INTERIM REPORT FOR THE NINE MONTHS ENDED **OCTOBER 31, 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 October 31, 2015 were $240.3 million as compared with $238.3 million for the three months ended November 1, 2014, an increase of 0.8%, with 68 fewer stores in operation. Same store sales[1] increased by 7.6% with stores increasing 4.8% and e-commerce increasing 72.2%. Gross profit for the three months ended October 31, 2015 decreased $12.9 million or 8.6% to $138.0 million as compared with $151.0 million for the three months ended November 1, 2014 with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross margin by approximately $7.4 million. Gross margin for the three months ended October 31, 2015 decreased to 57.4% from 63.4% for the three months ended November 1, 2014. Net loss for the three months ended October 31, 2015 was $0.3 million ($0.00 basic and diluted loss per share) as compared with net earnings of $12.9 million ($0.20 basic and diluted earnings per share) for the three months ended November 1, 2014. The net loss was primarily attributable to reduced margins and a $4.3 million loss (on a pre-tax basis) due to a change in the fair value of marketable securities. Adjusted EBITDA[1] for the three months ended October 31, 2015 was $15.3 million as compared with $31.1 million for the three months ended November 1, 2014, a decrease of $15.8 million.

Sales for the nine months ended October 31, 2015 were $695.0 million as compared with $703.1 million for the nine months ended November 1, 2014, a decrease of 1.2%, impacted by a net reduction of 68 stores. Same store sales[1] increased 3.9% with stores increasing 1.3% and e-commerce increasing 77.7%. Gross profit for the nine months ended October 31, 2015 decreased $25.9 million or 6.1% to $397.3 million as compared with $423.2 million for the nine months ended November 1, 2014, with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross margin by approximately $17.6 million. The Company's gross margin for the nine months ended October 31, 2015 decreased to 57.2% from 60.2% for the nine months ended November 1, 2014. Net loss for the nine months ended October 31, 2015 was $8.2 million ($0.13 basic and diluted loss per share) as compared with net earnings of $9.0 million ($0.14 basic and diluted earnings per share) for the nine months ended November 1, 2014. The net loss was primarily attributable to reduced gross margins and a $10.7 million loss (on a pre-tax basis) due to a change in the fair value of marketable securities. Adjusted EBITDA[1] for the nine months ended October 31, 2015 was $34.9 million as compared with $50.7 million for the nine months ended November 1, 2014, a decrease of $15.8 million.

During the quarter, the Company opened 27 new stores and closed 46. Accordingly, at October 31, 2015, there were 775 stores in operation, consisting of 332 Reitmans, 136 Penningtons, 107 Addition Elle, 83 RW & CO., 68 Thyme Maternity, 17 Hyba and 32 Smart Set, as compared with a total of 843 stores as at November 1, 2014. The Company also operates 21 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada.

Sales for the month of November (the four weeks ended November 28, 2015) increased 1.0% with same store sales[1] increasing 9.1%, stores increasing 5.5% and e-commerce increasing 78.0%.

At the Board of Directors meeting held on December 3, 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 January 28, 2016 to shareholders of record on January 18, 2016.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, December 3, 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 October 31, 2015 ("third 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 December 3, 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 December 3, 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 listed in the "Operating Risk Management" and "Financial Risk Management" sections of the Company's MD&A for the year ended January 31, 2015. 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 marketable securities, interest expense, depreciation, amortization and net impairment losses. The following table reconciles the most comparable GAAP measure, net earnings or loss, 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, interest income, net change in fair value of marketable securities and realized gains or losses on disposal of marketable securities eliminates the impact on earnings 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) earnings to adjusted EBITDA for the three and nine months ended October 31, 2015 and November 1, 2014:

(in millions of Canadian dollars)
(unaudited)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 31, 2015	NOVEMBER 1, 2014	OCTOBER 31, 2015	NOVEMBER 1, 2014
Net (loss) earnings	**$ (0.3)**	$ 12.9	**$ (8.2)**	$ 9.0
Depreciation, amortization and net impairment losses	**11.6**	15.9	**35.7**	41.8
Dividend income	**(0.6)**	(0.6)	**(1.9)**	(1.9)
Interest income	**(0.1)**	(0.3)	**(0.4)**	(0.6)
Realized gain on disposal of marketable securities	**–**	(0.8)	**–**	(0.8)
Net change in fair value of marketable securities	**4.3**	–	**10.7**	–
Impairment loss on marketable securities	**–**	0.5	**–**	0.6
Interest expense	**0.1**	0.1	**0.2**	0.3
Income tax expense (recovery)	**0.3**	3.4	**(1.2)**	2.3
Adjusted EBITDA	**$ 15.3**	$ 31.1	**$ 34.9**	$ 50.7
Adjusted EBITDA as % of sales	**6.4%**	13.1%	**5.0%**	7.2%

CORPORATE OVERVIEW

The Company has a single reportable segment which derives its revenue from the sale of ladies' specialty apparel to consumers through its seven 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:

Reitmans

The Reitmans banner, operating 332 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

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 136 stores in power centres across Canada averaging 6,000 sq. ft.

ADDITION ELLE

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.

RW & CO. operates 83 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

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.

hyba

Hyba launched its store locations in October 2015 and operates 17 stores averaging 3,000 sq. ft. offering affordable, on-trend activewear and yoga clothes for exercising or sports in sizes XS to 2X.

