REITMANS

(CANADA) LIMITED

Management's Discussion and Analysis
and
Unaudited Condensed Consolidated Interim Financial Statements

For the 13 and 26 weeks ended July 31, 2021

REITMANS

(CANADA) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 13 and 26 weeks ended July 31, 2021 and the audited annual consolidated financial statements for the fiscal year ended January 30, 2021 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated September 23, 2021.

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 23, 2021.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended July 31, 2021 ("second quarter of 2022") are against results for the 13 weeks ended August 1, 2020 ("second quarter of 2021") and all comparisons of results for the 26 weeks ended July 31, 2021 ("year to date fiscal 2022") are against results for the 26 weeks ended August 1, 2020 ("year to date fiscal 2021"). Additional information about Reitmans is available on the Company's website at www.reitmanscanadalimited.com or on the SEDAR website at www.sedar.com.

COVID-19 and Other Key Company Updates

The COVID-19 pandemic continues to have a significant impact on the Company's results. As at January 30, 2021, the Company had 240 out of its 415 stores (58%) closed as a consequence of governmental lockdown directives. This partial lockdown of the Company's retail store network continued into the first quarter of 2022. Even though restrictions were relaxed and some stores reopened, in April 2021, a third wave resulting in increased COVID-19 cases required some further governmental lockdowns. As at July 31, 2021 and as of the date of this MD&A, there were no stores temporarily closed as a consequence of governmental lockdown directives. During the second quarter of fiscal 2021, the Company had a phased reopening of its stores and by the end of June 2020, all of the Company's stores were open for business. During the year to date fiscal 2021, all of the Company's stores were closed for 55 consecutive days. During partial or full lockdowns, the Company continued to fulfill e-commerce orders though sales were not sufficient to offset the lost sales due to the closures. In June 2021, the Company implemented its buy online pick up in store ("BOPIS") initiative to enhance its customers' omnichannel experience and reduce freight costs on fulfilling ecommerce orders. Since BOPIS only started in June 2021, the impact on the Company's operating results for the second quarter of fiscal 2022 and year to date fiscal 2022 was minimal in relation to freight costs.

During the year to date fiscal 2022, the Company's measures to protect its financial situation continued to include furloughing retail sales associates during temporary store closures and obtaining financial assistance from federal programs, such as the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS"). Such measures and financial assistance mitigated the financial impact of COVID-19 on the Company's business.

The extent to which COVID-19 will continue to impact the Company's business, including its supply chain, consumer shopping behavior and consumer demand, including online shopping, will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the speed of COVID-19 vaccination rollouts in Canada, vaccination rates amongst the Canadian population and other measures taken by various government authorities to contain the virus and its variants spread for potential future waves as well as future customer shopping behavior including online sales. As the Company navigates through the challenges caused by COVID-19, its focus will be to adapt to customers' changing product preferences, closely monitor its cash position and control its spending, while managing its inventory levels in line with the unprecedented change in demand behavior since COVID-19 started. Current financial information may not necessarily be indicative of future operating results.

On May 19, 2020, the Company obtained an initial order (the "Order") from the Superior Court of Québec (the "Court") to seek protection from creditors under the Companies' Creditors Arrangement Act (the "CCAA") and Ernst & Young Inc. was appointed as the Monitor. Since its initial filing on May 19, 2020, the Company obtained four extensions of the Order, with the most recent extension obtained until September 28, 2021. The CCAA process allowed the Company to implement an operational and commercial restructuring plan which included the closure of the Thyme Maternity and Addition Elle banners. See section entitled "Discontinued Operations". As well, the Company has re-negotiated more favourable lease terms with its landlords for virtually all of its remaining stores. The Company continues to make progress in the CCAA process with the assistance of the Monitor and expects to make announcements as further material progress is made, including a Plan of Arrangement to be filed and communicated at a later date. In August 2020, the Company had secured interim financing ("DIP Loan") up to a maximum amount of $60.0 million, including facilities available for securing letters of credit of up to $5.0 million, with a Canadian financial institution. On May 25, 2021, the Company obtained the Court's approval to reduce the DIP Loan facility from $60.0 million to $30.0 million. As of July 31, 2021, the Company had not drawn funds from the DIP Loan facility, other than for the issuance of letters of credit totalling $0.6 million. With the uncertainties surrounding the impact of COVID-19 going forward, the Company cannot guarantee that the DIP Loan will not be utilized in the future.

These factors and conditions, combined with the unpredictability of the outcome of the matters arising from the CCAA proceedings, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, realize its assets and discharge its liabilities in the normal course of business.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period. The unaudited condensed consolidated interim financial statements as at July 31, 2021 do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate. Such adjustments could be material. It is not possible to reliably estimate the length and severity of COVID-19 and the impact on the financial results and financial condition of the Company in future periods. The Company will take into consideration the most recent developments and impacts of the pandemic, including updated assessments of future cash flows and any additional impacts resulting from COVID-19 will be reflected in the financial results of the current fiscal year, if applicable.

Discontinued Operations

As part of its restructuring plan, the Company closed the Thyme Maternity and Addition Elle banners during the year ended January 30, 2021 and, as a result, these results and cash flows have been classified as discontinued operations. IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* requires that the comparative statements of earnings (loss) and comprehensive income (loss) be presented as if the operations were discontinued from the start of the comparative year. As a result, discontinued operations are excluded from the net earnings (loss) from continuing operations and are presented as earnings (loss) from discontinued operations, net of tax, as a separate line item in the consolidated statements of earnings (loss).

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, including statements regarding the impact of COVID-19 on the Company's business, financial position and operations, and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. Consequently, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current expectations and plans as of the date of this MD&A, and allowing investors and others to get a better understanding of the Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose. 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, expectations, 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 belief in its strategies and its brands and their capacity to generate long-term profitable growth, 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 Risk Management" and "Financial Risk Management" sections 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:

- the ability to continue as a going concern;
- the outcome of the CCAA proceedings and their impact upon supplier relationships and customer behavior;
- foreign currency fluctuations, including high levels of volatility of the Canadian dollar in relation to the US dollar;

- 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;
- significant economic disruptions caused by global health risks (such as COVID-19) that influence sanitary measures (such as confinement and store closures), consumer demand and hamper the ability to get merchandise on a timely basis;
- changes in product costs and supply channels, including disruption of the Company’s supply chain resulting from COVID-19;
- 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; and
- 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 (loss) before income tax expense/recovery, interest income, interest expense, depreciation, amortization, impairment of non-financial assets and restructuring costs. With the classification of the Addition Elle and Thyme Maternity businesses as discontinued operations, Adjusted EBITDA has also been modified to exclude discontinued operations.

The following table reconciles the most comparable GAAP measure, net earnings or loss from continuing operations, to Adjusted EBITDA from continuing operations. 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 interest income and expense eliminate the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact, and the exclusion of restructuring costs and discontinued operations presents the results of the on-going business. 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 uses a key performance indicator ("KPI"), comparable sales, to assess store performance and sales growth. The Company engages in an omnichannel approach in connecting with its customers by appealing to their shopping habits through either online or store channels. This approach allows customers to shop online for home delivery or to pick up in store, purchase in any of our store locations or ship to home from another store when the products are unavailable in a particular store. Due to customer cross-channel behavior, the Company reports a single comparable sales metric, inclusive of store and e-commerce channels. Comparable sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. The comparable 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 comparable 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. Comparable sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Comparable sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

As highlighted in the section entitled "COVID-19 and Other Key Company Updates", at various times throughout the year to date fiscal 2022, the Company was required to temporary close some of its retail stores as a consequence of governmental lockdown directives. Due to the unprecedented nature of COVID-19 and its significant impact on consumers and our ability to service our customers, management believes that comparable sales are not currently representative of the underlying trends of our business and consequently would not provide a meaningful metric in comparisons of year-over-year sales results. Accordingly, this MD&A does not include a discussion of the Company's comparable sales in respect of the second quarter of and year to date fiscal 2022.

Management will continue to monitor and evaluate the effects of COVID-19 and will resume the evaluation of comparable sales when year-over-year results are more representative.

