



REITMANS
(CANADA) LIMITED

► INTERIM REPORT
FOR THE NINE MONTHS ENDED
OCTOBER 29, 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 October 29, 2016 were \$245.6 million as compared with \$240.3 million for the three months ended October 31, 2015, an increase of 2.2%, despite a net reduction of 81 stores as the Company reduced the number of stores to optimize performance in select markets. Same store sales¹ increased 7.1% with stores increasing 4.7% and e-commerce increasing 40.1% as the Company continues to experience strong growth in its e-commerce channel. The Company's gross margin for the three months ended October 29, 2016 was 57.0% as compared to 57.4% for the three months ended October 31, 2015. Gross profit for the three months ended October 29, 2016 increased \$1.9 million or 1.4% to \$139.9 million as compared with \$138.0 million for three months ended October 31, 2015 despite a negative foreign exchange impact of approximately \$4.6 million. Results from operating activities for the three months ended October 29, 2016 were \$6.5 million as compared with \$3.0 million for the three months ended October 31, 2015, an increase of \$3.5 million. Net earnings increased \$7.9 million for the three months ended October 29, 2016 to \$7.6 million (\$0.12 basic and diluted earnings per share) as compared with a net loss of \$0.3 million (\$0.00 basic and diluted loss per share) for the three months ended October 31, 2015. Adjusted EBITDA¹ for the three months ended October 29, 2016 was \$18.4 million as compared with \$15.3 million for the three months ended October 31, 2015, an increase of \$3.1 million. The increase in adjusted EBITDA was primarily attributable to improvements in gross profit and reduced store operating costs.

Sales for the nine months ended October 29, 2016 were \$703.5 million as compared with \$695.0 million for the nine months ended October 31, 2015, an increase of 1.2%, despite a net reduction of 81 stores as the Company reduced the number of stores to optimize performance in select markets. Same store sales¹ increased 7.5% with stores increasing 5.0% and e-commerce increasing 48.3% as the Company continues to experience strong growth in its e-commerce channel. The Company's gross margin for the nine months ended October 29, 2016 decreased to 56.4% from 57.2% for the nine months ended October 31, 2015. Gross profit for the nine months ended October 29, 2016 decreased \$0.7 million or 0.2% to \$396.6 million as compared with \$397.3 million for the nine months ended October 31, 2015 including a negative foreign exchange impact of approximately \$10.1 million. Net earnings increased \$18.8 million for the nine months ended October 29, 2016 to \$10.6 million (\$0.17 basic and diluted earnings per share) as compared with an \$8.2 million loss (\$0.13 basic and diluted loss per share) for the nine months ended October 31, 2015. Adjusted EBITDA¹ for the nine months ended October 29, 2016 was \$37.2 million as compared with \$34.9 million for the nine months ended October 31, 2015, an increase of \$2.3 million. The increase in adjusted EBITDA was primarily attributable to reduced store operating costs.

During the quarter, the Company opened 5 new stores and closed 30. Accordingly, at October 29, 2016, there were 694 stores consisting of 302 Reitmans, 127 Penningtons, 98 Addition Elle, 84 RW & CO., 64 Thyme Maternity and 19 Hyba. We plan to open 2 new stores and close 20 stores.

Sales for the month of November (the four weeks ended November 26, 2016) increased 0.4% with same store sales¹ increasing 5.1%, stores increasing 1.4% and e-commerce increasing 47.0%. At November 26, 2016, the Company operated 694 stores as compared to 773 stores at November 28, 2015, a net reduction of 79 stores.

At the Board of Directors meeting held on December 1, 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 January 26, 2017 to shareholders of record on January 16, 2017.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, December 1, 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 AND NINE MONTHS ENDED OCTOBER 29, 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 and nine months ended October 29, 2016 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 December 1, 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 December 1, 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 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. Although depreciation, amortization and impairment charges are non-cash changes, the assets being depreciated and amortized will often have to be replaced in the future, adjusted EBITDA does not reflect any cash requirements for such replacements. Adjusted EBITDA should not be considered as discretionary cash available to invest in the growth of the business and as a measure of cash that will be available to meet the Company's obligations. 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 earnings (loss) to adjusted EBITDA for the three and nine months ended October 29, 2016 and October 31, 2015:

(in millions of Canadian dollars)
(unaudited)

Net earnings (loss)

Depreciation, amortization and net impairment losses

Dividend income

Interest income

Net change in fair value of marketable securities

Interest expense

Income tax expense (recovery)

Adjusted EBITDA

Adjusted EBITDA as % of sales

FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
OCTOBER 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
\$ 7.6	\$ (0.3)	\$ 10.6	\$ (8.2)
11.2	11.6	32.3	35.7
(0.6)	(0.6)	(1.9)	(1.9)
(0.2)	(0.1)	(0.5)	(0.4)
(0.5)	4.3	(4.1)	10.7
—	0.1	0.1	0.2
0.9	0.3	0.7	(1.2)
\$ 18.4	\$ 15.3	\$ 37.2	\$ 34.9
7.5%	6.4%	5.3%	5.0%

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 six retail banners. The Company's stores are primarily located in malls and retail power centres across Canada while also offering e-commerce website shopping for all of its banners. The online channels provide customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands. The Company currently operates under the following banners:

The Reitmans banner, operating 302 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 127 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 98 stores averaging 6,000 sq. ft. in major malls and power centres nationwide.



