INTERIM REPORT FOR THE THREE MONTHS ENDED **MAY 3, 2014**

REITMANS PENNINGTONS ADDITION ELLE RW & CO. THYME SMART SET

Reitmans
(CANADA) LIMITED

REITMANS IS CANADA'S LEADING SPECIALTY RETAILER.
WE ARE CUSTOMER DRIVEN, VALUE ORIENTED AND COMMITTED TO EXCELLENCE.
BY PROMOTING INNOVATION, GROWTH, DEVELOPMENT AND TEAMWORK, WE STRIVE
TO SERVE OUR CUSTOMERS THE BEST QUALITY/VALUE PROPOSITION IN THE MARKETPLACE.

TO OUR SHAREHOLDERS

Sales for the first quarter ended May 3, 2014 were $206,478,000 as compared with $216,861,000 for the first quarter ended May 4, 2013, a decrease of 4.8%. Same store sales[1] decreased by 3.6%. Poor weather in the first quarter ended May 3, 2014 contributed to weak demand for spring and summer apparel. A net reduction of 47 stores contributed to a sales reduction of approximately $5,000,000 in the quarter, as the Company continued to rationalize underperforming locations. The Company's gross margin for the first quarter ended May 3, 2014 decreased to 59.4% from 64.6% for the first quarter ended May 4, 2013, negatively impacted by the weaker Canadian dollar against the U.S. dollar and increased promotional activity in a highly competitive market. Net loss for the first quarter ended May 3, 2014 increased to $13,415,000 ($0.21 diluted loss per share) as compared with a net loss of $2,586,000 ($0.04 diluted loss per share) for the first quarter ended May 4, 2013. For the first quarter ended May 3, 2014, adjusted EBITDA[1] was $(4,061,000) as compared with $10,683,000 for the first quarter ended May 4, 2013, a decrease of $14,744,000.

Previously reported initiatives aimed at reducing costs across the organization have yielded savings. A reduction in the number of employees in both head office and field operations, in conjunction with a reduction in the number of store locations, has resulted in wages and benefit savings of approximately $2,000,000 in the first quarter ended May 3, 2014. These reductions are anticipated to exceed earlier projected annualized wage and benefit savings of approximately $6,000,000. Additional savings have been achieved through improved cost management in non-wage areas.

During the quarter, the Company opened 3 new stores and closed 19. Accordingly, at May 3, 2014, there were 862 stores in operation, consisting of 345 Reitmans, 146 Penningtons, 102 Addition Elle, 77 RW & CO., 68 Thyme Maternity and 124 Smart Set, as compared with a total of 909 stores as at May 4, 2013. The Company operates 23 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada. At May 3, 2014, the Company operated 67 Thyme Maternity shop-in-shop boutiques in the United States which were closed at June 2, 2014.

Sales for the month of May (the four weeks ended May 31, 2014) decreased 1.5% with same store sales[1] increasing 1.2%.

At the Board of Directors meeting held on June 10, 2014, a quarterly cash dividend (constituting eligible dividends) of $0.05 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable July 31, 2014 to shareholders of record on July 17, 2014.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, June 10, 2014

[1] The above text includes a reference to adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA is defined as earnings before income tax expense, other income, dividend income, interest income, realized gains or losses on disposal of available-for-sale financial assets, interest expense, depreciation, amortization and impairment charges. The Company also discloses same store sales, which are defined as sales generated by stores that have been continuously open during both of the periods being compared and includes e-commerce sales. The same store sales metric compares the same calendar days for each period. Same store sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Although this key performance indicator 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'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MAY 3, 2014

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Reitmans as at and for the fiscal period ended May 3, 2014 and the audited annual consolidated financial statements for the fiscal year ended February 1, 2014 and the notes thereto which are available at www.sedar.com. This MD&A is dated June 10, 2014.

All financial information contained in this MD&A and Reitmans' unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this report are in thousands of Canadian dollars, except per share amounts. The unaudited condensed consolidated interim financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on June 10, 2014.

Additional information about Reitmans is available on the Company's website at www.reitmans.ca or on the SEDAR website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Such risks include but are not limited to: the impact of general economic conditions, general conditions in the retail industry, seasonality, weather and other risks included in public filings of the Company, including those described in the "Operating Risk Management" and "Financial Risk Management" sections of this MD&A. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes are appropriate in the circumstances. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results and events, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a non-GAAP financial measure. Adjusted EBITDA is defined as earnings before income tax expense, other income, dividend income, interest income, realized gains or losses on disposal of available-for-sale financial assets, interest expense, depreciation, amortization and impairment charges. The following table reconciles the most comparable GAAP measure, net earnings (loss), to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend and interest income eliminates the impact of revenue derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

The Company uses a key performance indicator ("KPI"), same store sales, to assess store performance (including each banner's e-commerce store) and sales growth. Same store sales is defined as sales generated by stores that have been continuously open during both of the periods being compared and includes e-commerce sales. The same store sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses same store sales in evaluating the performance of stores and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Same store sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Same store sales should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net loss to adjusted EBITDA for the three months ended May 3, 2014 and May 4, 2013:

	FOR THE THREE MONTHS ENDED	
(unaudited)	MAY 3, 2014	MAY 4, 2013
Net loss	**$ (13,415)**	$ (2,586)
Depreciation, amortization and net impairment losses	**13,467**	14,996
Dividend income	**(667)**	(868)
Interest income	**(163)**	(134)
Realized loss on disposal of available-for-sale financial assets	**24**	–
Impairment losses on available-for-sale financial assets	**10**	50
Interest expense	**108**	134
Income tax recovery	**(3,425)**	(909)
Adjusted EBITDA	**$ (4,061)**	$ 10,683

CORPORATE OVERVIEW

The Company has a single reportable segment which derives its revenue from the sale of ladies' specialty apparel to consumers through its six retail banners. The Company's stores are located in malls, retail power centres, strip plazas and on major shopping streets across Canada. The Reitmans banner, operating 345 stores averaging 4,600 sq. ft., is Canada's largest women's apparel specialty chain and leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 14–32. Penningtons operates 146 stores in power centres across Canada averaging 6,000 sq. ft. Addition Elle is a fashion destination for plus-size women with a focus on fashion, quality and fit delivering the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. Addition Elle operates 102 stores averaging 6,000 sq. ft. in major malls and power centres nationwide. RW & CO. operates 77 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 him and her. Thyme Maternity is a leading fashion brand for moms-to-be, offering current styles for every aspect of life, from casual to work, plus a complete line of nursing fashions and accessories. Thyme operates 68 stores averaging 2,300 sq. ft. in major malls and power centres across Canada. With 124 stores, averaging 3,400 sq. ft., Smart Set is a style destination offering the latest styles in women's fashions to mix, match and innovate from wear-to-work separates, denim, essentials and accessories.

The Company also offers e-commerce website shopping for all of its banners. These online channels offer customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands.

In addition to its individual retail outlets, the Company operates 23 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada. At May 3, 2014, the Company operated 67 Thyme Maternity shop-in-shop boutiques in the U.S. which were closed at June 2, 2014.

The Company also offers consumers Penningtons plus-size apparel, under a wholesale agreement, in four Sears stores in Canada, as well as online at sears.ca.