SMARTSET

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 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, excluding Smart Set. 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	Q2 OPENINGS	Q2 CLOSINGS	Q3 OPENINGS	Q3 CLOSINGS	NUMBER OF STORES AT OCTOBER 31, 2015	NUMBER OF STORES AT NOVEMBER 1, 2014
Reitmans	341	–	(4)	–	(4)	2	(3)	332	343
Penningtons	139	1	(2)	1	(4)	3	(2)	136	141
Addition Elle	105	2	–	1	(1)	1	(1)	107	105
RW & CO.	76	3	(1)	3	(1)	4	(1)	83	79
Thyme Maternity	68	1	(1)	1	–	–	(1)	68	68
Hyba	–	–	–	–	–	17	–	17	–
Smart Set	94	–	(12)	–	(12)	–	(38)	32	107
Total	**823**	**7**	**(20)**	**6**	**(22)**	**27**	**(46)**	**775**	**843**
Thyme Maternity Babies"R"Us shop-in-shop	21	–	–	–	–	–	–	21	21

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 has announced its intention to launch Hyba, a new banner targeting healthy minded women over the age of 25. Hyba will offer activewear that covers performance to leisure.	Hyba launched in 17 former Smart Set store locations in October 2015. Selected Hyba products are also available in all Reitmans locations.
An international growth strategy has been developed within the Company aimed at growing existing successful brands outside Canada.	The Company has assembled a team of highly skilled, experienced members devoted to expanding internationally. Some recent developments include: • In March 2015, the Company launched a Penningtons product offering through Amazon.com in the U.S.; • Addition Elle launched an "Ashley Graham" collection online at Nordstrom in August 2015 and a select offering at Lord & Taylor in September 2015, both in the U.S.
A significant investment in the Company's distribution and logistics system has been undertaken in order to satisfy changes in consumer demand related to the growth of e-commerce and to provide for improved in-store fulfillment.	A redesign of the Company's distribution centre facility to accommodate the significant e-commerce growth experienced has commenced. Capital has been committed for improvements to the handling systems to satisfy the changing store and online demands.
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.	The Company has refocused its efforts on the SCORE project to ensure major milestones for completion are achieved in the ensuing year. The SCORE project is 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 was 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.

OPERATING RESULTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2015 ("THIRD QUARTER OF FISCAL 2016") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED NOVEMBER 1, 2014 ("THIRD QUARTER OF FISCAL 2015")

Sales for the third quarter of fiscal 2016 were $240.3 million as compared with $238.3 million for the third quarter of fiscal 2015, an increase of 0.8%, despite a net reduction of 68 stores, primarily attributable to the closure of Smart Set stores. Strong growth in the Company's e-commerce channel contributed to the sales improvement with same store sales increasing 7.6%, stores increasing 4.8% and e-commerce increasing 72.2%.

Gross profit for the third quarter of fiscal 2016 decreased $12.9 million or 8.6% to $138.0 million as compared with $151.0 million for the third quarter of fiscal 2015, with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross margin by approximately $7.4 million. Gross margin for the third quarter of fiscal 2016 decreased to 57.4% from 63.4% for the third quarter of fiscal 2015.

Selling and distribution expenses for the third quarter of fiscal 2016 decreased 2.4% or $3.0 million to $123.7 million as compared with $126.7 million for the third quarter of fiscal 2015. Factors contributing to this change included:

- a decrease in store operating costs due to a net reduction of 68 stores;
- lower depreciation and amortization for the third quarter of fiscal 2016 of $11.2 million, compared to $15.5 million for the third quarter of fiscal 2015, which includes decreased net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures ($1.4 million for the third quarter of fiscal 2016 compared to $4.7 million for the third quarter of fiscal 2015); partially offset by
- increased advertising costs for stores and e-commerce.

Administrative expenses for the third quarter of fiscal 2016 increased 11.0% or $1.1 million to $11.3 million as compared with $10.2 million for the third quarter of fiscal 2015 primarily due to employee related costs.

Net finance costs were $3.0 million for the third quarter of fiscal 2016 as compared to net finance income of $2.2 million for the third quarter of fiscal 2015. This change is largely attributable to the following:

- a $4.3 million loss due to a change in the fair value of marketable securities for the third quarter of fiscal 2016 compared to nil for the third quarter of fiscal 2015. The Company adopted IFRS 9 (2014) *Financial Instruments* ("IFRS 9 (2014)") in the first quarter of fiscal 2016 and as a result, changes in fair value of marketable securities are now recorded in earnings as opposed to other comprehensive income in the comparative period. The full impact from the implementation of IFRS 9 (2014) can be found in Note 3 of the October 31, 2015 unaudited condensed consolidated interim financial statements; partially offset by
- a foreign exchange gain of $0.7 million for the third quarter of fiscal 2016 (gain of $1.1 million for the third quarter of fiscal 2015), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities;
- Dividend and interest income of $0.7 million for the third quarter of fiscal 2016 ($0.9 million for the third quarter of fiscal 2015).

For the third quarter of fiscal 2016, earnings before income taxes were nil as compared to $16.2 million for the third quarter of fiscal 2015. The decrease was primarily attributable to reduced gross margins combined with a $4.3 million loss due to a change in the fair value of marketable securities, as explained above. Adjusted EBITDA for the third quarter of fiscal 2016 was $15.3 million as compared with $31.1 million for the third quarter of fiscal 2015, a decrease of $15.8 million.

Income tax expense for the third quarter of fiscal 2016 amounted to $0.3 million. In the third quarter of fiscal 2015, income tax expense amounted to $3.4 million. The effective tax rate for the third quarter of fiscal 2016 was impacted by the change in the fair value of marketable securities due to the adoption of IFRS 9 (2014) and by the re-estimated average annual effective income tax rate as at the end of the third quarter. 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 third quarter of fiscal 2016 was $0.3 million ($0.00 basic and diluted loss per share) as compared with net earnings of $12.9 million ($0.20 basic and diluted earnings per share) for the third quarter of fiscal 2015.