RW&CO. operates 84 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 64 stores averaging 2,300 sq. ft. in major malls and power centres across Canada.



Hyba launched its store locations in October 2015 and operates 19 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 Reitmans store locations across Canada.



RETAIL BANNERS

	NUMBER OF STORES AT JANUARY 30, 2016	Q1 OPENINGS	Q1 CLOSINGS	Q2 OPENINGS	Q2 CLOSINGS	Q3 OPENINGS	Q3 CLOSINGS	NUMBER OF STORES AT OCTOBER 29, 2016	NUMBER OF STORES AT OCTOBER 31, 2015
Reitmans	329	1	(3)	—	(20)	—	(5)	302	332
Penningtons	134	1	(5)	1	(1)	—	(3)	127	136
Addition Elle	107	—	(3)	—	(1)	1	(6)	98	107
RW & CO.	83	—	—	1	(2)	2	—	84	83
Thyme Maternity	68	—	(2)	—	(3)	2	(1)	64	68
Hyba	17	—	—	3	(1)	—	—	19	17
Smart Set ¹	29	—	(6)	—	(8)	—	(15)	—	32
Total	767	2	(19)	5	(36)	5	(30)	694	775
Thyme Maternity Babies"R"Us shop-in-shop ²	21	—	—	—	(3)	—	(18)	—	21

¹ As of October 29, 2016 the Company had converted or closed all remaining Smart Set stores.

² As of August 31, 2016 the Company no longer operated 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. 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. Expansion has continued with additional U.S. retailers acquiring product lines. The Company is pleased with the expansion as this sales channel continues to grow.
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 complete which will satisfy the changing store and online demands. Warehouse management system changes, transportation management software implementation and material handling equipment improvements are functional and in a post-implementation support phase.
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 fiscal year. The SCORE project is on track for completion in fiscal 2017.

OPERATING RESULTS FOR THE THREE MONTHS ENDED OCTOBER 29, 2016 ("THIRD QUARTER OF FISCAL 2017") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2015 ("THIRD QUARTER OF FISCAL 2016")

Sales for the third quarter of fiscal 2017 were \$245.6 million as compared with \$240.3 million for the third quarter of fiscal 2016, an increase of 2.2%, despite a net reduction of 81 stores as the Company reduced the number of stores to optimize performance in select markets. Same store sales increased 7.1% with stores increasing 4.7% and e-commerce increasing 40.1% as the Company continues to experience strong growth in its e-commerce channel.

Gross profit for the third quarter of fiscal 2017 increased \$1.9 million or 1.4% to \$139.9 million as compared with \$138.0 million for the third quarter of fiscal 2016 despite a negative foreign exchange impact of approximately \$4.6 million. Gross margin was 57.0% for the third quarter of fiscal 2017 as compared to 57.4% for the third quarter of fiscal 2016.

Selling and distribution expenses for the third quarter of fiscal 2017 decreased 1.0% or \$1.2 million to \$122.7 million as compared with \$123.9 million for the third quarter of fiscal 2016. Factors contributing to this change included:

- a decrease in store operating costs of approximately \$3.3 million (excluding depreciation and amortization) primarily due to the closure of Smart Set and lower advertising costs due to timing of promotional activity;
- lower depreciation and amortization for the third quarter of fiscal 2017 of \$10.9 million, compared to \$11.2 million for the third 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 (\$0.8 million for the third quarter of fiscal 2017 compared to \$1.4 million for the third quarter of fiscal 2016);
- an increase in the employee performance incentive plan expense that is based upon the attainment of operating performance targets.

Administrative expenses for the third quarter of fiscal 2017 were \$10.7 million, comparable with \$11.1 million for the third quarter of fiscal 2016.

Net finance income was \$2.0 million for the third quarter of fiscal 2017 as compared to net finance costs of \$3.0 million for the third quarter of fiscal 2016. This change is primarily attributable to a \$0.5 million gain due to a change in the fair value of marketable securities for the third quarter of fiscal 2017 compared to a \$4.3 million loss for the third quarter of fiscal 2016.

For the third quarter of fiscal 2017, earnings before income taxes were \$8.5 million as compared to nil for the third quarter of fiscal 2016, an increase of \$8.5 million.

The income tax expense for the third quarter of fiscal 2017 was impacted primarily by tax exempt dividend income relative to the Company's active business income as the income tax expense is based on an estimate of the earnings that will be generated in a full year. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net earnings for the third quarter of fiscal 2017 were \$7.6 million (\$0.12 basic and diluted earnings per share) as compared with a net loss of \$0.3 million (\$0.00 basic and diluted loss per share) for the third quarter of fiscal 2016.

Adjusted EBITDA for the third quarter of fiscal 2017 was \$18.4 million as compared with \$15.3 million for the third quarter of fiscal 2016, an increase of \$3.1 million. The increase in adjusted EBITDA was primarily attributable to improvements in gross profit and reduced store operating costs, as noted above.

