Reitmans
(CANADA) LIMITED

Interim Report

For the nine months ended October 27, 2012

To Our Shareholders

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.

Results for the third quarter and nine months ended October 27, 2012 were adversely impacted by a disruption in the flow of inventory to stores. In June 2012 the Company installed a new warehouse management system. Issues associated with the system resulted in a disruption in the flow of inventory to stores in the third quarter ending October 27, 2012. This resulted in an estimated loss of sales between $7,000,000 and $15,000,000 and a corresponding decline in gross margin and adjusted EBITDA[1] for both the three and nine months ended October 27, 2012.

Sales for the nine months ended October 27, 2012 decreased 3.5% to $732,854,000 as compared with $759,443,000 for the nine months ended October 29, 2011. Same store sales[1] decreased 2.2%. The decrease in sales was due to a reduced number of stores, continued lower store traffic in a challenging retail environment and a disruption in the flow of inventory to stores. The Company's gross margin decreased to 64.1% from 65.7%. Net earnings decreased 35.4% to $27,699,000 or $0.42 diluted earnings per share as compared with $42,865,000 or $0.65 diluted earnings per share. Adjusted EBITDA[1] decreased 25.7% to $77,811,000 as compared with $104,767,000. The disruption in the flow of inventory to stores contributed to the significant drop in earnings for the year to date fiscal 2013.

Sales for the third quarter ended October 27, 2012 decreased 7.0% to $236,247,000 as compared with $254,072,000 for the third quarter ended October 29, 2011. Same store sales[1] decreased 4.0%. The Company's gross margin decreased to 63.0% from 65.8%. The Company recorded net earnings of $38,000 ($0.00 diluted earnings per share) as compared with $10,561,000 ($0.16 diluted earnings per share). Adjusted EBITDA[1] decreased by 55.8% to $14,091,000 as compared with $31,845,000.

During the third quarter, the Company opened 18 new stores, comprised of 5 Reitmans, 4 RW & CO., 2 Thyme Maternity, 4 Penningtons and 3 Addition Elle. Thirteen stores were closed, comprised of 4 Reitmans, 2 Smart Set, 2 Thyme Maternity, 3 Penningtons and 2 Addition Elle. At October 27, 2012, there were 923 stores in operation, consisting of 361 Reitmans, 150 Smart Set, 72 RW & CO., 74 Thyme Maternity, 155 Penningtons and 111 Addition Elle, as compared with a total of 975 stores as at October 29, 2011. In addition, there were 18 Thyme Maternity boutiques ("shop-in-shop") in select Babies"R"Us locations in Canada.

In June 2012, the Company announced a partnership with Babies"R"Us to sell Thyme Maternity apparel and accessories in the United States. As of this date, Thyme Maternity products are available in the United States in 135 Babies"R"Us stores with additional locations to launch in the coming months.

Sales for the month of November (the four weeks ended November 24, 2012) decreased 4.4% with same store sales[1] decreasing 1.2%.

The Company continues to address the issues related to the warehouse management system in order to improve the flow of goods to the stores and optimize system performance. The Company believes that all system implementation issues have been identified and are being addressed. Although progress has been made in addressing the issues that occurred as a result of the implementation of the new warehouse management system, the Company anticipates that an impact on sales may continue in the fourth quarter ending February 2, 2013.

At the Board of Directors meeting held on November 28, 2012, a quarterly cash dividend (constituting eligible dividends) of $0.20 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable January 31, 2013 to shareholders of record on January 17, 2013.

As previously announced, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid, under which the Company may purchase up to 2,557,275 Class A non-voting shares, representing 5% of the issued and outstanding Class A non-voting shares as at November 15, 2012. The bid commenced on November 28, 2012 and may continue to November 27, 2013.

We are pleased to advise that David J. Kassie and Daniel Rabinowicz have been appointed to the Board of Directors, replacing Jonathan Birks and Max Konigsberg who have retired from the Board. David Kassie is Group Chairman of Canaccord Financial (which owns Canaccord Genuity). David was formerly Principal, Chairman and CEO of Genuity Capital Markets. He is also the former Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC. Daniel Rabinowicz is the former President of TAXI Advertising in Montreal and New York. Previously, he taught marketing communications strategy at HEC Montréal and was President of Cossette Communications Group in Montreal and Toronto.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, November 28, 2012

Highlights

Sales $732,854,000	-3.5 %
Adjusted EBITDA[1] $77,811,000	-25.7 %
Pre-tax earnings $36,585,000	-38.2 %
Net earnings $27,699,000	-35.4 %
Earnings per share[2] $0.42	-35.4 %
Cash and investments $179,889,000	-21.5 %
Stores 923	-5.3 %

[1] These highlights include a reference to adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA is defined as earnings before income taxes, dividend income, interest income, realized gains or losses on disposal of available-for-sale financial assets, impairment losses on available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses related to property and equipment. The Company also discloses same store sales, which are defined as sales generated by stores that have been open for at least one year. The Company believes these measures provide meaningful information on the Company's performance and operating results. However, readers should know that such non-GAAP financial measures have no standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

[2] Earnings per share on a fully diluted basis.

MD&A

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three and nine months ended October 27, 2012

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 periods ended October 27, 2012 and the audited annual financial statements for the fiscal year ended January 28, 2012 and the notes thereto which are available at www.sedar.com. This MD&A is dated November 28, 2012.

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") as issued by the International Accounting Standards Board ("IASB"). All amounts in this report are in Canadian dollars, unless otherwise noted. 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 November 28, 2012.

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. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements. The reader should not place undue reliance on the 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 EBITDA as a supplementary earnings measure, which is defined as earnings (loss) before income taxes, dividend income, interest income, realized gains or losses on disposal of available-for-sale financial assets, impairment losses on available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses related to property and equipment. The Company also discloses same store sales, which are defined as sales generated by stores that have been open for at least one year. The Company believes these measures provide meaningful information on the Company's performance and operating results. However, readers should know that these non-GAAP financial measures have no standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

The following table reconciles adjusted EBITDA to earnings (loss) before income taxes for the three and nine months ended October 27, 2012 and October 29, 2011:

(unaudited)	For the three months ended October 27, 2012	For the three months ended October 29, 2011	For the nine months ended October 27, 2012	For the nine months ended October 29, 2011
Earnings (loss) before income taxes	**$ (103,000)**	$ 14,456,000	**$ 36,585,000**	$ 59,172,000
Dividend income	**(874,000)**	(850,000)	**(2,615,000)**	(2,598,000)
Interest income	**(198,000)**	(336,000)	**(859,000)**	(948,000)
Impairment losses on available-for-sale financial assets	**–**	73,000	**106,000**	73,000
Interest expense	**145,000**	168,000	**453,000**	520,000
Depreciation, amortization and net impairment losses	**15,121,000**	18,334,000	**44,141,000**	48,548,000
Adjusted EBITDA	**$ 14,091,000**	$ 31,845,000	**$ 77,811,000**	$ 104,767,000

CORPORATE OVERVIEW

Reitmans is a Canadian ladies' wear specialty apparel retailer. The Company has six banners: Reitmans, Smart Set, RW&CO., Thyme Maternity, Penningtons and Addition Elle. Each banner is focused on a particular niche in the retail marketplace with a distinct marketing program as well as a unique website thereby allowing the Company to continue to enhance its brands and strengthen customer loyalty. The Company has several competitors in each niche, including local, regional and national chains of specialty stores and department stores, as well as foreign-based competitors. The Company's stores are located in malls, retail power centres, strip plazas and on major shopping streets across Canada. The Company continues to enhance all areas of its business by investing in stores, technology and people. The Company continues to offer Canadian consumers affordable fashions and accessories at the best value reflecting price and quality.

