$ 109.5**	**$ 1.7**	**$ –**	**$ 1.7**
Call options purchased	**$ 1.188**	**$ 23.0**	**1.0**	**–**	**1.0**
Put options sold	**$ 1.188**	**$ 11.5**	**–**	**(0.2)**	**(0.2)**
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	**$ 1.077**	**$ 20.0**	**2.8**	**–**	**2.8**
Put options sold	**$ 1.077**	**$ 40.0**	**–**	**–**	**–**
			$ 5.5	**$ (0.2)**	**$ 5.3**

Details of the foreign currency option contracts outstanding as at May 3, 2014 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.09	$ 166.0	$ 4.6	$ –	$ 4.6
Put options sold	$ 1.09	$ 282.0	–	(2.9)	(2.9)
			$ 4.6	$ (2.9)	$ 1.7

Details of the foreign currency contracts outstanding as at January 31, 2015 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	$ 1.183	$ 69.5	$ 6.3	$ –	$ 6.3
Call options purchased	$ 1.188	$ 23.0	2.1	–	2.1
Put options sold	$ 1.188	$ 11.5	–	(0.1)	(0.1)
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.081	$ 64.0	12.2	–	12.2
Put options sold	$ 1.081	$ 128.0	–	–	–
			$ 20.6	$ (0.1)	$ 20.5

[1] Fair value through profit or loss ("FVTPL") are held as economic hedges.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected consolidated financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS. All references to "2016" are to the Company's fiscal year ending January 30, 2016, to "2015" are to the Company's fiscal year ending January 31, 2015 and to "2014" are to the Company's fiscal year ended February 1, 2014.

	FIRST QUARTER		FOURTH QUARTER		THIRD QUARTER		SECOND QUARTER	
	2016	2015	2015	2014	2015	2014	2015	2014
Sales	$ 201.7	$ 206.5	$ 236.3	$ 240.7	$ 238.3	$ 249.4	$ 258.3	$ 253.4
Net earnings (losses)	(7.7)	(13.4)	4.4	(2.6)	12.9	5.8	9.6	10.2
Earnings (losses) per share								
Basic	$ (0.12)	$ (0.21)	$ 0.07	$ (0.04)	$ 0.20	$ 0.09	$ 0.15	$ 0.16
Diluted	(0.12)	(0.21)	0.07	(0.04)	0.20	0.09	0.15	0.16

Fluctuations in the above-noted quarterly financial information reflect the underlying operations of the Company as well as the impact of pre-closing merchandise discounting at the Thyme Maternity shop-in-shop boutiques in the U.S. in the fourth quarter of fiscal 2014. Financial results are also affected by seasonality and the timing of holidays. Due to seasonality the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

BALANCE SHEET

Selected line items from the Company's balance sheets as at May 2, 2015, January 31, 2015 and May 3, 2014 are presented below:

	MAY 2, 2015	JANUARY 31, 2015	MAY 3, 2014
Cash and cash equivalents	**$ 67.7**	$ 139.9	$ 67.8
Marketable securities	**58.9**	57.4	55.0
Net derivative financial asset	**5.3**	20.5	1.7
Inventories	**135.0**	106.4	120.7
Prepaid expenses	**24.4**	12.1	25.8
Property and equipment & intangible assets	**168.4**	172.5	187.9
Trade and other payables	**79.9**	101.6	83.9
Deferred revenue	**16.1**	21.1	15.5

Significant changes in selected items at May 2, 2015 as compared to January 31, 2015 were primarily due to:

- cash and cash equivalents decreased due to non-cash working capital items including inventory build-up and higher prepaid balances;
- the Company has recorded a net derivative financial asset, related to foreign exchange contracts. The reduction in the net derivative financial asset is attributable to the impact of negative mark-to-market adjustments on foreign exchange contracts;
- inventories were higher due to the impact of a weaker Canadian dollar vis-à-vis the U.S. dollar resulting in increased merchandise costs along with the anticipated build-up of inventories for the spring and summer selling seasons;
- increased prepaid expenses at May 2, 2015 as compared to January 31, 2015 is principally due to rent and common area charges that were paid and classified as prepaid items;
- trade and other payables were lower mainly due to the timing of payments for trade payables and various sales and withholding taxes. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities;
- deferred revenue decreased largely due to the timing of loyalty reward program incentives and a lower gift card liability due to the traditional pattern of redemption of gift cards from the Christmas holiday season. Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed.

OPERATING RISK MANAGEMENT

ECONOMIC ENVIRONMENT

Economic factors that impact consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Company's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the Company. 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 credit resources to draw upon as deemed necessary.

COMPETITIVE ENVIRONMENT

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. If the Company is ineffective in responding to consumer trends or in executing its strategic plans its financial performance could be negatively affected. 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 continuing 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. The Company also offers an e-commerce alternative for shoppers through each of the banners' websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Company has invested significantly in its e-commerce websites and social media to drive consumers to the websites and believes that it is positioned well to compete in this environment.

SEASONALITY

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 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 embarked on a major systems development project in 2010. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2017. Any significant disruptions in the performance of distribution or any other systems could have a material adverse impact on the Company's operations and financial results.

GOVERNMENT LAWS AND 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.

Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including income, capital, property and other taxes, and laws affecting the importation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders in a timely manner could subject the Company to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could negatively affect the reputation, operations and financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

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 2016, no supplier represented more than 12% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and international) 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 prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

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 could 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.

PRIVACY AND INFORMATION SECURITY

The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and employees and has adopted a Privacy Policy setting out guidelines for the handling of personal information. The Company's IT systems contain personal information of customers, cardholders and employees. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations, including those in relation to personal information belonging to the Company's customers and employees, could negatively affect the reputation, operations and financial performance of the Company.

