REITMANS

(CANADA) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans as at and for the fiscal years ended February 3, 2018 ("fiscal 2018") and January 28, 2017 ("fiscal 2017") and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated April 4, 2018.

All financial information contained in this MD&A and Reitmans' audited consolidated financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts shown in the tables in this MD&A are in millions of Canadian dollars unless otherwise indicated, except per share and strike price amounts. The audited consolidated financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on April 4, 2018.

Unless otherwise indicated, all comparisons of results for the 3 months ended February 3, 2018 ("fourth quarter of 2018") are against results for the 3 months ended January 28, 2017 ("fourth quarter of 2017") and all comparisons of results for fiscal 2018 are against the results of fiscal 2017.

The Company's fiscal year ends on the Saturday closest to the end of January. Fiscal 2018 includes 53 weeks instead of the normal 52 weeks. The fourth quarter of 2018 includes 14 weeks as compared to fourth quarter of 2017 which includes 13 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company's floating year-end.

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

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes, are appropriate in the circumstances. This MD&A contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results and events, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. These specific forward-looking statements are contained throughout this MD&A including those listed in the "Operating and Financial Risk Management" sections of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including:

- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, interest rates, currency exchange rates or derivative prices;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the changing consumer preferences toward e-commerce, online retailing and the introduction of new technologies;
- seasonality and weather;
- the inability of the Company's information technology ("IT") infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cyber security or data breaches;
- failure to realize benefits from investments in the Company's new IT systems;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrinkage;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives, including those from restructuring;
- changes in the Company's income, capital, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

The Company has identified several key operating performance measures and non-GAAP financial measures which management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

In addition to discussing earnings in accordance with IFRS, this MD&A provides adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a non-GAAP financial measure. Adjusted EBITDA is defined as net earnings before income tax expense/recovery, dividend income, interest income, net change in fair value of marketable securities, interest expense, impairment of goodwill, depreciation, amortization and net impairment charges. The following table reconciles the most comparable GAAP measure, net earnings or loss, to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend income, interest income and expense and the net change in fair value of marketable securities eliminates the impact on earnings derived from non-operational activities. The exclusion of impairment of goodwill, depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Although depreciation, amortization and impairment charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, as such, adjusted EBITDA does not reflect any cash requirements for these replacements. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company's obligations. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. Adjusted EBITDA should not be used in substitute for measures of performance prepared in accordance with IFRS or as an alternative to net earnings, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. Although adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.

The Company considers results from operating activities a useful measure of the Company's performance from its retail operations. The Company has also determined that a useful measure would be results from operating activities before impairment of goodwill which is a non-cash item. Additionally, earnings per share excluding impairment of goodwill both on a basic and diluted basis have been presented which removes the impact of impairment of goodwill on net earnings used for calculation purposes. Both of these supplementary measures are considered useful information and should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The Company uses a key performance indicator ("KPI"), same store sales, to assess store performance (including each banner's e-commerce store) and sales growth. Same store sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. Same store sales exclude sales from wholesale accounts. The same store sales metric compares the same calendar days for each period. Same store sales for fiscal 2018 exclude sales attributable to the 53^{rd} week. Same store sales for the fourth quarter of 2018 exclude sales attributable to the 14^{th} week. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses same store sales in evaluating the performance of stores and online sales and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Same store sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Same store sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net (loss) earnings to adjusted EBITDA:

(in millions of Canadian dollars)	For the fourth quarter of		For the fiscal year ended	
	2018 (14 weeks)	2017 (13 weeks)	2018 (53 weeks)	2017 (52 weeks)
Net (loss) earnings	**$ (2.6)**	$ 0.3	**$ (16.3)**	$ 10.9
Depreciation, amortization and net impairment losses	**12.6**	11.9	**44.9**	44.2
Dividend income	**(0.7)**	(0.6)	**(2.5)**	(2.5)
Interest income	**(0.5)**	(0.2)	**(1.2)**	(0.7)
Impairment of goodwill	**-**	-	**26.3**	-
Net change in fair value of marketable securities	**(2.0)**	(5.5)	**(7.3)**	(9.6)
Interest expense	**0.1**	0.1	**0.1**	0.2
Income tax (recovery) expense	**(2.3)**	(0.5)	**(0.7)**	0.2
ADJUSTED EBITDA	**$ 4.6**	$ 5.5	**$ 43.3**	$ 42.7
ADJUSTED EBITDA as % of Sales	**1.7%**	2.2%	**4.5%**	4.5%

