INTERIM REPORT

FOR THE SIX MONTHS ENDED **AUGUST 4, 2018**

REITMANS

CANADA LIMITED

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

TO OUR SHAREHOLDERS

Sales for the three months ended August 4, 2018 ("second quarter of fiscal 2019") were $248.8 million, as compared with $250.7 million for the three months ended July 29, 2017 ("second quarter of fiscal 2018") with a net reduction of 28 stores. The Company continues to execute against a plan adapting to the new retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities. Sales were negatively impacted by approximately $6.1 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018. Same store sales[1] increased 3.4%, compared to the comparable 13 weeks ended August 5, 2017, with stores sales decreasing 1.2% and e-commerce sales increasing 40.8% as the Company continues to experience strong growth in its e-commerce channel. Gross profit for the second quarter of fiscal 2019 decreased $0.7 million or 0.5%, to $137.6 million as compared with $138.3 million for the second quarter of fiscal 2018. Gross profit was negatively impacted by approximately $5.0 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018 as the current quarter's results included a week with traditionally lower margins, and by increased promotional activity. These declines were largely offset by a positive foreign exchange impact of approximately $0.9 million in the second quarter of fiscal 2019 on U.S. dollar denominated purchases included in cost of goods sold and cost reductions realized through distribution and global sourcing efficiencies. Results from operating activities for the second quarter of fiscal 2019 were $10.2 million as compared with $10.4 million for the second quarter of fiscal 2018, a decrease of $0.2 million. Net earnings for the second quarter of fiscal 2019 were $10.0 million ($0.16 basic and diluted earnings per share) as compared with $9.4 million net earnings ($0.15 basic and diluted earnings per share) for the second quarter of fiscal 2018. The reduction in gross profit and the increase in income taxes was more than offset by reduced general operating costs and an increase in net finance income. Adjusted EBITDA[1] for the second quarter of fiscal 2019 was $21.4 million, as compared with $19.5 million for the second quarter of fiscal 2018, an increase of $1.9 million.

Sales for the six months ended August 4, 2018 ("year to date fiscal 2019") were $456.4 million, as compared with $457.8 million for the six months ended July 29, 2017 ("year to date fiscal 2018"), with a net reduction of 28 stores. The Company continues to execute against a plan adapting to the new retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities. Sales for the year to date fiscal 2019 were positively impacted by approximately $2.7 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018. Same store sales[1] increased 1.5% compared to the comparable 26 weeks ended August 5, 2017, driven by increased e-commerce sales of 31.5%, while stores sales decreased by 2.4%. Gross profit as a percentage of sales for the year to date fiscal 2019 increased to 55.6% from 54.9% for the year to date fiscal 2018 primarily due to the positive foreign exchange impact of approximately $5.9 million on U.S. dollar denominated purchases included in cost of goods sold. In addition, gross profit was positively impacted by approximately $3.6 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018. These improvements were largely offset by increased promotional activity in the year to date fiscal 2019. Results from operating activities for the year to date fiscal 2019 were $5.9 million as compared with a loss of $1.9 million for the year to date fiscal 2018, an improvement of $7.8 million. The improvement is primarily attributable to a reduction in store operating costs due to fewer stores, lower depreciation and net impairment losses, a reduction in general operating costs along with the improvement in gross profit. Net earnings for the year to date fiscal 2019 were $6.8 million ($0.11 basic and diluted earnings per share) as compared with net earnings of $2.8 million ($0.04 basic and diluted earnings per share) for the year to date fiscal 2018. The improvement in net earnings of $4.0 million is primarily attributable to the increase in results from operating activities, partially offset by the decrease in net finance income and the increase in income tax expense. Adjusted EBITDA[1] for the year to date fiscal 2019 was $28.3 million, as compared with $19.4 million for the year to date fiscal 2018, an increase of $8.9 million. The improvement in adjusted EBITDA is primarily due to the increase in gross profit resulting from the year to date fiscal 2019 ending one week later than the year to date fiscal 2018 coupled with the positive foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold and the reduction in operating costs.

During the quarter, the Company opened 6 new stores and closed 7. The Company operates 636 stores consisting of 268 Reitmans, 119 Penningtons, 88 Addition Elle, 84 RW & CO., 62 Thyme Maternity and 15 Hyba. We plan to open 11 new stores, close 52 stores and remodel 37 stores this year.

Sales for the month of August (the four weeks ended September 1, 2018) decreased 3.8%. Same store sales[1] decreased 0.7% with stores decreasing 5.9% and e-commerce sales increasing 44.8%.

At the Board of Directors meeting held on September 6, 2018, 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 October 25, 2018 to shareholders of record on October 11, 2018.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, September 6, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 4, 2018

The following Management's Discussion and Analysis ("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 six months ended August 4, 2018 and the audited annual consolidated financial statements for the fiscal year ended February 3, 2018 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated September 6, 2018.

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 shown in the tables in this MD&A are in millions of Canadian dollars unless otherwise indicated, 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 September 6, 2018.

Unless otherwise indicated, all comparisons of results for the three months ended August 4, 2018 ("second quarter of 2019") are against results for the three months ended July 29, 2017 ("second quarter of 2018") and all comparisons of results for the six months ended August 4, 2018 ("year to date fiscal 2019") are against results for the six months ended July 29, 2017 ("year to date fiscal 2018"). The fiscal year ended February 3, 2018 ("fiscal 2018") included 53 weeks instead of the normal 52 weeks. This results in the each of the first three quarters of fiscal 2019 ending one week later than the comparative quarters of fiscal 2018, which can affect comparison of results.

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 cyber security 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 shrinkage;
- 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/recovery, dividend income, interest income, net change in fair value of marketable securities, interest expense, depreciation, amortization and net impairment charges. 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 income, interest income and expense and the 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. The measure does not have any standardized meaning under IFRS. Although depreciation, amortization and impairment charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, as such, adjusted EBITDA does not reflect any cash requirements for these replacements. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company's obligations. 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. Adjusted EBITDA should not be used in substitute for measures of performance prepared in accordance with IFRS or as an alternative to net earnings, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. Although adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.

The Company considers results from operating activities a useful measure of the Company's performance from its retail operations. This measure should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

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. Same store sales exclude sales from wholesale accounts. 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 online sales 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 not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net earnings to adjusted EBITDA:

	SECOND QUARTER		YEAR TO DATE FISCAL	
	2019	2018[1]	2019	2018[1]
Net earnings	**$ 10.0**	$ 9.4	**$ 6.8**	$ 2.8
Depreciation, amortization and net impairment losses	**10.4**	10.4	**20.3**	21.7
Dividend income	**(0.6)**	(0.6)	**(1.3)**	(1.2)
Interest income	**(0.5)**	(0.2)	**(0.8)**	(0.4)
Net change in fair value of marketable securities	**(0.7)**	(1.7)	**1.1**	(3.2)
Income tax expense (recovery)	**2.8**	2.2	**2.2**	(0.3)
Adjusted EBITDA	**$ 21.4**	$ 19.5	**$ 28.3**	$ 19.4
Adjusted EBITDA as % of sales	**8.6%**	7.8%	**6.2%**	4.2%

[1] Comparative figures have been restated because of the implementation of IFRS 15, *Revenue from Contracts with Customers*. See note 3(a) in the second quarter of 2019 unaudited condensed consolidated interim financial statements.