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 May 2, 2015 from those described in the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at May 2, 2015 amounted to $406.4 million or $6.29 per share (May 3, 2014 – $408.7 million or $6.33 per share; January 31, 2015 – $421.1 million or $6.52 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and cash equivalents and investments in marketable securities of $126.6 million as at May 2, 2015 (May 3, 2014 – $122.8 million; January 31, 2015 – $197.3 million). Cash is held in interest bearing accounts and in short-term deposits with major Canadian financial institutions. 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 $100.0 million or its U.S. dollar equivalent. As at May 2, 2015, $17.7 million (May 3, 2014 – $28.0 million; January 31, 2015 – $30.0 million) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for U.S. dollar letters of credit to satisfy international third-party vendors which require such backing before confirming purchase orders issued by the Company and to support U.S. dollar foreign exchange forward contract purchases. 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 May 2, 2015, the maximum potential liability under these guarantees was $5.0 million (May 3, 2014 – $5.0 million; January 31, 2015 – $5.0 million). The standby letters of credit mature at various dates during fiscal 2016. 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 continues repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $0.4 million in the first quarter of fiscal 2016. The Company paid $0.05 dividends per share in the first quarter of fiscal 2016 totalling $3.2 million compared to $0.05 dividends per share totalling $3.2 million in the first quarter of fiscal 2015. With regard to dividend policy, the Board of Directors considers the Company's earnings per share, cash flow from operations, the level of planned capital expenditures and its cash and marketable securities. The targeted payout ratio is approximately 50% to 80% of sustainable earnings per share, 50% to 75% of cash flow from operations with consideration as to the ability to augment the dividend from the liquidity on the Company's balance sheet, if these targets are missed in a given year. The Board of Directors reviews these guidelines regularly.

The Company embarked on a major systems development project ("SCORE") in 2010. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2017. Due to delays in the project, the total project costs have been increasing and most recent projected costs to completion are estimated at $40.0 million of which approximately $30.0 million has been incurred to date. The escalation in the SCORE project costs are a result of problems encountered during the warehouse management system deployment in fiscal 2013, which have been remedied, along with a longer deployment schedule than was originally planned.

In the first quarter of fiscal 2016, the Company invested $10.1 million, on a cash basis, primarily on new and renovated stores. In fiscal 2016, the Company expects to invest approximately $40.0 million in capital expenditures, including in its SCORE project. These expenditures, together with the payment of dividends, the repayments related to the Company's bank credit facility and long-term debt obligations, 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 consolidated financial statements for the year ended January 31, 2015.

OUTSTANDING SHARE DATA

At June 2, 2015, 13,440,000 Common shares and 51,145,706 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 3,105,400 share options outstanding at an average exercise price of $10.35. 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.

In the first quarter of fiscal 2016, the Company did not purchase any shares under the normal course issuer bid approved in December 2014. For further information with respect to the normal course issuer bid refer to the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

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 twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency option contracts and forward contracts with maturities not exceeding twelve months.

Details of the foreign currency option contracts outstanding as at May 2, 2015, May 3, 2014 and as at January 31, 2015 are included in the "Operating Results for the Three Months Ended May 2, 2015 and Comparison to Operating Results for the Three Months Ended May 3, 2014" section of this MD&A.

A foreign currency option contract represents an option (call option) or obligation (put option) to buy a foreign currency from a counterparty at a predetermined date and amount. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. 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.

RELATED PARTY TRANSACTIONS

There have been no significant changes in related party transactions from those disclosed in the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

FINANCIAL INSTRUMENTS

The Company is highly liquid with significant 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, marketable securities, trade and other receivables and foreign currency contracts. The Company reduces this risk by dealing only with highly-rated counterparties, normally 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 volatility of the U.S. dollar vis-à-vis the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, such as spot rate purchases and foreign exchange contracts, this volatility can result in exposure to risk.

KEY SOURCES OF ESTIMATION UNCERTAINTY

PENSION PLANS

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

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

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. For this purpose, the Company has developed assumptions regarding the quantity of merchandise sold below cost.

ASSET IMPAIRMENT

The Company must assess the possibility that the carrying amounts of tangible and intangible assets (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, and for goodwill and intangible assets with indefinite useful lives impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

NEW ACCOUNTING POLICIES ADOPTED IN THE FIRST QUARTER OF FISCAL 2016

ANNUAL IMPROVEMENTS TO IFRS (2010–2012) AND (2011–2013) CYCLES

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Most amendments applied prospectively for annual periods beginning on or after July 1, 2014. Adoption of these amendments did not have a material impact on the consolidated financial statements.

IFRS 9 (2014) – FINANCIAL INSTRUMENTS

The Company early adopted all of the requirements of IFRS 9 (2014), *Financial Instruments* ("IFRS 9 (2014)") with a date of initial application of February 1, 2015. This standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

The impact from the implementation of IFRS 9 (2014) can be found in Note 3 of the May 2, 2015 unaudited condensed consolidated interim financial statements.

NEW ACCOUNTING 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 May 2, 2015 and have not been applied in preparing the unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

DISCLOSURE INITIATIVE: AMENDMENTS TO IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed DC&P, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

The CEO and CFO have also designed ICFR, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The control framework used to design the Company's ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made to the Company's ICFR during the three-month period ended May 2, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OUTLOOK

The retail environment continues to be highly competitive with increased competition due to the entrance of new retailers in the Canadian marketplace. Additionally, consumers have many options available to respond to their shopping needs including traditional stores or e-commerce fulfillment. The decline in the Canadian dollar vis-à-vis the U.S. dollar contributes to reduced cross border shopping, however it also increases the cost of inputs for Canadian retailers. The Company considers these factors along with changes in consumer shopping behaviours and economic conditions when evaluating the Company's product sourcing and pricing strategies.