OVERVIEW

The Company has a single reportable segment which derives its revenue primarily from the sale of ladies' specialty apparel to consumers through its six retail banners. The Company's stores are primarily located in malls and retail power centres across Canada while also offering e-commerce website shopping for all of its banners. The online channels provide customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands. The Company currently operates under the following banners:

Reitmans

The Reitmans banner, operating stores averaging 4,600 sq. ft., is Canada's largest women's apparel specialty chain and leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise.

Penningtons

Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 14–32. Penningtons operates stores averaging 6,000 sq. ft. in power centres across Canada.

ADDITION ELLE

Addition Elle is a fashion destination for plus-size women with a focus on fashion, quality and fit delivering the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. Addition Elle operates stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

RW & CO. operates stores averaging 4,500 sq. ft. in premium locations in major shopping malls, catering to a customer with an urban mindset by offering fashions for men and women.

Thyme Maternity is a leading fashion brand for moms-to-be, offering current styles for every aspect of life, from casual to work, plus a complete line of nursing fashions and accessories. Thyme operates stores averaging 2,300 sq. ft. in major malls and power centres across Canada.

Hyba operates stores averaging 3,000 sq. ft. offering affordable, on-trend activewear and yoga clothes for exercising or sports in sizes XS to 2X. Hyba is also available at Reitmans store locations across Canada.

On March 1, 2018, the Company announced its decision to close all of its 17 Hyba store locations by the end of its current fiscal year, February 2, 2019. Existing Hyba stores were primarily conversions from former Smart Set store locations during 2015 in order to expand the Hyba brand's presence in the marketplace. The Company is confident in the long-term growth potential of the Hyba brand and has determined that the optimum strategy is to continue to offer Hyba-branded products across Canada through the Company's 270 Reitmans store locations. Hyba store sales amounted to $11.8 million for fiscal 2018 ($10.4 million for fiscal 2017). Costs associated with Hyba store closures comprise non-cash asset write-offs of $1.5 million after tax and a provision for onerous store leases of $2.0 million after tax, reflected in the Company's results for the fiscal 2018. The Company does not anticipate inventory write-downs or material employee severance costs.

RETAIL BANNERS

	Number of stores at January 28, 2017	**Q1 Openings**	**Q1 Closings**	**Q2 Openings**	**Q2 Closings**	**Q3 Openings**	**Q3 Closings**	**Q4 Openings**	**Q4 Closings**	**Number of stores at February 3, 2018**
Reitmans	288	-	(5)	-	(3)	-	(4)	1	(7)	270
Penningtons	127	-	(1)	-	(1)	-	(3)	-	-	122
Addition Elle	96	-	-	-	(1)	1	(3)	1	(4)	90
RW & CO.	85	-	(1)	1	-	-	(1)	1	(5)	80
Thyme Maternity	62	-	(1)	-	(1)	2	(1)	3	(1)	63
Hyba	19	1	(1)	1	(1)	-	(3)	1	-	17
Total	**677**	**1**	**(9)**	**2**	**(7)**	**3**	**(15)**	**7**	**(17)**	**642**

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.