The Company offers e-commerce website shopping for the Reitmans banner and its plus-size banners (Penningtons and Addition Elle) and is continuing to develop the infrastructure required to launch e-commerce for the other 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 18 Thyme Maternity boutiques ("shop-in-shop") in select Babies"R"Us locations in Canada and access to e-commerce website shopping through the Babies"R"Us Canadian website. In June 2012, the Company announced a partnership with Babies"R"Us to sell Thyme Maternity apparel and accessories in the United States. As of November 28, 2012, Thyme Maternity products are available in the United States in 135 Babies"R"Us stores with additional locations to launch in the coming months and online now. These new retail channels offer Thyme Maternity customers an easy and convenient offering along with the opportunity to access Thyme Maternity merchandise via the Internet.

RETAIL BANNERS

	Number of stores at January 28, 2012	Q1 Openings	Q1 Closings	Q2 Openings	Q2 Closings	Q3 Openings	Q3 Closings	Number of stores at October 27, 2012	Number of stores at October 29, 2011
Reitmans	362	4	2	1	5	5	4	361	366
Smart Set	150	4	1	–	1	–	2	150	158
RW&CO.	66	1	1	2	–	4	–	72	68
Thyme Maternity[1]	76	1	3	–	–	2	2	74	77
Penningtons	152	5	3	5	5	4	3	155	158
Addition Elle	116	1	3	3	7	3	2	111	123
Cassis	20	–	20	–	–	–	–	–	25
Total	**942**	**16**	**33**	**11**	**18**	**18**	**13**	**923**	**975**

[1] Excludes 18 boutiques in Babies"R"Us shop-in-shop locations

Thyme Maternity shop-in-shop locations:

Babies"R"Us - Canada	**10**	**1**	**–**	**7**	**–**	**–**	**–**	**18**	**10**

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.

In June 2012 the Company installed a new warehouse management system. As previously announced on August 15, 2012, complications associated with the system resulted in a disruption in the flow of inventory to stores in the third quarter of fiscal 2013. This resulted in an estimated loss of sales between $7,000,000 and $15,000,000 and a corresponding decline in gross margin and adjusted EBITDA for both the three and nine months ended October 27, 2012. The Company continues to address the issues related to the warehouse management system in order to improve the flow of goods to the stores and optimize system performance. The Company believes that all system implementation issues have been identified and are being addressed. Although progress has been made in addressing the issues that occurred as a result of the implementation of the new warehouse management system, the Company anticipates that the impact on sales will continue in the fourth quarter ending February 2, 2013.

OPERATING RESULTS FOR THE THREE MONTHS ENDED OCTOBER 27, 2012 ("THIRD QUARTER OF FISCAL 2013") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED OCTOBER 29, 2011 ("THIRD QUARTER OF FISCAL 2012")

Sales for the third quarter of fiscal 2013 decreased 7.0% to $236,247,000 as compared with $254,072,000 for the third quarter of fiscal 2012. Same store sales decreased by 4.0%. The third quarter ended October 27, 2012 sales were impacted by a difficult retail environment and a disruption in the planned flow of inventory to stores as described above.

Gross profit and adjusted EBITDA were negatively impacted by the disruption in the flow of goods in the third quarter of fiscal 2013. Gross profit for the third quarter of fiscal 2013 decreased 10.9% to $148,830,000 as compared with $167,090,000 for the third quarter of fiscal 2012. The Company's gross margin for the third quarter of fiscal 2013 decreased to 63.0% from 65.8% for the third quarter of fiscal 2012. In the third quarter of fiscal 2013, adjusted EBITDA decreased by $17,754,000 or 55.8% to $14,091,000 as compared with $31,845,000 for the third quarter of fiscal 2012. A combination of the disruption of flow of goods and the impact of the fluctuation in the US dollar contributed to these declines.

Selling and distribution expenses for the third quarter of fiscal 2013 decreased 4.1% or $5,849,000 to $138,276,000 as compared with $144,125,000 for the third quarter of fiscal 2012. The closure of the Cassis banner contributed to a reduction in selling and distribution expenses for the third quarter of fiscal 2013.

Administrative expenses for the third quarter of fiscal 2013 decreased 7.4% or $909,000 to $11,447,000 as compared with $12,356,000 for the third quarter of fiscal 2012. The Company has an employee performance incentive plan that is based on operating performance targets and the related expense is recorded in relation to the attainment of such targets. The decrease in administrative expenses was mainly due to a reduction in the employee performance incentive plan expense for the third quarter of fiscal 2013, offset by increased employee expenses for certain head office functions.

Depreciation and amortization expense, which is included in selling and distribution expenses and administrative expenses, for the third quarter of fiscal 2013 was $15,121,000 compared to $18,334,000 for the third quarter of fiscal 2012. Included in the third quarter of fiscal 2013 was $301,000 ($197,000 in the third quarter of fiscal 2012) of write-offs for closed and renovated stores and impairment losses related to property and equipment, net of reversals, of $389,000 ($4,000,000 in the third quarter of fiscal 2012 primarily related to the closure of the Cassis banner).

Finance income for the third quarter of fiscal 2013 was $1,464,000 as compared to $4,088,000 for the third quarter of fiscal 2012. The decrease is mainly attributable to a $2,902,000 foreign exchange gain recognized in the third quarter of fiscal 2012. Dividend income for the third quarter of fiscal 2013 was $874,000 comparable with $850,000 for the third quarter of fiscal 2012. Interest income for the third quarter of fiscal 2013 was $198,000 comparable with $336,000 for the third quarter of fiscal 2012. The Company has recorded income of $392,000 for the third quarter of fiscal 2013 (nil in the third quarter of fiscal 2012) to recognize the net change in the fair value of a series of US dollar option contracts which were entered into to purchase call options and sell put options.

Finance costs for the third quarter of fiscal 2013 were $674,000 as compared to $241,000 for the third quarter of fiscal 2012. Included in the third quarter of fiscal 2013 was interest on long-term debt of $145,000 compared to $168,000 for the third quarter of fiscal 2012. This decrease is primarily attributable to the continued repayment of the mortgage on the Company's distribution centre. Included in the third quarter of fiscal 2013 was a foreign exchange loss of $529,000 ($2,902,000 gain in the third quarter of fiscal 2012) largely attributable to the impact of the fluctuation of the US dollar vis-à-vis the Canadian dollar on US currency held by the Company.

Income taxes for the third quarter of fiscal 2013 amounted to a recovery of $141,000, mainly due to tax exempt investment income received during the quarter. In the third quarter of fiscal 2012 income tax expense amounted to $3,895,000. The Company's effective tax rates reflect the impact of a reduction in substantively enacted tax rates in various tax jurisdictions in Canada.

The Company recorded net earnings for the third quarter of fiscal 2013 of $38,000 ($0.00 diluted earnings per share) as compared with $10,561,000 ($0.16 diluted earnings per share) for the third quarter of fiscal 2012. The disruption in the flow of inventory to stores contributed to the significant drop in earnings for the third quarter of fiscal 2013.

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending eight months. In the third quarter of fiscal 2013, these merchandise purchases, payable in US dollars, approximated $75,000,000 US. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding six months. In the third quarter of fiscal 2013, the Company satisfied its US 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 US dollar. Purchased call options and sold put options expiring on the same date have the same strike price.

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.