RETAIL BANNERS

	NUMBER OF STORES AT FEBRUARY 1, 2014	Q1 OPENINGS	Q1 CLOSINGS	NUMBER OF STORES AT MAY 3, 2014	NUMBER OF STORES AT MAY 4, 2013
Reitmans	349	1	5	345	359
Penningtons	152	1	7	146	157
Addition Elle	101	1	–	102	103
RW & CO.	77	–	–	77	73
Thyme Maternity [1]	70	–	2	68	72
Smart Set	129	–	5	124	145
Total	**878**	**3**	**19**	**862**	**909**

[1] Excludes boutiques in Babies"R"Us shop-in-shop locations.

Thyme Maternity shop-in-shop locations:

Babies"R"Us – Canada	23	–	–	23	20
Babies"R"Us – U.S.	169	–	102	67	154
Babies"R"Us – Total	**192**	**–**	**102**	**90**	**174**

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

STRATEGIC INITIATIVES

The Company has undertaken a number of strategic initiatives to enhance its brands, improve productivity and profitability at all levels through system advances and foster a culture of process improvements.

Ongoing and new Company initiatives include:

INITIATIVES	STATUS
The Company continues to refine its offerings in all banners with a focus on fashion and affordability.	The Company has made significant changes in branding among its banners. The branding strategies executed in Reitmans, Addition Elle and Penningtons banners show positive customer acceptance. Smart Set branding initiatives have not yet achieved desired results.
The Company is committed to continued investment in e-commerce, including improvements in customer relationship management and technology.	The Company continues to invest in e-commerce, including the deployment of mobile technology in fiscal 2015. The Company is pleased with the continued growth in e-commerce sales.
Continuation of a companywide supply chain optimization and retail enterprise initiative, internally branded as "SCORE", focused on deploying best in class retail applications supported by a new and improved technology platform. SCORE will enable new processes that will permit flexibility and adaptability across the merchandising and supply chain operations.	The Company completed the deployment of its warehouse management system portion of the SCORE deployment which is delivering anticipated results and improved system efficiencies. Remaining phases of the SCORE project are on track for a fiscal 2016 final completion target.
A comprehensive review of the Company's global sourcing strategy and execution has been undertaken with a goal of reducing lead time for bringing products to market.	This initiative is progressing well with the assessment of current practices in order to evaluate opportunities. Vendor consolidation and improvements in the supply chain are ongoing.
A corporate initiative aimed at reducing costs across the Company has been introduced which includes a review of head office activities and processes targeted at improving efficiencies.	Process improvements were implemented and resulted in savings with further improvement in efficiencies anticipated as the Company continues to move forward with this project. Further initiatives included a reduction in the number of employees.

OPERATING RESULTS FOR THE THREE MONTHS ENDED MAY 3, 2014 ("FIRST QUARTER OF FISCAL 2015") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED MAY 4, 2013 ("FIRST QUARTER OF FISCAL 2014")

Sales for the first quarter of fiscal 2015 were $206,478 as compared with $216,861 for the first quarter of fiscal 2014, a decrease of 4.8%. Same store sales decreased by 3.6%. Sales for the first quarter of fiscal 2015 were impacted by a number of issues, including:

- particularly poor weather in the first quarter of fiscal 2015, with below average temperatures across Canada and above average precipitation in key markets, contributing to weak demand for spring and summer apparel;
- a reduction in the number of stores as the Company rationalizes underperforming locations. A net reduction of 47 stores contributed to a sales reduction of approximately $5,000;
- competitive pressures continuing to necessitate significant promotional pricing.

Sales through the various banners' e-commerce channels continued to show strong growth, with all banners offering a wide assortment across virtually all product categories.

Gross profit for the first quarter of fiscal 2015 decreased 12.4% to $122,745 as compared with $140,174 for the first quarter of fiscal 2014, a reduction of $17,429. The Company's gross margin for the first quarter of fiscal 2015 decreased to 59.4% from 64.6% for the first quarter of fiscal 2014. Foreign exchange has negatively impacted margins with the average rate for a U.S. dollar ranging between $1.09 and $1.13 during the first quarter of fiscal 2015 as compared to $1.00 and $1.03 in the first quarter of fiscal 2014. Gross margins were impacted by increased promotional activity as pricing for women's apparel remained highly competitive.

Selling and distribution expenses for the first quarter of fiscal 2015 decreased 4.9% or $6,441 to $125,530 as compared with $131,971 for the first quarter of fiscal 2014. A net decrease in stores contributed approximately $4,200 to a reduction in direct store expenses, with additional overhead cost savings related to corporate initiatives aimed at reducing costs across the Company. This decrease is despite an increase in the write-off of property, equipment and intangibles related to store closures and net impairment losses relating to underperforming stores of $1,567 for the first quarter of fiscal 2015 ($802 for the first quarter of fiscal 2014). Depreciation, amortization and net impairment losses included in selling and distribution expenses for the first quarter of fiscal 2015 were $12,803 compared to $14,316 for the first quarter of fiscal 2014, the reduction reflecting the reduced level of investment in capital expenditures.

Administrative expenses for the first quarter of fiscal 2015 decreased 11.5% or $1,407 to $10,869 compared with $12,276 for the first quarter of fiscal 2014. Company initiatives, including a reduction of the number of employees, were the most significant contributors to the decrease in administrative expenses. Depreciation and amortization expense included in administrative expenses for the first quarter of fiscal 2015 was $658 compared to $680 for the first quarter of fiscal 2014.

Finance income for the first quarter of fiscal 2015 was $3,985 as compared to $2,361 for the first quarter of fiscal 2014. This increase of $1,624 is primarily due to a $3,155 foreign exchange gain recognized for the first quarter of fiscal 2015 ($1,359 gain for the first quarter of fiscal 2014) largely attributable to foreign currency option contracts expiring during the first quarter of fiscal 2015 at favorable exchange rates. Dividend income for the first quarter of fiscal 2015 of $667 was lower than $868 for the first quarter of fiscal 2014 due to a reduced level of marketable securities caused by mandatory redemptions of preferred shares. Interest income increased for the first quarter of fiscal 2015 to $163 as compared to $134 for the first quarter of fiscal 2014, which was impacted by the fluctuation of daily balances held in short-term investments and the variable rates of interest earned on these short-term investments.

Finance costs for the first quarter of fiscal 2015 were $7,171 as compared to $1,783 for the first quarter of fiscal 2014, an increase of $5,388. This increase is largely attributable to a net change in the fair value of U.S. dollar call and put option contracts. This has resulted from a decrease in the notional amount of option contracts and the impact of a change in the U.S. dollar exchange rate during the first quarter of fiscal 2015. Included in the first quarter of fiscal 2015 was interest on long-term debt of $108 compared to $134 for the first quarter of fiscal 2014, which will continue to decrease as the Company continues its repayment of the mortgage on the Company's distribution centre. Also included in finance costs for the first quarter of fiscal 2015 was an impairment loss on available-for-sale financial assets of $10 ($50 for the first quarter of fiscal 2014) and a realized loss on available-for-sale financial assets of $24 (nil for the first quarter of fiscal 2014).