The Company has made significant changes in branding among its banners with consumers showing positive acceptance as the changes take effect. The decision to close the Smart Set banner demonstrates the Company's commitment to improving profitability and focusing its efforts on segments where it is dominant in the marketplace. The Company has invested considerably in its information technology and handling systems while reducing capital expenditures, significantly at store level. In addition, cost reduction and process improvement initiatives have started to yield results. In conjunction, the Company will leverage its technology with improved systems and processes as part of the SCORE project while continuing further process improvement initiatives.

The Company operates a Hong Kong office which is dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners. A comprehensive review of the Company's global sourcing strategy and execution has been undertaken with a goal of reducing lead time for bringing products to market.

The Company has a strong balance sheet, with excellent liquidity and borrowing capacity providing 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 believes in the strength of its employees and is committed to continue to invest in training for all levels.

CONDENSED CONSOLIDATED **STATEMENTS OF EARNINGS**

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)

	FOR THE THREE MONTHS ENDED MAY 2, 2015	MAY 3, 2014
Sales	**$ 201,731**	$ 206,478
Cost of goods sold (note 6)	**81,636**	86,708
Gross profit	**120,095**	119,770
Selling and distribution expenses	**118,881**	125,261
Administrative expenses	**11,378**	11,138
Results from operating activities	**(10,164)**	(16,629)
Finance income (note 12)	**1,477**	830
Finance costs (note 12)	**1,250**	1,041
Loss before income taxes	**(9,937)**	(16,840)
Income tax recovery (note 11)	**2,266**	3,425
Net loss	**$ (7,671)**	$ (13,415)
Loss per share (note 13):		
Basic	**$ (0.12)**	$ (0.21)
Diluted	**(0.12)**	(0.21)

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

CONDENSED CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	FOR THE THREE MONTHS ENDED MAY 2, 2015	MAY 3, 2014
Net loss	**$ (7,671)**	$ (13,415)
Other comprehensive (loss) income		
Items that are or may be reclassified subsequently to net earnings:		
Net change in fair value of available-for-sale financial assets (net of tax of $313 for 2014) (note 9)	**–**	2,050
Net loss on derivatives designated as cash flow hedges (net of tax of $1,506; 2014 – nil) (note 9)	**(4,169)**	–
Foreign currency translation differences	**182**	(173)
Total other comprehensive (loss) income	**(3,987)**	1,877
Total comprehensive loss	**$ (11,658)**	$ (11,538)

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

CONDENSED CONSOLIDATED
BALANCE SHEETS

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	MAY 2, 2015	MAY 3, 2014	JANUARY 31, 2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 4)	**$ 67,658**	$ 67,848	$ 139,913
Marketable securities	**58,933**	54,996	57,364
Trade and other receivables	**6,095**	7,131	4,599
Derivative financial asset (note 5)	**5,458**	4,627	20,635
Income taxes recoverable	**2,992**	9,069	1,977
Inventories (note 6)	**134,977**	120,742	106,440
Prepaid expenses	**24,396**	25,762	12,148
Total Current Assets	**300,509**	290,175	343,076
NON-CURRENT ASSETS			
Property and equipment	**147,461**	170,445	152,349
Intangible assets	**20,997**	17,440	20,077
Goodwill	**42,426**	42,426	42,426
Deferred income taxes	**30,397**	30,471	26,463
Total Non-Current Assets	**241,281**	260,782	241,315
TOTAL ASSETS	**$ 541,790**	$ 550,957	$ 584,391
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables (note 7)	**$ 70,442**	$ 72,590	$ 91,719
Derivative financial liability (note 5)	**132**	2,946	96
Deferred revenue (note 8)	**16,115**	15,527	21,073
Current portion of long-term debt	**1,808**	1,698	1,780
Total Current Liabilities	**88,497**	92,761	114,668
NON-CURRENT LIABILITIES			
Other payables (note 7)	**9,491**	11,323	9,903
Deferred lease credits	**12,120**	14,774	13,178
Long-term debt	**3,088**	4,898	3,551
Pension liability	**22,218**	18,464	21,968
Total Non-Current Liabilities	**46,917**	49,459	48,600
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**39,229**	39,227	39,227
Contributed surplus	**8,152**	7,261	8,014
Retained earnings (note 3a)	**357,681**	353,016	368,241
Accumulated other comprehensive income (note 3a and 9)	**1,314**	9,233	5,641
Total Shareholders' Equity	**406,376**	408,737	421,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 541,790**	$ 550,957	$ 584,391