OVERVIEW

The Company has a single reportable segment that derives its revenue primarily from the sale of ladies' specialty apparel to consumers through its six retail banners. The Company's stores are primarily located in malls and retail power centres across Canada 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 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 stores averaging 6,000 sq. ft. in power centres across Canada.

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 stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

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

Hyba stores offer 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.

On March 1, 2018, the Company announced its decision to close all of its Hyba store locations by the end of its current fiscal year, February 2, 2019. Existing Hyba stores were primarily conversions during 2015 from former Smart Set store locations in order to expand the Hyba brand's presence in the marketplace. The Company is confident in the long-term growth potential of the Hyba brand and has determined that the optimum strategy is to continue to offer Hyba-branded products across Canada through the Company's Reitmans store locations and e-commerce channel.

RETAIL BANNERS

	NUMBER OF STORES AT FEBRUARY 3, 2018	Q1 OPENINGS	Q1 CLOSINGS	Q2 OPENINGS	Q2 CLOSINGS	NUMBER OF STORES AT AUGUST 4, 2018	NUMBER OF STORES AT JULY 29, 2017
Reitmans	270	–	(1)	–	(1)	268	280
Penningtons	122	–	(1)	1	(3)	119	125
Addition Elle	90	–	(1)	–	(1)	88	95
RW & CO.	80	2	(2)	4	–	84	85
Thyme Maternity	63	3	(4)	1	(1)	62	60
Hyba	17	–	(1)	–	(1)	15	19
Total	**642**	**5**	**(10)**	**6**	**(7)**	**636**	**664**

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 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
Related to the planned growth of its e-commerce business, the Company intends to optimally fulfill orders by leveraging the inventory in its network of stores throughout Canada (ship from store). It is anticipated that this initiative, which includes enhancing inventory visibility and availability across all channels, will improve speed of delivery, accuracy of allocation and profitability.	The Company is in the early stages of implementation and testing will commence in the third quarter of fiscal 2019 with its RW & CO. banner. All the remaining banners are anticipated to be implemented during the fiscal year ending February 1, 2020.
The Company is committed to deliver best-in-class digital customer experiences. Strategically, the Company has adopted a digital-first approach, to facilitate rapid and sustainable growth in the digital and omnichannel retail environment. This includes continued improvement to the customer's mobile experience along with an initiative to provide a more personalized shopping experience for its customers utilizing improved data quality to deliver a more individualized and relevant product offering.	The Company continues to enhance its core e-commerce platform, evolve its customer relationship management and marketing automation infrastructure and optimize its customer data management capabilities. The Company has partnered with a best-in-class vendor to support a personalization initiative in marketing to its customers. The personalization initiative is anticipated to commence on a limited test basis in the fourth quarter of fiscal 2019 with a full deployment in the following fiscal year.
The Company continues to develop its international growth strategy of selected brands.	The Company has a highly skilled and experienced team devoted to expanding sales internationally. The Company has focused its efforts on wholesale expansion beyond Canada with its plus-size offerings targeting major customers, predominantly in the U.S.

OPERATING RESULTS FOR THE SECOND QUARTER OF FISCAL 2019 COMPARED TO THE SECOND QUARTER OF FISCAL 2018

	SECOND QUARTER OF 2019	SECOND QUARTER OF 2018[1]	$ CHANGE	% CHANGE
Sales	**$ 248.8**	$ 250.7	$ (1.9)	(0.8%)
Cost of goods sold	**111.2**	112.4	(1.2)	(1.1%)
Gross profit	**137.6**	138.3	(0.7)	(0.5%)
Gross profit %	**55.3%**	55.2%	–	–
Selling, distribution and administrative expenses	**127.4**	127.9	(0.5)	(0.4%)
Results from operating activities	**10.2**	10.4	(0.2)	(1.9%)
Net finance income	**2.6**	1.2	1.4	n/a
Earnings before income taxes	**12.8**	11.6	1.2	10.3%
Income tax expense	**2.8**	2.2	0.6	27.3%
Net earnings	**$ 10.0**	$ 9.4	$ 0.6	6.4%
Adjusted EBITDA	**$ 21.4**	$ 19.5	$ 1.9	9.7%
Earnings per share:				
Basic	**$ 0.16**	$ 0.15	$ 0.01	6.7%
Diluted	**0.16**	0.15	0.01	6.7%

[1] Comparative figures have been restated because of the implementation of IFRS 15, *Revenue from Contracts with Customers*. See note 3(a) in the second quarter of 2019 unaudited condensed consolidated interim financial statements.

SALES

Sales for the second quarter of fiscal 2019 were $248.8 million, as compared with $250.7 million for the second quarter of fiscal 2018, with a net reduction of 28 stores. The Company continues to execute against a plan adapting to the new retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities. Sales were negatively impacted by approximately $6.1 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018.

Same store sales increased 3.4%, compared to the comparable 13 weeks ended August 5, 2017, with stores sales decreasing 1.2% and e-commerce sales increasing 40.8% as the Company continues to experience strong growth in its e-commerce channel.

GROSS PROFIT

Gross profit for the second quarter of fiscal 2019 decreased $0.7 million or 0.5%, to $137.6 million as compared with $138.3 million for the second quarter of fiscal 2018. Gross profit was negatively impacted by approximately $5.0 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018 as the current quarter's results included a week with traditionally lower margins, and by increased promotional activity. These declines were largely offset by a positive foreign exchange impact of approximately $0.9 million in the second quarter of fiscal 2019 on U.S. denominated purchases included in cost of goods sold and cost reductions realized through distribution and global sourcing efficiencies.

SELLING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

Total selling, distribution and administrative expenses for the second quarter of fiscal 2019 were $127.4 million, compared to $127.9 million in the second quarter of fiscal 2018. The decrease of $0.5 million reflects the reduction in store operating costs, primarily due to fewer stores, largely offset by increases in employee performance incentive plan and termination costs.

NET FINANCE INCOME

Net finance income was $2.6 million for the second quarter of fiscal 2019 as compared to $1.2 million for the second quarter of fiscal 2018. This change is largely attributable to the following:

- a foreign exchange gain of $0.7 million for the second quarter of fiscal 2019 compared to a loss of $1.3 million for the second quarter of fiscal 2018, largely attributable to the foreign exchange impact on U.S. denominated monetary assets and liabilities;
- increased interest income, primarily derived from cash held with banks; partially offset by
- a $0.7 million increase in the fair value of marketable securities for the second quarter of fiscal 2019 compared to an increase of $1.7 million for the second quarter of fiscal 2018.

INCOME TAXES

The income tax expense for the second quarter of fiscal 2019 was impacted primarily by a $0.7 million increase in the fair value of marketable securities for which no deferred tax asset has been recognized, and tax-exempt dividend income relative to the Company's active business income. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various Canadian and foreign tax jurisdictions.

NET EARNINGS

Net earnings for the second quarter of fiscal 2019 were $10.0 million ($0.16 basic and diluted earnings per share) as compared with $9.4 million net earnings ($0.15 basic and diluted earnings per share) for the second quarter of fiscal 2018. The reduction in gross profit and the increase in income taxes was more than offset by reduced general operating costs and an increase in net finance income, as described above.

ADJUSTED EBITDA

Adjusted EBITDA for the second quarter of fiscal 2019 was $21.4 million, as compared with $19.5 million for the second quarter of fiscal 2018, an increase of $1.9 million.