The following table reconciles net earning (loss) from continuing operations to Adjusted EBITDA from continuing operations:

	For the second quarter of		**Year to date fiscal**	
	2022	**2021**	**2022**	**2021**
Net earnings (loss) from continuing operations	**$ 23.9**	$ (27.4)	**$ 23.9**	$ (74.1)
Depreciation and amortization	**12.1**	16.9[1]	**24.6**	36.6[1]
(Reversal of) impairment of non-financial assets	**(0.3)**	2.2	**(0.5)**	8.3
Interest income	**(0.1)**	(0.1)	**(0.1)**	(0.2)
Interest expense on lease liabilities	**1.0**	1.4	**2.2**	3.0
Income tax expense	**0.2**	0.1	**0.2**	0.4
Restructuring costs (gains), net	**(5.9)**	23.5	**(12.4)**	23.5
Adjusted EBITDA from continuing operations	**$ 30.9**	$ 16.6	**$ 37.9**	$ (2.5)
Adjusted EBITDA from continuing operations as % of Sales	**17.9%**	11.5%	**12.9%**	(1.1)%

[1] Comparative figures have been increased by $11.3 million and $11.5 million, respectively, for the second quarter of 2021 and the year to date fiscal 2021 to properly record depreciation and amortization expense between continuing and discontinued operations. See Note 4 of the unaudited condensed consolidated interim financial statements for the year to date fiscal 2022.

OVERVIEW

The Company has a single reportable segment that derives its revenue primarily from the sale of women's specialty apparel to consumers through its 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:

Reitmans

The Reitmans banner, operating stores averaging 4,700 sq. ft., is one of Canada's largest women's apparel specialty chains and a leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise.

PENNINGTONS

Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 12–32. Penningtons operates stores averaging 6,000 sq. ft. in power centres across Canada.

RW&CO.

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.

RETAIL BANNERS

	Number of stores at January 30, 2021	Q2 Closings	Number of stores at July 31, 2021	Number of stores at August 1, 2020
Reitmans	**245**	(3)	242	255
Penningtons	**92**	(1)	91	105
RW&CO.	**78**	-	78	80
Total stores from continuing operations[1]	**415**	**(4)**	**411**	**440**

[1] All Addition Elle and Thyme Maternity stores have been closed in connection with the restructuring plan and these results and cash flows have been classified as discontinued operations.

During the second quarter of and year to date fiscal 2022, there were no store openings. Individual store closings take place for a variety of reasons as the viability of each store and its location is constantly monitored and assessed for continuing profitability. In most cases when a store is closed, merchandise at that location is sold off in the normal course of business and any unsold merchandise remaining at the closing date is generally transferred to other stores operating under the same banner for sale in the normal course of business. Subsequent to the end of the second quarter of 2022, the Company opened three Penningtons stores and closed one Penningtons store. As of the date of this MD&A, the Company has 413 stores.

OPERATING RESULTS FOR THE SECOND QUARTER OF 2022 COMPARED TO THE SECOND QUARTER OF 2021

	Second Quarter of 2022	Second Quarter of 2021	$ Change	% Change
Sales	**$ 172.3**	$ 144.0	$ 28.3	19.7%
Cost of goods sold	**76.6**	72.7	3.9	5.4%
Gross profit	**95.7**	71.3	24.4	34.2%
Gross profit %	**55.5%**	49.5%		
Selling, distribution and administrative expenses[1]	**70.7**	98.0	(27.3)	(27.9)%
Results from operating activities	**25.0**	(26.7)	51.7	n/a
Net finance costs	**(0.9)**	(0.6)	(0.3)	50.0%
Earnings (loss) before income taxes	**24.1**	(27.3)	51.4	n/a
Income tax expense	**0.2**	0.1	0.1	100.0%
Net earnings (loss) from continuing operations	**23.9**	(27.4)	51.3	n/a
Earnings (loss) from discontinued operations, net of tax	**10.2**	(44.6)	54.8	n/a
Net earnings (loss)	**$ 34.1**	$ (72.0)	$ 106.1	n/a
Adjusted EBITDA from continuing operations[2]	**$ 30.9**	$ 16.6	$ 14.3	86.1%
Earnings (loss) per share:				
Basic	**$ 0.70**	$ (1.47)	$ 2.17	n/a
Diluted	**0.70**	(1.47)	2.17	n/a
Earnings (loss) per share, continuing operations:				
Basic	**$ 0.49**	$ (0.56)	$ 1.05	n/a
Diluted	**0.49**	(0.56)	1.05	n/a

[1] Includes a reversal of impairment of non-financial assets of $0.3 million and a restructuring costs recovery of $5.9 million for the second quarter of 2022 (an impairment charge of non-financial assets and restructuring costs of $2.2 million and $23.5 million, respectively, for the second quarter of 2021).

[2] The comparative figure has been increased by $11.3 million for the second quarter of 2021 to properly record depreciation and amortization expense between continuing and discontinued operations. See Note 4 of the unaudited condensed consolidated interim financial statements for the year to date fiscal 2022.

Sales

Despite an overall net reduction of 29 stores, sales for the second quarter of 2022 increased by $28.3 million, or 19.7%, to $172.3 million, primarily due to the Company's store network operating capacity being closed for fewer total number of days while under partial lockdowns during the second quarter of 2022 as compared to a phased store re-opening from full lockdowns during the second quarter of 2021 (see section entitled "COVID-19 and Other Key Company Updates") and an increase in the Company's e-commerce sales.

Gross Profit

Gross profit for the second quarter of 2022 increased $24.4 million to $95.7 million as compared with $71.3 million for the second quarter of 2021. Gross profit as a percentage of sales for the second quarter of 2022 increased to 55.5% from 49.5% for the second quarter of 2021. The increase both in gross profit and as a percentage of sales is primarily attributable to lower markdowns and promotional activity in the second quarter of 2022 combined with a favourable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold, partially offset by higher merchandise freight costs as the global shipping industry disruption required an increased usage of air freight shipments to meet customer demand.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $70.7 million for the second quarter of 2022 decreased by $27.3 million or 27.9%, as compared to the second quarter of 2021, which is primarily attributable to the following:

- a $29.4 million decrease in restructuring costs due primarily to the $23.5 million restructuring charge incurred during the second quarter of 2021 and a restructuring costs recovery of $5.9 million realized during the second quarter of 2022 due primarily to favourable rent related retroactive adjustments totalling $5.0 million resulting from the finalization of the lease re-negotiations of certain of the Company's stores locations and $1.5 million of gains from lease re-measurements, net of professional and other restructuring fees (See Note 11 of the unaudited condensed consolidated interim financial statements for the second quarter of 2022);
- a $4.8 million decrease in depreciation and amortization due primarily to the decrease in the number of stores and related right-of-use assets and the reduction of investments in property and equipment and intangible assets since the outbreak of the pandemic;
- a $2.5 million decrease in impairment of non-financial assets given the Company's assessment of anticipated profitability of individual retail store locations;
- a $3.1 million decrease in overall freight costs due to a $1.9 million non-recurring volume rebate received from a local transport supplier during the second quarter of 2022 and a $1.2 million decrease in overall freight costs as the number of ecommerce orders decreased during the second quarter of 2022;

  partially offset by,

- a $7.4 million decrease in total combined financial support from the CEWS and the CERS programs for which such financial support has been recognized as a reduction of selling, distribution and administrative expenses;
- increased store operating costs due primarily to higher store personnel wages as the Company's store network was closed for fewer total number of days during the second quarter of 2022 and higher digital media advertising spend, net of savings from improved lease arrangements due to lease re-negotiations and a fewer number of stores.

Net Finance Costs

Net finance costs were $0.9 million for the second quarter of 2022 as compared to net finance costs of $0.6 million for the second quarter of 2021. The change of $0.3 million is primarily attributable to;

- a decrease of $0.7 million in foreign exchange gain due to the foreign exchange impact on U.S. denominated monetary assets and liabilities; partially offset by;
- a decrease of $0.4 million in interest expense on lease liabilities as a result of the Company's negotiations and the resulting changes to lease arrangements (i.e. fixed to variable lease) with some landlords.

Income Taxes

The tax expense is comprised of the estimated tax amount related to a foreign subsidiary. As a result of the uncertainties related to the Company's ability to generate future profitable operations and management's assessment that it is not probable that future taxable profits will be available, the Company has not recognized deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian based operations.

Net Earnings (Loss) from Continuing Operations

Net earnings from continuing operations for the second quarter of 2022 was $23.9 million ($0.49 basic and diluted earnings per share) as compared with a $27.4 million net loss ($0.56 basic and diluted loss per share) for the second quarter of 2021. The increase in net earnings from continuing operations of $51.3 million is primarily attributable to the increase in gross profit and a decrease in overall operating costs, partially offset by an increase in net finance costs, as noted above.

Adjusted EBITDA from Continuing Operations

Adjusted EBITDA from continuing operations for the second quarter of 2022 was $30.9 million as compared with $16.6 million for the second quarter of 2021. The increase of $14.3 million is primarily attributable to the increase of $24.4 million in gross profit, partially offset by an increase in operating costs (excluding restructuring costs recovery, depreciation, amortization and impairment of non-financial assets) of $9.4 million and a decrease of $0.7 million in foreign exchange gain, as noted above.