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

CONDENSED CONSOLIDATED 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 February 1, 2015		**$ 39,227**	**$ 8,014**	**$ 368,241**	**$ 5,641**	**$ 421,123**
IFRS 9 (2014) adoption adjustment	3a	**–**	**–**	**340**	**(340)**	**–**
Adjusted balance as at February 1, 2015		**39,227**	**8,014**	**368,581**	**5,301**	**421,123**
Total comprehensive loss for the period						
Net loss		**–**	**–**	**(7,671)**	**–**	**(7,671)**
Total other comprehensive loss		**–**	**–**	**–**	**(3,987)**	**(3,987)**
Total comprehensive loss for the period		**–**	**–**	**(7,671)**	**(3,987)**	**(11,658)**
Contributions by (distributions to) owners of the Company						
Cash consideration on exercise of share options	9	**2**	**–**	**–**	**–**	**2**
Share-based compensation costs	10	**–**	**138**	**–**	**–**	**138**
Dividends	9	**–**	**–**	**(3,229)**	**–**	**(3,229)**
Total contributions by (distributions to) owners of the Company		**2**	**138**	**(3,229)**	**–**	**(3,089)**
Balance as at May 2, 2015		**$ 39,229**	**$ 8,152**	**$ 357,681**	**$ 1,314**	**$ 406,376**
Balance as at February 2, 2014		$ 39,227	$ 7,188	$ 369,660	$ 7,356	$ 423,431
Total comprehensive loss for the period						
Net loss		–	–	(13,415)	–	(13,415)
Total other comprehensive income		–	–	–	1,877	1,877
Total comprehensive loss for the period		–	–	(13,415)	1,877	(11,538)
Contributions by (distributions to) owners of the Company						
Share-based compensation costs	10	–	73	–	–	73
Dividends	9	–	–	(3,229)	–	(3,229)
Total contributions by (distributions to) owners of the Company		–	73	(3,229)	–	(3,156)
Balance as at May 3, 2014		$ 39,227	$ 7,261	$ 353,016	$ 9,233	$ 408,737

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

CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	FOR THE THREE MONTHS ENDED MAY 2, 2015	MAY 3, 2014
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	**$ (7,671)**	$ (13,415)
Adjustments for:		
Depreciation, amortization and net impairment losses	**11,880**	13,467
Share-based compensation costs	**138**	73
Amortization of deferred lease credits	**(1,443)**	(1,029)
Deferred lease credits	**385**	196
Pension contribution	**(275)**	(287)
Pension expense	**525**	492
Realized loss on sale of marketable securities	**–**	24
Impairment loss on available-for-sale financial assets	**–**	10
Net change in fair value of marketable securities	**1,168**	–
Net change in fair value of derivatives	**9,536**	7,029
Foreign exchange gain on cash and cash equivalents	**(946)**	(680)
Interest and dividend income, net	**(785)**	(698)
Interest paid	**(82)**	(108)
Interest received	**252**	198
Dividends received	**613**	810
Income tax recovery	**(2,266)**	(3,425)
	11,029	2,657
Changes in:		
Trade and other receivables	**(1,494)**	(916)
Inventories	**(28,537)**	(11,141)
Prepaid expenses	**(12,248)**	(13,250)
Trade and other payables	**(19,469)**	(18,128)
Deferred revenue	**(4,958)**	(4,471)
Cash used in operating activities	**(55,677)**	(45,249)
Income taxes received	**2**	–
Income taxes paid	**(1,178)**	(2,195)
Net cash flows used in operating activities	**(56,853)**	(47,444)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of marketable securities	**(2,736)**	(105)
Proceeds on sale of marketable securities	**–**	2,500
Proceeds on sale of trademarks	**–**	29
Additions to property and equipment and intangible assets	**(10,132)**	(6,335)
Cash flows used in investing activities	**(12,868)**	(3,911)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	**(3,229)**	(3,229)
Repayment of long-term debt	**(435)**	(407)
Proceeds from issue of share capital	**2**	–
Cash flows used in financing activities	**(3,662)**	(3,636)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY	**1,128**	484
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(72,255)**	(54,507)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**139,913**	122,355
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 67,658**	$ 67,848

Supplementary cash flow information (note 14)

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

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 155 Wellington Street West, 40th Floor, Toronto, Ontario M5V 3J7. 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 unaudited condensed consolidated 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 consolidated financial statements except where noted below. These unaudited condensed consolidated 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 consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated 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 consolidated financial statements and the notes thereto for the year ended January 31, 2015. Certain comparative figures have been reclassified to conform to the current year's presentation.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 2, 2015.

B) BASIS OF MEASUREMENT

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

- marketable securities and derivative financial instruments are measured at fair value through profit or loss; and
- the pension liability is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.

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 unaudited condensed consolidated 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 unaudited condensed consolidated 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 consolidated 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 unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied and described in the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 31, 2015 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except as noted below:

A) ADOPTION OF NEW ACCOUNTING POLICIES

ANNUAL IMPROVEMENTS TO IFRS (2010–2012) AND (2011–2013) CYCLES

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Most amendments applied prospectively for annual periods beginning on or after July 1, 2014. Adoption of these amendments did not have a material impact on the consolidated financial statements.

IFRS 9 (2014) – FINANCIAL INSTRUMENTS

The Company early adopted all of the requirements of IFRS 9 (2014), *Financial Instruments* ("IFRS 9 (2014)") with a date of initial application of February 1, 2015. This standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

The following summarizes the classification and measurement changes for the Company's non-derivative and derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	IAS 39	IFRS 9 (2014)
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	Fair value through profit or loss
Trade and other receivables	Loans and receivables	Amortized cost
Non-hedge derivative assets	Fair value through profit or loss	Fair value through profit or loss
Financial liabilities:		
Trade and other payables	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Non-hedge derivative liabilities	Fair value through profit or loss	Fair value through profit or loss

In accordance with the transitional provisions of IFRS 9 (2014) the financial assets and financial liabilities held at February 1, 2015 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at February 1, 2015.

The accounting for these instruments and the line item in which they are included in the statement of financial position were unaffected by the adoption of IFRS 9 (2014) with the exception of the Company's marketable securities, which were reclassified from available-for-sale to financial assets measured at fair value through profit or loss ("FVTPL"). Fair value gains and losses on marketable securities are recognized in finance income or finance cost in net earnings (note 12). In accordance with transitional provisions, the Company has reflected the retrospective impact of the adoption of IFRS 9 (2014) due to the change in accounting policy for marketable securities as an adjustment to opening components of equity as at February 1, 2015.