OPERATING RESULTS FOR THE YEAR TO DATE FISCAL 2019 COMPARED TO THE YEAR TO DATE FISCAL 2018

	YEAR TO DATE FISCAL 2019	YEAR TO DATE FISCAL 2018[1]	$ CHANGE	% CHANGE
Sales	**$ 456.4**	$ 457.8	$ (1.4)	(0.3%)
Cost of goods sold	**202.5**	206.3	(3.8)	(1.8%)
Gross profit	**253.9**	251.5	2.4	1.0%
Gross profit %	**55.6%**	54.9%	–	–
Selling, distribution and administrative expenses	**248.0**	253.4	(5.4)	(2.1%)
Results from operating activities	**5.9**	(1.9)	7.8	n/a
Net finance income	**3.1**	4.4	(1.3)	(29.5%)
Earnings before income taxes	**9.0**	2.5	6.5	n/a
Income tax expense (recovery)	**2.2**	(0.3)	2.5	n/a
Net earnings	**$ 6.8**	$ 2.8	$ 4.0	n/a
Adjusted EBITDA	**$ 28.3**	$ 19.4	$ 8.9	45.9%
Earnings per share:				
Basic	**$ 0.11**	$ 0.04	$ 0.07	n/a
Diluted	**0.11**	0.04	0.07	n/a

[1] Comparative figures have been restated because of the implementation of IFRS 15, *Revenue from Contracts with Customers*. See note 3(a) in the second quarter of 2019 unaudited condensed consolidated interim financial statements.

SALES

Sales decreased by $1.4 million or 0.3% to $456.4 million for the year to date fiscal 2019, with a net reduction of 28 stores. The Company continues to execute against a plan adapting to the new retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities. Sales for the year to date fiscal 2019 were positively impacted by approximately $2.7 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018.

Same store sales increased 1.5% compared to the comparable 26 weeks ended August 5, 2017, driven by increased e-commerce sales of 31.5%, while stores sales decreased by 2.4%.

GROSS PROFIT

Gross profit as a percentage of sales for the year to date fiscal 2019 increased to 55.6% from 54.9% for the year to date fiscal 2018 primarily due to the positive foreign exchange impact of approximately $5.9 million on U.S. dollar denominated purchases included in cost of goods sold. In addition, gross profit was positively impacted by approximately $3.6 million due to the second quarter of fiscal 2019 ending one week later than the second quarter of fiscal 2018. These improvements were largely offset by increased promotional activity in the year to date fiscal 2019.

SELLING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

Total selling, distribution and administrative expenses were $248.0 million for the year to date fiscal 2019, compared to $253.4 million for the year to date fiscal 2018. The decrease of $5.4 million is primarily attributable to a reduction in store operating costs due to fewer stores, lower depreciation, amortization and net impairment losses and reduction in operating costs, partially offset by increases in employee performance incentive plan and termination costs.

NET FINANCE INCOME

Net finance income was $3.1 million for the year to date fiscal 2019 as compared to net finance income of $4.4 million for the year to date fiscal 2018. This decrease is primarily attributable to the following:

- a $1.1 million decrease in the fair value of marketable securities for the year to date fiscal 2019 compared to a $3.2 million increase for the year to date fiscal 2018; partially offset by
- increased interest income, primarily derived from cash held with banks; and
- a $2.0 million foreign exchange gain in the year to date fiscal 2019 compared to a $0.4 million loss in the year to date fiscal 2018, largely attributable to the foreign exchange impact on U.S. denominated monetary assets and liabilities.

INCOME TAXES

The income tax expense for the year to date fiscal 2019 was impacted primarily by a $1.1 million decrease in the fair value of marketable securities for which no deferred tax asset has been recognized, and tax exempt dividend income relative to the Company's active business income. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

NET EARNINGS

Net earnings for the year to date fiscal 2019 were $6.8 million ($0.11 basic and diluted earnings per share) as compared with net earnings of $2.8 million ($0.04 basic and diluted earnings per share) for the year to date fiscal 2018. The improvement in net earnings of $4.0 million is primarily attributable to the increase in results from operating activities, partially offset by the decrease in net finance income and the increase in income tax expense, as noted above.

ADJUSTED EBITDA

Adjusted EBITDA for the year to date fiscal 2019 was $28.3 million, compared with $19.4 million for the year to date fiscal 2018. The improvement in adjusted EBITDA is primarily due to the increase in gross profit resulting from the year to date fiscal 2019 ending one week later than the year to date fiscal 2018 coupled with the positive foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold and the reduction in 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. 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 contracts, with any additional requirements being met through spot U.S. dollar purchases.

Details of the foreign exchange contracts outstanding as at August 4, 2018 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange forward contracts	**$ 1.262**	**$ 147.5**	**$ 4.9**	**$ –**	**$ 4.9**

Details of the foreign exchange contracts outstanding as at July 29, 2017 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange forward contracts	$ 1.317	$ 199.5	$ –	$ (14.4)	$ (14.4)

Details of the foreign exchange contracts outstanding as at February 3, 2018 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange forward contracts	$ 1.286	$ 204.5	$ –	$ (9.7)	$ (9.7)

SUMMARY OF QUARTERLY RESULTS

Due to seasonality and the timing of holidays, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. The table below presents selected consolidated financial data for the eight most recently completed quarters. All references to "2019" are to the Company's fiscal year ending February 2, 2019, "2018" are to the Company's fiscal year ended February 3, 2018 and "2017" are to the Company's fiscal year ended January 28, 2017.

	SECOND QUARTER		FIRST QUARTER		FOURTH QUARTER		THIRD QUARTER	
	2019 (13 WEEKS)	2018[2] (13 WEEKS)	2019 (13 WEEKS)	2018[2] (13 WEEKS)	2018[2] (14 WEEKS)	2017[2] (13 WEEKS)	2018[2] (13 WEEKS)	2017[2] (13 WEEKS)
Sales	$ 248.8	$ 250.8	$ 207.6	$ 207.1	$ 264.2	$ 248.4	$ 242.4	$ 245.6
Net earnings (loss)	10.0	9.4	(3.2)	(6.6)	(1.9)	0.3	(16.9)[1]	7.6
Earnings (loss) per share								
Basic	$ 0.16	$ 0.15	$ (0.05)	$ (0.10)	$ (0.03)	$ 0.00	$ (0.27)[1]	$ 0.12
Diluted	0.16	0.15	(0.05)	(0.10)	(0.03)	0.00	(0.27)[1]	0.12
Net earnings (loss) before impairment of goodwill	$ 10.0	$ 9.4	$ (3.2)	$ (6.6)	$ (1.9)	$ 0.3	$ 9.4	$ 7.6
Earnings (loss) per share excluding impairment of goodwill								
Basic	$ 0.16	$ 0.15	$ (0.05)	$ (0.10)	$ (0.03)	$ 0.00	$ 0.15	$ 0.12
Diluted	0.16	0.15	(0.05)	(0.10)	(0.03)	0.00	0.15	0.12

[1] Includes the impact of an impairment of goodwill of $26.3 million related to the Addition Elle banner.

[2] Comparative figures have been restated because of the implementation of IFRS 15, *Revenue from Contracts with Customers*. See note 3(a) in the second quarter of 2019 unaudited condensed consolidated interim financial statements. None of the quarters presented for fiscal 2017 reflect the adoption of IFRS 15.