Net Earnings (Loss) from Discontinued Operations

As highlighted in the section entitled “Discontinued Operations”, the Company, as part of its restructuring plan, closed the Thyme Maternity and Addition Elle banners in the year ended January 30, 2021.

The financial information presented within discontinued operations is directly attributable to both banners. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of net earnings (loss) from discontinued operations.

Net earnings from discontinued operations for the second quarter of 2022 was $10.2 million as compared to a net loss from discontinued operations of $44.6 million for the second quarter of 2021. As the discontinued banners were no longer in operation during the second quarter of 2022, the net earnings of $10.2 million was due to an adjustment to the provision for disclaimed leases reflecting the most recent settlement discussions with certain landlords.

Further financial information can be found in Notes 4 and 11 of the the unaudited condensed consolidated interim financial statements as at and for the second quarter of 2022.

OPERATING RESULTS FOR THE YEAR TO DATE FISCAL 2022 COMPARED TO THE YEAR TO DATE FISCAL 2021

	Year to Date Fiscal 2022	Year to Date Fiscal 2021	$ Change	% Change
Sales	**$ 293.5**	$ 225.3	$ 68.2	30.3%
Cost of goods sold	**137.9**	125.5	12.4	9.9%
Gross profit	**155.6**	99.8	55.8	55.9%
Gross profit %	**53.0%**	44.3%		
Selling, distribution and administrative expenses[1]	**130.2**	182.5	(52.3)	(28.7)%
Results from operating activities	**25.4**	(82.7)	108.1	n/a
Net finance (costs) income	**(1.3)**	9.0	(10.3)	n/a
Earnings (loss) before income taxes	**24.1**	(73.7)	97.8	n/a
Income tax expense	**0.2**	0.4	(0.2)	(50.0)%
Net earnings (loss) from continuing operations	**23.9**	(74.1)	98.0	n/a
Earnings (loss) from discontinued operations, net of tax	**10.2**	(72.6)	82.8	n/a
Net earnings (loss)	**$ 34.1**	$ (146.7)	$ 180.8	n/a
Adjusted EBITDA from continuing operations[2]	**$ 37.9**	$ (2.5)	$ 40.4	n/a
Earnings (loss) per share:				
Basic	**$ 0.70**	$ (3.00)	$ 3.70	n/a
Diluted	**0.70**	(3.00)	3.70	n/a
Earnings (loss) per share, continuing operations:				
Basic	**$ 0.49**	$ (1.52)	$ 2.01	n/a
Diluted	**0.49**	(1.52)	2.01	n/a

[1] Includes a reversal of impairment of non-financial assets of $0.5 million and a restructuring costs recovery of $12.4 million for the year to date fiscal 2022 (an impairment charge of non-financial assets and restructuring costs of $8.3 million and $23.5 million, respectively, for the year to date fiscal 2021).

[2] The comparative figure has been increased by $11.5 million for the year to date fiscal 2021 to properly record depreciation and amortization expense between continuing and discontinued operations. See Note 4 of the unaudited condensed consolidated interim financial statements for the year to date fiscal 2022.

Sales

Despite an overall net reduction of 29 stores, sales for year to date fiscal 2022 increased by $68.2 million, or 30.3%, to $293.5 million, primarily due to the Company's store network operating capacity being closed for far fewer total number of days while under partial lockdowns during the year to date fiscal 2022 as compared to a phased store re-opening from full lockdowns during the year to date fiscal 2021 (see section entitled "COVID-19 and Other Key Company Updates") and an increase in the Company's e-commerce sales.

Gross Profit

Gross profit for the year to date fiscal 2022 increased $55.8 million, or 55.9%, to $155.6 million as compared with $99.8 million for the year to date fiscal 2021. Gross profit as a percentage of sales for the year to date fiscal 2022 increased to 53.0% from 44.3% for the year to date fiscal 2021. The increase both in gross profit and as a percentage of sales is primarily attributable to lower markdowns and promotional activity in the year to date fiscal 2022 combined with a favourable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold, partially offset by higher merchandise freight costs as the global shipping industry disruption required an increased usage of air freight shipments to meet customer demand.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses for the year to date fiscal 2022 decreased by $52.3 million, as compared to the same period in the prior year, which is primarily attributable to the following:

- a decrease of $35.9 million in restructuring costs due primarily to the $23.5 million restructuring charge incurred during the year to date fiscal 2021 and a restructuring costs recovery of $12.4 million realized during the year to date fiscal 2022 due primarily to favourable rent related retroactive adjustments totalling $11.0 million resulting from the finalization of the lease re-negotiations of certain of the Company's stores locations and $5.0 million of gains from lease re-measurements, net of professional and other restructuring fees (See Note 11 of the unaudited condensed consolidated interim financial statements for the year to date fiscal 2022);
- a $12.0 million decrease in depreciation and amortization due primarily to the decrease in the number of stores and related right-of-use assets and the reduction of investments in property and equipment and intangible assets since the outbreak of the pandemic;
- a $8.8 million decrease in impairment of non-financial assets given the Company's assessment of anticipated profitability of individual retail store locations;
- a $1.3 million decrease in overall freight costs incurred due primarily to a $1.9 million non-recurring volume rebate received from a supplier;

  partially offset by,
- a $3.1 million decrease in total combined financial support from the CEWS and the CERS programs for which such financial support has been recognized as a reduction of selling, distribution and administrative expenses;
- increased store operating costs due primarily to higher store personnel wages as the Company's store network was closed for far fewer total number of days during the year to date fiscal 2022 and higher digital media advertising spend, net of savings from improved lease arrangements due to lease re-negotiations and a fewer number of stores.

Net Finance (Costs) Income

Net finance costs were $1.3 million for the year to date fiscal 2022 as compared to net finance income of $9.0 million for the year to date fiscal 2021. The change of $10.3 million is primarily attributable to the following:

- a decrease of $11.0 million in foreign exchange gain, largely attributable to a $ 9.7 million realized gain on the maturity and disposal of foreign exchange forward contracts that were no longer being designated as cash flow hedges that was recognized during the year to date fiscal 2021 and to the foreign exchange impact on U.S. denominated monetary assets and liabilities;

  partially offset by,
- a decrease of $0.8 million in interest expense on lease liabilities as a result of the Company's negotiations and the resulting changes to lease arrangements (i.e. fixed to variable lease) with some landlords.

Income Taxes

The tax expense is comprised of the estimated tax amount related to a foreign subsidiary. As a result of the uncertainties related to the Company's ability to generate future profitable operations and management's assessment that it is not probable that future taxable profits will be available, the Company has not recognized deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian based operations.

Net Earnings (Loss) from Continuing Operations

Net earnings from continuing operations for the year to date fiscal 2022 was $23.9 million ($0.49 basic and diluted earnings per share) as compared with a net loss of $74.1 million ($1.52 basic and diluted loss per share) for the year to date fiscal 2021. The increase in net earnings from continued operations of $98.0 million is primarily attributable to the increase in gross profit and a decrease in overall operating costs, partially offset by an increase in net finance costs, as noted above.

Adjusted EBITDA from Continuing Operations

Adjusted EBITDA from continuing operations for the year to date fiscal 2022 was $37.9 million as compared to a loss of $2.5 million for the year to date fiscal 2021. The increase of $40.4 million is primarily attributable to the increase of $55.8 million in gross profit, partially offset by an increase in operating costs (excluding restructuring costs, depreciation, amortization and impairment of non-financial assets) of $4.4 million and a decrease of $11.0 million in foreign exchange gain, as noted above.

Net Earnings (Loss) from Discontinued Operations

As highlighted in the section entitled “Discontinued Operations”, the Company, as part of its restructuring plan, closed the Thyme Maternity and Addition Elle banners in the year ended January 30, 2021.

The financial information presented within discontinued operations is directly attributable to both banners. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of net earnings (loss) from discontinued operations.

Net earnings from discontinued operations for the year to date fiscal 2022 was $10.2 million as compared to a net loss from discontinued operations of $72.6 million for the year to date fiscal 2021. As the discontinued banners were no longer in operation during the year to date 2022, the net earnings of $10.2 million was due to an adjustment to the provision for disclaimed leases reflecting the most recent settlement discussions with certain landlords.

Further financial information can be found in Notes 4 and 11 of the the unaudited condensed consolidated interim financial statements as at and for the year to date fiscal 2022.

SUMMARY OF QUARTERLY RESULTS

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 “2022” are to the Company’s fiscal year ending January 29, 2022, “2021” are to the Company’s fiscal year ended January 30, 2021 and “2020” are to the Company’s fiscal year ended February 1, 2020.