	FEBRUARY 1, 2015		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Equity			
Retained earnings	$ 368,241	$ 340	$ 368,581
Accumulated other comprehensive income	5,641	(340)	5,301
Impact on equity	$ 373,882	$ –	$ 373,882

The adoption of IFRS 9 (2014) did not result in any changes in the eligibility of existing hedge relationships, the accounting for the derivative financial instruments designated as effective hedging instruments and the line item in which they are included in the statement of financial position.

UPDATE TO SIGNIFICANT ACCOUNTING POLICIES

As a result to the initial adoption of IFRS 9 (2014), as described above, the Company has updated its significant accounting policies as follows:

FINANCIAL INSTRUMENTS

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

I) FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

IMPAIRMENT OF FINANCIAL ASSETS:

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated balance sheet if they relate to a financial asset measured at amortized cost. The Company's trade and other receivables, typically short term receivables with payments received within a 12-month period, do not have a significant financing component. Therefore, the Company recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated balance sheet is stated net of any loss allowance.

II) FINANCIAL ASSETS MEASURED AT FAIR VALUE

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. The marketable securities are currently measured at fair value with changes in fair value recognized in profit or loss.

However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

III) FINANCIAL LIABILITIES ARE CLASSIFIED INTO THE FOLLOWING CATEGORIES

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST:

The Company classifies non-derivative financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies trade and other payables and long-term debt as financial liabilities measured at amortized cost.

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE:

Financial liabilities measured at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. The Company currently has no financial liabilities measured at fair value.

IV) NON-HEDGE DERIVATIVE FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Non-hedge derivative financial instruments, including foreign exchange contracts, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises.

V) HEDGING RELATIONSHIPS:

The Company enters into derivative financial instruments to hedge its foreign exchange risk exposures of part of its purchases in U.S. dollars. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings. The time value component of options designated as cash flow hedges is excluded from the hedging relationships and recorded in other comprehensive income as a cost of hedging and, presented separately when significant.

Derivatives used for hedging are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

CASH FLOW HEDGES:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred directly to the initial cost of that asset.

B) 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 May 2, 2015 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

DISCLOSURE INITIATIVE: AMENDMENTS TO IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4 CASH AND CASH EQUIVALENTS

	MAY 2, 2015	MAY 3, 2014	JANUARY 31, 2015
Cash on hand and with banks	**$ 57,659**	$ 16,694	$ 106,917
Short-term deposits, bearing interest at 0.8% (May 3, 2014 – 0.9%; January 31, 2015 – 0.8%)	**9,999**	51,154	32,996
	$ 67,658	$ 67,848	$ 139,913

5 FINANCIAL INSTRUMENTS

ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. The Company has determined that the fair value of its current financial assets and liabilities (other than those included below) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

	MAY 2, 2015						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE OF HEDGING INSTRUMENTS	AMORTIZED COST	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	**$ 2,799**	**$ 2,659**	**$ –**	**$ 5,458**	**$ –**	**$ 5,458**	**$ 5,458**
Marketable securities	**$ 58,933**	**$ –**	**$ –**	**$ 58,933**	**$ 58,933**	**$ –**	**$ 58,933**
Financial liabilities measured at fair value							
Derivative financial liability	**$ –**	**$ (132)**	**$ –**	**$ (132)**	**$ –**	**$ (132)**	**$ (132)**
Financial liabilities not measured at fair value							
Long-term debt	**$ –**	**$ –**	**$ (4,896)**	**$ (4,896)**	**$ –**	**$ (5,143)**	**$ (5,143)**

	MAY 3, 2014						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	$ 4,627	$ –	$ –	$ 4,627	$ –	$ 4,627	$ 4,627
Marketable securities	$ –	$ 54,996	$ –	$ 54,996	$ 54,996	$ –	$ 54,996
Financial liabilities measured at fair value							
Derivative financial liability	$ (2,946)	$ –	$ –	$ (2,946)	$ –	$ (2,946)	$ (2,946)
Financial liabilities not measured at fair value							
Long-term debt	$ –	$ –	$ (6,596)	$ (6,596)	$ –	$ (7,002)	$ (7,002)

	JANUARY 31, 2015							
	CARRYING AMOUNT					FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE OF HEDGING INSTRUMENTS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value								
Derivative financial asset	$ 12,191	$ 8,444	$ –	$ –	$ 20,635	$ –	$ 20,635	$ 20,635
Marketable securities	$ –	$ –	$ 57,364	$ –	$ 57,364	$ 57,364	$ –	$ 57,364
Financial liabilities measured at fair value								
Derivative financial liability	$ (2)	$ (94)	$ –	$ –	$ (96)	$ –	$ (96)	$ (96)
Financial liabilities not measured at fair value								
Long-term debt	$ –	$ –	$ –	$ (5,331)	$ (5,331)	$ –	$ (5,621)	$ (5,621)

There were no transfers between levels of the fair value hierarchy for the periods ended May 2, 2015, May 3, 2014 and January 31, 2015.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into transactions with its bank whereby it entered into forward contracts, purchased call options and sold put options, all on the U.S. dollar. These foreign exchange contracts extend over a period not exceeding twelve months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign exchange contracts outstanding are as follows:

	MAY 2, 2015				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	**$ 1.204**	**$ 109,500**	**$ 1,689**	**$ –**	**$ 1,689**
Call options purchased	**$ 1.188**	**$ 23,000**	**970**	**–**	**970**
Put options sold	**$ 1.188**	**$ 11,500**	**–**	**(132)**	**(132)**
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	**$ 1.077**	**$ 20,000**	**2,799**	**–**	**2,799**
Put options sold	**$ 1.077**	**$ 40,000**	**–**	**–**	**–**
			$ 5,458	**$ (132)**	**$ 5,326**

	MAY 3, 2014				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.09	$ 166,000	$ 4,627	$ –	$ 4,627
Put options sold	$ 1.09	$ 282,000	–	(2,946)	(2,946)
			$ 4,627	$ (2,946)	$ 1,681

	JANUARY 31, 2015				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	$ 1.183	$ 69,500	$ 6,292	$ –	$ 6,292
Call options purchased	$ 1.188	$ 23,000	2,152	–	2,152
Put options sold	$ 1.188	$ 11,500	–	(94)	(94)
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.081	$ 64,000	12,191	–	12,191
Put options sold	$ 1.081	$ 128,000	–	(2)	(2)
			$ 20,635	$ (96)	$ 20,539

[1] Held as economic hedges.