OPERATING RESULTS FOR THE NINE MONTHS ENDED OCTOBER 31, 2015 ("YEAR TO DATE FISCAL 2016") AND COMPARISON TO OPERATING RESULTS FOR THE NINE MONTHS ENDED NOVEMBER 1, 2014 ("YEAR TO DATE FISCAL 2015")

Sales for the year to date fiscal 2016 were $695.0 million as compared with $703.1 million for the year to date fiscal 2015, a decrease of 1.2%. Same store sales increased 3.9% with stores increasing 1.3% and e-commerce increasing 77.7%. The following factors impacted sales in the year to date fiscal 2016:

- a net reduction of 68 stores, primarily attributable to the closure of Smart Set stores;
- stores were impacted by e-commerce alternatives and a highly competitive environment;
- e-commerce sales continued to show strong growth, although representing a small portion of total Company sales.

Gross profit for the year to date fiscal 2016 decreased $25.9 million or 6.1% to $397.3 million as compared with $423.2 million for year to date fiscal 2015, with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross margin by approximately $17.6 million. Gross margin for the year to date fiscal 2016 decreased to 57.2% from 60.2% for the year to date fiscal 2015.

Selling and distribution expenses for the year to date fiscal 2016 decreased 3.0% or $11.5 million to $367.4 million as compared with $378.9 million for the year to date fiscal 2015. Factors contributing to this change included:

- a decrease in store operating costs due to a net reduction of 68 stores;
- lower depreciation and amortization for the year to date fiscal 2016 of $34.5 million, compared to $40.0 million for the year to date fiscal 2015, which includes lower net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures ($4.1 million for the year to date fiscal 2016 and $7.2 million for the year to date fiscal 2015).

Administrative expenses for the year to date fiscal 2016 decreased 4.6% or $1.6 million to $34.4 million as compared with $36.0 million for the year to date fiscal 2015 primarily due to:

- a reduction in severance expense;
- lower depreciation and amortization for the year to date fiscal 2016 of $1.2 million, compared to $1.7 million for the year to date fiscal 2015.

Net finance costs were $4.9 million for the year to date fiscal 2016 as compared to net finance income of $2.9 million for the year to date fiscal 2015. This change is largely attributable to the following:

- a $10.7 million loss due to a change in the fair value of marketable securities for the year to date fiscal 2016 compared to nil for the year to date fiscal 2015. The Company adopted IFRS 9 (2014) in the first quarter of fiscal 2016 and as a result, changes in fair value of marketable securities are now recorded in earnings as opposed to other comprehensive income in the comparative period. The full impact from the implementation of IFRS 9 (2014) can be found in Note 3 of the October 31, 2015 unaudited condensed consolidated interim financial statements; partially offset by
- a foreign exchange gain of $3.8 million for the year to date fiscal 2016 (gain of $0.5 million for year to date of fiscal 2015), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities.

For the year to date fiscal 2016, loss before income taxes was $9.4 million as compared to earnings before income taxes of $11.3 million for the year to date fiscal 2015, a decrease of $20.7 million. The decrease was primarily attributable to reduced gross profit in the year to date fiscal 2016, as explained above, along with a $10.7 million loss for the year to date fiscal 2016 due to a change in the fair value of marketable securities mitigated by reduced operating costs both at the store level and head office. Adjusted EBITDA for the year to date fiscal 2016 was $34.9 million as compared with $50.7 million for the year to date fiscal 2015, a decrease of $15.8 million.

Income tax recovery for the year to date fiscal 2016 amounted to $1.2 million for an effective tax recovery rate of 13.0%. In the year to date fiscal 2015, income tax expense amounted to $2.3 million for an effective tax expense rate of 20.2%. The effective tax rate for the year to date 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 year to date fiscal 2016 was $8.2 million ($0.13 basic and diluted loss per share) as compared with net earnings of $9.0 million ($0.14 basic and diluted earnings per share) for the year to date 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 year to date 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 year to date fiscal 2016, these merchandise purchases, payable in U.S. dollars, approximated $191.4 million U.S. The Company's policy is to satisfy at least 80% of projected U.S. dollar denominated merchandise purchases in any given fiscal year by way of foreign exchange forward hedge contracts, with any additional requirements being met through spot U.S. dollar purchases.

Details of the foreign currency contracts outstanding as at October 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	**$ 1.273**	**$ 152.5**	**$ 6.1**	**$ (0.6)**	**$ 5.5**
Call options purchased	**$ 1.188**	**$ 3.0**	**0.3**	**–**	**0.3**
Put options sold	**$ 1.188**	**$ 1.5**	**–**	**–**	**–**
			$ 6.4	**$ (0.6)**	**$ 5.8**

Details of the foreign currency option contracts outstanding as at November 1, 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	$ 1.092	$ 104.0	$ 4.2	$ –	$ 4.2
Put options sold	$ 1.092	$ 188.0	–	(0.5)	(0.5)
			$ 4.2	$ (0.5)	$ 3.7

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.