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2022	2021	2022	2021[1]	2021	2020[1]	2021	2020[1]
Sales	$ 172.3	$ 144.0	$ 121.3	$ 81.3	$ 144.7	$ 184.4	$ 163.4	$ 183.6
Net earnings (loss) from continuing operations	23.9	(27.4)	(0.0)	(46.7)	(10.9)	(47.2)	(14.9)	(9.4)
Earnings (Loss) from discontinued operations, net of tax	10.2	(44.6)	(0.0)	(28.0)	-	(4.5)	0.4	(13.7)
Net earnings (loss)	34.1 [2]	(72.0) [2]	(0.0)[3]	(74.7)[3]	(10.9)[4]	(51.7)	(14.5)[5]	(23.1)
Earnings (Loss) per share								
Basic	$ 0.70 [2]	$ (1.47) [2]	$ (0.00)[3]	$ (1.53)[3]	$ (0.22)[4]	$ (1.06)	$ (0.30)[5]	$ (0.47)
Diluted	0.70 [2]	(1.47) [2]	(0.00)[3]	(1.53)[3]	(0.22)[4]	(1.06)	(0.30)[5]	(0.47)
Earnings (Loss) per share, continuing operations:								
Basic	$ 0.49	$ (0.56)	$ (0.00)	$ (0.96)	$ (0.22)	$ (0.97)	$ (0.31)	$ (0.19)
Diluted	0.49	(0.56)	(0.00)	(0.96)	(0.22)	(0.97)	(0.31)	(0.19)

[1] Comparative figures have been restated to separately present continuing and discontinued operations.

[2] During the second quarter of 2022, net earnings includes the impact of wage and rent subsidies totalling $ 6.1 million, restructuring costs recovery of $16.1 million and a reversal of impairment on non-financial assets of $0.3 million. During the second quarter of 2021, net loss includes the impact of an impairment of non-financial assets of $9.0 million, restructuring costs of $74.2 million, partially offset by $14.8 million of wage subsidy.

[3] During the first quarter of 2022, net loss includes the impact of wage and rent subsidies totalling $10.3 million, restructuring costs recovery of $6.6 million and a reversal of impairment on non-financial assets of $0.2 million. During the first quarter of 2021, net loss includes the impact of an impairment of non-financial assets of $20.6 million, additional provision for valuation of inventory of $18.3 million partially offset by $11.6 million of a net unrealized foreign exchange gain on reclassification of foreign contracts and $6.6 million of wage subsidy.

[4] Includes the impact of an impairment of non-financial assets of $9.1 million, restructuring costs of $0.8 million, partially offset by $3.8 million of wage subsidy.

[5] Includes the impact of an impairment of non-financial assets of $5.2 million, restructuring costs of $4.8 million, partially offset by $6.8 million of wage subsidy.

BALANCE SHEET

Selected line items from the Company's balance sheets as at July 31, 2021 and January 30, 2021 are presented below:

	July 31, 2021	January 30, 2021	$ Change	% Change
Cash and cash equivalents	**$ 90.3**	$ 77.9	$ 12.4	15.9%
Trade and other receivables	**5.3**	10.7	(5.4)	(50.5)%
Inventories	**109.8**	96.1	13.7	14.3%
Prepaid expenses and deposits	**37.6**	32.1	5.5	17.1%
Property and equipment & intangible assets	**70.5**	76.4	(5.9)	(7.7)%
Right-of-use assets	**41.6**	103.8	(62.2)	(59.9)%
Trade and other payables	**37.6**	31.5	6.1	19.4%
Deferred revenue	**11.3**	12.5	(1.2)	(9.6)%
Income taxes payable	**0.5**	1.2	(0.7)	(58.3)%
Lease liabilities (current and non-current)	**53.1**	123.2	(70.1)	(56.9)%
Liabilities subject to compromise	**193.4**	204.1	(10.7)	(5.2)%

Changes at July 31, 2021 as compared to January 30, 2021 were primarily due to the following:

- cash and cash equivalents increased $12.4 million due to the cash generated from operations as retail locations reopened with increased foot traffic during the second quarter of 2022, financial support received from the CEWS and CERS programs and lower investments made in property and equipment in the year date fiscal 2022;
- trade and other receivables decreased primarily due to the timing of receipts of wage and rent subsidies from the Federal government;
- inventories are higher primarily due to the normal build-up for the fall selling season;
- prepaid expenses and deposits are primarily comprised of required supplier deposits and prepayments while the Company is under CCAA protection, prepaid insurance premiums and maintenance contracts. The increase of $5.5 million is primarily due the timing of payments with respect to supplier deposits;
- during the year to date fiscal 2022, $2.8 million had been spent primarily on store renovations and head office hardware and software additions. Depreciation and amortization of $9.4 million and an impairment reversal of $0.5 million on property and equipment and intangible assets were recognized in the year to date fiscal 2022 ($8.5 million of depreciation and amortization and $15.3 million of impairment charges were recognized in the year to date fiscal 2021);
- right-of-use assets represent the right-to-use the retail stores and certain equipment over their lease terms. Right-of-use assets decreased by $62.2 million, primarily due to depreciation and amortization and to lease modifications from the Company's re-negotiations of leases that have not been disclaimed and the resulting changes to its lease arrangements (i.e. fixed to variable lease). Depreciation of $15.3 million were recognized in the year to date fiscal 2022 ($24.0 million in year to date fiscal 2021) and no impairment charges were recognized in the year to date fiscal 2022 ($14.2 million in the year to date fiscal 2021);
- trade and other payables increased by approximately $6.1 million primarily due to an increase in sales tax liabilities and the timing of payments of trade payables;
- deferred revenue decreased largely due to the timing of gift card redemptions and was partially offset by an increase due to the timing of awards granted under customer loyalty programs. Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs;
- income taxes payable decreased primarily due to a tax payment made by a foreign subsidiary during the year to date fiscal 2022;

- lease liabilities represent the present value of the Company's obligations to make lease payments for its store and equipment leases. During the year to date fiscal 2022, lease liabilities decreased by lease payments of $20.3 million and lease modifications of $59.0 million, offset by lease additions of $7.0 million and interest expense of $2.2 million;
- liabilities subject to compromise consist mainly of amounts owed to creditors (including landlords), ex-employees and beneficiaries of the Company's Supplementary Employee Retirement Pension ("SERP") plan. The amounts are subject to the provisions of the CCAA and are expected to be settled through a future Plan of Arrangement to be approved by the Monitor and the Court. Liabilities subject to compromise represent the Company's best estimate of liabilities that will ultimately be subject to the Plan of Arrangement and compromise with the Company's creditors. See Note 11 of the unaudited condensed interim financial statements as at the year to date fiscal 2022. The decrease of $10.7 million is primarily due to an adjustment relating to management's best estimate of the provision for disclaimed leases, which was adjusted to reflect the most recent settlement discussions with certain landlords, and a favourable foreign exchange impact on trade payables denominated in U.S. dollars, partially offset by an increase in creditor claims to be included in liabilities subject to compromise as part of the Company's reconciliation of the claims subject to the Plan of Arrangement.

OPERATING AND FINANCIAL RISK MANAGEMENT

Detailed descriptions of the Company's operating and financial risks are included in the Company's annual MD&A for the fiscal year ended January 30, 2021 (which is available on the SEDAR website at www.sedar.com). In addition to the risks described at that time, as highlighted in the section entitled "COVID-19 and Other Key Company Updates", the Company continues to operate under CCAA protection.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

As at July 31, 2021, the Company had current liabilities of $268.3 million, including liabilities subject to compromise of $193.4 million (August 1, 2020 - $281.4 million including liabilities subject to compromise of $185.6 million; January 30, 2021 - $284.5 million, including liabilities subject to compromise of $204.1 million) and cash and cash equivalents of $90.3 million (August 1, 2020 - $79.3 million; January 30, 2021 - $77.9 million) and no long-term debt (other than lease liabilities). Cash and cash equivalents are held in interest bearing accounts mainly with a major Canadian financial institution.

The CCAA process has allowed the Company to implement its operational and commercial restructuring plan to re-position the Company for long-term success. On May 25, 2021, the Company obtained approval to reduce the DIP Loan facility from $60.0 million to $30.0 million. During the year to date fiscal 2022, the Company's cash inflow from operating activities, after the payment of lease liabilities, was $16.6 million compared to a cash outflow of $5.9 million during the year to date fiscal 2021. The Company to date has not drawn on the DIP Loan facility, other than for letters of credit in the amount of $0.6 million as of July 31, 2021.

In the year to date fiscal 2022, the Company invested $2.8 million primarily in store renovations and head office hardware and software additions. The Company continues to assess the impact of COVID-19 on its operations and the upcoming plan of arrangement under the CCAA process. Significant investments in capital expenditures for the remainder of the year ending January 29, 2022 will depend on this assessment and outcome.

