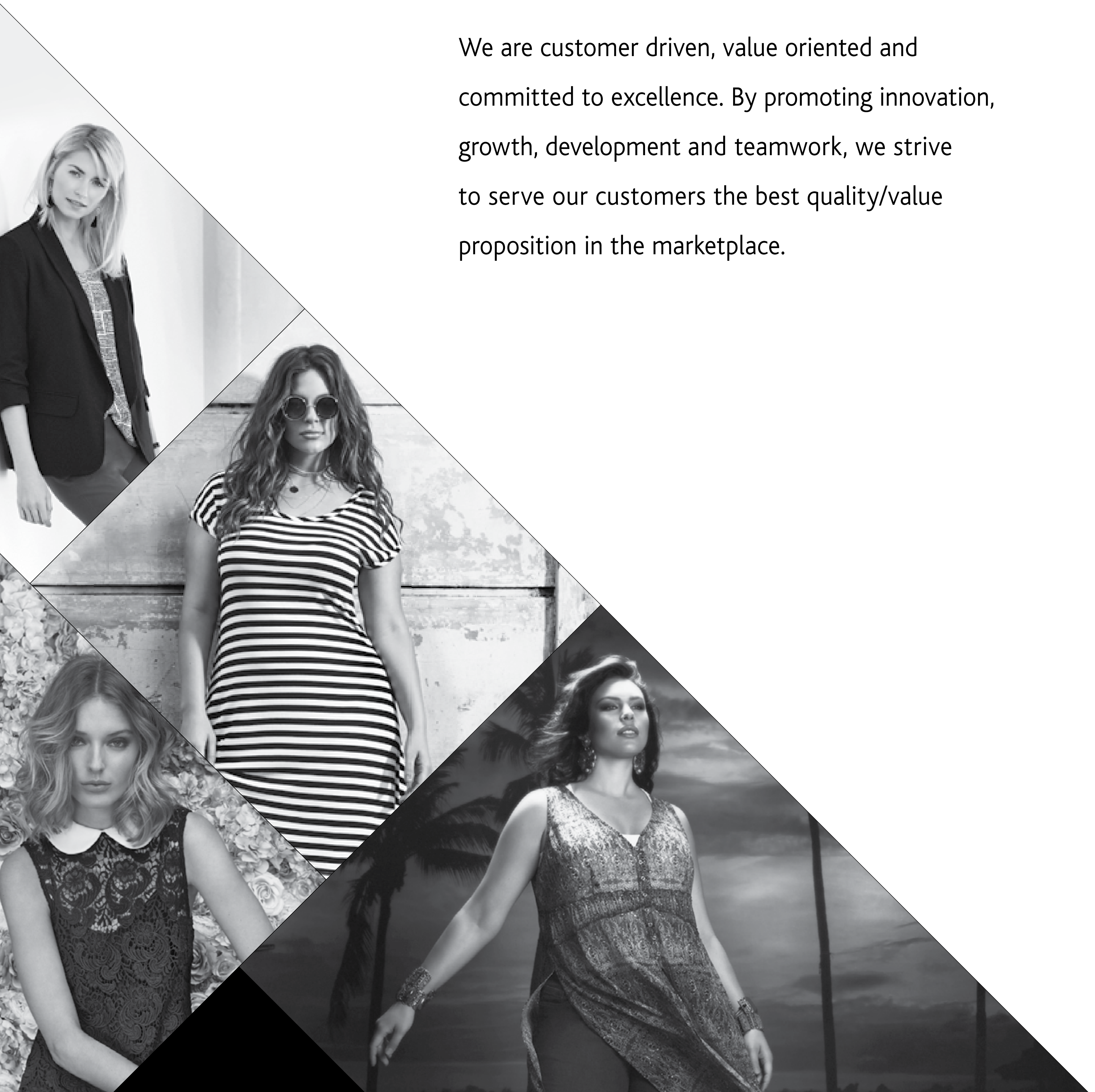
REITMANS
(CANADA) LIMITED

INTERIM REPORT
FOR THE THREE MONTHS ENDED
APRIL 30, 2016

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 April 30, 2016 were $203.5 million as compared with $201.7 million for the three months ended May 2, 2015, an increase of 0.9%, with a net reduction of 60 stores primarily attributable to the closure of Smart Set stores. Same store sales[1] increased 8.8% with stores increasing 6.3% and e-commerce increasing 52.5%.

The Company's gross margin for the three months ended April 30, 2016 decreased to 55.8% from 59.5% for the three months ended May 2, 2015. Gross profit for the three months ended April 30, 2016 decreased $6.6 million or 5.5% to $113.5 million as compared with $120.1 million for three months ended May 2, 2015, with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross profit by approximately $3.5 million, while also being impacted by increased markdowns.

Results from operating activities for the three months ended April 30, 2016 was a loss of $12.5 million as compared with a loss of $10.2 million for the three months ended May 2, 2015, an increase of $2.3 million.

Net loss for the three months ended April 30, 2016 was $6.0 million ($0.09 basic and diluted loss per share) as compared with net loss of $7.7 million ($0.12 basic and diluted loss per share) for the three months ended May 2, 2015.

Adjusted EBITDA[1] for the three months ended April 30, 2016 was a loss of $4.3 million as compared with earnings of $2.3 million for the three months ended May 2, 2015, a decrease of $6.6 million. The reduction in adjusted EBITDA was primarily attributable to lower gross profit as a result of the impact of the weakness of the Canadian dollar vis-à-vis the U.S. dollar and increased markdowns.