For the first quarter of fiscal 2015, loss before income taxes was $16,840 as compared to a loss before income taxes of $3,495 for the first quarter of fiscal 2014, an increase of $13,345. Adjusted EBITDA for the first quarter of fiscal 2015 was $(4,061) as compared with $10,683 for the first quarter of fiscal 2014, a decrease of $14,744. The increase in loss before income taxes and reduction in adjusted EBITDA was primarily attributable to poor performance in most banners significantly impacted by unseasonable weather conditions and increased costs due to the weakened Canadian dollar vis-à-vis the U.S. dollar. Previously reported initiatives aimed at reducing costs across the organization have yielded savings. A reduction in the number of employees in both head office and field operations, in conjunction with a reduction in the number of store locations, has resulted in wages and benefit savings of approximately $2,000 in the first quarter of fiscal 2015. These reductions are anticipated to exceed earlier projected annualized wage and benefit savings of approximately $6,000. Additional savings have been achieved through improved cost management in non-wage areas.

Income tax recovery for the first quarter of fiscal 2015 amounted to $3,425 for an effective tax rate of 20.3%. In the first quarter of fiscal 2014, income tax recovery amounted to $909 for an effective tax rate of 26.0%. The reduction in the effective tax rate is primarily attributable to tax exempt dividend income relative to the Company's active business income. The Company's effective tax rates reflect the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net loss for the first quarter of fiscal 2015 increased to $13,415 ($0.21 diluted loss per share) as compared with a net loss of $2,586 ($0.04 diluted loss per share) for the first quarter of fiscal 2014.

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding twelve months. In the first quarter of fiscal 2015, the Company satisfied its U.S. dollar requirements through a combination of spot purchases and foreign exchange option contracts. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar. Purchased call options and sold put options expiring on the same date have the same strike price.

In the first quarter of fiscal 2015, these merchandise purchases, payable in U.S. dollars, approximated $64,000 U.S. The Company's U.S. dollar holdings, along with contracts to purchase U.S. dollars are sufficient to satisfy its projected U.S. dollar denominated merchandise purchases for the fiscal year ending January 31, 2015.

Details of the foreign currency option contracts outstanding for each of the periods listed are as follows:

MAY 3, 2014	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Call options purchased	**$ 1.09**	**$ 166,000**	**$ 4,627**	**$ –**	**$ 4,627**
Put options sold	**$ 1.09**	**$ 282,000**	**–**	**(2,946)**	**(2,946)**
			$ 4,627	**$ (2,946)**	**$ 1,681**

MAY 4, 2013	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Call options purchased	$ 1.01	$ 72,000	$ 903	$ –	$ 903
Put options sold	$ 1.01	$ 144,000	–	(2,220)	(2,220)
			$ 903	$ (2,220)	$ (1,317)

FEBRUARY 1, 2014	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Call options purchased	$ 1.07	$ 212,000	$ 11,775	$ –	$ 11,775
Put options sold	$ 1.07	$ 364,000	–	(3,065)	(3,065)
			$ 11,775	$ (3,065)	$ 8,710

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected consolidated financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS. All references to "2015" are to the Company's fiscal year ending January 31, 2015, to "2014" are to the Company's fiscal year ended February 1, 2014, and to "2013" are to the Company's fiscal year ended February 2, 2013.

	FIRST QUARTER		FOURTH QUARTER		THIRD QUARTER		SECOND QUARTER	
	2015	2014	2014	2013[1]	2014	2013[1]	2014	2013[1]
Sales	$206,478	$216,861	$240,677	$267,659	$249,414	$236,247	$253,445	$279,513
Net earnings (loss)	(13,415)	(2,586)	(2,571)	(1,145)	5,763	(29)	10,182	27,649
Earnings (loss) per share								
Basic	$ (0.21)	$ (0.04)	$ (0.04)	$ (0.02)	$ 0.09	$ 0.00	$ 0.16	$ 0.42
Diluted	(0.21)	(0.04)	(0.04)	(0.02)	0.09	0.00	0.16	0.42

[1] Quarterly results for fiscal 2013 have been adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits*, as described in Note 3 of the February 1, 2014 consolidated financial statements.

Fluctuations in the above-noted quarterly financial information reflect the underlying operations of the Company as well as the impact of a number of factors including, but not limited to, the effect of the estimated loss in sales due to supply chain disruption in the third quarter of fiscal 2013 and the impact in the fourth quarter of fiscal 2014 of the pre-closure discounting of the Thyme Maternity shop-in-shop boutiques in the U.S. A fifty-third week in fiscal 2013 resulted in a shift in the Company's retail calendar, impacting each of the fiscal 2014 quarters and resulting in an additional week in the fourth quarter of fiscal 2013. Financial results are also affected by seasonality and the timing of holidays. Due to seasonality the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

BALANCE SHEET

Cash and cash equivalents as at May 3, 2014 amounted to $67,848 (May 4, 2013 – $66,729) as compared to $122,355 as at February 1, 2014, a decrease of 44.5%. Marketable securities as at May 3, 2014 amounted to $54,996 (May 4, 2013 – $72,499) comparable with $55,062 at February 1, 2014. Combined cash and cash equivalents and marketable securities as at May 3, 2014 were lower as compared to May 4, 2013 due to reduced cash from operations resulting from lower sales. This is despite reduced capital expenditures, proceeds on sale of marketable securities and a reduction in dividends paid.

The Company's trade and other receivables are primarily credit card sales from the last few days of the fiscal quarter. Trade and other receivables as at May 3, 2014 were $7,131 (May 4, 2013 – $5,194) or $709 higher than as at February 1, 2014 due to higher credit card receivables. As at May 3, 2014, income taxes recoverable were $9,069 (May 4, 2013 – $10,174; February 1, 2014 – $5,656), attributable to a prior year tax recovery and instalments made in excess of estimated tax liabilities. Inventories as at May 3, 2014 were $120,742 (May 4, 2013 – $112,253) or $11,141 higher than as at February 1, 2014. Higher in-transit merchandise for the spring and summer selling season combined with weak sales for early spring receipts are the principal causes of increased inventory. Prepaid expenses, consisting mainly of prepaid insurance, maintenance contracts and realty and business taxes, were $25,762 as at May 3, 2014 (May 4, 2013 – $25,791) compared with $12,512 as at February 1, 2014. This increase in prepaid expenses is largely attributable to the timing of February rent and common area disbursements that were not prepaid at February 1, 2014.

The Company has invested, on a cash basis, $6,335 in additions to property, equipment and intangible assets in the first quarter of fiscal 2015. This is comprised of $4,536 in new store construction and existing store renovation costs and $1,799 mainly related to information technology system hardware and software enhancements. The Company embarked on a major systems development project ("SCORE") in 2010, which is in the final phases of completion. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2016. Certain milestones have been successfully achieved and the project is progressing well. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Company with improved integration, while enabling the Company to reduce the overall cost of system maintenance and upgrades. The total project is being phased in and is estimated to cost approximately $34,000 of which approximately $25,000 has been incurred to date.

Total trade and other payables were $83,913 as at May 3, 2014 (May 4, 2013 – $86,573), or $18,663 lower than as at February 1, 2014 due mainly to lower trade payables and the timing of payments for various sales and withholding taxes. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities.