FINANCIAL COMMITMENTS

There have been no material changes in the Company's financial from those described in the Company's audited annual consolidated financial statements for the year ended January 30, 2021. As mentioned above, on May 19, 2020, the Company obtained protection under the CCAA. Under the supervision of the Monitor, liabilities in existence as at May 19, 2020, recognized as liabilities subject to compromise in the interim financial statements, will be addressed in a Plan of Arrangement to be filed and communicated at a later date.

OUTSTANDING SHARE DATA

At September 23, 2021, 13,440,000 Common shares and 35,427,322 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 1,156,000 share options outstanding at an average exercise price of $8.49. 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.

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 considered a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency forward contracts with maturities generally not exceeding twelve months and were normally designated as cash flow hedges. During the first quarter of fiscal 2021, future U.S. dollar denominated purchases, hedged by outstanding forward contracts were no longer expected to occur as a result of the Company's effort to reduce future inventory purchases in response to the uncertainty surrounding COVID-19 and the restructuring plan. As a result, the Company had reclassified the accumulated unrealized gain associated with these forward contracts from other comprehensive income to net earnings. During the second quarter of 2021, such forward contracts with a notional amount of $15.0 million U.S. dollars matured and the Company disposed of all remaining forward contracts with a notional amount of $115.0 million U.S. dollars, resulting in a realized foreign exchange gain of $9.7 million for the year to date fiscal 2021.

The Company has temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan. There were no foreign exchange contracts outstanding as at July 31, 2021, August 1, 2020 and January 30, 2021.

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 chartered banks.

RELATED PARTY TRANSACTIONS

There have been no significant changes in related party transactions from those disclosed in the Company's audited annual consolidated financial statements for the year ended January 30, 2021.

FINANCIAL INSTRUMENTS

The Company uses its cash resources to fund ongoing working capital needs along with capital expenditures. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, trade and other receivables and foreign currency contracts. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments.

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. With the Company temporarily pausing its hedging program, the exposure to risk is augmented subject to the U.S. dollar appreciating in value.

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 judgements made in relation to the accounting policies applied as disclosed in the Company's annual MD&A for the year ended January 30, 2021 (which is available on the SEDAR website at www.sedar.com).

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New amendments to standards and interpretations not yet effective for the second quarter of 2022 have not been applied in preparing the unaudited condensed consolidated interim financial statements as at and for the 26 weeks ended July 31, 2021. The amendments to standards and interpretations that are currently under review:

- Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Further information on these modifications can be found in Note 3 of the unaudited condensed consolidated interim financial statements as at and for the year to date fiscal 2022.

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (LOSS)
(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	Notes	For the 13 weeks ended July 31, 2021	For the 13 weeks ended August 1, 2020	For the 26 weeks ended July 31, 2021	For the 26 weeks ended August 1, 2020
Sales		**$ 172,298**	$ 143,987	**$ 293,548**	$ 225,313
Cost of goods sold	7	**76,546**	72,757	**137,935**	125,497
Gross profit		**95,752**	71,230	**155,613**	99,816
Selling and distribution expenses		**68,396**	65,002	**125,763**	134,076
Administrative expenses		**8,483**	7,215	**17,357**	16,611
(Reversal of) impairment of non-financial assets	21	**(293)**	2,208	**(507)**	8,243
Restructuring costs (gains), net	11	**(5,857)**	23,545	**(12,419)**	23,545
Results from operating activities		**25,023**	(26,740)	**25,419**	(82,659)
Finance income	16	**90**	805	**853**	11,911
Finance costs	16	**1,030**	1,418	**2,167**	2,967
Earnings (loss) before income taxes		**24,083**	(27,353)	**24,105**	(73,715)
Income tax expense	15	**162**	131	**186**	443
Net earnings (loss) from continuing operations		**23,921**	(27,484)	**23,919**	(74,158)
Earnings (loss) from discontinued operations, net of tax	4	**10,193**	(44,559)	**10,193**	(72,564)
Net earnings (loss)		**$ 34,114**	$ (72,043)	**$ 34,112**	$ (146,722)
Earnings (loss) per share:	17				
Basic		**$ 0.70**	$ (1.47)	**$ 0.70**	$ (3.00)
Diluted		**0.70**	(1.47)	**0.70**	(3.00)
Earnings (loss) per share from continuing operations:	17				
Basic		**$ 0.49**	$ (0.56)	**$ 0.49**	$ (1.52)
Diluted		**0.49**	(0.56)	**0.49**	(1.52)

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(in thousands of Canadian dollars)

	Notes	For the 13 weeks ended July 31, 2021	For the 13 weeks ended August 1, 2020	For the 26 weeks ended July 31, 2021	For the 26 weeks ended August 1, 2020
Net earnings (loss)		**$ 34,114**	$ (72,043)	**$ 34,112**	$ (146,722)
Other comprehensive (loss) income					
Items that are or may be reclassified subsequently to net earnings:					
Cash flow hedges (net of tax of $273 for the 26 weeks ended August 1, 2020)	13	**-**	-	**-**	(754)
Foreign currency translation differences	13	**(75)**	195	**123**	(81)
Total other comprehensive (loss) income		**(75)**	195	**123**	(835)
Total comprehensive income (loss)		**$ 34,039**	$ (71,848)	**$ 34,235**	$ (147,557)

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)
(in thousands of Canadian dollars)

	Notes	July 31, 2021	August 1, 2020	January 30, 2021
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	**$ 90,342**	$ 79,345	$ 77,915
Trade and other receivables	6	**5,318**	12,975	10,668
Inventories	7	**109,800**	107,929	96,122
Prepaid expenses and deposits		**37,616**	21,862	32,100
Total Current Assets		**243,076**	222,111	216,805
NON-CURRENT ASSETS				
Property and equipment	21	**62,578**	75,800	66,112
Intangible assets		**7,894**	13,244	10,331
Right-of-use assets	8,21	**41,559**	142,794	103,831
Deferred income taxes		**151**	-	151
Total Non-Current Assets		**112,182**	231,838	180,425
TOTAL ASSETS		**$ 355,258**	$ 453,949	$ 397,230
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade and other payables	9	**$ 37,612**	$ 35,643	$ 31,522
Deferred revenue	10	**11,289**	12,432	12,462
Income taxes payable		**475**	1,630	1,169
Current portion of lease liabilities	8	**25,511**	46,161	35,303
Liabilities subject to compromise	11	**193,440**	185,579	204,083
Total Current Liabilities		**268,327**	281,445	284,539
NON-CURRENT LIABILITIES				
Lease liabilities	8	**27,552**	122,797	87,914
Pension liability	12	**3,459**	3,442	3,092
Total Non-Current Liabilities		**31,011**	126,239	91,006
SHAREHOLDERS' EQUITY				
Share capital	13	**27,406**	27,406	27,406
Contributed surplus		**10,295**	10,288	10,295
Retained earnings (deficit)		**18,950**	9,633	(15,162)
Accumulated other comprehensive loss	13	**(731)**	(1,062)	(854)
Total Shareholders' Equity		**55,920**	46,265	21,685
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 355,258**	$ 453,949	$ 397,230

Going concern, impact of COVID-19 and CCAA proceedings (note 2(b))

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as at January 31, 2021		**$ 27,406**	**$ 10,295**	**$ (15,162)**	**$ (854)**	**$ 21,685**
Net earnings		**-**	**-**	**34,112**	**-**	**34,112**
Total other comprehensive income	13	**-**	**-**	**-**	**123**	**123**
Total comprehensive income for the period		**-**	**-**	**34,112**	**123**	**34,235**
Balance as at July 31, 2021		**$ 27,406**	**$ 10,295**	**$ 18,950**	**$ (731)**	**$ 55,920**
Balance as at February 2, 2020		$ 27,406	$ 10,283	$ 156,355	$ (227)	$ 193,817
Net loss		-	-	(146,722)	-	(146,722)
Total other comprehensive loss	13	-	-	-	(835)	(835)
Total comprehensive loss for the period		-	-	(146,722)	(835)	(147,557)
Share-based compensation costs	14	-	5	-	-	5
Total contributions by owners of the Company		-	5	-	-	5
Balance as at August 1, 2020		$ 27,406	$ 10,288	$ 9,633	$ (1,062)	$ 46,265

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of Canadian dollars)