The Company operates three stores in Fort McMurray (two Reitmans and one Penningtons), which were impacted by the wildfires. In response to the Fort McMurray disaster, the Company moved quickly to support our employees and their families. Additionally, the displaced residents of the community were offered, for a specified period, clothing at any of the Company's stores located across Canada at a 75% discount and the Company was delighted that many people affected by the fires were able to take advantage of this offer. The Company looks forward to re-opening its stores in Fort McMurray and continuing to support and serve the community.

During the quarter, the Company opened 2 new stores and closed 19. Accordingly, at April 30, 2016, there were 750 stores consisting of 327 Reitmans, 130 Penningtons, 104 Addition Elle, 83 RW & CO., 66 Thyme Maternity, 17 Hyba and 23 Smart Set. The Company also operates 21 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada. We plan to open 12 new stores, close 60 stores (including 23 Smart Set) and remodel 64 stores this year.

Sales for the month of May (the four weeks ended May 28, 2016) increased 1.1%. Same store sales[1] increased 7.9% with stores increasing 4.9% and e-commerce sales increasing 66.9%.

At the Board of Directors meeting held on May 31, 2016, a quarterly cash dividend (constituting eligible dividends) of $0.05 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable July 28, 2016 to shareholders of record on July 14, 2016.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, May 31, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED APRIL 30, 2016

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 three months ended April 30, 2016 ("first quarter of fiscal 2017") and the audited annual consolidated financial statements for the fiscal year ended January 30, 2016 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated May 31, 2016.

All financial information contained in this MD&A and Reitmans' unaudited condensed consolidated interim financial statements has 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 and strike price 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 May 31, 2016.

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. 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. This MD&A, for the Company contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. 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. These specific forward-looking statements are contained throughout this MD&A including those listed in the "Operating and Financial Risk Management" section of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including:

- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, interest rates, currency exchange rates or derivative prices;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the changing consumer preferences toward e-commerce, online retailing and the introduction of new technologies;
- seasonality and weather;
- the inability of the Company's information technology ("IT") infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in the Company's new IT systems;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives, including those from restructuring;
- changes in the Company's income, capital, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. 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

The Company has identified several key operating performance measures and non-GAAP financial measures which management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

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, interest expense, impairment of goodwill, 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 and net change in fair value 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 to adjusted EBITDA for the three months ended April 30, 2016 and May 2, 2015:

(in millions of Canadian dollars)
(unaudited)

	FOR THE THREE MONTHS ENDED	
	APRIL 30, 2016	MAY 2, 2015
Net loss	**$ (6.0)**	$ (7.7)
Depreciation, amortization and net impairment losses	**10.3**	11.9
Dividend income	**(0.6)**	(0.7)
Interest income	**(0.1)**	(0.2)
Net change in fair value of marketable securities	**(4.1)**	1.2
Interest expense	**0.1**	0.1
Income tax recovery	**(3.9)**	(2.3)
Adjusted EBITDA	**$ (4.3)**	$ 2.3
Adjusted EBITDA as % of sales	**(2.1%)**	1.1%

CORPORATE OVERVIEW

The Company has a single reportable segment which derives its revenue from mainly 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:

The Reitmans banner, operating 327 stores averaging 4,600 sq. ft., is Canada's largest women's apparel specialty chain and leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise.

Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 14–32. Penningtons operates 130 stores in power centres across Canada averaging 6,000 sq. ft.

Addition Elle is a fashion destination for plus-size women with a focus on fashion, quality and fit delivering the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. Addition Elle operates 104 stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

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 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 66 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. The Company has terminated its agreement with Toys"R"Us and will no longer operate Babies"R"Us shop-in-shop locations as of August 31, 2016.

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. Hyba is also available at over 300 Reitmans store locations across Canada.

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 23 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 30, 2016	Q1 OPENINGS	Q1 CLOSINGS	NUMBER OF STORES AT APRIL 30, 2016	NUMBER OF STORES AT MAY 2, 2015
Reitmans	329	1	(3)	327	337
Penningtons	134	1	(5)	130	138
Addition Elle	107	–	(3)	104	107
RW & CO.	83	–	–	83	78
Thyme Maternity	68	–	(2)	66	68
Hyba	17	–	–	17	–
Smart Set	29	–	(6)	23	82
Total	**767**	**2**	**(19)**	**750**	**810**
Thyme Maternity Babies"R"Us shop-in-shop[1]	21	–	–	21	21

[1] Effective August 31, 2016 the Company will no longer operate Babies"R"Us shop-in-shop locations.

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

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
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. Notable developments include: • 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.; • Additional U.S. retailers have expressed interest in the product lines which is anticipated to lead to further expansion.
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 is nearing completion which will satisfy the changing store and online demands. Warehouse management system changes, transportation management software implementation and material handling equipment improvements are in the testing phase. Work is progressing well with a projected go-live date in August 2016.
The Company is committed to continued investment in e-commerce, including improvements in customer relationship management and technology.	The Company continues to experience significant growth through its e-commerce channel. The Company is continuing to invest in customer relationship technology, predictive analytics and customer insights solutions to support growth.
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 current year. The SCORE project is on track for completion in fiscal 2017.