OPERATING RESULTS FOR THE NINE MONTHS ENDED OCTOBER 29, 2016 ("YEAR TO DATE FISCAL 2017") AND COMPARISON TO OPERATING RESULTS FOR THE NINE MONTHS ENDED OCTOBER 31, 2015 ("YEAR TO DATE FISCAL 2016")

Sales for the year to date fiscal 2017 were \$703.5 million as compared with \$695.0 million for the year to date fiscal 2016, an increase of 1.2%, despite a net reduction of 81 stores as the Company reduced the number of stores to optimize performance in select markets. Same store sales increased 7.5% with stores increasing 5.0% and e-commerce increasing 48.3% as the Company continues to experience strong growth in its e-commerce channel.

Gross profit for the year to date fiscal 2017 decreased \$0.7 million or 0.2% to \$396.6 million as compared with \$397.3 million for the year to date fiscal 2016 including a negative foreign exchange impact of approximately \$10.1 million. Gross margin was 56.4% for the year to date fiscal 2017 as compared to 57.2% for the year to date fiscal 2016.

Selling and distribution expenses for the year to date fiscal 2017 decreased 2.8% or \$10.4 million to \$357.6 million as compared with \$368.0 million for the year to date fiscal 2016. Factors contributing to this change included:

- a decrease in store operating costs of approximately \$7.4 million (excluding depreciation and amortization) primarily due to the closure of Smart Set;
- lower depreciation and amortization for the year to date fiscal 2017 of \$31.2 million, compared to \$34.5 million for the year to date fiscal 2016, which includes lower net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures (\$1.7 million for the year to date fiscal 2017 compared to \$4.1 million for the year to date fiscal 2016).

Administrative expenses for the year to date fiscal 2017 decreased 4.1% or \$1.4 million to \$32.4 million as compared with \$33.8 million for the year to date fiscal 2016.

Net finance income was \$4.8 million for the year to date fiscal 2017 as compared to net finance costs of \$4.9 million for the year to date 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 year to date fiscal 2017 compared to \$10.7 million loss for the year to date fiscal 2016; partially offset by
- a foreign exchange loss of \$1.5 million for the year to date fiscal 2017 compared to a gain of \$3.8 million for the year to date of fiscal 2016, largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities.

For the year to date fiscal 2017, earnings before income taxes were \$11.3 million as compared to a \$9.4 million loss for the year to date fiscal 2016, an increase of \$20.7 million.

Income tax expense for the year to date fiscal 2017 amounted to \$0.7 million for an effective tax expense rate of 6.1% (income tax recovery in the year to date fiscal 2016 amounted to \$1.2 million for an effective tax recovery rate of 13.0%). The effective tax rate for the year to date fiscal 2017 was impacted primarily by tax exempt dividend income relative to the Company's active business income based on an estimate of the earnings that will be generated in a full year and 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 earnings for the year to date fiscal 2017 were \$10.6 million (\$0.17 basic and diluted earnings per share) as compared with an \$8.2 million loss (\$0.13 basic and diluted loss per share) for the year to date fiscal 2016.

Adjusted EBITDA for the year to date fiscal 2017 was \$37.2 million as compared with \$34.9 million for the year to date fiscal 2016, an increase of \$2.3 million. The increase in adjusted EBITDA was primarily attributable to reduced store operating costs, as noted above.

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 third quarter of fiscal 2017 and in the year to date fiscal 2017, the Company satisfied its U.S. dollar requirements through a combination of foreign exchange forward hedge contracts and spot purchases. In the third quarter of fiscal 2017, merchandise purchases, payable in U.S. dollars, approximated \$75.0 million U.S. (\$197.0 million U.S. in the year to date fiscal 2017). 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 29, 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	\$ 1.340	\$ 166.5	\$ 3.3	\$ (3.7)	\$ (0.4)

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 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

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.

	THIRD QUARTER		SECOND QUARTER		FIRST QUARTER		FOURTH QUARTER	
	2017	2016	2017	2016	2017	2016	2016	2015
Sales	\$ 245.6	\$ 240.3	\$ 254.4	\$ 253.0	\$ 203.5	\$ 201.7	\$ 242.2	\$ 236.3
Net earnings (loss)	7.6	(0.3)	9.0	(0.2)	(6.0)	(7.7)	(16.5)	4.4
Earnings (loss) per share								
Basic	\$ 0.12	\$ (0.00)	\$ 0.14	\$ (0.00)	\$ (0.09)	\$ (0.12)	\$ (0.26)	\$ 0.07
Diluted	0.12	(0.00)	0.14	(0.00)	(0.09)	(0.12)	(0.26)	0.07

Fluctuations in the above-noted quarterly financial information reflect, in part, 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 October 29, 2016 as compared to January 30, 2016 are presented below:

	OCTOBER 29, 2016	JANUARY 30, 2016	\$ CHANGE	% CHANGE
Cash and cash equivalents	\$ 101.8	\$ 118.6	(16.8)	(14.2)
Marketable securities	49.3	45.2	4.1	9.1
Trade and other receivables	6.0	4.1	1.9	46.3
Income taxes recoverable	0.9	3.3	(2.4)	(72.7)
Inventories	167.7	124.9	42.8	34.3
Property and equipment & intangible assets	150.0	158.7	(8.7)	(5.5)
Deferred income taxes	27.9	25.8	2.1	8.1
Trade and other payables (current and long-term)	128.2	106.3	21.9	20.6
Net derivative financial (liability) asset	(0.4)	12.6	(13.0)	(103.2)
Deferred revenue	12.7	19.3	(6.6)	(34.2)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in selected line items from the Company's balance sheets at October 29, 2016 as compared to January 30, 2016 were primarily due to the following:

- cash and cash equivalents decreased primarily due to the normal build-up of inventory for the holiday selling season, capital expenditures and dividends paid, partially offset by improved trade and other payables management;
- marketable securities increased due to the net change in their fair value in the year to date 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. The increase in accounts receivable is primarily due to higher credit card sales and a government tax credit receivable related to in-house design activity;
- income taxes recoverable are attributable to estimated tax refunds relating to current and prior years;
- the increase in inventories is a result of the impact of foreign exchange along with a build-up of inventory for the holiday selling season. Additionally, increased inventory levels are also attributable to significant growth in the e-commerce channel along with planned increased inventory capacity in stores to satisfy customer demands;
- the Company continues to closely manage its investment in property and equipment and intangible assets. For the year to date fiscal 2017, \$25.2 million was invested in property and equipment and intangible assets. Depreciation, amortization and net impairment losses of \$32.3 million were recognized in the year to date 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 higher mainly due to the timing of payments as the Company improved its payment terms with vendors. 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. The change in the net derivative financial asset 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 gift card redemptions and 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 nine months ended October 29, 2016.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at October 29, 2016 amounted to \$376.6 million or \$5.95 per share (October 31, 2015 – \$396.4 million or \$6.22 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 \$151.1 million as at October 29, 2016 (October 31, 2015 – \$147.8 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 \$75 million or its U.S. dollar equivalent. As at October 29, 2016, \$10.4 million (October 31, 2015 – \$12.9 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 October 29, 2016, the maximum potential liability under these guarantees was \$2.8 million (October 31, 2015 – \$2.8 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 third quarter of fiscal 2017. The Company paid \$0.05 dividends per share in the third quarter of fiscal 2017 totalling \$3.2 million similar to the third 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 is the final stages of a major multi-year systems development project for supply chain optimization and retail enterprise upgrade ("SCORE"). This project included improved functionality and enhancements for warehousing and distribution, merchandising, operations and finance. Completion is on track for fiscal 2017 at a total cost of \$40 million of which approximately \$38 million has been incurred to date.

In the third quarter of fiscal 2017, the Company invested \$8.9 million in capital expenditures, on a cash basis, primarily on new and renovated stores. In fiscal 2017, the Company expects to invest approximately \$38 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 December 1, 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 3,772,800 share options outstanding at an average exercise price of \$9.33. 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 year to date 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 hedge contracts with maturities not exceeding twelve months.

Details of the foreign currency contracts outstanding as at October 29, 2016, October 31, 2015 and as at January 30, 2016 are included in the "Foreign Exchange Contracts" 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 the unaudited condensed consolidated interim financial statements except as disclosed in Note 3 of the October 29, 2016 unaudited condensed consolidated interim financial statements which includes the adoption of *Disclosure Initiative: Amendments to IAS 1*. These amendments did not require any significant change to the Company's presentation and disclosure in the unaudited condensed consolidated interim financial statements. Further information on significant accounting policies can be found in Note 3 of the October 29, 2016 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 29, 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)
- IFRS 2 – *Share-based Payment*

Further information on these modifications can be found in Note 3 of the October 29, 2016 unaudited condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and CFO are also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, the CEO and CFO are required to use judgment in evaluating controls and procedures.

No changes were made to the Company's ICFR during the nine months ended October 29, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OUTLOOK

The relative weakness of the 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 fiscal 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 INTERIM STATEMENTS OF EARNINGS

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

	Notes	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
		OCTOBER 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
Sales		\$ 245,604	\$ 240,270	\$ 703,538	\$ 694,999
Cost of goods sold	5	105,687	102,236	306,977	297,707
Gross profit		139,917	138,034	396,561	397,292
Selling and distribution expenses		122,730	123,927	357,627	367,985
Administrative expenses		10,663	11,110	32,434	33,791
Results from operating activities		6,524	2,997	6,500	(4,484)
Finance income	11	2,033	1,426	6,474	6,072
Finance costs	11	39	4,401	1,679	10,974
Earnings (loss) before income taxes		8,518	22	11,295	(9,386)
Income tax expense (recovery)	10	903	291	691	(1,224)
Net earnings (loss)		\$ 7,615	\$ (269)	\$ 10,604	\$ (8,162)
Earnings (loss) per share:	12				
Basic		\$ 0.12	\$ 0.00	\$ 0.17	\$ (0.13)
Diluted		0.12	0.00	0.17	(0.13)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

► (UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
		OCTOBER 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
Net earnings (loss)		\$ 7,615	\$ (269)	\$ 10,604	\$ (8,162)
Other comprehensive income (loss)					
Items that are or may be reclassified subsequently to net earnings (loss):					
Cash flow hedges (net of tax of \$2,599 for the three months and \$2,340 for the nine months ended October 29, 2016; \$2,228 for the three months and \$905 for the nine months ended October 31, 2015)	8	7,103	(6,125)	(6,397)	(2,486)
Foreign currency translation differences	8	(146)	—	113	(119)
Total other comprehensive income (loss)		6,957	(6,125)	(6,284)	(2,605)
Total comprehensive income (loss)		\$ 14,572	\$ (6,394)	\$ 4,320	\$ (10,767)