The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar. These option contracts extend over a period of twelve months. Purchased call options and sold put options expiring on the same date have the same strike price. The Company has recorded a net derivative financial asset, related to foreign exchange option contracts, as at May 3, 2014 of $1,681 (May 4, 2013 – net derivative financial liability of $1,317) as compared to a net derivative financial asset of $8,710 as at February 1, 2014. This decrease is attributable to the realization of contracts in the first quarter of fiscal 2015 and impact of the fluctuation of the U.S. dollar on remaining contracts.

Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed. Deferred revenue was $15,527 as at May 3, 2014 (May 4, 2013 – $11,126) or $4,471 lower than as at February 1, 2014 due to the timing of loyalty reward program incentives combined with lower gift card liabilities.

Tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases. As at May 3, 2014 deferred lease credits were $14,774 (May 4, 2013 – $16,797) as compared to $15,607 as at February 1, 2014.

The Company's long-term debt consists of a mortgage, which is secured by the Company's distribution centre. As at May 3, 2014 long-term debt was $6,596 (May 4, 2013 – $8,191) as compared to $7,003 as at February 1, 2014. The decrease in long-term debt is attributable to the continued repayment of the mortgage debt principal.

Pension liability as at May 3, 2014 was $18,464 (May 4, 2013 – $17,977) or $205 higher than as at February 1, 2014. The increase is due to $492 of pension expense offset by pension contributions paid of $287.

OPERATING RISK MANAGEMENT

ECONOMIC ENVIRONMENT

Economic factors that impact consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Company's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the Company. The Company closely monitors economic conditions in order to react to consumer spending habits and constraints in developing both its short-term and long-term operating decisions. The Company is in a strong financial position with significant liquidity available and ample credit resources to draw upon as deemed necessary.

COMPETITIVE ENVIRONMENT

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers operating through both store and e-commerce channels. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by the arrival over the past few years of a number of foreign-based competitors and additional foreign retailers continuing to expand into the Canadian marketplace. Additionally, Canadian women have a significant number of e-commerce shopping alternatives available to them on a global basis. The Company believes that it is well positioned to compete with any competitor. The Company operates multiple banners with product offerings that are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. Our stores, located throughout Canada, offer affordable fashions to consumers. The Company also offers an e-commerce alternative for shoppers through each of the banners' websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Company has invested significantly in its e-commerce websites and social media to drive consumers to the websites and believes that it is positioned well to compete in this environment.

SEASONALITY

The Company's business is seasonal and is also subject to a number of factors which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences.

DISTRIBUTION AND SUPPLY CHAIN

The Company depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. natural disaster, system failures, destruction or major damage by fire), could materially delay or impair its ability to replenish its stores on a timely basis causing a loss of sales, which could have a significant effect on the Company's results of operations.

INFORMATION TECHNOLOGY

The Company depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Company embarked on a major systems development project in 2010, which is in the final phases of completion. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2016. Any significant disruptions in the performance of distribution or any other systems could have a material adverse impact on the Company's operations and financial results.

GOVERNMENT LAWS AND REGULATION

The Company is structured in a manner that management considers to be most effective to conduct its business across Canada. The Company is therefore subject to all manner of material and adverse changes in government regulation that can take place in any one or more of these jurisdictions as they might impact income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including income, capital, property and other taxes, and laws affecting the importation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders in a timely manner could subject the Company to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could negatively affect the reputation, operations and financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

MERCHANDISE SOURCING

Virtually all of the Company's merchandise is private label. On an annual basis, the Company directly imports approximately 80% of its merchandise, largely from China. In the first quarter of fiscal 2015, no supplier represented more than 10% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and international) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address the environmental concerns of its customers. The Company has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Company requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Company's reputation, as they are independent third parties that the Company does not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company's financial results, by increasing costs and potentially causing delays in delivery.

PRIVACY AND INFORMATION SECURITY

The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and employees and has adopted a Privacy Policy setting out guidelines for the handling of personal information. The Company's IT systems contain personal information of customers, cardholders and employees. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations, including those in relation to personal information belonging to the Company's customers and employees, could negatively affect the reputation, operations and financial performance of the Company.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

There have been no significant changes in the Company's risk exposures during the three months ended May 3, 2014 from those described in the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at May 3, 2014 amounted to $408,737 or $6.33 per share (May 4, 2013 – $440,369 or $6.82 per share; February 1, 2014 – $423,431 or $6.56 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and cash equivalents and investments in marketable securities of $122,844 as at May 3, 2014 (May 4, 2013 – $139,228; February 1, 2014 – $177,417). Cash is conservatively invested mainly in short-term deposits with major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $125,000 or its U.S. dollar equivalent. As at May 3, 2014, $28,033 (May 4, 2013 – $33,447; February 1, 2014 – $30,270) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for U.S. dollar letters of credit to satisfy international third-party vendors which require such backing before confirming purchase orders issued by the Company and to support U.S. dollar foreign exchange forward contract purchases. The Company rarely uses such credit facilities for other purposes.

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at May 3, 2014, the maximum potential liability under these guarantees was $5,019 (May 4, 2013 – $5,009; February 1, 2014 – $5,019). The standby letters of credit mature at various dates during fiscal 2015. The Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for these items.

The Company is self-insured on a limited basis with respect to certain property risks and also purchases excess insurance coverage from financially stable third-party insurance companies. The Company maintains comprehensive internal security and loss prevention programs aimed at mitigating the financial impact of theft.

The Company continued repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $407 in the first quarter of fiscal 2015. The Company paid $0.05 dividends per share in the first quarter of fiscal 2015 totalling $3,229 compared to $0.20 dividends per share totalling $12,917 in the first quarter of fiscal 2014. With regard to dividend policy, the Board of Directors considers the Company's earnings per share, cash flow from operations, the level of planned capital expenditures and its cash and marketable securities. The targeted payout ratio is approximately 50% to 80% of sustainable earnings per share, 50% to 75% of cash flow from operations with consideration as to the ability to augment the dividend from the liquidity on the Company's balance sheet, if these targets are missed in a given year. The Board of Directors reviews these guidelines regularly.

In the first quarter of fiscal 2015, the Company invested $6,335, on a cash basis, primarily on new and renovated stores. The Company embarked on a major systems development project "SCORE" in 2010, which is in the final phases of completion. See additional details on the SCORE project in the "Balance Sheet" and "Information Technology" sections of this MD&A. In fiscal 2015, the Company expects to invest approximately $36,000 in capital expenditures. These expenditures, together with the payment of dividends, the repayments related to the Company's bank credit facility and long-term debt obligations, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

FINANCIAL COMMITMENTS

There have been no material changes in the Company's financial commitments that are outside of the ordinary course of the Company's business from those described in the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

OUTSTANDING SHARE DATA

At June 10, 2014, 13,440,000 Common shares and 51,146,506 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 1,920,000 share options outstanding at an average exercise price of $14.42. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

For the three months ended May 3, 2014, the Company did not purchase any shares under a normal course issuer bid approved in December 2013. For further information with respect to the normal course issuer bid refer to the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

DERIVATIVE FINANCIAL INSTRUMENTS

The Company in its normal course of business must make long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency option contracts with maturities not exceeding twelve months. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar. These option contracts will expire within the next twelve months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign currency option contracts outstanding as at May 3, 2014, May 4, 2013 and as at February 1, 2014 are included in the "Operating Results for the Three Months Ended May 3, 2014 and Comparison to Operating Results for the Three Months Ended May 4, 2013" section of this MD&A.