OPERATING RESULTS FOR THE THREE MONTHS ENDED APRIL 30, 2016 ("FIRST QUARTER OF FISCAL 2017") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED MAY 2, 2015 ("FIRST QUARTER OF FISCAL 2016")

Sales for the first quarter of fiscal 2017 were $203.5 million as compared with $201.7 million for the first quarter of fiscal 2016, an increase of 0.9%, with a net reduction of 60 stores, primarily attributable to the closure of Smart Set stores. Same store sales increased 8.8% with stores increasing 6.3% and e-commerce increasing 52.5%.

Gross profit for the first quarter of fiscal 2017 decreased $6.6 million or 5.5% to $113.5 million as compared with $120.1 million for the first quarter of fiscal 2016. The weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacted gross profit by approximately $3.5 million, while also being impacted by increased markdowns. Gross margin for the first quarter of fiscal 2017 decreased to 55.8% from 59.5% for the first quarter of fiscal 2016.

Selling and distribution expenses for the first quarter of fiscal 2017 decreased 3.1% or $3.7 million to $115.2 million as compared with $118.9 million for the first quarter of fiscal 2016. Factors contributing to this change included:

- a decrease in store operating costs of approximately $2.3 million (excluding depreciation and amortization) due to a net reduction of 60 stores, primarily attributable to the continuing closure of the Smart Set banner;
- lower depreciation and amortization for the first quarter of fiscal 2017 of $10.3 million, compared to $11.9 million for the first quarter of fiscal 2016, which includes decreased net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures ($0.3 million for the first quarter of fiscal 2017 compared to $1.0 million for the first quarter of fiscal 2016).

Administrative expenses for the first quarter of fiscal 2017 decreased 5.3% or $0.6 million to $10.8 million as compared with $11.4 million for the first quarter of fiscal 2016. The reduction in administrative expenses reflects the impact of earlier initiatives aimed at streamlining the workforce to support new needs of the business.

Net finance income was $2.6 million for the first quarter of fiscal 2017 as compared to net finance income of $0.2 million for the first quarter of fiscal 2016. This change is largely attributable to the following:

- a $4.1 million gain due to a change in the fair value of marketable securities for the first quarter of fiscal 2017 compared to a $1.2 million loss for the first quarter of fiscal 2016; partially offset by
- a foreign exchange loss of $2.2 million for the first quarter of fiscal 2017 (gain of $0.6 million for the first quarter of fiscal 2016), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities.

For the first quarter of fiscal 2017, loss before income taxes was $9.9 million ($9.9 million loss before income taxes for the first quarter of fiscal 2016). Adjusted EBITDA for the first quarter of fiscal 2017 was a loss of $4.3 million as compared with earnings of $2.3 million for the first quarter of fiscal 2016, a decrease of $6.6 million. The reduction in adjusted EBITDA was primarily attributable to lower gross profit as a result of the impact of the weakness of the Canadian dollar vis-à-vis the U.S. dollar and increased markdowns.

Income tax recovery for the first quarter of fiscal 2017 amounted to $3.9 million for an effective tax rate of 39.5% ($2.3 million in the first quarter of fiscal 2016 for an effective tax rate of 22.8%). The effective tax rate for the first quarter of fiscal 2017 was impacted primarily by a $4.1 million change in the fair value of marketable securities. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net loss for the first quarter of fiscal 2017 was $6.0 million ($0.09 basic and diluted loss per share) as compared with net loss of $7.7 million ($0.12 basic and diluted loss per share) for the first quarter of fiscal 2016.

FOREIGN EXCHANGE CONTRACTS

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company enters into foreign exchange forward contracts to hedge a significant portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance. In the first quarter of fiscal 2017, the Company satisfied its U.S. dollar requirements through a combination of foreign exchange forward hedge contracts and spot purchases. In the first quarter of fiscal 2017, merchandise purchases, payable in U.S. dollars, approximated $67 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 April 30, 2016 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	**$ 1.352**	**$ 202.0**	**$ –**	**$ (19.5)**	**$ (19.5)**
			$ –	**$ (19.5)**	**$ (19.5)**

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

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

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

Details of the foreign currency contracts outstanding as at January 30, 2016 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	$ 1.325	$ 168.0	$ 14.4	$ (1.8)	$ 12.6
			$ 14.4	$ (1.8)	$ 12.6

SUMMARY OF QUARTERLY RESULTS

Quarterly sales are affected by seasonality and the timing of holidays. Largely due to the seasonal nature of the merchandise and the timing of marketing programs, the second quarter typically generates the greatest contribution to sales, and the first quarter the least. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. 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 "2017" are to the Company's fiscal year ending January 28, 2017, to "2016" are to the Company's fiscal year ended January 30, 2016 and to "2015" are to the Company's fiscal year ended January 31, 2015.

	FIRST QUARTER		FOURTH QUARTER		THIRD QUARTER		SECOND QUARTER	
	2017	2016	2016	2015	2016	2015	2016	2015
Sales	$ 203.5	$ 201.7	$ 242.2	$ 236.3	$ 240.3	$ 238.3	$ 253.0	$ 258.3
Net earnings (loss)	(6.0)	(7.7)	(16.5)	4.4	(0.3)	12.9	(0.2)	9.6
Earnings (loss) per share								
Basic	$ (0.09)	$ (0.12)	$ (0.26)	$ 0.07	$ –	$ 0.20	$ –	$ 0.15
Diluted	(0.09)	(0.12)	(0.26)	0.07	–	0.20	–	0.15

Fluctuations in the above-noted quarterly financial information reflect the impact on net earnings and earnings per share of the fluctuation of the Canadian dollar vis-à-vis the U.S. dollar along with the change in the fair value of marketable securities.