	Sales	Net Earnings (Loss)	Earnings per Share Basic	Earnings per Share Diluted
October 27, 2012	$ 236,247,000	$ 38,000	$ 0.00	$ 0.00
July 28, 2012	279,513,000	27,714,000	0.42	0.42
April 28, 2012	217,094,000	(53,000)	0.00	0.00
January 28, 2012	259,954,000	4,674,000	0.07	0.07
October 29, 2011	254,072,000	10,561,000	0.16	0.16
July 30, 2011	286,075,000	31,680,000	0.48	0.48
April 30, 2011	219,296,000	624,000	0.01	0.01
January 29, 2011	268,714,000	13,817,000	0.21	0.21

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 closure of the Cassis banner in the quarter ended January 28, 2012 and the estimated loss in anticipated sales due to supply chain disruption in the quarter ended October 27, 2012. 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.

OPERATING RESULTS FOR THE NINE MONTHS ENDED OCTOBER 27, 2012 ("YEAR TO DATE FISCAL 2013") AND COMPARISON TO OPERATING RESULTS FOR THE NINE MONTHS ENDED OCTOBER 29, 2011 ("YEAR TO DATE FISCAL 2012")

Sales for the year to date fiscal 2013 decreased 3.5% to $732,854,000 as compared with $759,443,000 for the year to date fiscal 2012. Same store sales decreased by 2.2%. The decrease in sales was due to a reduced number of stores, continued lower store traffic in a challenging retail environment and a disruption in the planned flow of inventory to stores as described above.

Gross profit and adjusted EBITDA were negatively impacted by the disruption in the flow of goods in year to date fiscal 2013. Gross profit for the year to date fiscal 2013 decreased 5.8% to $470,051,000 as compared with $499,069,000 for the year to date fiscal 2012. The Company's gross margin for the year to date fiscal 2013 decreased to 64.1% from 65.7% for the year to date fiscal 2012. In the year to date fiscal 2013, adjusted EBITDA decreased by $26,956,000 or 25.7% to $77,811,000 as compared with $104,767,000 for the year to date fiscal 2012. A combination of the disruption of flow of goods and the impact of the fluctuation in the US dollar contributed to these declines.

Selling and distribution expenses for the year to date fiscal 2013 decreased 1.5% or $6,178,000 to $402,769,000 as compared with $408,947,000 for the year to date fiscal 2012. The closure of the Cassis banner contributed to a reduction in selling and distribution expenses for the year to date fiscal 2013.

Administrative expenses for the year to date fiscal 2013 increased 0.9% or $292,000 to $33,819,000 comparable with $33,527,000 for the year to date fiscal 2012. The increase in administrative expenses was mainly due to increased employee expenses for certain head office functions offset by a reduction in the employee performance incentive plan expense for the year to date fiscal 2013 as performance targets were not achieved.

Depreciation and amortization expense, which is included in selling and distribution expenses and administrative expenses, for the year to date fiscal 2013 was $44,141,000 compared to $48,548,000 for the year to date fiscal 2012. Included in the year to date fiscal 2013 was $1,052,000 ($1,467,000 in the year to date fiscal 2012) of write-offs for closed and renovated stores and impairment losses related to property and equipment, net of reversals, of $1,256,000 ($5,063,000 in the year to date fiscal 2012 primarily related to the closure of the Cassis banner).

Finance income for the year to date fiscal 2013 was $4,332,000 as compared to $3,546,000 for the year to date fiscal 2012. Dividend income for the year to date fiscal 2013 was $2,615,000 comparable with $2,598,000 for the year to date fiscal 2012. Interest income decreased slightly for the year to date fiscal 2013 to $859,000 as compared to $948,000 for the year to date fiscal 2012, due to the fluctuation of daily balances held in short-term investments and the variable rates of interest earned on these short-term investments. The Company has recorded income of $858,000 for the year to date fiscal 2013 (nil in the year to date fiscal 2012) to recognize the net change in the fair value of US dollar option contracts which were entered into to purchase call options and sell put options.

Finance costs for the year to date fiscal 2013 were $1,210,000 as compared to $969,000 for the year to date fiscal 2012. Included in the year to date fiscal 2013 was a foreign exchange loss of $651,000 ($376,000 in the year to date fiscal 2012) largely attributable to the impact of the fluctuation of the US dollar vis-à-vis the Canadian dollar on US currency held by the Company. Included in the year to date fiscal 2013 was interest on long-term debt of $453,000 compared to $520,000 for the year to date fiscal 2012. This decrease is primarily attributable to the continued repayment of the mortgage on the Company's distribution centre. An impairment loss on available-for-sale financial assets of $106,000 is included in the year to date fiscal 2013 ($73,000 in the year to date fiscal 2012).

Income tax expense for the year to date fiscal 2013 amounted to $8,886,000 for an effective tax rate of 24.3%. A deferred income tax adjustment of $369,000 arising from an Ontario tax rate re-enactment contributed to the lower effective tax rate. Excluding the effect of this adjustment the effective tax rate was 25.3%. In the year to date fiscal 2012, income tax expense amounted to $16,307,000 for an effective tax rate of 27.6%. The Company's effective tax rates reflect the impact of a reduction in substantively enacted tax rates in various tax jurisdictions in Canada.

Net earnings for the year to date fiscal 2013 decreased 35.4% to $27,699,000 ($0.42 diluted earnings per share) as compared with $42,865,000 ($0.65 diluted earnings per share) for the year to date fiscal 2012. The disruption in the flow of inventory to stores contributed to the significant drop in earnings for the year to date fiscal 2013.

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending eight months. In the year to date fiscal 2013, these merchandise purchases, payable in US dollars, approximated $177,000,000 US. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding six months. In the year to date fiscal 2013, the Company satisfied its US 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 US dollar ("USD"). 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 October 27, 2012 are as follows:

	Notional Amount in USD	Derivative Financial Asset	Derivative Financial Liability	Net
Put options sold	$ 30,000,000	$ 527,000	$ –	$ 527,000
Call options purchased	(60,000,000)	–	(423,000)	(423,000)
	$ (30,000,000)	**$ 527,000**	**$ (423,000)**	**$ 104,000**

As at October 29, 2011, there were no foreign currency option contracts outstanding.

BALANCE SHEET

Cash and cash equivalents as at October 27, 2012 amounted to $108,935,000 (October 29, 2011 – $159,309,000) or 44.7% lower than $196,835,000 as at January 28, 2012. The reduction in cash and cash equivalents of $87,900,000 from January 28, 2012 was mainly attributable to reduced cash generated from operations due to lower sales and continued investment in information technology and store renovations in the year to date fiscal 2013. Marketable securities of $70,954,000 at October 27, 2012 remained largely unchanged as compared to $71,442,000 at January 28, 2012 and $69,799,000 at October 29, 2011.

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 October 27, 2012 were $4,004,000 (October 29, 2011 – $3,516,000) or $971,000 higher than as at January 28, 2012. This increase was largely due to higher credit card sales. As at October 27, 2012 income taxes recoverable were $8,283,000 (January 28, 2012 – $4,735,000; October 29, 2011 – $7,396,000), attributable to instalments made in excess of estimated tax liabilities. Inventories as at October 27, 2012 were $106,757,000 (October 29, 2011 – $107,591,000) or $28,472,000 higher than as at January 28, 2012, reflecting the planned build-up of merchandise inventory for the holiday selling season and softer sales of fall merchandise in the third quarter of fiscal 2013. Traditionally, the highest levels of inventory on a quarterly basis occur at the end of the first quarter and the third quarter of any given fiscal year in preparation for the summer and the holiday selling seasons, respectively. Prepaid expenses, consisting mainly of prepaid insurance, maintenance contracts and realty and business taxes, were $11,789,000 as at October 27, 2012 (October 29, 2011 – $13,964,000) comparable with $11,902,000 as at January 28, 2012.