	THIRD QUARTER		SECOND QUARTER		FIRST QUARTER		FOURTH QUARTER	
	2016	2015	2016	2015	2016	2015	2015	2014
Sales	$ 240.3	$ 238.3	$ 253.0	$ 258.3	$ 201.7	$ 206.5	$ 236.3	$ 240.7
Net (loss) earnings	(0.3)	12.9	(0.2)	9.6	(7.7)	(13.4)	4.4	(2.6)
(Loss) earnings per share								
Basic	$ –	$ 0.20	$ –	$ 0.15	$ (0.12)	$ (0.21)	$ 0.07	$ (0.04)
Diluted	–	0.20	–	0.15	(0.12)	(0.21)	0.07	(0.04)

Fluctuations in the above-noted quarterly financial information reflect the underlying operations of the Company as well as the impact of 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 October 31, 2015 as compared to January 31, 2015 are presented below:

	OCTOBER 31, 2015	JANUARY 31, 2015
Cash and cash equivalents	**$ 97.2**	$ 139.9
Marketable securities	**50.6**	57.4
Net derivative financial asset	**5.8**	20.5
Inventories	**142.6**	106.4
Prepaid expenses	**10.0**	12.1
Property and equipment and intangible assets	**161.7**	172.4
Trade and other payables	**100.6**	101.6
Deferred revenue	**11.3**	21.1

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

- cash and cash equivalents decreased primarily due to reduced cash flows from operations, notably as a result of higher inventory levels particularly in the fall season category, along with the purchase of Class A non-voting shares for cancellation;
- marketable securities, recorded at fair value, have declined due to the influences of lower interest rates and stock market declines;
- 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 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 an increase reflecting the planned build-up of inventories for the holiday selling season. Traditionally, the highest levels of inventory on a quarterly basis occur at the end of the first quarter and the third quarter of any given fiscal year in preparation for the summer and the holiday selling seasons, respectively;
- decreased prepaid expenses at October 31, 2015 as compared to January 31, 2015 is principally due to the recovery of a prepaid insurance deposit resulting from a reorganization of the Company's general liability property insurance;
- the Company continues to closely manage its investment in property and equipment and intangible assets. For the year to date fiscal 2016, $27.5 million was invested in additions to property and equipment and intangible assets. Depreciation, amortization and net impairment losses of $35.7 million were recognized for the year to date fiscal 2016, contributing to a lower carrying value;
- trade and other payables were comparable, consisting largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities;
- deferred revenue decreased largely due to lower gift card liability as a result of the traditional pattern of purchases of gift cards for 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 AND FINANCIAL RISK MANAGEMENT

Detailed descriptions of the operating and financial risks management strategies are included in the Company's annual MD&A and annual information form for the year ended January 31, 2015 (which are available on the SEDAR website at www.sedar.com).

There have been no significant changes in the Company's operating and financial risk exposures during the nine months ended October 31, 2015.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at October 31, 2015 amounted to $396.4 million or $6.22 per share (November 1, 2014 – $423.8 million or $6.56 per share; January 31, 2015 – $421.1 million or $6.52 per share). The Company continues to be in a strong financial position with its principal sources of liquidity in cash and cash equivalents and investments in marketable securities of $147.8 million as at October 31, 2015 (November 1, 2014 – $169.4 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 October 31, 2015, $12.9 million (November 1, 2014 – $24.1 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 October 31, 2015, the maximum potential liability under these guarantees was $2.8 million (November 1, 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 continues repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $0.4 million in the third quarter of fiscal 2016. The Company paid $0.05 dividends per share in the third quarter of fiscal 2016 totalling $3.2 million compared to $0.05 dividends per share totalling $3.2 million in the third 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 continues its implementation of a major systems development project ("SCORE"). The functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2017. Projected costs to completion are estimated at $40.0 million of which approximately $33.0 million has been incurred to date.

In the third quarter of fiscal 2016, the Company invested $8.3 million primarily on new and renovated stores. In fiscal 2016, the Company expects to invest approximately $35.0 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 December 3, 2015, 13,440,000 Common shares and 50,327,866 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 3,816,800 share options outstanding at an average exercise price of $9.70. 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.

For the year to date fiscal 2016 the Company purchased, under the normal course issuer bid approved in December 2014, 817,840 Class A non-voting shares having a carrying value of $0.5 million for a total cash consideration of $5.1 million. The excess of the purchase price over carrying value of the shares in the amount of $4.6 million was charged to retained earnings. 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 foreign exchange contracts with maturities not exceeding twelve months.

Details of the foreign currency contracts outstanding as at October 31, 2015, November 1, 2014 and as at January 31, 2015 are included in the "Operating Results for the Nine Months Ended October 31, 2015 and Comparison to Operating Results for the Nine Months Ended November 1, 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 AND JUDGMENTS MADE IN RELATION TO ACCOUNTING POLICIES APPLIED

There have been no significant changes in the key sources of estimation uncertainty and judgments made in relation to the accounting policies applied as disclosed in the Company's annual MD&A for the year ended January 31, 2015 (which are available on the SEDAR website at www.sedar.com).

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 the unaudited condensed consolidated interim financial statements except as noted below:

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 unaudited condensed consolidated interim 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 October 31, 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 nine months ended October 31, 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*
- Disclosure Initiative: Amendments to IAS 1

Further information on these modifications can be found in Note 3 of the October 31, 2015 unaudited condensed consolidated interim 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 CONTROL 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 CONTROL OVER FINANCIAL REPORTING