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

► (UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	OCTOBER 29, 2016	OCTOBER 31, 2015	JANUARY 30, 2016
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	\$ 101,794	\$ 97,192	\$ 118,595
Marketable securities	14	49,270	50,597	45,189
Trade and other receivables		6,048	5,107	4,103
Derivative financial asset	14	3,267	6,439	14,405
Income taxes recoverable		868	1,134	3,301
Inventories	5	167,672	142,617	124,848
Prepaid expenses		7,433	9,956	8,921
Total Current Assets		336,352	313,042	319,362
NON-CURRENT ASSETS				
Property and equipment		126,602	138,128	134,363
Intangible assets		23,363	23,575	24,347
Goodwill		38,183	42,426	38,183
Deferred income taxes		27,859	29,508	25,828
Total Non-Current Assets		216,007	233,637	222,721
TOTAL ASSETS		\$ 552,359	\$ 546,679	\$ 542,083
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade and other payables	6	\$ 120,847	\$ 92,167	\$ 98,135
Derivative financial liability	14	3,678	616	1,816
Deferred revenue	7	12,705	11,277	19,325
Current portion of long-term debt	14	1,988	1,867	1,896
Total Current Liabilities		139,218	105,927	121,172
NON-CURRENT LIABILITIES				
Other payables	6	7,380	8,468	8,112
Deferred lease credits		9,053	11,407	10,640
Long-term debt	14	153	2,141	1,655
Pension liability		20,005	22,355	19,336
Total Non-Current Liabilities		36,591	44,371	39,743
SHAREHOLDERS' EQUITY				
Share capital	8	38,397	38,687	38,397
Contributed surplus		9,570	8,809	9,007
Retained earnings		328,473	346,189	327,370
Accumulated other comprehensive income	8	110	2,696	6,394
Total Shareholders' Equity		376,550	396,381	381,168
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 552,359	\$ 546,679	\$ 542,083

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

CONDENSED CONSOLIDATED INTERIM 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 earnings		–	–	10,604	–	10,604
Total other comprehensive loss		–	–	–	(6,284)	(6,284)
Total comprehensive loss for the period		–	–	10,604	(6,284)	4,320
Share-based compensation costs	9	–	563	–	–	563
Dividends	8	–	–	(9,501)	–	(9,501)
Total contributions by (distributions to) owners of the Company		–	563	(9,501)	–	(8,938)
Balance as at October 29, 2016		\$ 38,397	\$ 9,570	\$ 328,473	\$ 110	\$ 376,550
Balance as at February 1, 2015		\$ 39,227	\$ 8,014	\$ 368,581	\$ 5,301	\$ 421,123
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)
Cash consideration on exercise of share options	8	2	–	–	–	2
Cancellation of shares pursuant to share repurchase program	8	(542)	–	–	–	(542)
Share-based compensation costs	9	–	795	–	–	795
Dividends	8	–	–	(9,616)	–	(9,616)
Premium on repurchase of Class A non-voting shares	8	–	–	(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

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

► (UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
		OCTOBER 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES					
Net earnings (loss)		\$ 7,615	\$ (269)	\$ 10,604	\$ (8,162)
Adjustments for:					
Depreciation, amortization and net impairment losses		11,235	11,593	32,302	35,699
Share-based compensation costs	9	430	345	908	795
Amortization of deferred lease credits		(805)	(1,189)	(2,373)	(3,623)
Deferred lease credits		622	682	786	1,852
Pension contribution		(501)	(485)	(1,160)	(1,188)
Pension expense		609	525	1,829	1,575
Realized loss on sale of marketable securities		—	—	—	15
Net change in fair value of marketable securities	11	(498)	4,333	(4,081)	10,734
Net change in fair value of derivatives		—	—	—	12,335
Foreign exchange loss (gain)		1,510	(2,342)	4,184	(7,809)
Interest and dividend income, net	11	(774)	(667)	(2,254)	(2,095)
Interest paid	11	(39)	(68)	(139)	(225)
Interest received		215	113	532	492
Dividends received		633	636	1,825	1,884
Income tax expense (recovery)		903	291	691	(1,224)
		21,155	13,498	43,654	41,055
Changes in:					
Trade and other receivables		(722)	(318)	(1,909)	(564)
Inventories		(20,513)	(11,129)	(42,824)	(36,177)
Prepaid expenses		1,214	(973)	1,488	2,192
Trade and other payables		944	(3,677)	22,904	1,556
Deferred revenue		(4,523)	(4,679)	(6,620)	(9,796)
Cash (used in) from operating activities		(2,445)	(7,278)	16,693	(1,734)
Income taxes received		2,119	1,859	2,489	1,861
Income taxes paid		(7)	(365)	(438)	(1,935)
Net cash flows (used in) from operating activities		(333)	(5,784)	18,744	(1,808)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchases of marketable securities		—	—	—	(5,660)
Proceeds on sale of marketable securities		—	—	—	1,678
Additions to property and equipment and intangible assets		(8,885)	(8,293)	(25,244)	(27,519)
Proceeds on disposal of property and equipment and intangibles		—	—	416	—
Cash flows used in investing activities		(8,885)	(8,293)	(24,828)	(31,501)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Dividends paid	8	(3,167)	(3,189)	(9,501)	(9,616)
Purchase of Class A non-voting shares for cancellation		—	(850)	—	(5,156)
Repayment of long-term debt		(477)	(447)	(1,410)	(1,323)
Proceeds from issuance of share capital		—	—	—	2
Cash flows used in financing activities		(3,644)	(4,486)	(10,911)	(16,093)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY		118	1,333	194	6,681
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,744)	(17,230)	(16,801)	(42,721)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD		114,538	114,422	118,595	139,913
CASH AND CASH EQUIVALENTS, END OF THE PERIOD		\$ 101,794	\$ 97,192	\$ 101,794	\$ 97,192