BALANCE SHEET

Selected line items from the Company's balance sheets as at August 4, 2018 and February 3, 2018 are presented below:

	AUGUST 4, 2018	FEBRUARY 3, 2018[1]	$ CHANGE	% CHANGE
Cash and cash equivalents	**$ 115.2**	$ 104.7	$ 10.5	10.0%
Marketable securities	**61.0**	62.0	(1.0)	(1.6%)
Trade and other receivables	**6.3**	4.9	1.4	28.6%
Income taxes recoverable	**–**	2.2	(2.2)	(100.0%)
Net derivative financial asset (liability)	**4.9**	(9.7)	14.6	n/a
Inventories	**143.1**	137.1	6.0	4.4%
Property and equipment & intangible assets	**120.1**	129.7	(9.6)	(7.4%)
Deferred income taxes	**24.9**	28.0	(3.1)	(11.1%)
Trade and other payables (current and long-term)	**113.7**	102.3	11.4	11.1%
Deferred revenue	**15.9**	20.0	(4.1)	(20.5%)

[1] Comparative figures have been restated because of the implementation of IFRS 15, *Revenue from Contracts with Customers*. See note 3(a) in the second quarter of 2019 unaudited condensed consolidated interim financial statements.

Changes in selected line items from the Company's balance sheets at August 4, 2018, as compared to February 3, 2018, were primarily due to the following:

- cash and cash equivalents increased primarily due to an increase of the Company's cash flows generated from operating activities, partially offset by investments in property and equipment and dividend payments;
- marketable securities decreased due to the net change in their fair value in the year to date fiscal 2019;
- trade and other receivables consist primarily of credit card sales from the last few days of the fiscal quarter, wholesale account receivables and government incentive program receivables. The increase is primarily due to higher wholesale account and government incentive program receivables;
- income taxes recoverable decreased due to amounts received from tax authorities during the year to date fiscal 2019;
- the change in the net derivative position is attributable to the impact of mark-to-market adjustments on foreign exchange forward contracts;
- inventories are slightly higher as a result of the normal build-up for the fall selling season;
- the Company continues to closely manage its investment in property and equipment and intangible assets. The decrease reflects the reduction in the number of stores. For the year to date fiscal 2019, $11.3 million was invested in property and equipment and intangible assets. Depreciation, amortization and net impairment losses of $20.3 million were recognized in the year to date fiscal 2019;
- deferred income taxes decreased largely due to taxable temporary timing differences arising on foreign exchange forward contracts. Deferred income taxes arise primarily due to deductible temporary timing differences on property and equipment, intangible assets and pension liability;
- trade and other payables were impacted mainly by the increase in inventory in the quarter and the timing of payments related to sales taxes. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities;
- deferred revenue decreased largely due to the timing of gift card redemptions. Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty award 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 fiscal year ended February 3, 2018 (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 year to date fiscal 2019.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company primarily uses funds for working capital requirements, capital expenditures and payment of dividends. Shareholders' equity as at August 4, 2018 amounted to $349.7 million or $5.52 per share (July 29, 2017 – $362.3 million or $5.72 per share; February 3, 2018 – $342.0 million or $5.40 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 $176.2 million as at August 4, 2018 (July 29, 2017 – $173.4 million; February 3, 2018 – $166.7 million). Cash is held in interest bearing accounts with major Canadian financial institutions. The Company closely monitors its risk with respect to cash investments. The Company has unsecured operating lines of credit available with Canadian chartered banks to a maximum of $75 million or its U.S. dollar equivalent. As at August 4, 2018, $3.5 million (July 29, 2017 – $4.3 million; February 3, 2018 – $4.3 million) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally to support U.S. dollar foreign exchange forward contract purchases, as a guarantee for government import duties and for U.S. dollar letters of credit to satisfy international third-party vendors not on open credit. The Company rarely uses such credit facilities for other purposes. The committed operating lines of credit are recorded when the Company considers it probable that a payment has to be made to the other party of the contract. The Company has recorded no liability with respect to these commitments. The reduction in the commitments under the operating lines of credit compared to July 29, 2017 and February 3, 2018 reflects the Company's initiative to change payment settlement from documentary letters of credit towards open credit.

The Company purchases 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.

As of November 6, 2017, the Company had fully repaid all its long-term debt. The Company paid $0.05 dividends per share in the second quarter of fiscal 2019 totalling $3.2 million, similar to the second quarter of fiscal 2018. The Company paid $0.10 dividends per share in the year to date fiscal 2019 totalling $6.3 million, similar to the year to date fiscal 2018. 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.

In the second quarter of fiscal 2019, the Company invested $6.5 million in capital expenditures, on a cash basis, primarily on new and renovated stores. In the year to date fiscal 2019, the Company invested $11.3 million in capital expenditures, on a cash basis, primarily on new and renovated stores. In fiscal 2019, the Company expects to invest approximately $30.0 million in capital expenditures. These expenditures, together with the payment of dividends and any repayments related to the Company's bank credit facility are expected to be funded by the Company's existing financial resources and funds derived from its operations.

The Company expects that cash and cash equivalents, investments in marketable securities, future operating cash flows and amounts available to be drawn under operating lines of credit will enable the Company to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital and financial obligations.

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 February 3, 2018.

OUTSTANDING SHARE DATA

At September 6, 2018, 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. The Company has 2,029,800 share options outstanding at an average exercise price of $7.96. 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 2019, the Company did not purchase any shares under the normal course issuer bid approved in December 2017. 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 February 3, 2018.

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 exchange forward contracts with maturities generally not exceeding twelve months.

Details of the foreign exchange contracts outstanding as at August 4, 2018, July 29, 2017 and as at February 3, 2018 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 major Canadian financial institutions. 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 February 3, 2018.

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 exchange 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 highly-rated 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, JUDGMENTS AND ASSUMPTIONS

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 consolidated financial statements and MD&A for the year ended February 3, 2018 (which are available on the SEDAR website at www.sedar.com).

NEW ACCOUNTING POLICIES ADOPTED IN FISCAL 2019

The new accounting policies set out below have been adopted in the unaudited condensed consolidated interim financial statements as at and for the six months ended August 4, 2018:

- IFRS 15 – *Revenue from Contracts with Customers*
- IFRS 2 – *Share-based Payment*

Further information on these new accounting policies can be found in Note 3 of the unaudited condensed consolidated interim financial statements as at and for the six months ended August 4, 2018.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for fiscal 2019 and have not been applied in preparing the unaudited condensed consolidated interim financial statements as at and for the six months ended August 4, 2018. New standards and amendments to standards and interpretations that are currently under review include:

- IFRS 16 – *Leases*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

Further information on these modifications can be found in Note 3 of the unaudited condensed consolidated interim financial statements as at and for the six months ended August 4, 2018.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting 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. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

There were no changes in the Company's internal control over financial reporting during the six months ended August 4, 2018 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

The Company is well positioned for the future with recognizable banners each offering a powerful, positive brand experience able to capitalize on a strong network of stores and an exceptional e-commerce proposition. A variety of measures have been implemented to improve profitability, including enhancing the product offerings, tighter inventory management and improving the customer experience both in stores and online. The Company is advancing significantly with its strategic initiatives aimed at supporting the changing consumer shopping behaviours to ensure success in responding to consumer demands.