No changes were made to the Company's ICFR during the nine months ended October 31, 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. 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 goods 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, including the launch of a new banner, Hyba, featuring activewear. 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. In addition, cost reduction and process improvement initiatives have started to yield results. 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		FOR THE NINE MONTHS ENDED	
	OCTOBER 31, 2015	NOVEMBER 1, 2014	OCTOBER 31, 2015	NOVEMBER 1, 2014
Sales	**$ 240,270**	$ 238,295	**$ 694,999**	$ 703,099
Cost of goods sold (note 6)	**102,236**	87,319	**297,707**	279,860
Gross profit	**138,034**	150,976	**397,292**	423,239
Selling and distribution expenses	**123,728**	126,711	**367,388**	378,853
Administrative expenses	**11,309**	10,189	**34,388**	36,033
Results from operating activities	**2,997**	14,076	**(4,484)**	8,353
Finance income (note 12)	**1,426**	2,811	**6,072**	3,818
Finance costs (note 12)	**4,401**	659	**10,974**	880
Earnings (loss) before income taxes	**22**	16,228	**(9,386)**	11,291
Income tax (expense) recovery (note 11)	**(291)**	(3,362)	**1,224**	(2,283)
Net (loss) earnings	**$ (269)**	$ 12,866	**$ (8,162)**	$ 9,008
(Loss) earnings per share (note 13):				
Basic	**$ 0.00**	$ 0.20	**$ (0.13)**	$ 0.14
Diluted	**0.00**	0.20	**(0.13)**	0.14

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		FOR THE NINE MONTHS ENDED	
	OCTOBER 31, 2015	NOVEMBER 1, 2014	OCTOBER 31, 2015	NOVEMBER 1, 2014
Net (loss) earnings	**$ (269)**	$ 12,866	**$ (8,162)**	$ 9,008
Other comprehensive (loss) income				
Items that are or may be reclassified subsequently to net earnings:				
Available-for-sale financial assets (2015 – nil; net of tax of $263 for the three months and $99 for the nine months ended November 1, 2014) (note 9)	**–**	(1,718)	**–**	649
Cash flow hedges (net of tax of $2,228 for the three months and $905 for the nine months ended October 31, 2015; 2014 – nil) (note 9)	**(6,125)**	–	**(2,486)**	–
Foreign currency translation differences (note 9)	**–**	(112)	**(119)**	(263)
Total other comprehensive (loss) income	**(6,125)**	(1,830)	**(2,605)**	386
Total comprehensive (loss) income	**$ (6,394)**	$ 11,036	**$ (10,767)**	$ 9,394

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)

	OCTOBER 31, 2015	NOVEMBER 1, 2014	JANUARY 31, 2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 4)	**$ 97,192**	$ 121,014	$ 139,913
Marketable securities	**50,597**	48,373	57,364
Trade and other receivables	**5,107**	6,536	4,599
Derivative financial asset (note 5)	**6,439**	4,154	20,635
Income taxes recoverable	**1,134**	–	1,977
Inventories (note 6)	**142,617**	124,324	106,440
Prepaid expenses	**9,956**	12,820	12,148
Total Current Assets	**313,042**	317,221	343,076
NON-CURRENT ASSETS			
Property and equipment	**138,128**	157,211	152,349
Intangible assets	**23,575**	18,532	20,077
Goodwill	**42,426**	42,426	42,426
Deferred income taxes	**29,508**	32,254	26,463
Total Non-Current Assets	**233,637**	250,423	241,315
TOTAL ASSETS	**$ 546,679**	$ 567,644	$ 584,391
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables (note 7)	**$ 92,167**	$ 79,763	$ 91,719
Derivative financial liability (note 5)	**616**	469	96
Deferred revenue (note 8)	**11,277**	12,422	21,073
Income taxes payable	**–**	1,663	–
Current portion of long-term debt	**1,867**	1,753	1,780
Total Current Liabilities	**105,927**	96,070	114,668
NON-CURRENT LIABILITIES			
Other payables (note 7)	**8,468**	10,451	9,903
Deferred lease credits	**11,407**	14,294	13,178
Long-term debt	**2,141**	4,007	3,551
Pension liability	**22,355**	19,026	21,968
Total Non-Current Liabilities	**44,371**	47,778	48,600
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**38,687**	39,227	39,227
Contributed surplus	**8,809**	7,847	8,014
Retained earnings	**346,189**	368,980	368,241
Accumulated other comprehensive income (note 9)	**2,696**	7,742	5,641
Total Shareholders' Equity	**396,381**	423,796	421,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 546,679**	$ 567,644	$ 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		**–**	**–**	**(8,162)**	**–**	**(8,162)**
Total other comprehensive loss		**–**	**–**	**–**	**(2,605)**	**(2,605)**
Total comprehensive loss for the period		**–**	**–**	**(8,162)**	**(2,605)**	**(10,767)**
Contributions by (distributions to) owners of the Company						
Cash consideration on exercise of share options	9	**2**	**–**	**–**	**–**	**2**
Cancellation of shares pursuant to share repurchase program	9	**(542)**	**–**	**–**	**–**	**(542)**
Share-based compensation costs	10	**–**	**795**	**–**	**–**	**795**
Dividends	9	**–**	**–**	**(9,616)**	**–**	**(9,616)**
Premium on repurchase of Class A non-voting shares	9	**–**	**–**	**(4,614)**	**–**	**(4,614)**
Total (distributions to) contributions by owners of the Company		**(540)**	**795**	**(14,230)**	**–**	**(13,975)**
Balance as at October 31, 2015		**$ 38,687**	**$ 8,809**	**$ 346,189**	**$ 2,696**	**$ 396,381**
Balance as at February 2, 2014		$ 39,227	$ 7,188	$ 369,660	$ 7,356	$ 423,431
Total comprehensive income for the period						
Net earnings		–	–	9,008	–	9,008
Total other comprehensive income		–	–	–	386	386
Total comprehensive income for the period		–	–	9,008	386	9,394
Contributions by (distributions to) owners of the Company						
Share-based compensation costs	10	–	659	–	–	659
Dividends	9	–	–	(9,688)	–	(9,688)
Total contributions by (distributions to) owners of the Company		–	659	(9,688)	–	(9,029)
Balance as at November 1, 2014		$ 39,227	$ 7,847	$ 368,980	$ 7,742	$ 423,796