The Company invested $65,742,000 of cash in additions to property and equipment and intangible assets in the year to date fiscal 2013. This is comprised of $58,385,000 in new store construction and existing store renovation costs and $7,357,000 mainly related to information technology system hardware and software enhancements. The Company is in the process of a significant upgrade to its merchandising and supply chain operations, important to the Company's growth strategy. 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, which is being phased in through to completion in fiscal 2014, is estimated to cost approximately $23,000,000.

Total trade and other payables were $82,021,000 as at October 27, 2012 (October 29, 2011 – $76,852,000), or $7,036,000 higher than as at January 28, 2012 due mainly to higher trade payables related to the build-up of inventories in the quarter reduced by a lower employee performance incentive plan accrual. 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 US dollar. These option contracts extended over a period of six 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 October 27, 2012 of $104,000 (October 29, 2011 – nil) as compared to net derivative financial liability of $754,000 as at January 28, 2012.

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 $8,153,000 as at October 27, 2012 (October 29, 2011 – $11,602,000), or $14,125,000 lower than as at January 28, 2012 due primarily to the timing of gift card and loyalty program issuances prior to Christmas relative to customer redemptions in the new year.

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 October 27, 2012 deferred lease credits were $17,719,000 (October 29, 2011 – $18,513,000) as compared to $17,317,000 as at January 28, 2012.

The Company's long-term debt consists of a mortgage, which is secured by the Company's distribution centre. As at October 27, 2012 long-term debt was $8,951,000 (October 29, 2011 – $10,402,000) as compared to $10,047,000 as at January 28, 2012. The decrease in long-term debt is attributable to the continued repayment of the mortgage debt.

Pension liability as at October 27, 2012 was $15,596,000 (October 29, 2011 – $13,948,000), or $719,000 higher than as at January 28, 2012. The increase is due to $990,000 of pension expense offset by pension contributions paid of $271,000.

OPERATING RISK MANAGEMENT

Economic Environment

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 financial credit resources to draw upon as deemed necessary.

Competitive Environment

The apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. 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 which have announced plans 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.

Seasonality

The Company is principally engaged in the sale of women's apparel through 923 leased retail outlets operating under six banners located across Canada and 18 shop-in-shop locations located in select Babies"R"Us locations in Canada. As of November 2012, Thyme Maternity products are available in the United States in approximately 135 Babies"R"Us stores with additional locations to launch in the coming months. 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. The Company is presently upgrading its merchandising and supply chain operations, a significant component of which is a new warehouse management system at the distribution center. In June 2012, the Company converted to the new warehouse management system. As previously announced on August 15, 2012, complications associated with the system resulted in a disruption in the flow of inventory to stores. This resulted in an estimated loss in anticipated sales between $7,000,000 and $15,000,000 for the year to date fiscal 2013.

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 regularly invests to upgrade, enhance, maintain and replace these systems. The Company is presently upgrading its merchandising and supply chain operations and warehouse management systems. The Company continues to address the issues related to the warehouse management system in order to improve the flow of goods to the stores and optimize system performance. The Company believes that all system implementation issues have been identified and are being addressed. Any significant disruptions or further 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 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.

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 year to date fiscal 2013, 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 offshore) 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 operate to 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.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the nine months ended October 27, 2012 from those described in the Company's audited annual financial statements for the year ended January 28, 2012.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at October 27, 2012 amounted to $468,994,000 or $7.26 per share (October 29, 2011 – $495,804,000 or $7.62 per share; January 28, 2012 – $492,852,000 or $7.51 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash, cash equivalents and investments in marketable securities of $179,889,000 (October 29, 2011 – $229,108,000; January 28, 2012 – $268,277,000). Cash is conservatively invested in short-term deposits with major Canadian financial institutions and commercial paper rated not less than R1. 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 $125,000,000 or its US dollar equivalent. As at October 27, 2012, $34,899,000 (October 29, 2011 – $43,092,000; January 28, 2012 – $52,187,000) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for US dollar letters of credit to satisfy offshore third-party vendors, which require such backing before confirming purchase orders issued by the Company. 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 October 27, 2012, the maximum potential liability under these guarantees was $5,009,000 (October 29, 2011 – $5,010,000; January 28, 2012 – $5,083,000). The standby letters of credit mature at various dates during fiscal 2013. 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 $371,000 in the third quarter of fiscal 2013. The Company paid $0.20 dividends per share totalling $12,917,000 in the third quarter of fiscal 2013 compared to $0.20 dividends per share totalling $13,007,000 in the third quarter of fiscal 2012.

In the third quarter of fiscal 2013, the Company invested $24,243,000 on new and renovated stores and information technology system enhancements. The Company is in the process of a significant upgrade to its merchandising and supply chain operations, which are important to the Company's growth strategy. 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 systems maintenance and upgrades. The total project, which is being phased in through to completion in fiscal 2014, is estimated to cost approximately $23,000,000. In the fiscal year ending February 2, 2013, the Company expects to invest approximately $70,000,000 in capital expenditures. These expenditures, together with the payment of cash dividends, the repayments related to the Company's bank credit facility and long-term debt obligations and purchases of Class A non-voting shares, under a normal course issuer bid approved in November 2012, 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 financial statements for the year ended January 28, 2012.

OUTSTANDING SHARE DATA

At November 28, 2012, 13,440,000 Common shares and 51,145,506 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 2,425,000 share options outstanding at an average exercise price of $14.90. 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 year to date fiscal 2013, the Company purchased, under the prior year's normal course issuer bid, 1,000,000 Class A non-voting shares having a book value of $663,000 for a total cash consideration of $12,615,000. The excess of the purchase price over book value of the shares in the amount of $11,952,000 was charged to retained earnings.

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 eight months. Most of these purchases must be paid for in US dollars. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar long-term commitments, including spot rate purchases and foreign currency option contracts with maturities not exceeding six months. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the USD. These option contracts will expire within the next five 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:

	October 27, 2012			
	Notional Amount in USD	Derivative Financial Asset	Derivative Financial Liability	Net
Put options sold	$ 30,000,000	$ 527,000	$ –	$ 527,000
Call options purchased	(60,000,000)	–	(423,000)	(423,000)
	$ (30,000,000)	**$ 527,000**	**$ (423,000)**	**$ 104,000**

	January 28, 2012			
	Notional Amount in USD	Derivative Financial Asset	Derivative Financial Liability	Net
Put options sold	$ 44,000,000	$ 751,000	$ –	$ 751,000
Call options purchased	(100,000,000)	–	(1,505,000)	(1,505,000)
	$ (56,000,000)	**$ 751,000**	**$ (1,505,000)**	**$ (754,000)**

As of October 29, 2011, there were no foreign currency option contracts outstanding.

A foreign currency option contract represents an option or obligation 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 and nine months ended October 27, 2012 were net foreign exchange losses of $529,000 and $651,000 respectively (gains of $2,902,000 and losses of $376,000 for the three and nine months ended October 29, 2011 respectively).

RELATED PARTY TRANSACTIONS

There have been no significant changes in related party transactions from those disclosed in the Company's audited annual financial statements for the year ended January 28, 2012.

FINANCIAL INSTRUMENTS

The Company's significant financial instruments consist of 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. The Company reduces its credit risks by investing available cash in bank bearer deposit notes and bank term deposits with 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 Company is highly liquid with its cash and cash equivalents and invests on a short-term basis in term deposits with major Canadian financial institutions and commercial paper rated not less than R1.