6 INVENTORIES AND COST OF GOODS SOLD

During the three months ended May 2, 2015, inventories recognized as cost of goods sold amounted to $79,926 (May 3, 2014 – $85,264). In addition, $1,710 (May 3, 2014 – $1,444) of write-downs of inventories as a result of net realizable value being lower than cost were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

Included in cost of goods sold is a loss of $2,344 (May 3, 2014 – loss of $2,975; January 31, 2015 – gain of $10,921) representing changes in fair value of derivatives not eligible for hedge accounting. Cost of goods sold for the three month period ended May 3, 2014 was recast to include changes in fair value of derivatives not eligible for hedge accounting which were previously presented as part of finance income or finance costs.

7 TRADE AND OTHER PAYABLES

	MAY 2, 2015	MAY 3, 2014	JANUARY 31, 2015
Trade payables	**$ 37,706**	$ 40,400	$ 49,577
Non-trade payables due to related parties	**40**	55	40
Other non-trade payables	**7,872**	8,138	9,502
Personnel liabilities	**19,190**	19,176	27,201
Payables relating to premises	**13,469**	14,874	14,576
Provision for sales returns	**1,656**	1,270	726
	79,933	83,913	101,622
Less non-current portion	**9,491**	11,323	9,903
	$ 70,442	$ 72,590	$ 91,719

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 and other payables beyond the next twelve months.

8 DEFERRED REVENUE

	MAY 2, 2015	MAY 3, 2014	JANUARY 31, 2015
Loyalty points and awards granted under loyalty programs	**$ 7,690**	$ 6,795	$ 8,735
Unredeemed gift cards	**8,425**	8,732	12,338
	$ 16,115	$ 15,527	$ 21,073

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 MAY 2, 2015		MAY 3, 2014	
	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	**51,146**	**38,745**	51,146	38,745
Shares issued pursuant to exercise of share options	**–**	**2**	–	–
Balance at end of the period	**51,146**	**38,747**	51,146	38,745
Total share capital	**64,586**	**$ 39,229**	64,586	$ 39,227

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 May 2, 2015, a total of 200 Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program (May 3, 2014 – nil). The amounts credited to share capital from the exercise of share options include a cash consideration of $2, including an ascribed value from contributed surplus (May 3, 2014 – nil).

PURCHASE OF SHARES FOR CANCELLATION

The Company did not purchase any shares under a normal course issuer bid approved in December 2014 in the three months ended May 2, 2015. For further information with respect to the normal course issuer bid refer to the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")

AOCI is comprised of the following:

	MARKETABLE SECURITIES	CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	TOTAL AOCI
Balance at February 1, 2015	**$ 340**	**$ 6,026**	**$ (725)**	**$ 5,641**
Impact of adopting IFRS 9 (2014) (note 3a)	**(340)**	**–**	**–**	**(340)**
Net change in fair value of cash flow hedges (net of tax of $1,420)	**–**	**(3,930)**	**–**	**(3,930)**
Transfer of realized gain on cash flow hedges to inventory (net of tax of $86)	**–**	**(239)**	**–**	**(239)**
Change in foreign currency translation differences	**–**	**–**	**182**	**182**
Balance at May 2, 2015	**$ –**	**$ 1,857**	**$ (543)**	**$ 1,314**
Balance at February 2, 2014	$ 7,327	$ –	$ 29	$ 7,356
Net change in fair value of available-for-sale financial assets (net of tax of $309)	2,020	–	–	2,020
Reclassification of realized loss on available-for-sale financial assets (net of tax of $3)	21	–	–	21
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $1)	9	–	–	9
Change in foreign currency translation differences	–	–	(173)	(173)
Balance at May 3, 2014	$ 9,377	$ –	$ (144)	$ 9,233

The change in the time value element of option contracts designated as cash flow hedges was not significant for three months ended May 2, 2015.

DIVIDENDS

The following dividends were declared and paid by the Company:

	FOR THE THREE MONTHS ENDED MAY 2, 2015	MAY 3, 2014
Common shares and Class A non-voting shares	**$ 3,229**	$ 3,229
Dividends per share	**$ 0.05**	$ 0.05

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 THREE MONTHS ENDED			
	MAY 2, 2015		MAY 3, 2014	
	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, at beginning of period	**3,051**	**$ 10.75**	2,090	$ 14.43
Granted	**200**	**6.77**	–	–
Exercised	**–**	**6.00**	–	–
Forfeited	**(143)**	**13.97**	(126)	14.50
Outstanding, at end of period	**3,108**	**$ 10.35**	1,964	$ 14.42
Options exercisable, at end of period	**1,546**	**$ 13.07**	1,154	$ 14.53

During the three months ended May 2, 2015, a total of 200 Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program. The weighted average share price at the date of exercise for the share options exercised during the three months ended May 2, 2015 was $7.02.