The retail industry and consumer shopping behaviours are changing faster 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 AUGUST 4, 2018	FOR THE THREE MONTHS ENDED JULY 29, 2017[1]	FOR THE SIX MONTHS ENDED AUGUST 4, 2018	FOR THE SIX MONTHS ENDED JULY 29, 2017[1]
Sales		**$ 248,797**	$ 250,757	**$ 456,418**	$ 457,847
Cost of goods sold	5	**111,160**	112,447	**202,468**	206,332
Gross profit		**137,637**	138,310	**253,950**	251,515
Selling and distribution expenses		**115,534**	117,017	**225,480**	232,011
Administrative expenses		**11,854**	10,896	**22,532**	21,374
Results from operating activities		**10,249**	10,397	**5,938**	(1,870)
Finance income	11	**2,578**	2,540	**4,128**	4,796
Finance costs	11	**–**	1,319	**1,065**	438
Earnings before income taxes		**12,827**	11,618	**9,001**	2,488
Income tax expense (recovery)	10	**2,800**	2,207	**2,182**	(339)
Net earnings		**$ 10,027**	$ 9,411	**$ 6,819**	$ 2,827
Earnings per share :	12				
Basic		**$ 0.16**	$ 0.15	**$ 0.11**	$ 0.04
Diluted		**$ 0.16**	$ 0.15	**$ 0.11**	$ 0.04

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

[1] Certain comparative figures have been restated (note 3a).

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	NOTES	FOR THE THREE MONTHS ENDED AUGUST 4, 2018	FOR THE THREE MONTHS ENDED JULY 29, 2017[1]	FOR THE SIX MONTHS ENDED AUGUST 4, 2018	FOR THE SIX MONTHS ENDED JULY 29, 2017[1]
Net earnings		**$ 10,027**	$ 9,411	**$ 6,819**	$ 2,827
Other comprehensive income (loss)					
Items that are or may be reclassified subsequently to net earnings:					
Cash flow hedges (net of tax of $189 for the three months and $2,731 for the six months ended August 4, 2018; net of tax of $5,420 for the three months and $3,260 for the six months ended July 29, 2017)	8	**516**	(14,966)	**7,441**	(9,004)
Foreign currency translation differences	8	**(43)**	408	**(230)**	230
Total other comprehensive income (loss)		**473**	(14,558)	**7,211**	(8,774)
Total comprehensive income (loss)		**$ 10,500**	$ (5,147)	**$ 14,030**	$ (5,947)

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

[1] Certain comparative figures have been restated (note 3a).

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	NOTES	AUGUST 4, 2018	JULY 29, 2017[1]	FEBRUARY 3, 2018[1]
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	**$ 115,201**	$ 115,441	$ 104,656
Marketable securities	14	**60,960**	57,951	62,025
Trade and other receivables		**6,346**	5,284	4,880
Derivative financial asset	14	**4,871**	–	37
Income taxes recoverable		**–**	2,434	2,248
Inventories	5	**143,144**	148,391	137,105
Prepaid expenses		**20,519**	9,349	19,187
Total Current Assets		**351,041**	338,850	330,138
NON-CURRENT ASSETS				
Property and equipment		**100,867**	113,732	110,292
Intangible assets		**19,241**	19,828	19,433
Goodwill		**11,843**	38,183	11,843
Deferred income taxes		**24,872**	29,694	28,015
Total Non-Current Assets		**156,823**	201,437	169,583
TOTAL ASSETS		**$ 507,864**	$ 540,287	$ 499,721
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade and other payables	6	**$ 106,629**	$ 112,544	$ 93,711
Derivative financial liability	14	**–**	14,414	9,745
Deferred revenue	7	**15,876**	17,080	19,994
Income taxes payable		**1,824**	–	–
Current portion of long-term debt	14	**–**	661	–
Total Current Liabilities		**124,329**	144,699	123,450
NON-CURRENT LIABILITIES				
Other payables	6	**7,117**	7,101	8,598
Deferred lease credits		**7,209**	6,973	6,450
Pension liability		**19,488**	19,182	19,236
Total Non-Current Liabilities		**33,814**	33,256	34,284
SHAREHOLDERS' EQUITY				
Share capital	8	**38,397**	38,397	38,397
Contributed surplus		**10,157**	10,048	10,119
Retained earnings		**299,537**	323,988	299,052
Accumulated other comprehensive income (loss)	8	**1,630**	(10,101)	(5,581)
Total Shareholders' Equity		**349,721**	362,332	341,987
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 507,864**	$ 540,287	$ 499,721

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

[1] Certain comparative figures have been restated (note 3a).

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 (LOSS)	TOTAL SHAREHOLDERS' EQUITY
Balance as at February 4, 2018		**$ 38,397**	**$ 10,119**	**$ 297,895**	**$ (5,581)**	**$ 340,830**
IFRS 15 adoption adjustment	3a	**–**	**–**	**1,157**	**–**	**1,157**
Restated balance as at February 4, 2018		**38,397**	**10,119**	**299,052**	**(5,581)**	**341,987**
Net earnings		**–**	**–**	**6,819**	**–**	**6,819**
Total other comprehensive income	8	**–**	**–**	**–**	**7,211**	**7,211**
Total comprehensive income for the period		**–**	**–**	**6,819**	**7,211**	**14,030**
Share-based compensation costs	9	**–**	**38**	**–**	**–**	**38**
Dividends	8	**–**	**–**	**(6,334)**	**–**	**(6,334)**
Total contributions by (distributions to) owners of the Company		**–**	**38**	**(6,334)**	**–**	**(6,296)**
Balance as at August 4, 2018		**$ 38,397**	**$ 10,157**	**$ 299,537**	**$ 1,630**	**$ 349,721**
Balance as at January 29, 2017		$ 38,397	$ 9,769	$ 326,675	$ (1,327)	$ 373,514
IFRS 15 adoption adjustment	3a	–	–	820	–	820
Restated balance as at January 29, 2017		38,397	9,769	327,495	(1,327)	374,334
Net earnings		–	–	2,827	–	2,827
Total other comprehensive loss	8	–	–	–	(8,774)	(8,774)
Total comprehensive income (loss) for the period		–	–	2,827	(8,774)	(5,947)
Share-based compensation costs	9	–	279	–	–	279
Dividends	8	–	–	(6,334)	–	(6,334)
Total contributions by (distributions to) owners of the Company		–	279	(6,334)	–	(6,055)
Balance as at July 29, 2017[1]		$ 38,397	$ 10,048	$ 323,988	$ (10,101)	$ 362,332

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

[1] Certain comparative figures have been restated (note 3a).