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		FOR THE NINE MONTHS ENDED	
	OCTOBER 31, 2015	NOVEMBER 1, 2014	OCTOBER 31, 2015	NOVEMBER 1, 2014
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES				
Net (loss) earnings	**$ (269)**	$ 12,866	**$ (8,162)**	$ 9,008
Adjustments for:				
Depreciation, amortization and net impairment losses	**11,593**	15,942	**35,699**	41,773
Share-based compensation costs	**345**	344	**795**	659
Amortization of deferred lease credits	**(1,189)**	(986)	**(3,623)**	(2,941)
Deferred lease credits	**682**	1,359	**1,852**	1,628
Pension contribution	**(485)**	(215)	**(1,188)**	(709)
Pension expense	**525**	492	**1,575**	1,476
Realized (gain) loss on disposal of marketable securities	**–**	(836)	**15**	(775)
Impairment loss on marketable securities	**–**	564	**–**	574
Net change in fair value of marketable securities	**4,333**	–	**10,734**	–
Net change in fair value of derivatives	**–**	(4,399)	**12,335**	5,025
Foreign exchange gain on cash and cash equivalents	**(2,342)**	(502)	**(7,809)**	(1,588)
Interest and dividend income, net	**(667)**	(831)	**(2,095)**	(2,200)
Interest paid	**(68)**	(95)	**(225)**	(306)
Interest received	**113**	182	**492**	563
Dividends received	**636**	470	**1,884**	1,909
Income tax expense (recovery)	**291**	3,362	**(1,224)**	2,283
	13,498	27,717	**41,055**	56,379
Changes in:				
Trade and other receivables	**(318)**	(1,192)	**(564)**	(164)
Inventories	**(11,129)**	(11,869)	**(36,177)**	(14,723)
Prepaid expenses	**(973)**	14,314	**2,192**	(308)
Trade and other payables	**(3,677)**	(7,802)	**1,556**	(12,135)
Deferred revenue	**(4,679)**	(2,937)	**(9,796)**	(7,576)
Cash (used in) from operating activities	**(7,278)**	18,231	**(1,734)**	21,473
Income taxes received	**1,859**	–	**1,861**	5,133
Income taxes paid	**(365)**	(839)	**(1,935)**	(3,872)
Net cash flows (used in) from operating activities	**(5,784)**	17,392	**(1,808)**	22,734
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchases of marketable securities	**–**	–	**(5,660)**	(185)
Proceeds on sale of marketable securities	**–**	2,822	**1,678**	7,822
Proceeds on sales of trademarks	**–**	29	**–**	84
Additions to property and equipment and intangible assets	**(8,293)**	(9,412)	**(27,519)**	(22,191)
Cash flows used in investing activities	**(8,293)**	(6,561)	**(31,501)**	(14,470)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Dividends paid	**(3,189)**	(3,229)	**(9,616)**	(9,688)
Purchase of Class A non-voting shares for cancellation	**(850)**	–	**(5,156)**	–
Repayment of long-term debt	**(447)**	(421)	**(1,323)**	(1,243)
Proceeds from issuance of share capital	**–**	–	**2**	–
Cash flows used in financing activities	**(4,486)**	(3,650)	**(16,093)**	(10,931)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY	**1,333**	453	**6,681**	1,326
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(17,230)**	7,634	**(42,721)**	(1,341)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**114,422**	113,380	**139,913**	122,355
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 97,192**	$ 121,014	**$ 97,192**	$ 121,014

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 December 3, 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; 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 unaudited condensed consolidated interim 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 of 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 nine months ended October 31, 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, 2018. 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

	OCTOBER 31, 2015	NOVEMBER 1, 2014	JANUARY 31, 2015
Cash on hand and with banks	**$ 94,392**	$ 120,014	$ 106,917
Short-term deposits, bearing interest at 0.6% (November 1, 2014 – 1.0%; January 31, 2015 – 0.8%)	**2,800**	1,000	32,996
	$ 97,192	$ 121,014	$ 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.

The fair value of the Company's marketable securities is determined by reference to their quoted closing prices in active markets at the reporting date, which is considered a Level 1 input in the fair value hierarchy. The fair value of the Company's long-term debt bearing interest at a fixed rate, which is determined for disclosure purposes, is calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturity, which is considered Level 2 input in the fair value hierarchy. The fair value of foreign currency option contracts is determined through a standard option valuation technique used by the counterparty based on Level 2 inputs.

	OCTOBER 31, 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	**$ –**	**$ 6,439**	**$ –**	**$ 6,439**	**$ –**	**$ 6,439**	**$ 6,439**
Marketable securities	**$ 50,597**	**$ –**	**$ –**	**$ 50,597**	**$ 50,597**	**$ –**	**$ 50,597**
Financial liabilities measured at fair value							
Derivative financial liability	**$ –**	**$ (616)**	**$ –**	**$ (616)**	**$ –**	**$ (616)**	**$ (616)**
Financial liabilities not measured at fair value							
Long-term debt	**$ –**	**$ –**	**$ (4,008)**	**$ (4,008)**	**$ –**	**$ (4,176)**	**$ (4,176)**

	NOVEMBER 1, 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	$ 4,154		$ –	$ –	$ 4,154	$ –	$ 4,154	$ 4,154
Marketable securities	$ –		$ 48,373	$ –	$ 48,373	$ 48,373	$ –	$ 48,373
Financial liabilities measured at fair value								
Derivative financial liability	$ (469)		$ –	$ –	$ (469)	$ –	$ (469)	$ (469)
Financial liabilities not measured at fair value								
Long-term debt	$ –		$ –	$ (5,760)	$ (5,760)	$ –	$ (6,070)	$ (6,070)