A foreign currency option contract represents an option (call option) or obligation (put option) to buy a foreign currency from a counterparty at a predetermined date and amount. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally Canadian chartered banks. The Company does not use derivative financial instruments for speculative purposes.

Included in the determination of the Company's net earnings for the three months ended May 3, 2014 was net foreign exchange gains of $3,155 (May 4, 2013 – gain of $1,359).

RELATED PARTY TRANSACTIONS

There have been no significant changes in related party transactions from those disclosed in the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

FINANCIAL INSTRUMENTS

The Company is highly liquid with significant cash and cash equivalents along with marketable securities. The Company uses its cash resources to fund ongoing store construction and renovations along with working capital needs. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, trade and other receivables and foreign currency option contracts. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments. Marketable securities consist primarily of preferred shares of Canadian public companies. The Company's investment portfolio is subject to stock market volatility.

The volatility of the U.S. dollar vis-à-vis the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, such as spot rate purchases and foreign exchange option contracts, this volatility can result in exposure to risk.

CRITICAL ACCOUNTING ESTIMATES

PENSION PLANS

The Company maintains a contributory, defined benefit plan and sponsors a SERP. The costs of the defined benefit plan and SERP are determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty. Based upon the most recently filed actuarial valuation report as at December 31, 2013, the defined benefit plan, despite being fully funded on a going concern basis, had a solvency deficiency of $142. The Company has funded the required amounts as at May 3, 2014. The SERP is an unfunded pay as you go plan.

GIFT CARDS / LOYALTY POINTS AND AWARDS

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns. Loyalty points and awards granted under customer loyalty programs are recognized as a separate component of revenue and are deferred at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

INVENTORY VALUATION

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. For this purpose, the Company has developed assumptions regarding the quantity of merchandise sold below cost. Given that inventory and cost of sales are significant components of the consolidated financial statements, any changes in assumptions and estimates could have a material impact on the Company's financial position and results of operations.

ASSET IMPAIRMENT

The Company must assess the possibility that the carrying amounts of tangible and intangible assets (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, except for goodwill and intangible assets with indefinite useful lives for which impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

NEW ACCOUNTING POLICIES ADOPTED IN THE FIRST QUARTER OF FISCAL 2015

IFRIC 21 – LEVIES

In May 2013, the IASB issued IFRIC Interpretation 21, *Levies*, which is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company implemented this standard retrospectively in the first quarter of the year ended January 31, 2015. There were no measurement impacts on the Company's unaudited condensed consolidated interim financial statements as a result of the adoption of IFRIC 21.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended May 3, 2014 and have not been applied in preparing the unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 9 – FINANCIAL INSTRUMENTS

On November 12, 2009, the IASB issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9") which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities and was initiated in response to the crisis in financial markets.

In November 2013, the IASB released IFRS 9, *Financial Instruments (2013)*, which introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a significant change in hedge accounting requirements. It increases the scope of hedged items eligible for hedge accounting and it enables entities to better reflect their risk management activities in their financial statements.

The IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018, but early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has designed disclosure controls and procedures to provide reasonable assurance that material information related to the Company is included in the annual and quarterly filings. In addition, the Company evaluated the effectiveness of the disclosure controls and procedures as of February 1, 2014 and concluded that these controls were effective.

The Company, under the supervision of the Chief Executive Officer and Chief Financial Officer, has designed internal controls over financial reporting, as defined by National Instrument 52-109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company evaluated the effectiveness of the internal controls over financial reporting as of February 1, 2014 and concluded that these controls were effective.

There have been no changes in the Company's internal controls over financial reporting during the three months ended May 3, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The retail environment remains challenging with consumer debt remaining high and heightened competitive pressure on retailers. Changes to the retail landscape in Canada are taking place with increased competition from both large and mid-size international rivals expanding into Canada, spurred by a relatively strong Canadian economy and low barriers to entry. The Company has invested considerably in its stores and head office systems while reducing capital expenditures and taking cost reduction and process improvement initiatives to improve results. In conjunction, the Company will leverage its technology with improved systems and processes as part of the SCORE project while continuing its process improvement initiatives.

The Company's Hong Kong office, with over 120 full-time employees, is dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners. A comprehensive review of the Company's global sourcing strategy and execution has been undertaken with a goal of reducing lead time for bringing products to market.

The Company has a strong balance sheet, with excellent liquidity and borrowing capacity providing the ability to act when opportunities present themselves in whatever format including merchandising, store acquisition/construction, system replacements/upgrading or expansion by acquisition. The Company believes in the strength of its employees and is committed to continue to invest in training for all levels.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

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

	FOR THE THREE MONTHS ENDED MAY 3, 2014	MAY 4, 2013
Sales	**$ 206,478**	$ 216,861
Cost of goods sold (note 6)	**83,733**	76,687
Gross profit	**122,745**	140,174
Selling and distribution expenses	**125,530**	131,971
Administrative expenses	**10,869**	12,276
Results from operating activities	**(13,654)**	(4,073)
Finance income (note 12)	**3,985**	2,361
Finance costs (note 12)	**7,171**	1,783
Loss before income taxes	**(16,840)**	(3,495)
Income tax recovery (note 11)	**3,425**	909
Net loss	**$ (13,415)**	$ (2,586)
Loss per share (note 13):		
Basic	**$ (0.21)**	$ (0.04)
Diluted	**(0.21)**	(0.04)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	FOR THE THREE MONTHS ENDED MAY 3, 2014	MAY 4, 2013
Net loss	**$ (13,415)**	$ (2,586)
Other comprehensive income		
Items that are or may be reclassified subsequently to net earnings:		
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $1; 2013 – $8) (note 12)	**9**	42
Net change in fair value of available-for-sale financial assets (net of tax of $312; 2013 – $101)	**2,041**	663
Foreign currency translation differences	**(173)**	–
Total other comprehensive income	**1,877**	705
Total comprehensive loss	**$ (11,538)**	$ (1,881)

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

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	MAY 3, 2014	MAY 4, 2013	FEBRUARY 1, 2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 4)	**$ 67,848**	$ 66,729	$ 122,355
Marketable securities	**54,996**	72,499	55,062
Trade and other receivables	**7,131**	5,194	6,422
Derivative financial asset (note 5)	**4,627**	903	11,775
Income taxes recoverable	**9,069**	10,174	5,656
Inventories (note 6)	**120,742**	112,253	109,601
Prepaid expenses	**25,762**	25,791	12,512
Total Current Assets	**290,175**	293,543	323,383
NON-CURRENT ASSETS			
Property and equipment	**170,445**	200,953	178,341
Intangible assets	**17,440**	18,892	17,211
Goodwill	**42,426**	42,426	42,426
Deferred income taxes	**30,471**	27,439	28,578
Total Non-Current Assets	**260,782**	289,710	266,556
Total Assets	**$ 550,957**	$ 583,253	$ 589,939
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables (note 7)	**$ 72,590**	$ 75,158	$ 90,734
Derivative financial liability (note 5)	**2,946**	2,220	3,065
Deferred revenue (note 8)	**15,527**	11,126	19,998
Current portion of long-term debt	**1,698**	1,595	1,672
Total Current Liabilities	**92,761**	90,099	115,469
NON-CURRENT LIABILITIES			
Other payables (note 7)	**11,323**	11,415	11,842
Deferred lease credits	**14,774**	16,797	15,607
Long-term debt	**4,898**	6,596	5,331
Pension liability	**18,464**	17,977	18,259
Total Non-Current Liabilities	**49,459**	52,785	51,039
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**39,227**	39,227	39,227
Contributed surplus	**7,261**	6,795	7,188
Retained earnings	**353,016**	384,977	369,660
Accumulated other comprehensive income (note 9)	**9,233**	9,370	7,356
Total Shareholders' Equity	**408,737**	440,369	423,431
Total Liabilities and Shareholders' Equity	**$ 550,957**	$ 583,253	$ 589,939