C) Compensation cost related to 200,000 share option awards granted during the three months ended May 2, 2015 under the fair value based approach was calculated using the following assumptions:

	200,000 OPTIONS GRANTED APRIL 23, 2015
Expected option life	6.3 years
Risk-free interest rate	0.99%
Expected stock price volatility	30.06%
Average dividend yield	2.95%
Weighted average fair value of options granted	$ 1.42
Share price at grant date	$ 6.77

D) EMPLOYEE EXPENSE

For the three months ended May 2, 2015, the Company recognized compensation costs of $138, relating to share-based payment arrangements ($73 for three months ended May 3, 2014), with a corresponding credit to contributed surplus.

11 INCOME TAX

The Company's effective tax rate for the three months ended May 2, 2015 was 22.80% (20.34% for the three months ended May 3, 2014). In the interim periods, the income tax provision is based on an estimate of the earnings that will be generated in a full year adjusted for the impact of the fair value adjustment related to marketable securities. The estimated average annual effective income tax rates are re-estimated at each interim reporting date, based on full year projections of earnings. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods.

12 FINANCE INCOME AND FINANCE COSTS

RECOGNIZED IN NET EARNINGS

	FOR THE THREE MONTHS ENDED	
	MAY 2, 2015	MAY 3, 2014
Dividend income from marketable securities	**$ 709**	$ 667
Interest income	**158**	163
Foreign exchange gain	**610**	–
Finance income	**1,477**	830
Interest expense – mortgage	**82**	108
Net change in fair value of marketable securities	**1,168**	–
Foreign exchange loss	**–**	899
Impairment loss on marketable securities	**–**	10
Realized loss on disposal of marketable securities	**–**	24
Finance costs	**1,250**	1,041
Net finance income (costs) recognized in net earnings	**$ 227**	$ (211)

13 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on a net loss for the three months ended May 2, 2015 of $7,671 (net loss of $13,415 for the three months ended May 3, 2014).

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

	FOR THE THREE MONTHS ENDED	
	MAY 2, 2015	MAY 3, 2014
Weighted average number of shares per basic earnings per share calculations	**64,586**	64,586
Weighted average number of shares per diluted earnings per share calculations	**64,635**	64,586

As at May 2, 2015, a total of 2,553,200 (May 3, 2014 – 1,963,750) 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

	MAY 2, 2015	MAY 3, 2014	JANUARY 31, 2015
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,425**	$ 1,057	$ 3,645

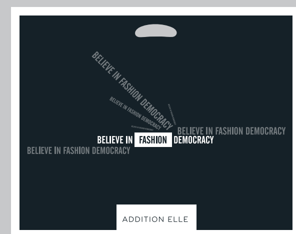
Included in depreciation, amortization and impairment losses are write-offs of property and equipment related to store closures and asset impairment charges relating to underperforming stores of $1,470 for the three months ended May 2, 2015 ($1,567 for three months ended May 3, 2014). The impairment related to the property and equipment is due to the reduction in profitability at individual store locations (cash-generating units "CGUs"). In addition, during the three months ended May 2, 2015, $465 of asset impairment charges were reversed following an improvement in the profitability of certain CGUs (nil for the three months ended May 3, 2014).

15 FINANCIAL RISK MANAGEMENT

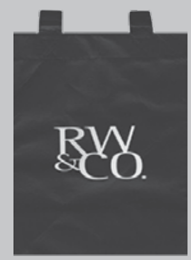
The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three months ended May 2, 2015 from those described in the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

REITMANS offers a unique combination of superior fit, fashion, quality and value. With **337 STORES** across Canada averaging 4,600 sq. ft., Reitmans is the preferred destination for women looking to update their wardrobe with the latest styles and colours for an affordable price. While Reitmans enjoys a strong reputation for service and benefits from a broad and loyal customer base, it will continue to strive to create an engaging customer experience by being there for her whenever she chooses to shop. Reitmans' fashions can also be purchased online at reitmans.com.

Canadian leader of plus-size apparel, **PENNINGTONS** offers unparalleled value to our customers by providing fit expertise, quality and a unique inspiring shopping experience. Penningtons is the "Art of Affordable Fashion!" The plus-size fashion destination for sizes 14–32, Penningtons operates **138 STORES** across Canada averaging 6,000 sq. ft. and is available online at penningtons.com.

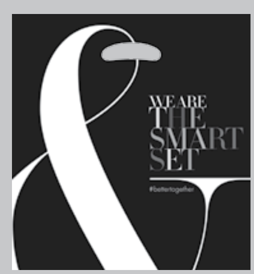


ADDITION ELLE is Canada's leading fashion destination for plus-size women. Addition Elle's vision of "Fashion Democracy" delivers the latest trends in updated fashion essentials in an inspiring shopping environment, offering casual daywear, dresses, contemporary career, sexy intimates, accessories, footwear, high performance activewear and a large assortment of premium denim labels. Addition Elle operates **107 STORES** averaging 6,000 sq. ft. in major malls and power centres nationwide and an e-commerce site at additionelle.com.



RW & CO. is an aspirational lifestyle brand which caters to men and women with an urban mindset. Whether for work or for weekend, RW & CO. offers fashion that blends the latest trends with style, quality and a unique attention to detail. RW & CO. operates **78 STORES** averaging 4,500 sq. ft. in premium locations in major shopping malls across Canada, as well as an e-commerce site at rw-co.com.

THYME MATERNITY, Canada's leading fashion brand for modern moms-to-be, offers current styles for every aspect of life, from casual to work, including a complete line of nursing fashion and accessories. Thyme brings future moms valuable advice, fashion tips and product knowledge to help them on their incredible journey during and after pregnancy. Thyme operates **68 STORES** averaging 2,300 sq. ft. in major malls and power centres nationwide, as well as 21 Thyme shop-in-shops in select Babies"R"Us locations in Canada. Thyme Maternity fashions can also be purchased online at thymematernity.com.