BALANCE SHEET

Selected line items from the Company's balance sheets as at April 30, 2016 as compared to January 30, 2016 are presented below:

	APRIL 30, 2016	JANUARY 30, 2016	$ CHANGE	% CHANGE
Cash and cash equivalents	**$ 75.7**	$ 118.6	(42.9)	(36.2)
Marketable securities	**49.3**	45.2	4.1	9.1
Trade and other receivables	**5.7**	4.1	1.6	39.0
Derivative financial asset	**–**	14.4	(14.4)	(100.0)
Income taxes recoverable	**5.4**	3.3	2.1	63.6
Inventories	**139.6**	124.9	14.7	11.8
Property and equipment & intangible assets	**155.6**	158.7	(3.1)	(2.0)
Deferred income taxes	**35.8**	25.8	10.0	38.8
Trade and other payables	**92.5**	106.3	(13.8)	(13.0)
Derivative financial liability	**19.5**	1.8	17.7	983.3
Deferred revenue	**18.5**	19.3	(0.8)	(4.1)

Significant changes in total assets and liabilities of the Company at April 30, 2016 as compared to January 30, 2016 were primarily due to:

- cash and cash equivalents decreased primarily due to an increased investment in inventory due to the normal build-up of inventory for the spring and summer selling seasons and lower trade payables balances due to timing of payments;
- marketable securities increased due to the net change in their fair value in the first quarter of fiscal 2017. The marketable securities are comprised of preferred shares of Canadian public companies;
- trade and other receivables consist primarily of credit card sales from the last few days of the fiscal quarter. Improved sales has resulted in higher credit card receivables at fiscal quarter end;
- income taxes recoverable are attributable to estimated tax refunds relating to current and prior years;
- the impact of a weaker Canadian dollar vis-à-vis the U.S. dollar along with normal build-up of inventory for the spring and summer selling seasons contributed to higher inventory costs, which was slightly offset by a net reduction of 17 stores;
- the Company continues to closely manage its investment in property and equipment and intangible assets. For the first quarter of fiscal 2017, $8.2 million was invested in additions to property and equipment and intangible assets. Depreciation, amortization and net impairment losses of $10.3 million were recognized for the first quarter of fiscal 2017;
- the increase in deferred income taxes is primarily due to the tax impact of mark-to-market adjustments on foreign exchange forward hedge contracts.

- trade and other payables were lower mainly due to the timing of payments. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities;
- the Company has recorded a net derivative financial liability, related to foreign exchange contracts. At January 30, 2016 the Company had recorded a net derivative financial asset. The change is attributable to the impact of mark-to-market adjustments on foreign exchange forward hedge contracts;
- deferred revenue decreased largely due to the timing of loyalty reward program incentives. 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 30, 2016 (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 three months ended April 30, 2016.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at April 30, 2016 amounted to $351.6 million or $5.55 per share (May 2, 2015 – $406.4 million or $6.29 per share; January 30, 2016 – $381.2 million or $6.02 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and cash equivalents and investments in marketable securities of $125.0 million as at April 30, 2016 (May 2, 2015 – $126.6 million; January 30, 2016 – $163.8 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 million or its U.S. dollar equivalent. As at April 30, 2016, $8.4 million (May 2, 2015 – $17.7 million; January 30, 2016 – $14.1 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 reduction in the commitments under the operating lines of credit reflects the Company's initiative to change payment settlement from documentary letters of credit towards open credit.

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at April 30, 2016, the maximum potential liability under these guarantees was $2.8 million (May 2, 2015 – $5.0 million; January 30, 2016 – $2.8 million). The standby letters of credit mature at various dates during fiscal 2017. 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 purchases excess insurance coverage from financially stable third-party insurance companies. The Company maintains comprehensive internal security and loss prevention programs aimed at mitigating the financial impact of theft.

The Company continued repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $0.5 million in the first quarter of fiscal 2017. The Company paid $0.05 dividends per share in the first quarter of fiscal 2017 totalling $3.2 million compared to $0.05 dividends per share totalling $3.2 million in the first quarter of fiscal 2016. With regard to dividend policy, the Board of Directors considers the Company's earnings per share, cash flow from operations, the level of planned capital expenditures and its cash and marketable securities. The targeted payout ratio is approximately 50% to 80% of sustainable earnings per share, 50% to 75% of cash flow from operations with consideration as to the ability to augment the dividend from the liquidity on the Company's balance sheet, if these targets are missed in a given year. The Board of Directors reviews these guidelines regularly.

The Company embarked on a major systems development project ("SCORE") in 2010, which is in the final phases of completion. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2017. Due to delays in the project, the total project costs have been increasing and most recent projected costs to completion are estimated at $40.0 million of which approximately $36.0 million has been incurred to date. The escalation in the SCORE project costs are a result of problems encountered during the warehouse management system deployment in fiscal 2013, which have been remedied, along with a longer deployment schedule than was originally planned.