	Notes	For the 13 weeks ended July 31, 2021	For the 13 weeks ended August 1, 2020	For the 26 weeks ended July 31, 2021	For the 26 weeks ended August 1, 2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings (loss)		**$ 34,114**	$ (72,043)	**$ 34,112**	$ (146,722)
Adjustments for:					
Depreciation and amortization		**12,136**	8,801	**24,648**	32,494
(Reversal of) impairment of non-financial assets	21	**(293)**	8,948	**(507)**	29,559
Share-based compensation costs	14	**-**	3	**-**	5
Net change in transfer of realized gain on cash flow hedges to inventory		**-**	-	**-**	(250)
Foreign exchange (gain) loss		**(569)**	14,200	**1,455**	805
Gain on lease re-measurements due to restructuring	8	**(1,553)**	(2,881)	**(5,002)**	(2,881)
Interest on lease liabilities	16	**1,030**	1,546	**2,167**	3,423
Interest income	16	**(86)**	(68)	**(136)**	(226)
Income tax expense		**162**	131	**186**	523
		44,941	(41,363)	**56,923**	(83,270)
Changes in:					
Trade and other receivables		**4,226**	(2,006)	**5,353**	(6,796)
Inventories		**(7,882)**	43,164	**(13,678)**	39,499
Prepaid expenses and deposits		**(3,828)**	(10,653)	**(5,516)**	(12,421)
Trade and other payables		**3,974**	(94,133)	**6,020**	(75,173)
Liabilities subject to compromise	11	**(8,730)**	185,579	**(10,354)**	185,579
Pension liability	12	**181**	(20,719)	**367**	(20,771)
Deferred revenue		**(26)**	(2,299)	**(1,173)**	(2,610)
Cash from operating activities		**32,856**	57,570	**37,942**	24,037
Interest received		**70**	44	**133**	360
Income taxes received		**-**	-	**-**	112
Income taxes paid		**(4)**	-	**(1,168)**	(1,941)
Net cash flows from operating activities		**32,922**	57,614	**36,907**	22,568
CASH FLOWS USED IN INVESTING ACTIVITIES					
Additions to property and equipment and intangible assets, net	18	**(1,914)**	(2,029)	**(2,850)**	(3,387)
Cash flows used in investing activities		**(1,914)**	(2,029)	**(2,850)**	(3,387)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Payment of lease liabilities		**(10,776)**	(16,566)	**(20,265)**	(28,441)
Cash flows used in financing activities		**(10,776)**	(16,566)	**(20,265)**	(28,441)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY		**265**	(2,371)	**(1,365)**	(805)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**20,497**	36,648	**12,427**	(10,065)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD		**69,845**	42,697	**77,915**	89,410
CASH AND CASH EQUIVALENTS, END OF THE PERIOD		**$ 90,342**	$ 79,345	**$ 90,342**	$ 79,345

Supplementary cash flow information (note 18)

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

1. REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 155 Wellington Street West, 40th Floor, Toronto, Ontario M5V 3J7. The principal business activity of the Company is the sale of women's wear at retail.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements except where noted below. These unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended January 30, 2021.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 23, 2021.

b) Impact of COVID-19, CCAA Proceedings and Going Concern

The COVID-19 pandemic had significant impacts for the Company. The lockdown measures adopted by the Federal and Provincial governments in order to mitigate the spread of COVID-19 required the Company to close all of its retail locations across Canada early in the previous fiscal year ended January 30, 2021. Throughout the fiscal year ended January 30, 2021 and in the 26 weeks ended July 31, 2021, these lockdown measures were lifted and reinstated at different times to stop the spread of COVID-19 and its variants. During those periods when all the stores were closed, the Company's only sales were derived from its e-commerce channel. As at July 31, 2021, all of the Company's stores were open.

The Company continued to be eligible to receive government assistance from the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS"), which were introduced as a result of COVID-19. See note 6.

CCAA Proceedings

During the fiscal year ended January 30, 2021, specifically on May 19, 2020, the Company obtained an initial order (the "Order") from the Superior Court of Quebec (the "Court") to seek protection from creditors under the Companies' Creditors Arrangement Act (the "CCAA"). Under the terms of the Order, Ernst & Young Inc. was appointed as the monitor (the "Monitor"). The CCAA process allows the Company to implement an operational and commercial restructuring plan to re-position the Company for long-term success (the "restructuring plan"). See note 11.

Since May 2020, the Company obtained four extensions of the Order from the Court for additional stay periods, and the most recent extended the Order to September 28, 2021.

On August 20, 2020, a claims process order (the "claims process") was approved by the Court. The claims process was initiated on September 10, 2020 and ended October 21, 2020 ("claims bar date") as described in note 2(f)(iii) to the audited annual consolidated financial statements for the year ended January 30, 2021.

Restructuring Plan

As part of its restructuring plan, during the year ended January 30, 2021, the Company closed all retail stores and e-commerce for Thyme Maternity and Addition Elle brands, which resulted in the termination of approximately 1,600 employees in its retail locations and head office. See notes 4 and 11.

Going Concern

Since the beginning of the COVID-19 pandemic, the Company's financial position has deteriorated. The Company's current liabilities of $268,327 exceeded current assets of $243,076 as at July 31, 2021. The Company has interim financing ("DIP Loan") of up to $30,000 with a Canadian financial institution. See note 20.

The deterioration in the Company's financial position since the beginning of the COVID-19 pandemic, the Company's liquidity position as of the date of the approval of these condensed consolidated interim financial statements and the unpredictability of the outcome of the matters arising from the CCAA proceedings, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period. These condensed consolidated interim financial statements as at and for the 26 weeks ended July 31, 2021 do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate. Such adjustments could be material.

c) **Basis of Measurement**

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

- lease liabilities are initially measured at the present value of the lease payments that are not paid at the lease commencement date;
- 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*.

d) **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. Due to the impact of COVID-19, sales are not expected to follow historical patterns.

e) **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.

f) **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. Management has made significant judgments in connection with the potential impact of COVID-19 on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. The extent to which COVID-19 will continue to impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the speed of COVID-19 vaccination rollouts in Canada, vaccination rates amongst the Canadian population and the measures taken by various government authorities to contain the virus and its variants spread for potential future waves as well as future customer shopping behavior including online sales. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied and described in the Company's audited annual consolidated financial statements for the year ended January 30, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 30, 2021 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

New standards and interpretations not yet adopted:

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements).

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

4. DISCONTINUED OPERATIONS

During the fiscal year ended January 30, 2021, the Company closed all retail stores and e-commerce channels of the Thyme Maternity and Addition Elle brands.

The financial information presented below is directly attributable to both brands. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of discontinued operations.

The operating results are presented as discontinued operations and prior periods have been restated:

Earnings (loss) from discontinued operations

	For the 13 weeks ended July 31, 2021	For the 13 weeks ended August 1, 2020	For the 26 weeks ended July 31, 2021	For the 26 weeks ended August 1, 2020
Sales	**$ -**	$ 49,326	**$ -**	$ 72,707
Cost of goods sold[1]	**-**	30,557	**-**	51,527
Gross profit	**-**	18,769	**-**	21,180
Selling and distribution expenses[2] [3]	**-**	5,762	**-**	21,194
Impairment of non-financial assets[4]	**-**	6,740	**-**	21,316
Restructuring costs (gains), net (note 11)	**(10,193)**	50,698	**(10,193)**	50,698
Results from operating activities	**10,193**	(44,431)	**10,193**	(72,028)
Finance costs [5]	**-**	128	**-**	456
Earnings (loss) before income taxes	**10,193**	(44,559)	**10,193**	(72,484)
Income tax expense	**-**	-	**-**	80
Net earnings (loss) from discontinued operations	**$ 10,193**	$ (44,559)	**$ 10,193**	$ (72,564)
Earnings (loss) per share, discontinued operations:				
Basic	**$ 0.21**	$ (0.91)	**$ 0.21**	$ (1.48)
Diluted	**0.21**	(0.91)	**0.21**	(1.48)

(1) During the 13 and 26 weeks ended August 1, 2020, inventories recognized as cost of goods sold amounted to $36,605 and $48,357, respectively. In addition, for the 26 weeks ended August 1, 2020, the Company recorded a loss of $3,170 on write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold. For the 13 weeks ended August 1, 2020, the Company recorded a reversal of $6,048 of previous write-downs of inventory.

(2) The Company recognized grant income in connection with the Canada Emergency Wage Subsidy of $1,306 and $1,888 as a reduction of selling and distribution expenses for the 13 and 26 weeks ended August 1, 2020, respectively.

(3) During the 13 and 26 weeks ended August 1, 2020, right-of-use assets and lease liabilities were reduced by $29,260 and $31,478, respectively, and a corresponding gain of $2,218 was recognized in selling and distribution expenses as lease modifications in connection with leases that were disclaimed as part of the CCAA proceedings. See note 8.