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	NOTES	FOR THE THREE MONTHS ENDED AUGUST 4, 2018	FOR THE THREE MONTHS ENDED JULY 29, 2017[1]	FOR THE SIX MONTHS ENDED AUGUST 4, 2018	FOR THE SIX MONTHS ENDED JULY 29, 2017[1]
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings		**$ 10,027**	$ 9,411	**$ 6,819**	$ 2,827
Adjustments for:					
Depreciation, amortization and net impairment losses		**10,470**	10,412	**20,339**	21,715
Share-based compensation costs	9	**131**	208	**175**	520
Net change in fair value of marketable securities	11	**(740)**	(1,732)	**1,065**	(3,187)
Net change in transfer of realized (gain) loss on cash flow hedges to inventory		**(2,962)**	3,302	**(4,407)**	376
Foreign exchange loss (gain)		**485**	115	**1,675**	(292)
Interest and dividend income, net	11	**(1,118)**	(793)	**(2,104)**	(1,570)
Income tax expense (recovery)		**2,800**	2,207	**2,182**	(339)
		19,093	23,130	**25,744**	20,050
Changes in:					
Trade and other receivables		**2,347**	1,563	**(1,429)**	(1,058)
Inventories		**4,245**	7,974	**(6,039)**	(1,466)
Prepaid expenses		**(472)**	(267)	**(1,332)**	(2,503)
Trade and other payables		**2,856**	805	**11,806**	(2,181)
Pension liability		**135**	154	**252**	313
Deferred lease credits		**735**	(575)	**759**	(1,256)
Deferred revenue		**(224)**	(138)	**(4,118)**	(3,277)
Cash from operating activities		**28,715**	32,646	**25,643**	8,622
Interest paid	11	**–**	(15)	**–**	(39)
Interest received		**453**	215	**813**	432
Dividends received		**628**	603	**1,254**	1,207
Income taxes received		**76**	548	**2,306**	548
Income taxes paid		**(1)**	(4)	**(4)**	(7)
Net cash flows from operating activities		**29,871**	33,993	**30,012**	10,763
CASH FLOWS USED IN INVESTING ACTIVITIES					
Additions to property and equipment and intangible assets		**(6,539)**	(5,651)	**(11,304)**	(8,780)
Proceeds on disposal of property and equipment and intangibles		**–**	–	**77**	–
Cash flows used in investing activities		**(6,539)**	(5,651)	**(11,227)**	(8,780)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Dividends paid	8	**(3,167)**	(3,167)	**(6,334)**	(6,334)
Repayment of long-term debt	13	**–**	(501)	**–**	(994)
Cash flows used in financing activities		**(3,167)**	(3,668)	**(6,334)**	(7,328)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY		**(530)**	292	**(1,906)**	521
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**19,635**	24,966	**10,545**	(4,824)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD		**95,566**	90,475	**104,656**	120,265
CASH AND CASH EQUIVALENTS, END OF THE PERIOD		**$ 115,201**	$ 115,441	**$ 115,201**	$ 115,441

Supplementary cash flow information (note 13)

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

[1] Certain comparative figures have been restated (note 3a).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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 February 3, 2018.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 6, 2018.

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 February 3, 2018.

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 February 3, 2018 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

A | ADOPTION OF NEW ACCOUNTING POLICIES

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 is effective for annual periods beginning on or after January 1, 2018.

The Company adopted the standard for the annual period beginning February 4, 2018 and applied the requirements of the standard retrospectively, with the cumulative effects of initial application recorded in opening retained earnings on January 29, 2017 and with the restatement of comparative periods.

IFRS 15 impacted the allocation of revenue that is deferred in relation to the Company's customer loyalty award programs. Under IAS 18 and related interpretations, revenue was allocated to the customer loyalty awards using the residual fair value method. Under IFRS 15, the allocation of revenue that is deferred in relation to its customer loyalty award programs is allocated between the loyalty program awards and the goods on which the awards were earned, based on their relative stand-alone selling prices.

IFRS 15 also impacted the allocation of revenue that is deferred in relation to gift cards sold. Previously, an estimate was made of gift cards not expected to be redeemed based on historical redemption patterns and was recognized as revenue. Under IFRS 15, if the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer.

Previously, the Company recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of sales returns. Under IFRS 15, when the Company makes a sale with a right of return it recognizes revenue at the amount to which it expects to be entitled. The Company also recognizes a refund liability and an asset for any goods that it expects to be returned. The refund liability is presented gross as a refund liability and an asset for recovery.

The following tables summarize the impact of adopting IFRS 15 on the Company's condensed consolidated interim financial statements:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

	FEBRUARY 3, 2018		
	AS REPORTED	RESTATEMENTS	AS RESTATED
Inventories	$ 136,049	$ 1,056	$ 137,105
Deferred income taxes	28,441	(426)	28,015
Trade and other payables	92,655	1,056	93,711
Deferred revenue	21,577	(1,583)	19,994
Retained earnings	297,895	1,157	299,052

	JULY 29, 2017		
	AS REPORTED	RESTATEMENTS	AS RESTATED
Inventories	$ 147,273	$ 1,118	$ 148,391
Deferred income taxes	29,892	(198)	29,694
Trade and other payables	111,426	1,118	112,544
Deferred revenue	17,820	(740)	17,080
Retained earnings	323,446	542	323,988

	JANUARY 29, 2017		
	AS REPORTED	RESTATEMENTS	AS RESTATED
Inventories	$ 146,059	$ 866	$ 146,925
Deferred income taxes	25,891	(301)	25,590
Trade and other payables	114,254	866	115,120
Deferred revenue	21,478	(1,121)	20,357
Retained earnings	326,675	820	327,495

As the impact of adopting IFRS 15 on the balance sheet is limited to the above noted items, a restated balance sheet at January 29, 2017 has not been presented in the condensed consolidated interim balance sheets.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

	THREE MONTHS ENDED JULY 29, 2017		
	AS REPORTED	RESTATEMENTS	AS RESTATED
Sales	$ 251,121	$ (364)	$ 250,757
Gross profit	138,674	(364)	138,310
Results from operating activities	10,761	(364)	10,397
Earnings before income taxes	11,982	(364)	11,618
Income tax expense	2,305	(98)	2,207
Net earnings	9,677	(266)	9,411

	SIX MONTHS ENDED JULY 29, 2017		
	AS REPORTED	RESTATEMENTS	AS RESTATED
Sales	$ 458,228	$ (381)	$ 457,847
Gross profit	251,896	(381)	251,515
Results from operating activities	(1,489)	(381)	(1,870)
Earnings before income taxes	2,869	(381)	2,488
Income tax recovery	(236)	(103)	(339)
Net earnings	3,105	(278)	2,827

The adoption of IFRS 15 had a nominal impact on earnings per share for the comparative periods.

UPDATE TO SIGNIFICANT ACCOUNTING POLICIES

As a result to the initial adoption of IFRS 15, as described above, the Company has updated its significant accounting policies as follows:

REVENUE

The Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, including variable consideration to the extent that it is highly probable that a significant reversal will not occur.

CUSTOMER LOYALTY AWARD PROGRAMS

Revenue is allocated between the customer loyalty award programs and the goods on which the awards were earned based on their relative stand-alone selling prices. Loyalty points and awards granted under customer loyalty award programs are recorded as deferred revenue until the loyalty points and awards are redeemed by the customer.

GIFT CARDS

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer.

SALES WITH A RIGHT OF RETURN

The Company grants rights of return on goods sold to customers. Revenue is reduced by the amount of expected returns and a related refund liability is recorded within "Trade and other payables". In addition, the Company recognizes a related asset for the right to recover returned goods within "Inventories".

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 Company adopted the amendments to IFRS 2 for the annual period beginning February 4, 2018. The adoption of these amendments did not have an impact on the Company's unaudited condensed consolidated interim financial statements.

B | NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective 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 intends to adopt IFRS 16 in its financial statements for the annual period beginning on February 3, 2019.

The Company has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements. The Company expects the adoption of IFRS 16 will have a significant impact as the Company will recognize new assets and liabilities for its operating leases of retail stores, offices, automobiles and equipment. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients under the standard. The Company expects to disclose additional detailed information, including its transition method, any practical expedients elected and estimated quantitative financial effects, before the adoption of IFRS 16.

PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT (AMENDMENTS TO IAS 19)

On February 7, 2018, the IASB issued *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*. The amendments apply for plan amendments, curtailments or settlements that occur on or after January 1, 2019, or the date on which they are first applied (earlier application is permitted).