In the first quarter of fiscal 2017, the Company invested $8.2 million, on a cash basis, primarily on new and renovated stores. In fiscal 2017, the Company expects to invest approximately $37.5 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 30, 2016.

OUTSTANDING SHARE DATA

At May 31, 2016, 13,440,000 Common shares and 49,890,266 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. With respect to the Company's Class A non-voting shares, there are 3,511,800 share options outstanding at an average exercise price of $9.71. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

In the first quarter of fiscal 2017, the Company did not purchase any shares under the normal course issuer bid approved in December 2015. For further information with respect to the normal course issuer bid refer to the Company's audited annual consolidated financial statements for the year ended January 30, 2016.

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 forward contracts with maturities not exceeding twelve months.

Details of the foreign currency contracts outstanding as at April 30, 2016, May 2, 2015 and as at January 30, 2016 are included in the "Operating Results for the Three Months Ended April 30, 2016 and Comparison to Operating Results for the Three Months Ended May 2, 2015" section of this MD&A.

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 30, 2016.

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 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

KEY SOURCES OF ESTIMATION UNCERTAINTY

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 30, 2016 (which are available on the SEDAR website at www.sedar.com).

NEW ACCOUNTING STANDARDS ADOPTED IN FISCAL 2017

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 30, 2016 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except for the adoption of *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 amendments were effective for annual periods beginning on or after January 1, 2016. These amendments did not require any significant change to the Company's presentation and disclosure in these unaudited condensed consolidated interim financial statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended April 30, 2016 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 16 – *Leases*
- IFRS 15 – *Revenue from Contracts with Customers*
- Disclosure Initiative (Amendments to IAS 7)

Further information on these modifications can be found in Note 3 of the April 30, 2016 unaudited condensed consolidated interim financial statements.

DISCLOSURE 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 three months ended April 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OUTLOOK

The impact of a weakened Canadian dollar vis-à-vis the U.S. dollar significantly impacts Canadian retailers importing finished goods from abroad that are settled in U.S. dollars, which, when combined with increased store competition and an abundance of online shopping alternatives creates a challenging retail environment. The Company has taken a variety of measures to respond to these challenges including considerably improving its sourcing capabilities through improved vendor collaboration with a focus on quality, pricing and payment terms. Through improved product development, branding and partnerships with noteworthy spokespersons, the banners continue to improve the store experience while maintaining attention to driving profitability of stores. The Company's wholesale operations are advancing according to plan with a number of retailers showing interest in product offerings in both the Canadian and U.S. marketplace. Additionally, the Company has significantly invested in its e-commerce talent and technology contributing to its exceptional growth.

The Company has invested considerably in technology, looking to complete the SCORE project in the current year, and has plans to invest further in its store, e-commerce and fulfillment capabilities. The retail industry and our customers are changing at a faster rate than ever before and, as a result, the Company recognizes its need to significantly increase its agility and improve efficiencies. The ability to quickly respond to these new demands and continue to reinvent will be key to long-term growth and future success.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

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

	Notes	FOR THE THREE MONTHS ENDED APRIL 30, 2016	MAY 2, 2015
Sales		**$ 203,487**	$ 201,731
Cost of goods sold	5	**89,993**	81,636
Gross profit		**113,494**	120,095
Selling and distribution expenses		**115,193**	118,881
Administrative expenses		**10,775**	11,378
Results from operating activities		**(12,474)**	(10,164)
Finance income	11	**4,826**	1,477
Finance costs	11	**2,237**	1,250
Loss before income taxes		**(9,885)**	(9,937)
Income tax recovery	10	**3,903**	2,266
Net loss		**$ (5,982)**	$ (7,671)
Loss per share:	12		
Basic		**$ (0.09)**	$ (0.12)
Diluted		**(0.09)**	(0.12)

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)

	Notes	FOR THE THREE MONTHS ENDED APRIL 30, 2016	MAY 2, 2015
Net loss		**$ (5,982)**	$ (7,671)
Other comprehensive (loss) income			
Items that are or may be reclassified subsequently to net earnings:			
Cash flow hedges (net of tax of $7,716; 2015 – $1,506)	8	**(21,117)**	(4,169)
Foreign currency translation differences	8	**479**	182
Total other comprehensive loss		**(20,638)**	(3,987)
Total comprehensive loss		**$ (26,620)**	$ (11,658)

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)

	Notes	APRIL 30, 2016	MAY 2, 2015	JANUARY 30, 2016
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	**$ 75,749**	$ 67,658	$ 118,595
Marketable securities	14	**49,259**	58,933	45,189
Trade and other receivables		**5,729**	6,095	4,103
Derivative financial asset	14	**–**	5,458	14,405
Income taxes recoverable		**5,413**	2,992	3,301
Inventories	5	**139,550**	134,977	124,848
Prepaid expenses		**9,467**	24,396	8,921
Total Current Assets		**285,167**	300,509	319,362
NON-CURRENT ASSETS				
Property and equipment		**131,165**	147,461	134,363
Intangible assets		**24,459**	20,997	24,347
Goodwill		**38,183**	42,426	38,183
Deferred income taxes		**35,764**	30,397	25,828
Total Non-Current Assets		**229,571**	241,281	222,721
TOTAL ASSETS		**$ 514,738**	$ 541,790	$ 542,083
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade and other payables	6	**$ 84,789**	$ 70,442	$ 98,135
Derivative financial liability	14	**19,549**	132	1,816
Deferred revenue	7	**18,476**	16,115	19,325
Current portion of long-term debt	14	**1,926**	1,808	1,896
Total Current Liabilities		**124,740**	88,497	121,172
NON-CURRENT LIABILITIES				
Other payables	6	**7,699**	9,491	8,112
Deferred lease credits		**9,977**	12,120	10,640
Long-term debt	14	**1,162**	3,088	1,655
Pension liability		**19,578**	22,218	19,336
Total Non-Current Liabilities		**38,416**	46,917	39,743
SHAREHOLDERS' EQUITY				
Share capital	8	**38,397**	39,229	38,397
Contributed surplus		**9,208**	8,152	9,007
Retained earnings		**318,221**	357,681	327,370
Accumulated other comprehensive income	8	**(14,244)**	1,314	6,394
Total Shareholders' Equity		**351,582**	406,376	381,168
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 514,738**	$ 541,790	$ 542,083