(4) During the 13 and 26 weeks ended August 1, 2020, the Company recognized impairment losses related to right-of-use assets of nil and $7,819, to property and equipment of $4,542 and $10,407 and to intangible assets of $2,198 and $3,090, respectively. See note 21 for methodology and assumptions used in the impairment test.

(5) Finance costs represent interest expense on lease liabilities.

The following table presents the effect of discontinued operations on the condensed consolidated interim statements of cash flows for the comparative period:

Net cash flows used in discontinued operations

	For the 13 weeks ended July 31, 2021	For the 13 weeks ended August 1, 2020	For the 26 weeks ended July 31, 2021	For the 26 weeks ended August 1, 2020
Net cash flows used in operating activities[1]	$ -	$ (33,740)	$ -	$ (35,582)
Net cash flows used in investing activities	-	(412)	-	(762)
Net cash flows used in financing activities	-	(2,941)	-	(5,421)
Net cash flows for the period	$ -	$ (37,093)	$ -	$ (41,765)

(1) Net cash flows used in operating activities for the 13 and 26 weeks ended August 1, 2020, have been reduced by $11,318 and $11,505, respectively, to properly record depreciation and amortization expense between continuing and discontinued operations. The correction of these amounts did not otherwise affect net earnings (loss) from continuing and discontinued operations or the net cash flows from operating activities presented in the condensed consolidated interim statements of earnings (loss) and the condensed consolidated interim statement of cash flows for the 13 and 26 weeks ended August 1, 2020.

5. CASH AND CASH EQUIVALENTS

	July 31, 2021	August 1, 2020	January 30, 2021
Cash [1]	**$ 87,587**	$ 76,595	$ 75,162
Restricted cash [2]	**2,755**	2,750	2,753
	$ 90,342	$ 79,345	$ 77,915

(1) The Company's cash held with banks bears interest at variable rates.

(2) Restricted cash represents cash held in trust by a Canadian financial institution as security held on a standby letter of credit.

6. TRADE AND OTHER RECEIVABLES

As at July 31, 2021, trade and other receivables include an amount of $2,620 (August 1, 2020 – $8,477; January 30, 2021 – $7,922) related to government grants receivable. The Government of Canada made available to businesses affected by COVID-19 the Canada Emergency Wage Subsidy ("CEWS"), which allows companies to claim a portion of employee wages, and the Canada Emergency Rent Subsidy ("CERS"), which allows companies to claim a portion of rent and occupancy costs when eligibility requirements are met. As at July 31, 2021, the Company qualified to receive both the CEWS and CERS and there was reasonable assurance that the amounts would be received from the government. The Company also intends to apply for the CEWS and CERS in subsequent application periods, where the qualification criteria continues to be met.

The Company recognized grant income of $5,714 and $15,214 from the above subsidies as a reduction of selling and distribution expenses and $423 and $1,259 as a reduction of administrative expenses for the 13 and 26 weeks ended July 31, 2021, respectively ($12,327 and $17,822 as a reduction of selling and distribution expenses and $1,188 and $1,717 as a reduction of administrative expenses for the 13 and 26 weeks ended August 1, 2020, respectively).

7. INVENTORIES

During the 13 and 26 weeks ended July 31, 2021, inventories recognized as cost of goods sold from continuing operations amounted to $80,746 and $139,035, respectively ($74,527 and $117,010 for the 13 and 26 weeks ended August 1, 2020, respectively). In addition, for the 13 and 26 weeks ended July 31, 2021, the Company recorded a reversal of $4,200 and $1,100, respectively, (a reversal of $1,770 and a loss of $8,487 for the 13 and 26 weeks ended August 1, 2020, respectively) of write-downs of inventories as a result of net realizable value being higher than originally estimated.

Included in inventories is a return asset for the right to recover returned goods for $1,643 as at July 31, 2021 (August 1, 2020 - $1,853; January 30, 2021 - $2,484).

8. LEASES

During the fiscal year ended January 30, 2021, in connection with the CCAA proceedings, the Company issued disclaimer notices related to various leases of its retail locations as part of its restructuring plan. Included in liabilities subject to compromise is a provision for the Company's best estimate of claims from landlords for disclaimed leases that will ultimately be settled subject to the plan of arrangement and compromise with the Company's landlords. See note 11.

During the 13 and 26 weeks ended July 31, 2021, the Company continued re-negotiating leases that have not been disclaimed as part of its restructuring plan resulting in the reduction of right-of-use assets of $5,643 and $54,015, respectively, the reduction of lease liabilities by $7,423 and $59,048, respectively, and recognized a gain on lease re-measurements of $1,553 and $5,002, respectively, in restructuring costs ($663 for the 13 and 26 weeks ended August 1, 2020). See note 11.

9. TRADE AND OTHER PAYABLES

	July 31, 2021	August 1, 2020	January 30, 2021
Trade payables	**$ 6,785**	$ 10,943	$ 2,098
Personnel liabilities	**11,706**	13,922	10,898
Other non-trade payables	**15,147**	1,742	12,687
Refund liability	**3,339**	3,409	4,439
Payables relating to premises	**635**	5,627	1,400
	$ 37,612	$ 35,643	$ 31,522

10. DEFERRED REVENUE

	July 31, 2021	August 1, 2020	January 30, 2021
Loyalty points and awards granted under loyalty programs	**$ 1,325**	$ 2,469	$ 209
Unredeemed gift cards	**9,964**	9,963	12,253
	$ 11,289	$ 12,432	$ 12,462

11. LIABILITIES SUBJECT TO COMPROMISE AND RESTRUCTURING COSTS

In connection with the CCAA proceedings, the Company identified the following unsecured liabilities subject to compromise:

	July 31, 2021	August 1, 2020	January 30, 2021
Trade payables and accruals	**$ 72,558**	$ 74,820	$ 74,823
Provision for disclaimed leases	**42,738**	52,339	51,905
Pension liabilities (note 12)	**21,014**	20,857	21,014
Termination benefit liabilities	**13,134**	11,907	12,786
Lease liabilities	**9,283**	9,283	9,283
Sales and income taxes payable	**6,481**	1,655	6,404
Other non-trade payables	**28,232**	14,718	27,868
	$ 193,440	$ 185,579	$ 204,083

The liabilities that are not subject to the CCAA proceedings are excluded from the liabilities subject to compromise.

Restructuring costs

As described in note 2(b), as part of its restructuring plan and as approved by the Monitor, the Company closed all retail stores and e-commerce for Thyme Maternity and Addition Elle and terminated approximately 1,600 employees at its retail locations and head office. In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs were recognized for the 13 and 26 weeks ended July 31, 2021:

	13 weeks ended July 31, 2021			13 weeks ended August 1, 2020		
	Combined	Continuing	Discontinued	Combined	Continuing	Discontinued
Rent & occupancy costs recovered on lease re-negotiations	**$ (5,099)**	**$ (5,099)**	**$ -**	$ -	$ -	$ -
Gain on lease re-measurements (note 8)	**(1,553)**	**(1,553)**	**-**	(2,881)	(663)	(2,218)
Provision for disclaimed leases (1)	**(10,668)**	**(475)**	**(10,193)**	52,339	9,224	43,115
Legal, Monitor and other consulting fees	**978**	**978**	**-**	2,667	2,667	-
Termination benefits	**177**	**177**	**-**	11,907	6,011	5,896
DIP lender fees	**115**	**115**	**-**	-	-	-
Inventory purchase cancellation costs and other expenses	**-**	**-**	**-**	10,211	6,306	3,905
	$(16,050)	**$ (5,857)**	**$ (10,193)**	$ 74,243	$ 23,545	$ 50,698

(1) During the 13 weeks ended July 31, 2021, the provision for disclaimed leases was adjusted to reflect the most recent settlement discussions with certain landlords.

	26 weeks ended July 31, 2021			26 weeks ended August 1, 2020		
	Combined	**Continuing**	**Discontinued**	**Combined**	**Continuing**	**Discontinued**
Rent & occupancy costs recovered on lease re-negotiations	**$(10,983)**	**$(10,983)**	**$ -**	$ -	$ -	$ -
Gain on lease re-measurements (note 8)	**(5,002)**	**(5,002)**	**-**	(2,881)	(663)	(2,218)
Provision for disclaimed leases (1)	**(9,718)**	**475**	**(10,193)**	52,339	9,224	43,115
Legal, Monitor and other consulting fees	**1,791**	**1,791**	**-**	2,667	2,667	-
Termination benefits	**348**	**348**	**-**	11,907	6,011	5,896
DIP lender fees	**201**	**201**	**-**	-	-	-
Inventory purchase cancellation costs and other expenses	**751**	**751**	**-**	10,211	6,306	3,905
	$(22,612)	**$(12,419)**	**$(10,193)**	$ 74,243	$ 23,545	$ 50,698

(1) During the 26 weeks ended July 31, 2021, the provision for disclaimed leases was adjusted to reflect the most recent settlement discussions with certain landlords.