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	NOTE	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance as at February 2, 2014		**$ 39,227**	**$ 7,188**	**$ 369,660**	**$ 7,356**	**$ 423,431**
Total comprehensive loss for the period						
Net loss				**(13,415)**		**(13,415)**
Total other comprehensive income					**1,877**	**1,877**
Total comprehensive loss for the period		**–**	**–**	**(13,415)**	**1,877**	**(11,538)**
Contributions by (distributions to) owners of the Company						
Share-based compensation costs	10		**73**			**73**
Dividends	9			**(3,229)**		**(3,229)**
Total contributions by (distributions to) owners of the Company		**–**	**73**	**(3,229)**	**–**	**(3,156)**
Balance as at May 3, 2014		**$ 39,227**	**$ 7,261**	**$ 353,016**	**$ 9,233**	**$ 408,737**
Balance as at February 3, 2013		$ 39,227	$ 6,521	$ 400,480	$ 8,665	$ 454,893
Total comprehensive loss for the period						
Net loss				(2,586)		(2,586)
Total other comprehensive income					705	705
Total comprehensive loss for the period		–	–	(2,586)	705	(1,881)
Contributions by (distributions to) owners of the Company						
Share-based compensation costs	10		274			274
Dividends	9			(12,917)		(12,917)
Total contributions by (distributions to) owners of the Company		–	274	(12,917)	–	(12,643)
Balance as at May 4, 2013		$ 39,227	$ 6,795	$ 384,977	$ 9,370	$ 440,369

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)
(IN THOUSANDS OF CANADIAN DOLLARS)

	FOR THE THREE MONTHS ENDED MAY 3, 2014	MAY 4, 2013
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	**$ (13,415)**	$ (2,586)
Adjustments for:		
Depreciation, amortization and net impairment losses	**13,467**	14,996
Share-based compensation costs	**73**	274
Amortization of deferred lease credits	**(1,029)**	(1,176)
Deferred lease credits	**196**	1,168
Pension contribution	**(287)**	(32)
Pension expense	**492**	450
Realized loss on sale of marketable securities	**24**	–
Impairment loss on available-for-sale financial assets	**10**	50
Net change in fair value of derivatives	**7,029**	1,599
Foreign exchange (gain) loss on cash and cash equivalents	**(680)**	41
Interest and dividend income, net	**(698)**	(868)
Interest paid	**(108)**	(134)
Interest received	**198**	138
Dividends received	**810**	867
Income tax recovery	**(3,425)**	(909)
	2,657	13,878
Changes in:		
Trade and other receivables	**(916)**	(1,598)
Inventories	**(11,141)**	(18,936)
Prepaid expenses	**(13,250)**	153
Trade and other payables	**(18,128)**	5,987
Deferred revenue	**(4,471)**	(5,171)
Cash used in operating activities	**(45,249)**	(5,687)
Income taxes received	**–**	647
Income taxes paid	**(2,195)**	(2,306)
Net cash flows used in operating activities	**(47,444)**	(7,346)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of marketable securities	**(105)**	(105)
Proceeds on sale of marketable securities	**2,500**	–
Proceeds on sale of trademarks	**29**	–
Additions to property and equipment and intangible assets	**(6,335)**	(10,106)
Cash flows used in investing activities	**(3,911)**	(10,211)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	**(3,229)**	(12,917)
Repayment of long-term debt	**(407)**	(382)
Cash flows used in financing activities	**(3,636)**	(13,299)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY	**484**	(41)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(54,507)**	(30,897)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**122,355**	97,626
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 67,848**	$ 66,729

Supplementary cash flow information (note 14)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

1 REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 3300 Highway #7 West, Suite 702, Vaughan, Ontario L4K 4M3. The principal business activity of the Company is the sale of women's wear at retail.

2 BASIS OF PRESENTATION

A) STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements except where noted below. These unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with IAS 34, Interim Financial Reporting. Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended February 1, 2014. Certain comparative figures have been reclassified to conform to the current year's presentation.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 10, 2014.

B) BASIS OF MEASUREMENT

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

- available-for-sale financial assets are measured at fair value through other comprehensive income;
- the pension liability is recognized as the present value of the defined benefit obligation less the total of the fair value of the plan assets; and
- derivative financial instruments are measured at fair value.

C) SEASONALITY OF INTERIM OPERATIONS

The retail business is seasonable and the results of operations for any interim period are not necessarily indicative of the results of operation for the full fiscal year or any future period.

D) FUNCTIONAL AND PRESENTATION CURRENCY

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

E) ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the unaudited condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied and described in the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended February 1, 2014 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except as noted below:

A) ADOPTION OF NEW ACCOUNTING POLICIES

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC Interpretation 21, *Levies*, which is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company implemented this standard retrospectively in the first quarter of the year ended January 31, 2015. There were no measurement impacts on the Company's unaudited condensed consolidated interim financial statements as a result of the adoption of IFRIC 21.

B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended May 3, 2014 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 9 – Financial Instruments

On November 12, 2009, the IASB issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9") which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities and was initiated in response to the crisis in financial markets.

In November 2013, the IASB released IFRS 9, *Financial Instruments (2013)*, which introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a significant change in hedge accounting requirements. It increases the scope of hedged items eligible for hedge accounting and it enables entities to better reflect their risk management activities in their financial statements.

The IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018, but early adoption is permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

4 CASH AND CASH EQUIVALENTS

	MAY 3, 2014	MAY 4, 2013	FEBRUARY 1, 2014
Cash on hand and with banks	**$ 16,694**	$ 13,066	$ 19,224
Short-term deposits, bearing interest at 0.9% (May 4, 2013 – 0.6%; February 1, 2014 – 0.9%)	**51,154**	53,663	103,131
	$ 67,848	$ 66,729	$ 122,355

5 FINANCIAL INSTRUMENTS

ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. The Company has determined that the fair value of its current financial assets and liabilities (other than those included below) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

	MAY 3, 2014						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	**$ 4,627**	**$ –**	**$ –**	**$ 4,627**	**$ –**	**$ 4,627**	**$ 4,627**
Marketable securities	**$ –**	**$ 54,996**	**$ –**	**$ 54,996**	**$ 54,996**	**$ –**	**$ 54,996**
Financial liabilities measured at fair value							
Derivative financial liability	**$ (2,946)**	**$ –**	**$ –**	**$ (2,946)**	**$ –**	**$ (2,946)**	**$ (2,946)**
Financial liabilities not measured at fair value							
Long-term debt	**$ –**	**$ –**	**$ (6,596)**	**$ (6,596)**	**$ –**	**$ (7,002)**	**$ (7,002)**