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. 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 1, 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;
- the pension liability is recognized as the present value of the defined benefit obligation less the fair value of the plan assets; and
- liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, *Share-Based Payment*.

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

Except as described below, 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.

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.

SHARE-BASED COMPENSATION

SHARE APPRECIATION RIGHTS (CASH-SETTLED)

On June 8, 2016, the Company amended its share option plan. The amended plan includes a Share Appreciation Rights ("SARs") plan that entitles key management and employees to a cash payment based on the increase in the share price of the Company's Class A non-voting shares from the grant date to the vesting date. A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in selling and distribution and/or administrative expenses, over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model. Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statement of earnings for the period.

PERFORMANCE SHARE UNITS (CASH-SETTLED)

In the nine months ended October 29, 2016, the Company implemented a Performance Share Units plan entitling executives and key management to a cash payment. A liability is recognized for the services acquired and is recorded at fair value based on the share price of the Company's Common shares in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense in selling and distribution and/or administrative expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statement of earnings for the period.

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 29, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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.

IFRS 2 – SHARE-BASED PAYMENT

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The extent of the impact of adoption of the amendments has not yet been determined.

4 CASH AND CASH EQUIVALENTS

	OCTOBER 29, 2016	OCTOBER 31, 2015	JANUARY 30, 2016
Cash on hand and with banks	\$ 75,697	\$ 94,392	\$ 112,596
Short-term deposits, bearing interest at 0.6% (October 31, 2015 – 0.6%; January 30, 2016 – 0.6%)	26,097	2,800	5,999
	\$ 101,794	\$ 97,192	\$ 118,595

5 INVENTORIES

During the three and nine months ended October 29, 2016, inventories recognized as cost of goods sold amounted to \$102,795 and \$300,466, respectively (\$101,459 and \$293,304 for the three and nine months ended October 31, 2015). In addition, for the three and nine months ended October 29, 2016, the Company recorded \$2,892 and \$6,511 (\$777 and \$4,403 for the three and nine months ended October 31, 2015) 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 29, 2016, no amount was included in cost of goods sold (nil and a loss of \$2,125 the three and nine months ended October 31, 2015, respectively) representing changes in fair value of derivatives not eligible for hedge accounting.

6 TRADE AND OTHER PAYABLES

Trade payables
Non-trade payables due to related parties
Other non-trade payables
Personnel liabilities
Payables relating to premises
Provision for sales returns

Less non-current portion

OCTOBER 29, 2016	OCTOBER 31, 2015	JANUARY 30, 2016
\$ 81,041	\$ 56,855	\$ 53,359
40	40	40
12,921	11,720	12,204
21,096	18,950	26,943
11,164	11,390	12,630
1,965	1,680	1,071
128,227	100,635	106,247
7,380	8,468	8,112
\$ 120,847	\$ 92,167	\$ 98,135

The non-current portion of trade and other payables, includes the following amounts:

Deferred rent and other payables relating to premises
Performance Share Units
Total non-current portion of trade and other payables

OCTOBER 29, 2016	OCTOBER 31, 2015	JANUARY 30, 2016
\$ 7,035	\$ 8,468	\$ 8,112
345	—	—
\$ 7,380	\$ 8,468	\$ 8,112

7 DEFERRED REVENUE

Loyalty points and awards granted under loyalty programs
Unredeemed gift cards

OCTOBER 29, 2016	OCTOBER 31, 2015	JANUARY 30, 2016
\$ 6,025	\$ 5,589	\$ 6,308
6,680	5,688	13,017
\$ 12,705	\$ 11,277	\$ 19,325

8 SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

Common shares

Balance at beginning and end of the period

Class A non-voting shares

Balance at beginning of the period

Shares issued pursuant to exercise of share options

Shares purchased under issuer bid

Balance at end of the period

Total share capital

FOR THE NINE MONTHS ENDED			
OCTOBER 29, 2016		OCTOBER 31, 2015	
NUMBER OF SHARES (IN 000'S)	CARRYING AMOUNT	NUMBER OF SHARES (IN 000'S)	CARRYING AMOUNT
13,440	\$ 482	13,440	\$ 482
49,890	37,915	51,146	38,745
—	—	—	2
—	—	(818)	(542)
49,890	37,915	50,328	38,205
63,330	\$ 38,397	63,768	\$ 38,687