With **82 STORES**, averaging 3,400 sq. ft., **SMART SET** is a style destination offering wear-to-work separates, denim, essentials and accessories. Smart Set offers the latest styles in women's fashions to mix, match and innovate. Smart Set fashions can also be purchased online at smartset.ca.

STORES ACROSS CANADA

	REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	SMART SET	TOTAL STORES
NEWFOUNDLAND	14	3	2	1	–	–	20
PRINCE EDWARD ISLAND	3	1	–	–	–	2	6
NOVA SCOTIA	19	6	2	1	1	1	30
NEW BRUNSWICK	13	4	3	3	1	2	26
QUÉBEC	82	25	30	16	22	33	208
ONTARIO	107	51	41	30	25	29	283
MANITOBA	12	5	3	3	2	3	28
SASKATCHEWAN	11	6	3	2	2	1	25
ALBERTA	39	19	17	11	10	6	102
BRITISH COLUMBIA	35	18	6	11	5	5	80
NORTHWEST TERRITORIES	1	–	–	–	–	–	1
YUKON	1	–	–	–	–	–	1
	337	138	107	78	68	82	**810**

Reitmans
(CANADA) LIMITED

CORPORATE INFORMATION

ADMINISTRATION OFFICE
250 Sauvé Street West
Montreal, Québec H3L 1Z2
Telephone: 514-384-1140
Fax: 514-385-2669
e-mail: info@reitmans.com
Corporate Website: reitmanscanadalimited.com

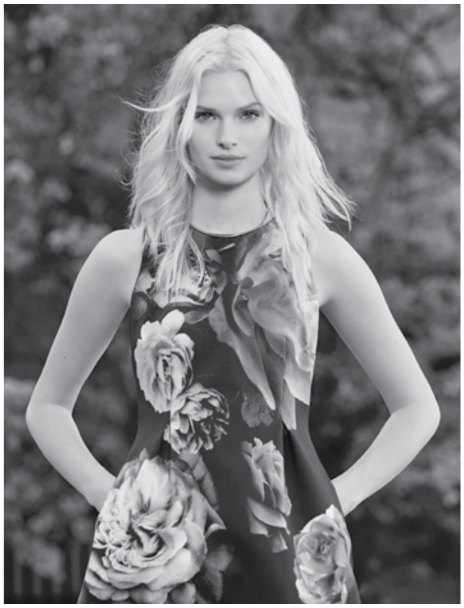
REGISTERED OFFICE
155 Wellington Street West, 40th Floor
Toronto, Ontario M5V 3J7
Telephone: 416-863-0900
Fax: 416-863-0871

TRANSFER AGENT AND REGISTRAR
Computershare Investor Services Inc.
Montreal, Toronto, Calgary, Vancouver

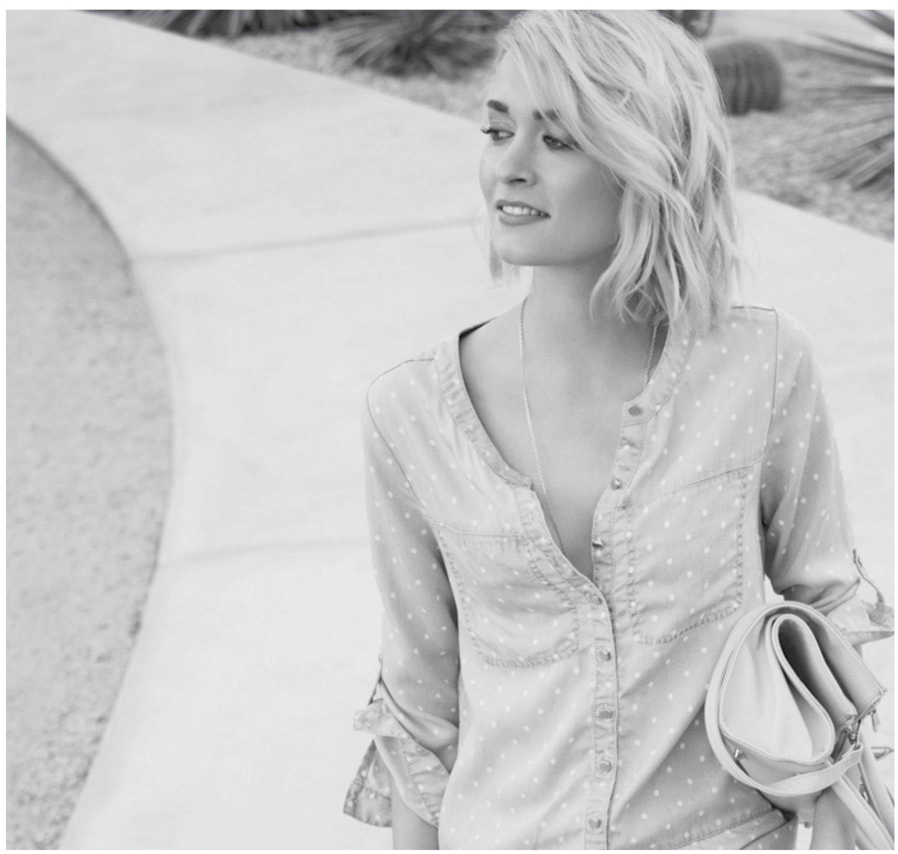
STOCK SYMBOLS
THE TORONTO STOCK EXCHANGE

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
PENNINGTONS
ADDITION ELLE
RW & CO.
THYME
SMART SET



DESIGN AND PRODUCTION:
COMMUNICATIONS MARILYN GELFAND INC.