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)

	Notes	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance as at January 31, 2016		**$ 38,397**	**$ 9,007**	**$ 327,370**	**$ 6,394**	**$ 381,168**
Net loss		**–**	**–**	**(5,982)**	**–**	**(5,982)**
Total other comprehensive loss		**–**	**–**	**–**	**(20,638)**	**(20,638)**
Total comprehensive loss for the period		**–**	**–**	**(5,982)**	**(20,638)**	**(26,620)**
Share-based compensation costs	9d	**–**	**201**	**–**	**–**	**201**
Dividends	8	**–**	**–**	**(3,167)**	**–**	**(3,167)**
Total contributions by (distributions to) owners of the Company		**–**	**201**	**(3,167)**	**–**	**(2,966)**
Balance as at April 30, 2016		**$ 38,397**	**$ 9,208**	**$ 318,221**	**$ (14,244)**	**$ 351,582**
Balance as at February 1, 2015		$ 39,227	$ 8,014	$ 368,581	$ 5,301	$ 421,123
Net loss		–	–	(7,671)	–	(7,671)
Total other comprehensive loss		–	–	–	(3,987)	(3,987)
Total comprehensive loss for the period		–	–	(7,671)	(3,987)	(11,658)
Cash consideration on exercise of share options	8	2	–	–	–	2
Share-based compensation costs	9d	–	138	–	–	138
Dividends	8	–	–	(3,229)	–	(3,229)
Total contributions by (distributions to) owners of the Company		2	138	(3,229)	–	(3,089)
Balance as at May 2, 2015		$ 39,229	$ 8,152	$ 357,681	$ 1,314	$ 406,376

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)

	Notes	FOR THE THREE MONTHS ENDED APRIL 30, 2016	MAY 2, 2015
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss		$ (5,982)	$ (7,671)
Adjustments for:			
Depreciation, amortization and net impairment losses		10,347	11,880
Share-based compensation costs	9d	201	138
Amortization of deferred lease credits		(795)	(1,443)
Deferred lease credits		132	385
Pension contribution		(368)	(275)
Pension expense		610	525
Net change in fair value of marketable securities	11	(4,070)	1,168
Net change in fair value of derivatives		–	9,536
Foreign exchange loss (gain)		3,634	(946)
Interest and dividend income, net	11	(702)	(785)
Interest paid	11	(54)	(82)
Interest received		161	252
Dividends received		560	613
Income tax recovery		(3,903)	(2,266)
		(229)	11,029
Changes in:			
Trade and other receivables		(1,591)	(1,494)
Inventories		(14,702)	(28,537)
Prepaid expenses		(546)	(12,248)
Trade and other payables		(13,218)	(19,469)
Deferred revenue		(849)	(4,958)
Cash used in operating activities		(31,135)	(55,677)
Income taxes received		–	2
Income taxes paid		(430)	(1,178)
Net cash flows used in operating activities		(31,565)	(56,853)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of marketable securities		–	(2,736)
Additions to property and equipment and intangible assets		(8,218)	(10,132)
Proceeds on disposal of property and equipment and intangibles		416	–
Cash flows used in investing activities		(7,802)	(12,868)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid	8	(3,167)	(3,229)
Repayment of long-term debt		(463)	(435)
Proceeds from issue of share capital		–	2
Cash flows used in financing activities		(3,630)	(3,662)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY		151	1,128
NET DECREASE IN CASH AND CASH EQUIVALENTS		(42,846)	(72,255)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD		118,595	139,913
CASH AND CASH EQUIVALENTS, END OF THE PERIOD		$ 75,749	$ 67,658

Supplementary cash flow information (note 13)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

1 REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 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 30, 2016.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 31, 2016.

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 30, 2016.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 30, 2016 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except for the adoption of *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 amendments were effective for annual periods beginning on or after January 1, 2016. These amendments did not require any significant change to the Company's presentation and disclosure in these unaudited condensed consolidated interim financial statements.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended April 30, 2016 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 16 – LEASES

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15. 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 7)

In January 2016, the IASB issued amendments to IAS 7, *Statements of Cash Flows* which will require specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments will be applicable for the annual period beginning on or after January 1, 2017, with earlier application permitted. The extent of the impact of adoption of the amendments has not yet been determined.