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 29, 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 (October 31, 2015 – 200 shares). No amounts were credited to share capital from the exercise of share options from contributed surplus (October 31, 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 and nine months ended October 29, 2016. For the three and nine months ended October 31, 2015, the Company purchased 191,500 and 817,840 Class A non-voting shares, respectively having a carrying value of \$127 and \$542, respectively for a total cash consideration of \$850 and \$5,156, respectively. The excess of the purchase price over the carrying value of the shares in the amount of \$723 and \$4,614, respectively 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 30, 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")

AOCI is comprised of the following:

Balance at January 31, 2016
 Net change in fair value of cash flow hedges (net of tax of \$2,121)
 Transfer of realized gain on cash flow hedges to inventory (net of tax of \$219)
 Change in foreign currency translation differences
 Balance at October 29, 2016

CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION DIFFERENCES		TOTAL AOCI
\$ 7,514	\$ (1,120)	\$ 6,394	
(5,799)	—	(5,799)	
(598)	—	(598)	
—	113	113	
\$ 1,117	\$ (1,007)	\$ 110	

Balance at February 1, 2015
 Net change in fair value of cash flow hedges (net of tax of \$1,443)
 Transfer of realized gain on cash flow hedges to inventory (net of tax of \$2,348)
 Change in foreign currency translation differences
 Balance at October 31, 2015

\$ 6,026	\$ (725)	\$ 5,301	
3,965	—	3,965	
(6,451)	—	(6,451)	
—	(119)	(119)	
\$ 3,540	\$ (844)	\$ 2,696	

DIVIDENDS

The following dividends were declared and paid by the Company:

Common shares and Class A non-voting shares
 Dividend per share

FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
OCTOBER 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
\$ 3,167	\$ 3,189	\$ 9,501	\$ 9,616
\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15

9 SHARE-BASED PAYMENTS

SHARE OPTION PLAN

On June 8, 2016, the Company amended its share option plan. Under the amended plan, the Company can, at its sole discretion, grant share options and/or Share Appreciation Rights ("SARs"). The amended share option plan 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. Under the amended plan, the granting of options and the related vesting period, which is normally up to 4 years (previously up to 5 years), are at the discretion of the Board of Directors and the options have a maximum term of up to 7 years (previously up to 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. The SARs entitle key management and employees to a cash payment based on the increase in the share price of the Company's Class A non-voting shares from the grant date to the vesting date. No SARs have been granted or are outstanding.

All previously issued and outstanding options, prior to the effective date of the amended plan, continue to vest and be governed by the terms of the previous plans.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The changes in outstanding share options were as follows:

	FOR THE THREE MONTHS ENDED				FOR THE NINE MONTHS ENDED			
	OCTOBER 29, 2016		OCTOBER 31, 2015		OCTOBER 29, 2016		OCTOBER 31, 2015	
	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	3,794	\$ 9.31	3,931	\$ 9.60	3,610	\$ 9.62	3,051	\$ 10.75
Granted	50	6.49	—	—	345	4.70	1,030	6.75
Exercised	—	—	—	—	—	—	—	6.00
Forfeited	(71)	6.09	(4)	6.00	(182)	6.27	(154)	13.40
Outstanding, at end of period	3,773	\$ 9.33	3,927	\$ 9.60	3,773	\$ 9.33	3,927	\$ 9.60
Options exercisable, at end of period	1,970	\$ 11.90	1,643	\$ 13.16	1,970	\$ 11.90	1,643	\$ 13.16

During the three and nine months ended October 29, 2016, no Class A non-voting shares (nil and 200 shares for the three and nine months ended October 31, 2015) 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 nine months ended October 31, 2015 was \$7.02.

Compensation cost related to the share option awards granted during the three months and nine months ended October 29, 2016 and October 31, 2015 under the fair value based approach was calculated using the following assumptions:

	50,000 OPTIONS GRANTED SEPTEMBER 28, 2016	295,000 OPTIONS GRANTED JUNE 8, 2016	830,000 OPTIONS GRANTED JUNE 9, 2015	200,000 OPTIONS GRANTED APRIL 23, 2015
Expected option life	4.9 years	4.4 years	6.2 years	6.3 years
Risk-free interest rate	0.69%	0.80%	1.29%	0.99%
Expected stock price volatility	33.25%	33.11%	29.74%	30.06%
Average dividend yield	3.08%	4.55%	2.96%	2.95%
Weighted average fair value of options granted	\$ 1.37	\$ 0.78	\$ 1.42	\$ 1.42
Share price at grant date	\$ 6.49	\$ 4.40	\$ 6.75	\$ 6.77

For the three and nine months ended October 29, 2016, the Company recognized compensation costs of \$173 and \$563, respectively, relating to its share option plan (\$345 and \$795 for the three and nine months ended October 31, 2015), with a corresponding credit to contributed surplus.

PERFORMANCE SHARE UNITS (CASH-SETTLED)

In the nine months ended October 29, 2016, the Company implemented a performance share unit ("PSUs") plan for its executives and key management that entitles them to a cash payment. The PSUs vest based on non-market performance conditions measured over a three fiscal-year period ("performance period"). The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional performance is achieved. Upon settlement of the vested PSUs, the cash payment will be equal to the number of PSUs multiplied by the fair value of the Common shares calculated using the volume weighted average trading price during the five trading days commencing five trading days subsequent to the release of the Company's financial results for the performance period.