The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan.

The Company intends to adopt the amendments to IAS 19 in its financial statements for the annual period beginning on February 3, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held with banks bearing interest at variable rates.

5 INVENTORIES

During the three and six months ended August 4, 2018, inventories recognized as cost of goods sold amounted to $107,961 and $197,029, respectively ($109,150 and $201,016 for the three and six months ended July 29, 2017). In addition, for the three and six months ended August 4, 2018, the Company recorded $3,199 and $5,439 ($3,297 and $5,316 for the three and six months ended July 29, 2017) 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.

Included in inventories is a return asset for the right to recover returned goods in the amount of $1,230 as at August 4, 2018 (July 29, 2017 – $1,118; February 3, 2018 – $1,056).

6 TRADE AND OTHER PAYABLES

	AUGUST 4, 2018	JULY 29, 2017[1]	FEBRUARY 3, 2018[1]
Trade payables	**$ 70,662**	$ 74,996	$ 68,044
Personnel liabilities	**18,980**	20,098	19,031
Payables relating to premises	**5,915**	10,584	8,703
Other non-trade payables	**12,401**	11,389	1,398
Refund liability	**2,838**	2,578	2,259
Onerous contracts[2]	**2,950**	–	2,874
	113,746	119,645	102,309
Less non-current portion	**7,117**	7,101	8,598
	$ 106,629	$ 112,544	$ 93,711

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

	AUGUST 4, 2018	JULY 29, 2017	FEBRUARY 3, 2018
Deferred rent and other payables relating to premises	**$ 5,256**	$ 6,345	$ 5,724
Onerous contracts	**1,724**	–	2,874
Performance Share Units (note 9)	**137**	756	–
Total non-current portion of trade and other payables	**$ 7,117**	$ 7,101	$ 8,598

[1] Certain comparative figures have been restated (note 3a).

[2] As a result of the decision to close its 17 Hyba stores by the conclusion of the fiscal year ending February 2, 2019, the Company has recognized a provision for onerous leases related to these stores. For the three and six months ended August 4, 2018, the onerous contract provision (current and non-current) increased $464 and $975, respectively, due to additional provisions and changes in the discounted amount offset by a decrease of $656 and $899, respectively, due to amounts reversed during the period.

7 DEFERRED REVENUE

	AUGUST 4, 2018	JULY 29, 2017[1]	FEBRUARY 3, 2018[1]
Customer loyalty award programs	**$ 7,011**	$ 8,329	$ 6,296
Unredeemed gift cards	**8,865**	8,751	13,698
	$ 15,876	$ 17,080	$ 19,994

[1] Certain comparative figures have been restated (note 3a).

8 SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	FOR THE SIX MONTHS ENDED			
	AUGUST 4, 2018		JULY 29, 2017	
	NUMBER OF SHARES (IN 000'S)	CARRYING AMOUNT	NUMBER OF SHARES (IN 000'S)	CARRYING AMOUNT
Common shares				
Balance at beginning and end of the period	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning and end of the period	**49,890**	**37,915**	49,890	37,915
Total share capital	**63,330**	**$ 38,397**	63,330	$ 38,397

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.

PURCHASE OF SHARES FOR CANCELLATION

The Company did not purchase any shares under a normal course issuer bid approved in December 2017 in the three and six months ended August 4, 2018. 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 February 3, 2018.

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")

AOCI is comprised of the following:

	CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	TOTAL AOCI
Balance at February 4, 2018	**$ (4,923)**	**$ (658)**	**$ (5,581)**
Net change in fair value of cash flow hedges (net of tax of $999)	**2,721**	**–**	**2,721**
Transfer of realized loss on cash flow hedges to inventory (net of tax of $1,732)	**4,720**	**–**	**4,720**
Change in foreign currency translation differences	**–**	**(230)**	**(230)**
Balance at August 4, 2018	**$ 2,518**	**$ (888)**	**$ 1,630**
Balance at January 29, 2017	$ (410)	$ (917)	$ (1,327)
Net change in fair value of cash flow hedges (net of tax of $3,793)	(10,475)	–	(10,475)
Transfer of realized loss on cash flow hedges to inventory (net of tax of $533)	1,471	–	1,471
Change in foreign currency translation differences	–	230	230
Balance at July 29, 2017	$ (9,414)	$ (687)	$ (10,101)

DIVIDENDS

The following dividends were declared and paid by the Company:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	AUGUST 4, 2018	JULY 29, 2017	AUGUST 4, 2018	JULY 29, 2017
Common shares and Class A non-voting shares	**$ 3,167**	$ 3,167	**$ 6,334**	$ 6,334
Dividend per share	**$ 0.05**	$ 0.05	**$ 0.10**	$ 0.10

9 SHARE-BASED PAYMENTS

SHARE OPTION PLAN

Under the share option plan, the Company can, at its sole discretion, grant share options and/or Share Appreciation Rights ("SARs"). The 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. The granting of options and the related vesting period, which is normally up to 4 years (up to 5 years for options granted before June 8, 2016), are at the discretion of the Board of Directors and the options have a maximum term of up to 7 years (up to 10 years for options granted before June 8, 2016). 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.

The changes in outstanding share options were as follows:

	FOR THE THREE MONTHS ENDED				FOR THE SIX MONTHS ENDED			
	AUGUST 4, 2018		JULY 29, 2017		AUGUST 4, 2018		JULY 29, 2017	
	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	**2,330**	**$ 7.87**	2,974	$ 7.74	**2,401**	**$ 7.81**	3,843	$ 9.27
Granted	**–**	**–**	–	–	**–**	**–**	–	–
Exercised	**–**	**–**	–	–	**–**	**–**	–	–
Forfeited	**(259)**	**7.53**	(63)	5.79	**(330)**	**7.20**	(932)	13.93
Outstanding, at end of period	**2,071**	**$ 7.91**	2,911	$ 7.78	**2,071**	**$ 7.91**	2,911	$ 7.78
Options exercisable, at end of period	**1,496**	**$ 8.55**	1,667	$ 9.03	**1,496**	**$ 8.55**	1,667	$ 9.03

For the three and six months ended August 4, 2018, the Company recognized a recovery of compensation costs of $6 and an expense of compensation costs of $38, respectively, relating to its share option plan ($102 and $279 for the three and six months ended July 29, 2017), with a corresponding change to contributed surplus.

PERFORMANCE SHARE UNITS (CASH-SETTLED)

The Company has 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 April 9, 2018, the Company granted 481,000 PSUs at a weighted average share price of $4.06 (322,000 PSUs at a weighted average share price of $5.09 for the six months ended July 29, 2017). PSUs vest in whole after the performance period upon meeting pre-determined non-market conditions.