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

CRITICAL ACCOUNTING ESTIMATES

Deferred Income Tax Assets

Management is required to make subjective assessments to determine the amount of deferred income tax assets to be recognized. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

Pension Plans

The Company maintains a contributory, defined benefit plan and sponsors a Supplemental Executive Retirement Plan ("SERP"). The costs of the defined benefit plan and SERP are determined periodically by independent actuaries. Pension expense is included in the results of operations. Assumptions used in developing the net pension expense and projected benefit obligation include a discount rate, rate of increase in salary levels and expected long-term rate of return on plan assets. Based upon the most recently filed actuarial valuation report as at December 31, 2010, the defined benefit plan, despite being fully funded on a going concern basis, had a solvency deficiency. The Company has funded the required amounts as at October 27, 2012. The SERP is an unfunded pay as you go plan.

Sales Returns

The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise returned in the past.

Share-Based Compensation

The Company accounts for share-based compensation and other share-based payments using the fair value based method. Share options granted result in an expense over their vesting period based on their estimated fair values on the date of grant, determined using the Black-Scholes option pricing model. In computing the compensation cost related to share option awards under the fair value based method, various assumptions are used to determine the expected option life, risk-free interest rate, expected share price volatility and average dividend yield. The use of different assumptions could result in a share compensation expense that differs from that which the Company has recorded.

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

The Company uses the retail inventory method in arriving at cost. Merchandise inventories are valued at the lower of cost and net realizable value. Excess or slow moving items are identified and a write-down is taken using management's best estimate. In addition, a provision for shrinkage is also recorded using historical rates experienced. 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 may not be recoverable. Management is required to make significant judgments related to future cash flows to determine the amount of asset impairment that should be recognized.

Goodwill

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the fair value of the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses.

Fair Value of Derivative Financial Instruments

Derivative financial instruments are carried on the balance sheet at fair value estimated by using valuation techniques.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new accounting standards, and amendments to standards and interpretations, are not yet effective for the three and nine months ended October 27, 2012 and have not been applied in preparing the condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

On December 16, 2011, the IASB issued amendments to IFRS 7 which increases the disclosure requirements for transactions involving offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2013.

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. On December 16, 2011, the IASB deferred the effective date to annual periods beginning on or after January 1, 2015.

IFRS 13 – Fair Value Measurement

On May 12, 2011, the IASB issued a new standard, IFRS 13, Fair Value Measurements ("IFRS 13"), which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted.

IAS 1 – Presentation of Financial Statements

Amendments to IAS 1, Presentation of Financial Statements enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings in the future from those that would never be reclassified to the statement of earnings. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 19 – Employee Benefits

Amendments to IAS 19, Employee Benefits include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

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 January 28, 2012 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 January 28, 2012 and concluded that these controls were effective.

There have been no changes in the Company's internal controls over financial reporting during the nine months ended October 27, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. During the nine months ended October 27, 2012, certain additional controls and procedures were introduced during the implementation phase of the new warehouse management system.

OUTLOOK

The Bank of Canada in its October 2012 Monetary Policy Report has projected growth for the economy of 2.2% in calendar 2012 and 2.3% in calendar 2013. The report highlights that core inflation has been lower than expected in recent months, reflecting somewhat softer prices across a wide range of goods and services. This is reflected in downward pressures on retail prices. However, despite the relative strength of the Canadian economy vis-à-vis the global economy, risk remains that growth in Canadian household spending could remain weak. A difficult retail environment exists marked by high fuel and food prices and an increased level of consumer personal debt. This has contributed to a reduction in consumer disposable income for apparel and impacted performance of the Company. Despite these challenges, the Company remains poised to strengthen the Company's market position in all of our market niches by offering a broad assortment of quality merchandise at affordable prices. The Company believes that the merchandise offerings will continue to remain attractive values to the consumer.

The Company continues to address the issues related to the warehouse management system in order to improve the flow of goods to the stores and optimize system performance. The Company believes that all system implementation issues have been identified and are being addressed. Although progress has been made in addressing the issues that occurred as a result of the implementation of the new warehouse management system, the Company anticipates that the impact on sales will continue in the fourth quarter of fiscal 2013. The technology initiatives undertaken related to merchandising and supply chain, once completed, will position the Company for strong growth in the retail marketplace.

The Company's Hong Kong office continues to serve the Company well, with over 120 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners.

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 nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	**October 27, 2012**	October 29, 2011
Sales	**$ 732,854**	$ 759,443	**$ 236,247**	$ 254,072
Cost of goods sold (note 6)	**262,803**	260,374	**87,417**	86,982
Gross profit	**470,051**	499,069	**148,830**	167,090
Selling and distribution expenses	**402,769**	408,947	**138,276**	144,125
Administrative expenses	**33,819**	33,527	**11,447**	12,356
Results from operating activities	**33,463**	56,595	**(893)**	10,609
Finance income (note 12)	**4,332**	3,546	**1,464**	4,088
Finance costs (note 12)	**1,210**	969	**674**	241
Earnings (loss) before income taxes	**36,585**	59,172	**(103)**	14,456
Income tax expense (recovery) (note 11)	**8,886**	16,307	**(141)**	3,895
Net earnings	**$ 27,699**	$ 42,865	**$ 38**	$ 10,561
Earnings per share (note 13):				
Basic	**$ 0.42**	$ 0.65	**$ 0.00**	$ 0.16
Diluted	**0.42**	0.65	**0.00**	0.16

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 nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	**October 27, 2012**	October 29, 2011
Net earnings	**$ 27,699**	$ 42,865	**$ 38**	$ 10,561
Other comprehensive income:				
Net change in fair value of available-for-sale financial assets arising during the period (net of tax of $100 for the nine months and $29 for the three months ended October 27, 2012; $121 for the nine months and $246 for the three months ended October 29, 2011)	**(704)**	(808)	**184**	(1,647)
Reclassification of impairment loss on available-for-sale financial assets (net of tax of $14 for the nine months ended October 27, 2012; $9 for the nine and three months ended October 29, 2011)	**92**	64	**–**	64
Total comprehensive income	**$ 27,087**	$ 42,121	**$ 222**	$ 8,978

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)

	October 27, 2012	October 29, 2011	January 28, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 4)	**$ 108,935**	$ 159,309	$ 196,835
Marketable securities	**70,954**	69,799	71,442
Trade and other receivables	**4,004**	3,516	3,033
Derivative financial asset (note 5)	**527**	–	751
Income taxes recoverable	**8,283**	7,396	4,735
Inventories	**106,757**	107,591	78,285
Prepaid expenses	**11,789**	13,964	11,902
Total Current Assets	**311,249**	361,575	366,983
NON-CURRENT ASSETS			
Property and equipment	**203,401**	184,666	184,221
Intangible assets	**18,652**	15,962	17,057
Goodwill	**42,426**	42,426	42,426
Deferred income taxes	**26,129**	22,492	23,174
Total Non-Current Assets	**290,608**	265,546	266,878
Total Assets	**$ 601,857**	$ 627,121	$ 633,861
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables (note 7)	**$ 70,480**	$ 65,830	$ 63,875
Derivative financial liability (note 5)	**423**	–	1,505
Deferred revenue (note 8)	**8,153**	9,279	22,278
Current portion of long-term debt	**1,545**	1,451	1,474
Total Current Liabilities	**80,601**	76,560	89,132
NON-CURRENT LIABILITIES			
Other payables (note 7)	**11,541**	11,022	11,110
Deferred revenue (note 8)	**–**	2,323	–
Deferred lease credits	**17,719**	18,513	17,317
Long-term debt	**7,406**	8,951	8,573
Pension liability	**15,596**	13,948	14,877
Total Non-Current Liabilities	**52,262**	54,757	51,877
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**39,227**	31,512	39,890
Contributed surplus	**5,979**	6,462	5,158
Retained earnings	**415,663**	450,431	439,067
Accumulated other comprehensive income (note 9)	**8,125**	7,399	8,737
Total Shareholders' Equity	**468,994**	495,804	492,852
Total Liabilities and Shareholders' Equity	**$ 601,857**	$ 627,121	$ 633,861