	MAY 4, 2013						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	$ 903	$ –	$ –	$ 903	$ –	$ 903	$ 903
Marketable securities	$ –	$ 72,499	$ –	$ 72,499	$ 72,499	$ –	$ 72,499
Financial liabilities measured at fair value							
Derivative financial liability	$ (2,220)	$ –	$ –	$ (2,220)	$ –	$ (2,220)	$ (2,220)
Financial liabilities not measured at fair value							
Long-term debt	$ –	$ –	$ (8,191)	$ (8,191)	$ –	$ (8,768)	$ (8,768)

	FEBRUARY 1, 2014													
	CARRYING AMOUNT								FAIR VALUE					
		FAIR VALUE THROUGH PROFIT OR LOSS		AVAILABLE-FOR-SALE		OTHER FINANCIAL LIABILITIES		TOTAL		LEVEL 1		LEVEL 2		TOTAL
Financial assets measured at fair value														
Derivative financial asset	$	11,775	$	–	$	–	$	11,775	$	–	$	11,775	$	11,775
Marketable securities	$	–	$	55,062	$	–	$	55,062	$	55,062	$	–	$	55,062
Financial liabilities measured at fair value														
Derivative financial liability	$	(3,065)	$	–	$	–	$	(3,065)	$	–	$	(3,065)	$	(3,065)
Financial liabilities not measured at fair value														
Long-term debt	$	–	$	–	$	(7,003)	$	(7,003)	$	–	$	(7,462)	$	(7,462)

There were no transfers between levels of the fair value hierarchy for the periods ended May 3, 2014, May 4, 2013 and February 1, 2014.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar. These option contracts extend over a period of twelve months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign currency option contracts outstanding for each of the periods listed are as follows:

MAY 3, 2014		AVERAGE STRIKE PRICE		NOTIONAL AMOUNT IN U.S. DOLLARS		DERIVATIVE FINANCIAL ASSET		DERIVATIVE FINANCIAL LIABILITY		NET
Call options purchased	**$**	**1.09**	**$**	**166,000**	**$**	**4,627**	**$**	**–**	**$**	**4,627**
Put options sold	**$**	**1.09**	**$**	**282,000**		**–**		**(2,946)**		**(2,946)**
					$	**4,627**	**$**	**(2,946)**	**$**	**1,681**

MAY 4, 2013		AVERAGE STRIKE PRICE		NOTIONAL AMOUNT IN U.S. DOLLARS		DERIVATIVE FINANCIAL ASSET		DERIVATIVE FINANCIAL LIABILITY		NET
Call options purchased	$	1.01	$	72,000	$	903	$	–	$	903
Put options sold	$	1.01	$	144,000		–		(2,220)		(2,220)
					$	903	$	(2,220)	$	(1,317)

FEBRUARY 1, 2014		AVERAGE STRIKE PRICE		NOTIONAL AMOUNT IN U.S. DOLLARS		DERIVATIVE FINANCIAL ASSET		DERIVATIVE FINANCIAL LIABILITY		NET
Call options purchased	$	1.07	$	212,000	$	11,775	$	–	$	11,775
Put options sold	$	1.07	$	364,000		–		(3,065)		(3,065)
					$	11,775	$	(3,065)	$	8,710

6 INVENTORIES

During the three months ended May 3, 2014, inventories recognized as cost of goods sold amounted to $81,272 (May 4, 2013 – $75,073). In addition, $2,461 (May 4, 2013 – $1,614) of write-downs of inventories as a result of net realizable value being lower than cost were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed. Included in inventories is an amount of $20,053 (May 4, 2013 – $14,534; February 1, 2014 – $30,524) representing goods in transit.

7 TRADE AND OTHER PAYABLES

	MAY 3, 2014	MAY 4, 2013	FEBRUARY 1, 2014
Trade payables	**$ 40,400**	$ 41,813	$ 49,593
Non-trade payables due to related parties	**55**	55	55
Other non-trade payables	**8,138**	9,749	10,878
Personnel liabilities	**19,176**	19,939	25,566
Payables relating to premises	**14,874**	13,432	15,777
Provision for sales returns	**1,270**	1,585	707
	83,913	86,573	102,576
Less non-current portion	**11,323**	11,415	11,842
	$ 72,590	$ 75,158	$ 90,734

The non-current portion of trade and other payables, which is included in payables relating to premises, represents the portion of deferred rent to be amortized and other payables beyond the next twelve months.

8 DEFERRED REVENUE

	MAY 3, 2014	MAY 4, 2013	FEBRUARY 1, 2014
Loyalty points and awards granted under loyalty programs	**$ 6,795**	$ 4,444	$ 7,198
Unredeemed gift cards	**8,732**	6,682	12,800
	$ 15,527	$ 11,126	$ 19,998

9 SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	FOR THE THREE MONTHS ENDED			
	MAY 3, 2014		MAY 4, 2013	
	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	**51,146**	**38,745**	51,146	38,745
Total share capital	**64,586**	**$ 39,227**	64,586	$ 39,227

AUTHORIZED SHARE CAPITAL

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

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

ISSUANCE OF CLASS A NON-VOTING SHARES

During the three months ended May 3, 2014, there were no Class A non-voting shares issued as a result of the exercise of vested options arising from the Company's share option program (May 4, 2013 – nil).

PURCHASE OF SHARES FOR CANCELLATION

The Company did not purchase any shares under a normal course issuer bid approved in December 2013 in the three months ended May 3, 2014. For further information with respect to the normal course issuer bid refer to the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")

AOCI is comprised of the following:

	MAY 3, 2014	MAY 4, 2013	FEBRUARY 1, 2014
Net change in fair value of available-for-sale financial assets, net of taxes	**$ 9,377**	$ 9,370	$ 7,327
Foreign currency translations differences	**(144)**	–	29
	$ 9,233	$ 9,370	$ 7,356

DIVIDENDS

The following dividends were declared and paid by the Company:

	FOR THE THREE MONTHS ENDED MAY 3, 2014	MAY 4, 2013
Common shares and Class A non-voting shares	**$ 3,229**	$ 12,917
Dividends per share	**$ 0.05**	$ 0.20

10 SHARE-BASED PAYMENTS

A) DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

The Company has a share option plan that provides that up to 10% of the Class A non-voting shares outstanding, from time to time, may be issued pursuant to the exercise of options granted under the plan to key management and employees. The granting of options and the related vesting period, which is normally up to 5 years, are at the discretion of the Board of Directors and the options have a maximum term of 10 years. The exercise price payable for each Class A non-voting share covered by a share option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's shares on the trading day immediately preceding the effective date of the grant.

B) DISCLOSURE OF EQUITY-SETTLED SHARE OPTION PLAN

Changes in outstanding share options were as follows:

	FOR THE THREE MONTHS ENDED MAY 3, 2014		FOR THE THREE MONTHS ENDED MAY 4, 2013	
	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, at beginning of period	**2,090**	**$ 14.43**	2,420	$ 14.53
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Forfeited	**(126)**	**14.50**	(50)	15.00
Expired	**–**	**–**	–	–
Outstanding, at end of period	**1,964**	**$ 14.42**	2,370	$ 14.52
Options exercisable, at end of period	**1,154**	**$ 14.53**	964	$ 14.78

There were no share options exercised during the three months ended May 3, 2014 and May 4, 2013.