12. PENSION LIABILITY

The Company sponsors a Supplemental Executive Retirement Plan ("SERP") for certain senior executives, which is neither registered nor pre-funded. In connection with CCAA proceedings, the pre-petition portion of the pension liability related to SERP of $21,014, for which the fair value of plan assets is nil, has been reclassified to liabilities subject to compromise. The SERP is expected to be terminated effective with the settlement of these liabilities through the plan of arrangement to be entered into under CCAA. See note 11.

13. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

	For the 26 weeks ended			
	July 31, 2021		August 1, 2020	
	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	**35,427**	**26,924**	35,427	26,924
Total share capital	**48,867**	**$ 27,406**	48,867	$ 27,406

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.

Accumulated Other Comprehensive Income ("AOCI")

AOCI is comprised of the following:

	Cash Flow Hedges	Foreign Currency Translation Differences	Total AOCI
Balance at January 31, 2021	**$ -**	**$ (854)**	**$ (854)**
Change in foreign currency translation differences	**-**	**123**	**123**
Balance at July 31, 2021	**$ -**	**$ (731)**	**$ (731)**
Balance at February 2, 2020	$ 754	$ (981)	$ (227)
Net change in fair value of cash flow hedges (net of tax of $3,229)	8,815	-	8,815
Transfer of realized loss on cash flow hedges to inventory (net of tax of $79)	218	-	218
Reclassification of cash flow hedges from OCI to foreign exchange gain within finance income (net of tax of $3,583) (note 19)	(9,787)	-	(9,787)
Change in foreign currency translation differences	-	(81)	(81)
Balance at August 1, 2020	$ -	$ (1,062)	$ (1,062)

Dividends

No dividends were declared or paid during the 13 and 26 weeks ended July 31, 2021 and August 1, 2020.

14. SHARE-BASED PAYMENTS

On April 19, 2021, the share option plan was amended to terminate the Share Appreciation Rights ("SARs") program and, in compliance with the policies of the TSX Venture Exchange, transition to a fixed plan that limits the eligible amount of Class A non-voting shares that can be issued pursuant to the exercise of options to 3,500,000. No SARs had been granted or were outstanding as of the date of termination of the program. Those changes had no impact on these unaudited condensed consolidated interim financial statements. Further details regarding the share option plan can be found in the Company's audited annual consolidated financial statements for the year ended January 30, 2021.

No share option awards were granted during the 13 and 26 weeks ended July 31, 2021 and August 1, 2020. No share-based compensation costs related to previously-granted share options were recognized during the 13 and 26 weeks ended July 31, 2021 ($3 and $5 for the 13 and 26 weeks ended August 1, 2020, respectively).

No Performance Share Units ("PSUs") were granted and no share-based compensation costs related to PSUs were recognized during the 13 and 26 weeks ended July 31, 2021 and August 1, 2020.

15. 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. 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. For the 13 and 26 weeks ended July 31, 2021, the current tax expense is mainly comprised of the deferred income tax impact related to the operations of a foreign subsidiary.

16. FINANCE INCOME AND FINANCE COSTS

	For the 13 weeks ended		For the 26 weeks ended	
	July 31, 2021	**August 1, 2020**	**July 31, 2021**	**August 1, 2020**
Interest income	**$ 86**	$ 68	**$ 136**	$ 226
Foreign exchange gain [1]	**4**	737	**717**	11,685
Finance income	**90**	805	**853**	11,911
Interest expense on lease liabilities	**1,030**	1,418	**2,167**	2,967
Finance costs	**1,030**	1,418	**2,167**	2,967
Net finance (costs) income	**$ (940)**	$ (613)	**$ (1,314)**	$ 8,944

(1) Included in foreign exchange gain for the 26 weeks ended August 1, 2020, is a realized gain of $9,741 on maturity and disposal of foreign exchange contracts. See note 19.

17. EARNINGS (LOSS) PER SHARE

The number of shares (in thousands) used in the basic and diluted earnings (loss) per share from continuing and discontinued operations calculations is as follows:

	For the 13 weeks ended		For the 26 weeks ended	
	July 31, 2021	**August 1, 2020**	**July 31, 2021**	**August 1, 2020**
Weighted average number of shares - basic	**48,867**	48,867	**48,867**	48,867
Weighted average number of shares - diluted	**48,867**	48,867	**48,867**	48,867

All share options were excluded from the calculation of diluted earnings (loss) per share for the 13 and 26 weeks ended July 31, 2021 and August 1, 2020 as these options were deemed to be anti-dilutive.

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.

18. SUPPLEMENTARY CASH FLOW INFORMATION

	July 31, 2021	**August 1, 2020**	**January 30, 2021**
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,944**	$ 2,524	$ 1,382

19. FINANCIAL INSTRUMENTS

Accounting classification and fair values

The Company has determined that the fair value of its current financial assets and liabilities at July 31, 2021, August 1, 2020 and January 30, 2021 (other than liabilities subject to compromise) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments. The fair value of the liabilities subject to compromise is not determinable at the date of these condensed consolidated interim financial statements.

There were no transfers between levels of the fair value hierarchy for the periods ended July 31, 2021, August 1, 2020 and January 30, 2021.

Derivative financial instruments

The Company had entered into forward contracts with its banks on the U.S. dollar. These foreign exchange contracts extended over a period normally not exceeding twelve months and were normally designated as cash flow hedges to mitigate foreign exchange risk that is part of its U.S. dollar purchases. The Company determined that it no longer met the criteria for these purchases as a result of the Company's effort to reduce future inventory purchases in response to the uncertainty surrounding COVID-19 and the restructuring plan (notes 2(b) and 11). During the 26 weeks ended August 1, 2020, $130,000 of future U.S. dollar denominated purchases, hedged by outstanding forward contracts with an accumulated unrealized gain of $9,787 (net of tax of $3,583), were no longer expected to occur. As a result, the Company no longer designated these forward contracts for hedge accounting and reclassified the accumulated unrealized gain associated with these forward contracts from other comprehensive income to net earnings as part of finance income (note 16) during the 26 weeks ended August 1, 2020.

During the 26 weeks ended August 1, 2020, the Company had temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan (notes 2(b) and 11). During the 26 weeks ended August 1, 2020, forward contracts with a notional amount of $15,000 U.S. dollars matured and the Company disposed of all remaining outstanding forward contracts with a notional amount of $115,000 U.S. dollars, resulting in a foreign exchange gain of $9,741 recognized directly to net earnings as part of finance income. See note 16.

No foreign exchange contracts were outstanding as at July 31, 2021, August 1, 2020 and January 30, 2021.

20. 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 13 and 26 weeks ended July 31, 2021 from those described in the Company's audited annual consolidated financial statements for the year ended January 30, 2021 with exception to the following:

Liquidity Risk

As at July 31, 2021, the Company has access to an interim ("DIP Loan") financing with a Canadian financial institution consisting of a revolving credit facility. The Company secured this DIP Loan subsequent to obtaining the Order from the Court to seek protection from its creditors under CCAA as described in note 2(b). On May 14, 2021, the Company amended its DIP Loan reducing the revolving credit facility from $60,000 to $30,000 (including facilities available for securing letters of credit of up to $5,000 (or its U.S. dollar equivalent). This amendment was approved by the Court on May 25, 2021. As at July 31, 2021, no amount was drawn down on the DIP loan and $576 of the demand operating lines of credit were committed for documentary and standby letters of credit.

21. IMPAIRMENT OF NON-FINANCIAL ASSETS

At July 31, 2021, the Company tested for impairment certain CGUs for which there were indications that their carrying amounts may not be recoverable, which resulted in no impairment losses recognized related to right-of-use assets and property and equipment ($935 and $6,341 related to right-of-use assets and $1,273 and $1,902 related to property and equipment for the 13 and 26 weeks ended August 1, 2020, respectively).

Recoverable amounts of the CGUs tested for impairment were based on their estimated value-in-use, which was determined using a cash flow model developed by the Company for each individual store locations discounted using a pre-tax discount rate of 20% (August 1, 2020 – 20.0%). The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU. Sales forecasts for cash flows considered the weighted average impact of multiple scenarios based on operating results and internal forecasts prepared by management. A 1% increase or decrease in the discount rate does not materially change the results of the tests.

During the 13 and 26 weeks ended July 31, 2021, asset impairment charges of $293 and $507, respectively, were reversed following an improvement in profitability of certain CGU's (nil for the 13 and 26 weeks ended August 1, 2020).