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 January 29, 2012		**$ 39,890**	**$ 5,158**	**$ 439,067**	**$ 8,737**	**$ 492,852**
Cancellation of shares pursuant to share repurchase program		**(663)**	**–**	**–**	**–**	**(663)**
Share-based compensation costs	10	**–**	**821**	**–**	**–**	**821**
Net earnings		**–**	**–**	**27,699**	**–**	**27,699**
Dividends	9	**–**	**–**	**(39,151)**	**–**	**(39,151)**
Premium on repurchases of Class A non-voting shares	9	**–**	**–**	**(11,952)**	**–**	**(11,952)**
Net change in fair value of available-for-sale financial assets (net of tax of $100)	12	**–**	**–**	**–**	**(704)**	**(704)**
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $14)	12	**–**	**–**	**–**	**92**	**92**
Balance as at October 27, 2012		**$ 39,227**	**$ 5,979**	**$ 415,663**	**$ 8,125**	**$ 468,994**
Balance as at July 29, 2012		**$ 39,890**	**$ 5,694**	**$ 440,494**	**$ 7,941**	**$ 494,019**
Cancellation of shares pursuant to share repurchase program		**(663)**	**–**	**–**	**–**	**(663)**
Share-based compensation costs	10	**–**	**285**	**–**	**–**	**285**
Net earnings		**–**	**–**	**38**	**–**	**38**
Dividends	9	**–**	**–**	**(12,917)**	**–**	**(12,917)**
Premium on repurchases of Class A non-voting shares		**–**	**–**	**(11,952)**	**–**	**(11,952)**
Net change in fair value of available-for-sale financial assets (net of tax of $29)	12	**–**	**–**	**–**	**184**	**184**
Balance as at October 27, 2012		**$ 39,227**	**$ 5,979**	**$ 415,663**	**$ 8,125**	**$ 468,994**
Balance as at January 30, 2011		$ 29,614	$ 6,266	$ 468,777	$ 8,143	$ 512,800
Cash consideration on exercise of share options	9	2,133	–	–	–	2,133
Ascribed value credited to share capital from exercise of share options	9	545	(545)	–	–	–
Cancellation of shares pursuant to share repurchase program		(780)	–	–	–	(780)
Share-based compensation costs	10	–	741	–	–	741
Net earnings		–	–	42,865	–	42,865
Dividends	9	–	–	(39,581)	–	(39,581)
Premium on repurchases of Class A non-voting shares		–	–	(21,630)	–	(21,630)
Net change in fair value of available-for-sale financial assets (net of tax of $121)	12	–	–	–	(808)	(808)
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $9)		–	–	–	64	64
Balance as at October 29, 2011		$ 31,512	$ 6,462	$ 450,431	$ 7,399	$ 495,804
Balance as at July 31, 2011		$ 31,518	$ 6,772	$ 474,507	$ 8,982	$ 521,779
Cash consideration on exercise of share options		617	–	–	–	617
Ascribed value credited to share capital from exercise of share options		157	(157)	–	–	–
Cancellation of shares pursuant to share repurchase program		(780)	–	–	–	(780)
Share-based compensation costs	10	–	(153)	–	–	(153)
Net earnings		–	–	10,561	–	10,561
Dividends	9	–	–	(13,007)	–	(13,007)
Premium on repurchases of Class A non-voting shares		–	–	(21,630)	–	(21,630)
Net change in fair value of available-for-sale financial assets (net of tax of $246)	12	–	–	–	(1,647)	(1,647)
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $9)		–	–	–	64	64
Balance as at October 29, 2011		$ 31,512	$ 6,462	$ 450,431	$ 7,399	$ 495,804

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 nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net earnings	**$ 27,699**	$ 42,865	**$ 38**	$ 10,561
Adjustments for:				
Depreciation, amortization and impairment losses	**44,141**	48,548	**15,121**	18,334
Share-based compensation costs	**821**	741	**285**	(153)
Amortization of deferred lease credits	**(3,381)**	(3,468)	**(1,123)**	(1,148)
Deferred lease credits	**3,783**	2,970	**2,243**	2,146
Pension contribution	**(271)**	(816)	**(32)**	(459)
Pension expense	**990**	1,138	**330**	380
Impairment loss on available-for-sale financial assets	**106**	73	**–**	73
Net change in fair value of derivatives	**(858)**	–	**(392)**	–
Foreign exchange loss (gain)	**203**	2,793	**(651)**	342
Interest and dividend income, net	**(3,021)**	(3,024)	**(927)**	(1,016)
Interest paid	**(453)**	(522)	**(145)**	(170)
Interest received	**977**	969	**250**	336
Dividends received	**2,610**	2,592	**872**	866
Income tax expense (recovery)	**8,886**	16,307	**(141)**	3,895
	82,232	111,166	**15,728**	33,987
Changes in:				
Trade and other receivables	**(1,085)**	(665)	**(1,127)**	(809)
Inventories	**(28,472)**	(34,390)	**(26,386)**	(26,114)
Prepaid expenses	**113**	(1,473)	**3,483**	300
Trade and other payables	**7,862**	3,531	**10,843**	7,265
Deferred revenue	**(14,125)**	(10,616)	**(1,806)**	(5,066)
Cash from operating activities	**46,525**	67,553	**735**	9,563
Income taxes received	**4,497**	–	**22**	–
Income taxes paid	**(19,800)**	(31,060)	**(2,354)**	(3,546)
Net cash flows from (used in) operating activities	**31,222**	36,493	**(1,597)**	6,017
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchases of marketable securities	**(315)**	(315)	**(105)**	(105)
Additions to property and equipment and intangible assets	**(65,742)**	(43,223)	**(24,243)**	(18,604)
Cash flows used in investing activities	**(66,057)**	(43,538)	**(24,348)**	(18,709)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES				
Dividends paid	**(39,151)**	(39,581)	**(12,917)**	(13,007)
Purchase of Class A non-voting shares for cancellation	**(12,615)**	(22,410)	**(12,615)**	(22,410)
Repayment of long-term debt	**(1,096)**	(1,029)	**(371)**	(349)
Proceeds from exercise of share options	**–**	2,133	**–**	617
Cash flows used in financing activities	**(52,862)**	(60,887)	**(25,903)**	(35,149)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	**(203)**	(2,793)	**651**	(342)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(87,900)**	(70,725)	**(51,197)**	(48,183)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**196,835**	230,034	**160,132**	207,492
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 108,935**	$ 159,309	**$ 108,935**	$ 159,309

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)
(in thousands of Canadian dollars except per share amounts)

1. REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 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 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 financial statements. These 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 financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these 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 financial statements and the notes thereto for the year ended January 28, 2012.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 28, 2012.

b) Basis of Measurement

These 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 the unrecognized past service cost; 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 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 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 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 condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are as those applied and described in the Company's audited annual financial statements for the year ended January 28, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited annual financial statements for the year ended January 28, 2012 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

a) 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 and nine months ended October 27, 2012 and have not been applied in preparing these condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

On December 16, 2011, the IASB issued amendments to IFRS 7 which increases the disclosure requirements for transactions involving offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2013.

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. On December 16, 2011, the IASB deferred the effective date to annual periods beginning on or after January 1, 2015.