4 CASH AND CASH EQUIVALENTS

	APRIL 30, 2016	MAY 2, 2015	JANUARY 30, 2016
Cash on hand and with banks	**$ 29,751**	$ 57,659	$ 112,596
Short-term deposits, bearing interest at 0.5% (May 2, 2015 – 0.8%; January 30, 2016 – 0.6%)	**45,998**	9,999	5,999
	$ 75,749	$ 67,658	$ 118,595

5 INVENTORIES

During the three months ended April 30, 2016, inventories recognized as cost of goods sold amounted to $86,338 (May 2, 2015 – $79,926). In addition, the Company recorded $3,655 (May 2, 2015 – $1,710) 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.

During the three months ended April 30, 2016, no amount was included in cost of goods sold (May 2, 2015 – loss of $2,344) representing changes in fair value of derivatives not eligible for hedge accounting.

6 TRADE AND OTHER PAYABLES

	APRIL 30, 2016	MAY 2, 2015	JANUARY 30, 2016
Trade payables	**$ 47,914**	$ 37,706	$ 53,359
Non-trade payables due to related parties	**40**	40	40
Other non-trade payables	**11,433**	7,872	12,204
Personnel liabilities	**19,419**	19,190	26,943
Payables relating to premises	**11,738**	13,469	12,630
Provision for sales returns	**1,944**	1,656	1,071
	92,488	79,933	106,247
Less non-current portion	**7,699**	9,491	8,112
	$ 84,789	$ 70,442	$ 98,135

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.

7 DEFERRED REVENUE

	APRIL 30, 2016	MAY 2, 2015	JANUARY 30, 2016
Loyalty points and awards granted under loyalty programs	**$ 9,236**	$ 7,690	$ 6,308
Unredeemed gift cards	**9,240**	8,425	13,017
	$ 18,476	$ 16,115	$ 19,325

8 SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	FOR THE THREE MONTHS ENDED			
	APRIL 30, 2016		MAY 2, 2015	
	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	**49,890**	**37,915**	51,146	38,745
Shares issued pursuant to exercise of share options	**–**	**–**	–	2
Balance at end of the period	**49,890**	**37,915**	51,146	38,747
Total share capital	**63,330**	**$ 38,397**	64,586	$ 39,229

AUTHORIZED SHARE CAPITAL

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

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

ISSUANCE OF CLASS A NON-VOTING SHARES

During the three months ended April 30, 2016, no Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program (May 2, 2015 – 200). No amount was credited to share capital from the exercise of share options from contributed surplus (May 2, 2015 – $2).

PURCHASE OF SHARES FOR CANCELLATION

The Company did not purchase any shares under a normal course issuer bid approved in December 2015 in the three months ended April 30, 2016. 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 30, 2016.

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")
AOCI is comprised of the following:

	MARKETABLE SECURITIES	CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	TOTAL AOCI
Balance at January 31, 2016	**$ –**	**$ 7,514**	**$ (1,120)**	**$ 6,394**
Net change in fair value of cash flow hedges (net of tax of $5,886)	**–**	**(16,109)**	**–**	**(16,109)**
Transfer of realized gain on cash flow hedges to inventory (net of tax of $1,830)	**–**	**(5,008)**	**–**	**(5,008)**
Change in foreign currency translation differences	**–**	**–**	**479**	**479**
Balance at April 30, 2016	**$ –**	**$ (13,603)**	**$ (641)**	**$ (14,244)**
Balance at February 1, 2015	$ –	$ 6,026	$ (725)	$ 5,301
Net change in fair value of available-for-sale financial assets (net of tax of $1,420)	–	(3,930)	–	(3,930)
Transfer of realized gain on cash flow hedges to inventory (net of tax of $86)	–	(239)	–	(239)
Change in foreign currency translation differences	–	–	182	182
Balance at May 2, 2015	$ –	$ 1,857	$ (543)	$ 1,314

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

	FOR THE THREE MONTHS ENDED APRIL 30, 2016	MAY 2, 2015
Common shares and Class A non-voting shares	**$ 3,167**	$ 3,229
Dividends per share	**$ 0.05**	$ 0.05

9 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 APRIL 30, 2016		MAY 2, 2015	
	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, at beginning of period	**3,610**	**$ 9.62**	3,051	$ 10.75
Granted	**–**	**–**	200	6.77
Exercised	**–**	**–**	–	6.00
Forfeited	**(58)**	**6.07**	(143)	13.97
Outstanding, at end of period	**3,552**	**$ 9.67**	3,108	$ 10.35
Options exercisable, at end of period	**1,896**	**$ 11.73**	1,546	$ 13.07

During the three months ended April 30, 2016, no Class A non-voting shares (May 2, 2015 – 200) were issued as a result of the exercise of vested options arising from the Company's share option program. The weighted average share price at the date of exercise for the share options exercised during the three months ended May 2, 2015 was $7.02.

C) SHARE OPTION AWARDS

During the three months ended April 30, 2016, no share option awards were granted. Compensation cost related to 200,000 share option awards granted during the three months ended May 2, 2015 under the fair value based approach was calculated using the following assumptions:

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

D) EMPLOYEE EXPENSE

For the three months ended April 30, 2016, the Company recognized compensation costs of $201, relating to share-based payment arrangements ($138 for the three months ended May 2, 2015), with a corresponding credit to contributed surplus.

10 INCOME TAX

The Company's effective tax rate for the three months ended April 30, 2016 was 39.48% (22.80% for the three months ended May 2, 2015). 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.