The changes in outstanding PSUs were as follows:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	AUGUST 4, 2018	JULY 29, 2017	AUGUST 4, 2018	JULY 29, 2017
	PSUs (IN 000'S)	PSUs (IN 000'S)	PSUs (IN 000'S)	PSUs (IN 000'S)
Outstanding, at beginning of period	**1,009**	710	**546**	388
Granted	**–**	–	**481**	322
Forfeited	**(126)**	(46)	**(144)**	(46)
Outstanding, at end of period	**883**	664	**883**	664

As at August 4, 2018, based on a weighted average share price of $4.13 for the five trading days preceding August 4, 2018, the Company recognized a share-based compensation expense related to PSUs of $97 in selling and distribution expenses and $40 in administrative expenses for the three and six months ended August 4, 2018 ($82 and $173 in selling and distribution expenses and $24 and $68 in administrative expenses for the three and six months ended July 29, 2017, respectively) with a corresponding increase 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

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	AUGUST 4, 2018	JULY 29, 2017	AUGUST 4, 2018	JULY 29, 2017
Dividend income from marketable securities	**$ 631**	$ 582	**$ 1,257**	$ 1,207
Interest income	**487**	226	**847**	402
Foreign exchange gain	**720**	–	**2,024**	–
Net change in fair value of marketable securities	**740**	1,732	**–**	3,187
Finance income	**2,578**	2,540	**4,128**	4,796
Interest expense – mortgage	**–**	15	**–**	39
Net change in fair value of marketable securities	**–**	–	**1,065**	–
Foreign exchange loss	**–**	1,304	**–**	399
Finance costs	**–**	1,319	**1,065**	438
Net finance income recognized in net earnings	**$ 2,578**	$ 1,221	**$ 3,063**	$ 4,358

12 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on a net earnings for the three and six months ended August 4, 2018 of $10,027 and $6,819, respectively (net earnings of $9,411 and $2,827 for the three and six months ended July 29, 2017).

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

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	AUGUST 4, 2018	JULY 29, 2017	AUGUST 4, 2018	JULY 29, 2017
Weighted average number of shares – basic	**63,330**	63,330	**63,330**	63,330
Weighted average number of shares – diluted	**63,330**	63,330	**63,330**	63,356

For the three and six months ended August 4, 2018, a total of 2,071,400 share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive (2,905,400 and 2,650,400 for the three and six months ended July 29, 2017, respectively).

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

13 SUPPLEMENTARY CASH FLOW INFORMATION

	AUGUST 4, 2018	JULY 29, 2017	FEBRUARY 3, 2018
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 918**	$ 252	$ 1,424

Included in depreciation, amortization and impairment losses are write-offs of property and equipment related to store closures and asset impairment charges relating to underperforming stores of $1,469 and $2,199 for the three and six months ended August 4, 2018, respectively ($938 and $1,847 for three and six months ended July 29, 2017). 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 six months ended August 4, 2018, no asset impairment charges were reversed following an improvement in the profitability of certain CGUs ($271 for the three and six months ended July 29, 2017). Net impairment losses have been recorded in selling and distribution expenses.

For the three and six months ended July 29, 2017, the Company paid $501 and $994 in principal repayments and $15 and $39 in interest payments against its long-term debt, respectively.

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.

	AUGUST 4, 2018						
	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 through profit or loss							
Derivative financial asset	**$ –**	**$ 4,871**	**$ –**	**$ 4,871**	**$ –**	**$ 4,871**	**$ 4,871**
Marketable securities	**$ 60,960**	**$ –**	**$ –**	**$ 60,960**	**$ 60,960**	**$ –**	**$ 60,960**

	JULY 29, 2017						
	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 through profit or loss							
Marketable securities	$ 57,951	$ –	$ –	$ 57,951	$ 57,951	$ –	$ 57,951
Financial liabilities measured at fair value through profit or loss							
Derivative financial liability	$ –	$ 14,414	$ –	$ 14,414	$ –	$ 14,414	$ 14,414
Financial liabilities not measured at fair value through profit or loss							
Long-term debt	$ –	$ –	$ 661	$ 661	$ –	$ 685	$ 685

	FEBRUARY 3, 2018						
	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 through profit or loss							
Derivative financial asset	$ –	$ 37	$ –	$ 37	$ –	$ 37	$ 37
Marketable securities	$ 62,025	$ –	$ –	$ 62,025	$ 62,025	$ –	$ 62,025
Financial liabilities measured at fair value through profit or loss							
Derivative financial liability	$ –	$ 9,745	$ –	$ 9,745	$ –	$ 9,745	$ 9,745

There were no transfers between levels of the fair value hierarchy for the periods ended August 4, 2018, July 29, 2017 and February 3, 2018.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into forward contracts with its bank on the U.S. dollar. These foreign exchange contracts extend over a period normally not exceeding twelve months.

Details of the foreign exchange contracts outstanding, all of which are designated as cash flow hedges are as follows:

	AUGUST 4, 2018				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange forward contracts	**$ 1.262**	**$ 147,500**	**$ 4,871**	**$ –**	**$ 4,871**

	JULY 29, 2017				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange forward contracts	$ 1.317	$ 199,500	$ –	$ (14,414)	$ (14,414)

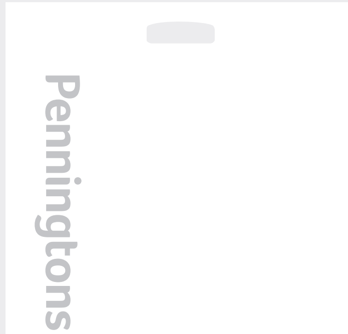
	FEBRUARY 3, 2018				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange forward contracts	$ 1.286	$ 204,500	$ 37	$ (9,745)	$ (9,708)

15 FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three and six months ended August 4, 2018 from those described in the Company's audited annual consolidated financial statements for the year ended February 3, 2018.

OUR RETAIL BANNERS

REITMANS offers a unique combination of superior fit, fashion, quality and value. With 268 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 119 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 88 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 62 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 stores offer affordable, on-trend activewear and yoga clothes for exercising or sports in sizes XS to 2X. Hyba operates 15 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 Reitmans store locations across Canada. On March 1, 2018, the Company announced its decision to close all of its Hyba store locations by the end of its current fiscal year, February 2, 2019. Existing Hyba stores were primarily conversions during 2015 from former Smart Set store locations in order to expand the Hyba brand's presence in the marketplace. The Company is confident in the long-term growth potential of the Hyba brand and has determined that the optimum strategy is to continue to offer Hyba-branded products across Canada through the Company's Reitmans store locations.

636 STORES ACROSS CANADA

	REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	HYBA	TOTAL
NEWFOUNDLAND	14	3	1	1	–	–	**19**
PRINCE EDWARD ISLAND	2	1	–	–	–	–	**3**
NOVA SCOTIA	14	6	2	2	1	1	**26**
NEW BRUNSWICK	10	4	1	3	1	1	**20**
QUÉBEC	70	21	24	21	20	6	**162**
ONTARIO	83	43	34	31	25	5	**221**
MANITOBA	9	5	3	3	2	–	**22**
SASKATCHEWAN	8	6	2	2	2	–	**20**
ALBERTA	27	17	15	9	7	–	**75**
BRITISH COLUMBIA	29	13	6	12	4	2	**66**
NORTHWEST TERRITORIES	1	–	–	–	–	–	**1**
YUKON	1	–	–	–	–	–	**1**
	268	**119**	**88**	**84**	**62**	**15**	**636**

CORPORATE INFORMATION

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Toronto, Ontario M5V 3J7

Telephone:	**416-863-0900**
Fax:	**416-863-0871**

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
Montreal, Toronto, Calgary, Vancouver

STOCK SYMBOLS

THE TORONTO STOCK EXCHANGE

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

Une version française de ce rapport peut être obtenue en écrivant au secrétaire de
Reitmans (Canada) Limitée
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REITMANS
PENNINGTONS
ADDITION ELLE
RW & CO.
THYME
HYBA

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