On June 8, 2016, the Company granted 409,000 PSUs at a weighted average share price of \$4.52 (nil for the three and nine months ended October 31, 2015). The PSUs granted on June 8, 2016, vest in whole after the performance period upon meeting pre-determined non-market conditions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The changes in outstanding PSUs were as follows:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
	PSUs (IN 000'S)	PSUs (IN 000'S)	PSUs (IN 000'S)	PSUs (IN 000'S)
Outstanding, at beginning of period	409	—	—	—
Granted	—	—	409	—
Forfeited	(13)	—	(13)	—
Outstanding, at end of period	396	—	396	—

As of October 29, 2016, based on a weighted average share price of \$6.31 for the five trading days preceding October 29, 2016, the Company recognized a share-based compensation expense related to PSUs of \$174 in selling and distribution expenses and \$83 in administrative expenses for the three months ended October 29, 2016; \$236 in selling and distribution expenses and \$109 in administrative expenses for the nine months ended October 29, 2016 (nil for the three and nine months ended October 31, 2015) with a corresponding credit in other non-current payables.

10 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.

11 FINANCE INCOME AND FINANCE COSTS

RECOGNIZED IN NET EARNINGS

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
Dividend income from marketable securities	\$ 612	\$ 635	\$ 1,875	\$ 1,921
Interest income	201	100	518	399
Net change in fair value of marketable securities	498	—	4,081	—
Foreign exchange gain	722	691	—	3,752
Finance income	2,033	1,426	6,474	6,072
Interest expense – mortgage	39	68	139	225
Net change in fair value of marketable securities	—	4,333	—	10,734
Foreign exchange loss	—	—	1,540	—
Realized loss on disposal of marketable securities	—	—	—	15
Finance costs	39	4,401	1,679	10,974
Net finance income (costs) recognized in net earnings	\$ 1,994	\$ (2,975)	\$ 4,795	\$ (4,902)

12 EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings per share is based on net earnings for the three and nine months ended October 29, 2016 of \$7,615 and \$10,604, respectively (net loss of \$269 and \$8,162 for the three and nine months ended October 31, 2015).

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 29, 2016	OCTOBER 31, 2015	OCTOBER 29, 2016	OCTOBER 31, 2015
Weighted average number of shares – basic	63,330	63,884	63,330	64,264
Weighted average number of shares – diluted	63,359	63,884	63,330	64,264

For the three and nine months ended October 29, 2016, a total of 3,498,200 and 3,773,200, respectively, share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive, because the exercise prices were greater than the average market price of the shares during the period (3,926,800 and 3,661,600, respectively, for the three and nine months ended October 31, 2015).

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 INFORMATION

	OCTOBER 29, 2016	OCTOBER 31, 2015	JANUARY 30, 2016
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	\$ 903	\$ 1,102	\$ 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 \$801 and \$2,485 for the three and nine months ended October 29, 2016 respectively (\$1,818 and \$5,395 for three and nine months ended October 31, 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 and nine months ended October 29, 2016, nil and \$774, respectively of asset impairment charges were reversed following an improvement in the profitability of certain CGUs (\$439 and \$1,277 for the three and nine months ended October 31, 2015). Net impairment losses have been recorded in selling and distribution expenses.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

OCTOBER 29, 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	\$ –	\$ 3,267	\$ –	\$ 3,267	\$ –	\$ 3,267	\$ 3,267	
Marketable securities	\$ 49,270	\$ –	\$ –	\$ 49,270	\$ 49,270	\$ –	\$ 49,270	
Financial liabilities								
measured at fair value								
Derivative financial liability	\$ –	\$ (3,678)	\$ –	\$ (3,678)	\$ –	\$ (3,678)	\$ (3,678)	
Financial liabilities not								
measured at fair value								
Long-term debt	\$ –	\$ –	\$ (2,141)	\$ (2,141)	\$ –	\$ (2,201)	\$ (2,201)	

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)	

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 October 29, 2016, October 31, 2015 and January 30, 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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:

	OCTOBER 29, 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	\$ 1.340	\$ 166,500	\$ 3,267	\$ (3,678)	\$ (411)

	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

	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

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 29, 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 **302 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 **127 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 **98 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 **84 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 **64 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 **19 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.

STORES ACROSS CANADA

REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	HYBA	TOTAL STORES	
14	3	2	1	—	—	20	NEWFOUNDLAND
2	1	—	—	—	—	3	PRINCE EDWARD ISLAND
16	6	2	1	1	1	27	NOVA SCOTIA
12	5	2	3	1	1	24	NEW BRUNSWICK
77	22	29	22	21	5	176	QUÉBEC
96	49	36	30	24	8	243	ONTARIO
11	5	3	3	2	—	24	MANITOBA
9	6	2	2	2	—	21	SASKATCHEWAN
31	17	16	10	9	1	84	ALBERTA
32	13	6	12	4	3	70	BRITISH COLUMBIA
1	—	—	—	—	—	1	NORTHWEST TERRITORIES
1	—	—	—	—	—	1	YUKON
302	127	98	84	64	19		

694
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

REITMANS
(CANADA) LIMITED



REITMANS
PENNINGTONS
ADDITION ELLE
RW & CO.
THYME
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