11 FINANCE INCOME AND FINANCE COSTS

RECOGNIZED IN NET EARNINGS

	FOR THE THREE MONTHS ENDED	
	APRIL 30, 2016	MAY 2, 2015
Dividend income from marketable securities	**$ 631**	$ 709
Interest income	**125**	158
Net change in fair value of marketable securities	**4,070**	–
Foreign exchange gain	**–**	610
Finance income	**4,826**	1,477
Interest expense – mortgage	**54**	82
Net change in fair value of marketable securities	**–**	1,168
Foreign exchange loss	**2,183**	–
Finance costs	**2,237**	1,250
Net finance income recognized in net earnings	**$ 2,589**	$ 227

12 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on a net loss for the three months ended April 30, 2016 of $5,982 (net loss of $7,671 for the three months ended May 2, 2015).

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

	FOR THE THREE MONTHS ENDED	
	APRIL 30, 2016	MAY 2, 2015
Weighted average number of shares – basic	**63,330**	64,586
Weighted average number of shares – diluted	**63,330**	64,635

As at April 30, 2016, a total of 3,551,800 (May 2, 2015 – 2,553,200) share options were excluded from the calculation of diluted loss per share as these options were deemed to be anti-dilutive, because the exercise prices were greater than the average market price of the shares during the period.

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

13 SUPPLEMENTARY CASH FLOW INFORMATION

	APRIL 30, 2016	MAY 2, 2015	JANUARY 30, 2016
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,631**	$ 1,425	$ 2,172

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 $821 for the three months ended April 30, 2016 ($1,470 for three months ended May 2, 2015). The impairment related to the property and equipment is due to the reduction in profitability at individual store locations (cash-generating units "CGUs"). In addition, during the three months ended April 30, 2016, $491 of asset impairment charges were reversed following an improvement in the profitability of certain CGUs ($465 for the three months ended May 2, 2015).

14 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.

	APRIL 30, 2016						
	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							
Marketable securities	**$ 49,259**	**$ –**	**$ –**	**$ 49,259**	**$ 49,259**	**$ –**	**$ 49,259**
Financial liabilities measured at fair value							
Derivative financial liability	**$ –**	**$ (19,549)**	**$ –**	**$ (19,549)**	**$ –**	**$ (19,549)**	**$ (19,549)**
Financial liabilities not measured at fair value							
Long-term debt	**$ –**	**$ –**	**$ (3,088)**	**$ (3,088)**	**$ –**	**$ (3,194)**	**$ (3,194)**

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

	JANUARY 30, 2016						
	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	$ –	$ 14,405	$ –	$ 14,405	$ –	$ 14,405	$ 14,405
Marketable securities	$ 45,189	$ –	$ –	$ 45,189	$ 45,189	$ –	$ 45,189
Financial liabilities measured at fair value							
Derivative financial liability	$ –	$ (1,816)	$ –	$ (1,816)	$ –	$ (1,816)	$ (1,816)
Financial liabilities not measured at fair value							
Long-term debt	$ –	$ –	$ (3,551)	$ (3,551)	$ –	$ (3,686)	$ (3,686)

There were no transfers between levels of the fair value hierarchy for the periods ended April 30, 2016, May 2, 2015 and January 30, 2016.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Details of the foreign exchange contracts outstanding are as follows:

	APRIL 30, 2016				
	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	**$ 1.352**	**$ 202,000**	**$ –**	**$ (19,549)**	**$ (19,549)**
			$ –	**$ (19,549)**	**$ (19,549)**

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

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

	JANUARY 30, 2016				
	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	$ 1.325	$ 168,000	$ 14,405	$ (1,816)	$ 12,589
			$ 14,405	$ (1,816)	$ 12,589

15 FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three months ended April 30, 2016 from those described in the Company's audited annual consolidated financial statements for the year ended January 30, 2016.

OUR RETAIL BANNERS

▸ REITMANS offers a unique combination of superior fit, fashion, quality and value. With 327 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 130 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 104 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 66 STORES averaging 2,300 sq. ft. in major malls and power centres nationwide. 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**. Hyba is also available at over 300 Reitmans store locations across Canada.

▸ 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 23 STORES are anticipated to close by the year ending January 28, 2017.

STORES ACROSS CANADA

REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	HYBA	SMART SET	**TOTAL STORES**	
14	3	2	1	–	–	–	**20**	NEWFOUNDLAND
3	1	–	–	–	–	–	**4**	PRINCE EDWARD ISLAND
18	6	2	1	1	1	–	**29**	NOVA SCOTIA
13	5	3	3	1	1	–	**26**	NEW BRUNSWICK
83	23	31	22	21	4	11	**195**	QUÉBEC
100	50	38	29	25	6	10	**258**	ONTARIO
12	5	3	3	2	–	1	**26**	MANITOBA
11	6	3	2	2	–	–	**24**	SASKATCHEWAN
38	18	16	11	10	2	–	**95**	ALBERTA
33	13	6	11	4	3	1	**71**	BRITISH COLUMBIA
1	–	–	–	–	–	–	**1**	NORTHWEST TERRITORIES
1	–	–	–	–	–	–	**1**	YUKON
327	**130**	**104**	**83**	**66**	**17**	**23**		

750

STORES

CORPORATE INFORMATION

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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
ADDITION ELLE
RW & CO.
THYME
HYBA
SMART SET

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COMMUNICATIONS MARILYN GELFAND INC.