C) EMPLOYEE EXPENSE

For the three months ended May 3, 2014, the Company recognized compensation costs of $73 relating to share-based payment arrangements ($274 for the three months ended May 4, 2013), with a corresponding credit to contributed surplus.

11 INCOME TAX

INCOME TAX RECOVERY

The Company's income tax recovery is comprised as follows:

	FOR THE THREE MONTHS ENDED MAY 3, 2014	FOR THE THREE MONTHS ENDED MAY 4, 2013
Current tax (recovery) expense		
Current period	**$ (1,192)**	$ 191
Adjustment in respect of prior periods	**(26)**	3
Current tax (recovery) expense	**(1,218)**	194
Deferred tax recovery	**(2,207)**	(1,103)
Total income tax recovery	**$ (3,425)**	$ (909)
Effective income tax rate	**20.3%**	26.0%

12 FINANCE INCOME AND FINANCE COSTS

RECOGNIZED IN NET EARNINGS

	FOR THE THREE MONTHS ENDED MAY 3, 2014	MAY 4, 2013
Dividend income from available-for-sale financial assets	**$ 667**	$ 868
Interest income from loans and receivables	**163**	134
Foreign exchange gain	**3,155**	1,359
Finance income	**3,985**	2,361
Interest expense – mortgage	**108**	134
Net change in fair value of derivative	**7,029**	1,599
Impairment loss on available-for-sale financial assets	**10**	50
Realized loss on disposal of available-for-sale financial assets	**24**	–
Finance costs	**7,171**	1,783
Net finance (loss) income recognized in net earnings	**$ (3,186)**	$ 578

13 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on a net loss for the three months ended May 3, 2014 of $13,415 (net loss of $2,586 for the three months ended May 4, 2013).

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

	FOR THE THREE MONTHS ENDED MAY 3, 2014	MAY 4, 2013
Weighted average number of shares per basic earnings per share calculations	**64,586**	64,586
Weighted average number of shares per diluted earnings per share calculations	**64,586**	64,586

As at May 3, 2014, a total of 1,963,750 (May 4, 2013 – 2,370,000) share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive, because the exercise prices were greater than the average market price of the shares during the period.

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

14 SUPPLEMENTARY CASH FLOW INFORMATION

	MAY 3, 2014	MAY 4, 2013	FEBRUARY 1, 2014
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,057**	$ 1,707	$ 1,592

15 FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the three months ended May 3, 2014 from those described in the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

862 STORES

345

REITMANS offers a unique combination of superior fit, fashion, quality and value. With 345 stores across Canada averaging 4,600 sq. ft., Reitmans is the preferred destination for women looking to update their wardrobe with the latest styles and colours for an affordable price. While Reitmans enjoys a strong reputation for service and benefits from a broad and loyal customer base, we will continue to strive to create an engaging customer experience by being there for her whenever she chooses to shop. Reitmans' fashions can also be purchased online at reitmans.com.

146

Canadian leader of the plus-size apparel market, PENNINGTONS consistently offers unparalleled value to our customers by providing fit expertise, quality and a unique inspiring shopping experience. Penningtons is the "art of affordable fashion"! The plus-size fashion destination for sizes 14–32, Penningtons operates 146 stores across Canada averaging 6,000 sq. ft. and is available 24 hours/day at penningtons.com. From head-to-toe, our customers will find the best fitted clothing from intimate apparel, basic to fashion denim, work to weekend outfits, footwear and activewear.

102

ADDITION ELLE is Canada's leading fashion destination for plus-size women. Addition Elle's vision of offering "Fashion Democracy" delivers the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. From casual daywear to amazing dresses, contemporary career, sexy intimates, accessories, footwear, high performance activewear and the largest assortment of premium denim labels – it's all here. Addition Elle's fashion for plus-size women comprises a phenomenal range of fashions for all – always with a focus on fashion, quality and fit. Addition Elle operates 102 stores averaging 6,000 sq. ft. in major malls and power centres nationwide and an e-commerce site at additionelle.com.

77

RW & CO. is an aspirational lifestyle brand which caters to men and women with an urban mindset. Whether for work or for weekend, RW & CO. offers fashion that blends the latest trends with style, quality and a unique attention to detail. RW & CO. operates 77 stores averaging 4,500 sq. ft. in premium locations in major shopping malls across Canada, as well as an e-commerce site at rw-co.com.

68

THYME MATERNITY, Canada's leading fashion brand for modern moms-to-be, offers current styles for every aspect of life, from casual to work, including a complete line of nursing fashion and accessories. Thyme brings future moms valuable advice, fashion tips and product knowledge to help them on their incredible journey during and after pregnancy. Thyme operates 68 stores averaging 2,300 sq. ft. in major malls and power centres nationwide, as well as 23 Thyme shop-in-shops in select Babies"R"Us locations in Canada. Thyme Maternity fashions can also be purchased online at thymematernity.com.

124

With 124 stores, averaging 3,400 sq. ft., SMART SET is a style destination where young women come together to inspire and be inspired. From wear-to-work separates, denim, essentials and accessories, Smart Set offers the latest styles in women's fashions to mix, match and innovate. Smart Set fashions can also be purchased online at smartset.ca.

STORES ACROSS CANADA

REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	SMART SET	TOTAL STORES	
14	3	2	1	–	3	23	NEWFOUNDLAND
3	1	–	–	–	3	7	PRINCE EDWARD ISLAND
19	6	2	2	1	3	33	NOVA SCOTIA
13	5	3	3	1	4	29	NEW BRUNSWICK
82	28	28	18	21	40	217	QUÉBEC
111	52	38	29	25	40	295	ONTARIO
12	5	3	2	2	4	28	MANITOBA
11	6	3	2	2	3	27	SASKATCHEWAN
41	21	16	10	10	14	112	ALBERTA
37	19	7	10	6	10	89	BRITISH COLUMBIA
1	–	–	–	–	–	1	NORTHWEST TERRITORIES
1	–	–	–	–	–	1	YUKON
345	146	102	77	68	124	**862**	

CORPORATE INFORMATION

REITMANS (CANADA) LIMITED

ADMINISTRATION OFFICE

250 Sauvé Street West
Montreal, Québec H3L 1Z2

Telephone:	(514) 384-1140
Fax:	(514) 385-2669
E-mail:	info@reitmans.com
Corporate Website:	reitmans.ca

REGISTERED OFFICE

3300 Highway #7 West, Suite 702
Vaughan, Ontario L4K 4M3

Telephone:	(905) 761-2830
Fax:	(905) 761-8922

TRANSFER AGENT AND REGISTRAR

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

STOCK SYMBOLS

THE TORONTO STOCK EXCHANGE

Common	RET
Class A non-voting	RET.A

Une version française de ce rapport peut être obtenue en écrivant au secrétaire de Reitmans (Canada) Limitée, 250, rue Sauvé ouest, Montréal, Québec H3L 1Z2

REITMANS PENNINGTONS ADDITION ELLE RW & CO. THYME SMART SET

DESIGN AND PRODUCTION:
COMMUNICATIONS MARILYN GELFAND INC.