	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 October 31, 2015, November 1, 2014 and January 31, 2015.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into transactions with its banks 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:

	OCTOBER 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	**$ 1.273**	**$ 152,500**	**$ 6,080**	**$ (616)**	**$ 5,464**
Call options purchased	**$ 1.188**	**$ 3,000**	**359**	**–**	**359**
Put options sold	**$ 1.188**	**$ 1,500**	**–**	**–**	**–**
			$ 6,439	**$ (616)**	**$ 5,823**

	NOVEMBER 1, 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	$ 1.092	$ 104,000	$ 4,154	$ –	$ 4,154
Put options sold	$ 1.092	$ 188,000	–	(469)	(469)
			$ 4,154	$ (469)	$ 3,685

	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

During the three and nine months ended October 31, 2015, inventories recognized as cost of goods sold amounted to $99,443 and $286,563, respectively ($90,807 and $275,113 for the three and nine months ended November 1, 2014). In addition, for the three and nine months ended October 31, 2015, the Company recorded $2,793 and $9,019 ($1,655 and $5,627 for the three and nine months ended November 1, 2014) of write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

For the three and nine months ended October 31, 2015, nil and a loss of $2,125, respectively is included in cost of goods sold (gains of $5,143 and $880 for the three and nine months ended November 1, 2014, respectively) representing changes in fair value of derivatives not eligible for hedge accounting. Cost of goods sold for the three and nine months ended November 1, 2014 were 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

	OCTOBER 31, 2015	NOVEMBER 1, 2014	JANUARY 31, 2015
Trade payables	**$ 56,855**	$ 43,402	$ 49,577
Non-trade payables due to related parties	**40**	40	40
Other non-trade payables	**11,720**	11,673	9,502
Personnel liabilities	**18,950**	19,872	27,201
Payables relating to premises	**11,390**	13,786	14,576
Provision for sales returns	**1,680**	1,441	726
	100,635	90,214	101,622
Less non-current portion	**8,468**	10,451	9,903
	$ 92,167	$ 79,763	$ 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

	OCTOBER 31, 2015	NOVEMBER 1, 2014	JANUARY 31, 2015
Loyalty points and awards granted under loyalty programs	**$ 5,589**	$ 6,707	$ 8,735
Unredeemed gift cards	**5,688**	5,715	12,338
	$ 11,277	$ 12,422	$ 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 NINE MONTHS ENDED OCTOBER 31, 2015		NOVEMBER 1, 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**	–	–
Shares purchased under issuer bid	**(818)**	**(542)**	–	–
Balance at end of the period	**50,328**	**38,205**	51,146	38,745
Total share capital	**63,768**	**$ 38,687**	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 nine months ended October 31, 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 (November 1, 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 (November 1, 2014 – nil).

PURCHASE OF SHARES FOR CANCELLATION

The Company purchased, under the normal course issuer bid approved in December 2014, 191,500 and 817,840, respectively for the three and nine months ended October 31, 2015 (November 1, 2014 – nil) Class A non-voting shares having a carrying value of $127 and $542, respectively for the three and nine months ended October 31, 2015 (November 1, 2014 – nil) for a total cash consideration of $850 and $5,156, respectively for the three and nine months ended October 31, 2015 (November 1, 2014 – nil). The excess of the purchase price over the carrying value of the shares in the amount of $723 and $4,614, respectively for the three and nine months ended October 31, 2015 (November 1, 2014 – nil) was debited to retained earnings. 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 $1,443)	**–**	**3,965**	**–**	**3,965**
Reclassification of realized gain on cash flow hedges to inventory (net of tax of $2,348)	**–**	**(6,451)**	**–**	**(6,451)**
Change in foreign currency translation differences	**–**	**–**	**(119)**	**(119)**
Balance at October 31, 2015	**$ –**	**$ 3,540**	**$ (844)**	**$ 2,696**
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 $124)	825	–	–	825
Reclassification of realized loss on available-for-sale financial assets to net earnings (net of tax of $101)	(674)	–	–	(674)
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $76)	498	–	–	498
Change in foreign currency translation differences	–	–	(263)	(263)
Balance at November 1, 2014	$ 7,976	$ –	$ (234)	$ 7,742

The change in the time value element of option contracts designated as cash flow hedges was not significant for the three and nine months ended October 31, 2015.

DIVIDENDS

The following dividends were declared and paid by the Company:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 31, 2015	NOVEMBER 1, 2014	OCTOBER 31, 2015	NOVEMBER 1, 2014
Common shares and Class A non-voting shares	**$ 3,189**	$ 3,229	**$ 9,616**	$ 9,688
Dividend per share	**$ 0.05**	$ 0.05	**$ 0.15**	$ 0.15

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				FOR THE NINE MONTHS ENDED			
	OCTOBER 31, 2015		NOVEMBER 1, 2014		OCTOBER 31, 2015		NOVEMBER 1, 2014	
	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, at beginning of period	**3,931**	**$ 9.60**	3,399	$ 10.57	**3,051**	**$ 10.75**	2,090	$ 14.43
Granted	**–**	**–**	–	–	**1,030**	**6.75**	1,557	6.00
Exercised	**–**	**–**	–	–	**–**	**6.00**	–	–
Forfeited	**(4)**	**6.00**	(128)	10.98	**(154)**	**13.40**	(376)	13.23
Outstanding, at end of period	**3,927**	**$ 9.60**	3,271	$ 10.55	**3,927**	**$ 9.60**	3,271	$ 10.55
Options exercisable, at end of period	**1,643**	**$ 13.16**	1,389	$ 14.50	**1,643**	**$ 13.16**	1,389	$ 14.50

During the nine months ended October 31, 2015, a total of 200 (November 1, 2014 – nil) Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program. There were no share option exercised during the three months ended October 31, 2015 and November 1, 2014.