IFRS 13 – Fair Value Measurement

On May 12, 2011, the IASB issued a new standard, IFRS 13, *Fair Value Measurements* ("IFRS 13"), which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted.

IAS 1 – Presentation of Financial Statements

Amendments to IAS 1, *Presentation of Financial Statements* enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings in the future from those that would never be reclassified to the statement of earnings. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 19 – Employee Benefits

Amendments to IAS 19, *Employee Benefits* include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted.

The extent of the impact of adoption of the above noted standards and interpretations on the condensed consolidated interim financial statements of the Company has not yet been determined.

4. CASH AND CASH EQUIVALENTS

	October 27, 2012	October 29, 2011	January 28, 2012
Cash on hand and with banks	**$ 7,857**	$ 7,311	$ 12,563
Short-term deposits, bearing interest at 0.6% (October 29, 2011 – 0.8%; January 28, 2012 – 0.9%)	**101,078**	151,998	184,272
	$ 108,935	$ 159,309	$ 196,835

5. FINANCIAL INSTRUMENTS

The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar ("USD"). These option contracts will expire within the next five 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:

	October 27, 2012			
	Notional Amount in USD	Derivative Financial Asset	Derivative Financial Liability	Net
Put options sold	$ 30,000	$ 527	$ –	$ 527
Call options purchased	(60,000)	–	(423)	(423)
	$ (30,000)	**$ 527**	**$ (423)**	**$ 104**

	January 28, 2012			
	Notional Amount in USD	Derivative Financial Asset	Derivative Financial Liability	Net
Put options sold	$ 44,000	$ 751	$ –	$ 751
Call options purchased	(100,000)	–	(1,505)	(1,505)
	$ (56,000)	**$ 751**	**$ (1,505)**	**$ (754)**

As of October 29, 2011, there were no foreign currency option contracts outstanding.

6. INVENTORIES

During the nine months ended October 27, 2012, inventories recognized as cost of goods sold amounted to $260,077 (October 29, 2011 – $255,328). In addition, $2,726 (October 29, 2011 – $5,046) of write-downs of inventory as a result of net realizable value being lower than cost was recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

7. TRADE AND OTHER PAYABLES

	October 27, 2012	October 29, 2011	January 28, 2012
Trade payables	**$ 32,980**	$ 26,703	$ 26,155
Non-trade payables due to related parties	**44**	56	56
Other non-trade payables	**15,244**	12,013	10,553
Personnel liabilities	**20,067**	22,673	23,053
Payables relating to premises	**12,459**	14,075	14,398
Provision for sales returns	**1,227**	1,332	770
	82,021	76,852	74,985
Less non-current portion	**11,541**	11,022	11,110
	$ 70,480	$ 65,830	$ 63,875

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 beyond the next twelve months.

8. DEFERRED REVENUE

Deferred revenue consists of the following:

	October 27, 2012	October 29, 2011	January 28, 2012
Loyalty points and awards granted under loyalty programs	**$ 4,700**	$ 7,479	$ 10,979
Unredeemed gift cards	**3,453**	4,123	11,299
	8,153	11,602	22,278
Less amounts expected to be redeemed in the next twelve months	**8,153**	9,279	22,278
Deferred revenue – non-current	**$ –**	$ 2,323	$ –

9. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	For the nine months ended			
	October 27, 2012		October 29, 2011	
	Number of shares (in 000's)	Carrying amount	Number of shares (in 000's)	Carrying amount
Common shares				
Balance at beginning and end of the period	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning of the period	**52,146**	**39,408**	52,869	29,132
Shares issued pursuant to exercise of share options	**–**	**–**	174	2,678
Shares purchased under issuer bid	**(1,000)**	**(663)**	(1,445)	(780)
Balance at end of the period	**51,146**	**38,745**	51,598	31,030
Total share capital	**64,586**	**$ 39,227**	65,038	$ 31,512

Authorized Share Capital

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

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

Issuance of Class A Non-Voting Shares

During the nine months ended October 27, 2012, 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 (October 29, 2011 – 174,000). For the nine months ended October 29, 2011, the amounts credited to share capital from the exercise of share options include a cash consideration of $2,133, as well as an ascribed value from contributed surplus of $545.

Purchase of Shares for Cancellation

For the nine months ended October 27, 2012, the Company purchased, under the prior year's normal course issuer bid, 1,000,000 Class A non-voting shares having a book value of $663 for a total cash consideration of $12,615. The excess of the purchase price over the book value of the shares in the amount of $11,952 was charged to retained earnings.

In November 2012, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,557,275 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 15, 2012. The bid commenced on November 28, 2012 and may continue to November 27, 2013.

Accumulated Other Comprehensive Income ("AOCI")
AOCI is comprised of the following:

	October 27, 2012	October 29, 2011	January 28, 2012
Net change in fair value of available-for-sale financial assets, net of taxes	**$ 8,125**	$ 7,399	$ 8,737

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

	For the nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Common shares and Class A non-voting shares	**$ 39,151**	$ 39,581	**$ 12,917**	$ 13,007

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 nine months ended				For the three months ended			
	October 27, 2012		October 29, 2011		October 27, 2012		October 29, 2011	
	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price
Outstanding, at beginning of period	**1,945**	**$ 15.07**	3,095	$ 14.58	**2,385**	**$ 14.99**	2,861	$ 14.67
Granted	**690**	**14.66**	–	–	**100**	**12.62**	–	–
Exercised	**–**	**–**	(174)	12.23	**–**	**–**	(50)	12.23
Forfeited	**(142)**	**14.50**	(428)	16.33	**(42)**	**14.50**	(318)	16.82
Expired	**(50)**	**19.23**	–	–	**–**	**–**	–	–
Outstanding, at end of period	**2,443**	**$ 14.90**	2,493	$ 14.45	**2,443**	**$ 14.90**	2,493	$ 14.45
Options exercisable, at end of period	**966**	**$ 15.33**	764	$ 14.14	**966**	**$ 15.33**	764	$ 14.14

The weighted average share price at the date of exercise for the share options exercised during the nine and three months ended October 29, 2011 was $16.72 and $14.69, respectively.

Compensation cost related to 690,000 share option awards granted during the nine months ended October 27, 2012 under the fair value based approach was calculated using the following assumptions:

	590,000 Options Granted May 30, 2012	100,000 Options Granted August 29, 2012
Expected option life	6.4 years	6.1 years
Risk-free interest rate	1.91%	1.40%
Expected stock price volatility	32.70%	32.80%
Average dividend yield	5.33%	6.34%
Weighted average fair value of options granted	$ 2.70	$ 1.86
Share price at grant date	$ 15.00	$ 12.62

c) **Employee Expense**

For the three and nine months ended October 27, 2012, the Company recognized compensation costs of $285 and $821 respectively relating to share-based payment arrangements (($153) and $741 for the three and nine months ended October 29, 2011), with a corresponding offset to contributed surplus.

11. INCOME TAX

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

	For the nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Current period income tax expense	**$ 11,876**	$ 17,974	**$ 813**	$ 5,573
Adjustment for prior years taxes	**(121)**	(307)	**(9)**	(46)
Current income tax expense	**11,755**	17,667	**804**	5,527
Deferred recovery prior to adjustment	**(2,500)**	(1,360)	**(945)**	(1,632)
Adjustment for Ontario tax rate enactment	**(369)**	–	**–**	–
Deferred tax recovery	**(2,869)**	(1,360)	**(945)**	(1,632)
Income tax expense (recovery)	**$ 8,886**	$ 16,307	**$ (141)**	$ 3,895
Effective income tax rate	**24.29%**	27.56%	**136.89%**	26.94%

The effective income tax rate for the three months ended October 27, 2012 has been positively impacted by the effect of tax exempt investment income received during the quarter.