C) Compensation cost related to the share option awards granted during the nine months ended October 31, 2015 and November 1, 2014 under the fair value based approach was calculated using the following assumptions:

	830,000 OPTIONS GRANTED JUNE 9, 2015	200,000 OPTIONS GRANTED APRIL 23, 2015	1,557,000 OPTIONS GRANTED JUNE 16, 2014
Expected option life	6.2 years	6.3 years	6.3 years
Risk-free interest rate	1.29%	0.99%	1.79%
Expected stock price volatility	29.74%	30.06%	32.38%
Average dividend yield	2.96%	2.95%	3.33%
Weighted average fair value of options granted	$ 1.42	$ 1.42	$ 1.38
Share price at grant date	$ 6.75	$ 6.77	$ 6.00

D) EMPLOYEE EXPENSE

For the three and nine months ended October 31, 2015, the Company recognized compensation costs of $345 and $795, respectively, relating to share-based payment arrangements ($344 and $659 for the three and nine months ended November 1, 2014), with a corresponding credit to contributed surplus.

11 INCOME TAX

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

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 31, 2015	NOVEMBER 1, 2014	OCTOBER 31, 2015	NOVEMBER 1, 2014
Dividend income from marketable securities	**$ 635**	$ 592	**$ 1,921**	$ 1,889
Interest income	**100**	273	**399**	617
Foreign exchange gain	**691**	1,110	**3,752**	537
Realized gain on disposal of marketable securities	**–**	836	**–**	775
Finance income	**1,426**	2,811	**6,072**	3,818
Interest expense – mortgage	**68**	95	**225**	306
Net change in fair value of marketable securities	**4,333**	–	**10,734**	–
Impairment loss on marketable securities	**–**	564	**–**	574
Realized loss on disposal of marketable securities	**–**	–	**15**	–
Finance costs	**4,401**	659	**10,974**	880
Net finance (costs) income recognized in net earnings	**$ (2,975)**	$ 2,152	**$ (4,902)**	$ 2,938

13 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net losses for the three and nine months ended October 31, 2015 of $269 and $8,162, respectively (net earnings of $12,866 and $9,008, respectively for the three and nine months ended November 1, 2014).

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

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 31, 2015	NOVEMBER 1, 2014	OCTOBER 31, 2015	NOVEMBER 1, 2014
Weighted average number of shares per basic earnings per share calculations	**63,884**	64,586	**64,264**	64,586
Weighted average number of shares per diluted earnings per share calculations	**63,884**	64,586	**64,264**	64,586

For the three and nine months ended October 31, 2015, a total of 3,926,800 and 3,661,600, respectively, share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive, because the Company is in a loss position and the exercise prices were greater than the average market price of the shares during the period (3,271,000 for the three and nine months ended November 1, 2014).

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 AND OTHER INFORMATION

	OCTOBER 31, 2015	NOVEMBER 1, 2014	JANUARY 31, 2015
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,102**	$ 1,365	$ 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 $1,818 and $5,395 for the three and nine months ended October 31, 2015 respectively ($4,841 and $7,299 for three and nine months ended November 1, 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 and nine months ended October 31, 2015, $439 and $1,277, respectively of asset impairment charges were reversed following an improvement in the profitability of certain CGUs ($124 for the three and nine months ended November 1, 2014). Net impairment losses have been recorded in selling and distribution expenses.

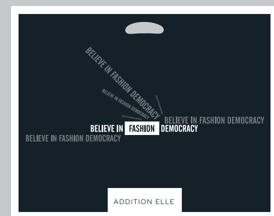
15 FINANCIAL RISK MANAGEMENT

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 nine months ended October 31, 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 **332 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 **136 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 **83 STORES** averaging 4,500 sq. ft. in premium locations in major malls and power centres 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.

HYBA launched its store locations in October 2015 offering affordable, on-trend activewear and yoga clothes for exercising or sports in sizes XS to 2X. Hyba operates **17 STORES** averaging 3,000 sq. ft. in major malls across Canada, as well as an e-commerce site at hyba.ca.

With **32 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.

STORES ACROSS CANADA

	REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	HYBA	SMART SET	TOTAL STORES
NEWFOUNDLAND	14	3	2	1	–	–	–	20
PRINCE EDWARD ISLAND	3	1	–	–	–	–	1	5
NOVA SCOTIA	18	6	2	1	1	1	–	29
NEW BRUNSWICK	13	5	3	3	1	1	–	26
QUÉBEC	83	24	31	22	22	4	15	201
ONTARIO	103	51	40	29	26	6	13	268
MANITOBA	12	5	3	3	2	–	1	26
SASKATCHEWAN	11	6	3	2	2	–	–	24
ALBERTA	38	19	17	11	10	2	1	98
BRITISH COLUMBIA	35	16	6	11	4	3	1	76
NORTHWEST TERRITORIES	1	–	–	–	–	–	–	1
YUKON	1	–	–	–	–	–	–	1
	332	136	107	83	68	17	32	**775**

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

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REITMANS (CANADA) LIMITÉE
250, RUE SAUVÉ OUEST
MONTRÉAL, QUÉBEC H3L 1Z2

REITMANS
PENNINGTONS
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