12. FINANCE INCOME AND FINANCE COSTS

Recognized in Net Earnings

	For the nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Dividend income from available-for-sale financial assets	**$ 2,615**	$ 2,598	**$ 874**	$ 850
Interest income from loans and receivables	**859**	948	**198**	336
Net change in fair value of derivatives	**858**	–	**392**	–
Foreign exchange gain	**–**	–	**–**	2,902
Finance income	**4,332**	3,546	**1,464**	4,088
Interest expense – mortgage	**453**	520	**145**	168
Foreign exchange loss	**651**	376	**529**	–
Impairment loss on available-for-sale financial assets	**106**	73	**–**	73
Finance costs	**1,210**	969	**674**	241
Net finance income recognized in net earnings	**$ 3,122**	$ 2,577	**$ 790**	$ 3,847

Recognized in Other Comprehensive Income

	For the nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net change in fair value of available-for-sale financial assets arising during the period (net of tax of $100 for the nine months and $29 for the three months ended October 27, 2012; $121 for the nine months and $246 for the three months ended October 29, 2011)	**$ (704)**	$ (808)	**$ 184**	$ (1,647)
Reclassification of impairment loss on available-for-sale financial assets (net of tax of $14 for the nine months ended October 27, 2012; $9 for the nine and three months ended October 29, 2011)	**92**	64	**–**	64
Finance (costs) income recognized in other comprehensive income (net of tax)	**$ (612)**	$ (744)	**$ 184**	$ (1,583)

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net earnings for the three and nine months ended October 27, 2012 of $38 and $27,699, respectively (net earnings of $10,561 and $42,865 for the three and nine months ended October 29, 2011).

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

	For the nine months ended		For the three months ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Weighted average number of shares per basic earnings per share calculations	**65,404**	66,218	**65,042**	65,877
Effect of dilutive share options outstanding	**–**	168	**–**	95
Weighted average number of shares per diluted earnings per share calculations	**65,404**	66,386	**65,042**	65,972

As at October 27, 2012, a total of 2,442,500 (October 29, 2011 – 1,945,000) 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

	October 27, 2012	October 29, 2011	January 28, 2012
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 2,202**	$ 1,867	$ 3,028
Ascribed value credited to share capital from exercise of share options	**–**	545	2,228

15. FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the nine months ended October 27, 2012 from those described in the Company's audited annual financial statements for the year ended January 28, 2012.

16. COMPARATIVE FIGURES

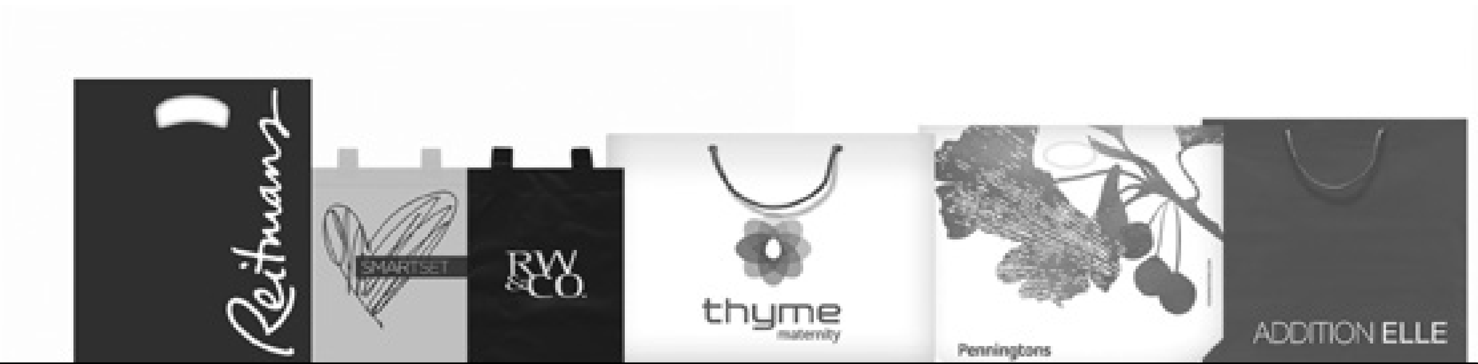
Certain comparative figures have been reclassified to conform to the current year's presentation.

Stores

Across Canada

923

	Reitmans	Smart Set	RW & CO.	Thyme	Penningtons	Addition Elle	
Newfoundland	14	3	1	-	4	2	**24**
Prince Edward Island	2	3	-	-	1	-	**6**
Nova Scotia	19	5	1	2	9	2	**38**
New Brunswick	14	5	3	1	4	5	**32**
Québec	84	42	15	21	27	29	**218**
Ontario	118	52	28	26	58	39	**321**
Manitoba	13	5	2	2	5	3	**30**
Saskatchewan	12	3	2	2	6	3	**28**
Alberta	44	17	10	11	21	17	**120**
British Columbia	39	15	10	9	20	11	**104**
Northwest Territories	1	-	-	-	-	-	**1**
Yukon	1	-	-	-	-	-	**1**
Total	**361**	**150**	**72**	**74**	**155**	**111**	**923**



Inspired by role models not supermodels, Reitmans offers affordable, stylish fashions designed to fit everybody and every body. Operating **361 STORES** averaging 4,600 sq. ft., Reitmans, Canada's largest women's apparel specialty chain and leading fashion brand, has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. Reitmans, designed for real life. Reitmans fashions can also be purchased online at reitmans.com.

With **150 STORES**, Smart Set is Canada's fashion destination for young stylish women aged 25 to 35. Averaging 3,400 sq. ft., Smart Set's energetic environment provides our customer with the fashions she needs to create her own lifestyle wardrobe. Smart Set offers great value in a wide assortment of styles from workwear essentials and accessories, to activewear and city casual clothing.

Established in 1999, RW & CO. is a young and energetic fashion lifestyle brand that continues to grow, with **72 STORES** across Canada, averaging 4,500 sq. ft. in premium locations in major shopping centres. Focusing on Him and Her ages 25 to 35, RW & CO. blends style, aspiration, quality and a unique attention to detail into a fashion brand that is unique and incomparable in Canada.

Thyme, Canada's leading maternity fashion brand, offers all pregnant women current maternity styles with expert and friendly staff. Thyme caters to all pregnant women who want to stay fun-loving and stylish throughout their pregnancy. Thyme operates **74 STORES** averaging 2,400 sq. ft. in major malls and power centres.

Averaging 6,100 sq. ft., Penningtons stores offer a versatile selection of affordable fashion, which includes everyday apparel, lingerie, sleepwear, outerwear, dresses, activewear, swimwear, accessories, hosiery and more – in sizes 14 to 32. At each one of our **155 STORES** across Canada, our knowledgeable and friendly sales staff will expertly assist our customer when it comes to selecting clothing that will fit their personal style and suit their shape. Our goal is to make it relaxing and easy for our customers to shop. Visit penningtons.com to learn about our stylish outfits or shop online.

At Addition Elle we champion the belief that size shouldn't limit a woman's access to fashionable and trend right clothing. Operating **111 STORES** across Canada, Addition Elle offers a complete assortment from intimate apparel, polished career to casual fashion denim, trendy MXM, accessories and outerwear that bridges fashion with our notable fits to provide our clientele modern, figure flattering clothing. Averaging 6,200 sq. ft., Addition Elle stores are located in power centres and malls across Canada. Addition Elle fashions can also be purchased online at additionelle.com.

Corporate Information

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Transfer Agent and Registrar
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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

Smart Set

RW & CO.

Thyme

Penningtons

Addition Elle

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