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	For the fiscal years ended		
	February 3, 2018 **(53 weeks)**	**January 28, 2017** **(52 weeks)**	**January 30, 2016** **(52 weeks)**
Total stores at end of fiscal year[1]	**642**	677	767
Sales	**$ 964.0**	$ 952.0	$ 937.2
Gross Profit	**523.9**	522.4	527.1
(Loss) earnings before income taxes	**(17.0)**	11.1	(26.1)
Net (loss) earnings	**(16.3)**	10.9	(24.7)
(Loss) earnings per share (“EPS”)			
Basic	**(0.26)**	0.17	(0.39)
Diluted	**(0.26)**	0.17	(0.39)
Total assets	**499.1**	548.3	542.1
Total non-current liabilities	**34.3**	34.3	39.7
Dividends per share	**$ 0.20**	$ 0.20	$ 0.20

1 Excludes boutiques in Babies”R”Us shop-in-shop locations in Canada operated until August 2016.

The Canadian retail marketplace continues to change rapidly with consumers shopping behaviours blurring the lines between traditional store purchases and online shopping. In responding to this new reality, the Company embarked on key strategic initiatives aimed at improving the customers’ online and in-store experience. The Company continues to invest significantly in improvements in e-commerce fulfillment and technology, ensuring a highly skilled team to support enhanced customer analytics. The Company is well positioned in an omnichannel shopping environment with a store portfolio that is located in highly desirable major malls and power centres across Canada and a compelling e-commerce offering.

The value of the Canadian dollar vis-à-vis the U.S. dollar is a significant factor that can impact profitability of the retail operations. A focus on improved sourcing practices and reducing costs, while maintaining a value proposition for customers, along with managing foreign exchange market risks through U.S. dollar foreign exchange forward contract purchases allows the Company to mitigate any negative impact.

Sales

In fiscal 2016 the net reduction of stores, including the planned reduction of Smart Set stores, contributed to lower sales while e-commerce sales continued to grow. In fiscal 2017, despite the reduced number of stores, sales showed improvement. E-commerce sales were a significant contributor to sales growth, more than offsetting the impact of a sales reduction resulting from fewer stores. The Company continued a planned further reduction in the number of stores in fiscal 2018 with sales growth driven primarily through e-commerce and wholesale channels. Stores continued to be a significant factor in responding to customers shifting shopping behaviours in an omnichannel environment, offering a powerful, positive brand experience that capitalizes on the unique advantage of a strong network of stores.

Gross Profit

The Company’s gross profit and ultimately net earnings have been significantly impacted by weakness in the Canadian dollar in relation to the U.S. dollar. In the last three years, this weakening of the Canadian dollar has resulted in increased merchandise costs as virtually all merchandise payments are settled in U.S. dollars. Fiscal 2016 gross margin remained under pressure due to the weakening of the Canadian dollar and an increasingly competitive and challenging retail environment. The Company instituted cost reduction initiatives in January 2016, including the elimination of certain head office positions. The Company continued to maintain a disciplined approach to reducing costs while investing in growth areas of the business. In fiscal 2017, the Company's gross margin declined, being primarily impacted negatively by foreign exchange while gross margin for fiscal 2018 was negatively impacted by higher promotional activity and foreign exchange.

Summary

The Company's balance sheet remains strong with significant positions held in cash and cash equivalents and marketable securities. Marketable securities, consisting of high quality preferred shares, are mainly impacted by movements in interest rates. A reduction in inventories is the result of fewer stores and a focus on tighter inventory management. The Company carefully manages its capital expenditures which were $33.4 million in fiscal 2016, $34.4 million in fiscal 2017 and $27.0 million in fiscal 2018. These capital expenditures are primarily investments related to digital technology and retail system upgrades, distribution and handling system improvements and existing store renovations and new store builds.

STRATEGIC INITIATIVES

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

Ongoing and new Company initiatives include:

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

OPERATING RESULTS FOR FISCAL 2018 COMPARED TO FISCAL 2017

	Fiscal 2018 (53 weeks)	Fiscal 2017 (52 weeks)	$ Change	% Change
Sales	**$ 964.0**	$ 952.0	$ 12.0	1.3%
Cost of goods sold	**440.1**	429.6	10.5	2.4%
Gross profit	**523.9**	522.4	1.5	0.3%
Gross profit %	54.3%	54.9%	-	-
Selling, distribution and administrative expenses	**525.2**	521.4	3.8	0.7%
Results from operating activities before impairment of goodwill	**(1.3)**	1.0	(2.3)	n/a
Impairment of goodwill	**26.3**	-	26.3	-
Results from operating activities	**(27.6)**	1.0	(28.6)	n/a
Net finance income	**10.6**	10.1	0.5	5.0%
(Loss) earnings before income taxes	**(17.0)**	11.1	(28.1)	n/a
Income tax recovery (expense)	**0.7**	(0.2)	0.9	n/a
Net (loss) earnings	**$ (16.3)**	$ 10.9	$ 27.2	n/a
Adjusted EBITDA	**$ 43.3**	$ 42.7	$ 0.6	1.4%
(Loss) earnings per share:				
Basic	**$ (0.26)**	$ 0.17	$ (0.43)	n/a
Diluted	**(0.26)**	0.17	(0.43)	n/a
Earnings per share excluding impairment of goodwill:				
Basic	**$ 0.16**	$ 0.17	$ (0.01)	(5.9%)
Diluted	**0.16**	0.17	(0.01)	(5.9%)

Sales

Sales for fiscal 2018 were $964.0 million which includes an additional week of sales of $13.3 million, an increase of $12.0 million or 1.3% over fiscal 2017. The Company had a net reduction of 35 stores as it continued to close underperforming stores to optimize performance in select markets. Same store sales increased 2.9% with stores sales decreasing 0.7% and e-commerce sales increasing 38.2% as the Company continues to experience strong growth in its e-commerce channel.

Gross Profit

Gross profit for fiscal 2018 increased $1.5 million or 0.3%, to $523.9 million as compared with $522.4 million for fiscal 2017. The improvement in gross profit was primarily due to the impact of inclusion of a 53rd week (instead of the normal 52 weeks) of $4.4 million, increased wholesale contribution and lower inventory reserves due to improved inventory management, partially offset by an adverse foreign exchange impact of approximately $10.0 million on U.S. denominated purchases included in cost of goods sold and increased promotional activity. The Company continues its focus on distribution and sourcing opportunities to mitigate any negative impact of foreign exchange through improved vendor alliances while leveraging design and sourcing costs amongst the Company's banners.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses for fiscal 2018 increased 0.7%, or $3.8 million, to $525.2 million. Factors contributing to the increase included:

- increased expenses of $4.8 million due to costs associated with the decision to close Hyba stores, comprising asset impairments of $2.0 million and a provision for onerous store leases of $2.8 million;
- increased severance costs of $1.2 million, and merchandise purchase order cancellation costs of $1.0 million as the Company adopted tighter inventory management;
- higher selling and distribution expenses due to the inclusion of a 53rd week instead of the normal 52 weeks; partially offset by
- a decrease in performance incentive plan expenses of $3.3 million, which plan expense is based upon the attainment of operating performance targets;
- a decrease in depreciation, amortization and net impairment losses for fiscal 2018 of $1.3 million, excluding the above-noted Hyba store asset impairment loss.

Impairment of Goodwill

Following a review of the profitability of the Addition Elle banner, the Company's impairment testing concluded that the carrying value of goodwill exceeded the recoverable amount (refer to Note 8 of the audited consolidated financial statements for fiscal 2018). As a result, the Company recorded a goodwill impairment loss of $26.3 million for fiscal 2018.

Net Finance Income

Net finance income was $10.6 million for fiscal 2018 as compared to $10.1 million for fiscal 2017. This change is largely attributable to the following:

- increased interest income, primarily derived from cash held with banks;
- a foreign exchange loss of $0.4 million for fiscal 2018 compared to a loss of $2.5 million for fiscal 2017, largely attributable to the foreign exchange impact on U.S. denominated monetary assets and liabilities; offset in part by
- a $7.3 million increase in the fair value of marketable securities for fiscal 2018 compared to an increase of $9.6 million for fiscal 2017.

Income Taxes

The income tax recovery for fiscal 2018 amounted to $0.7 million for an effective tax recovery rate of 4.3% (income tax expense in fiscal 2017 amounted to $0.2 million for an effective tax expense rate of 1.7%). The effective tax rate for fiscal 2018 was impacted primarily by a non-deductible goodwill impairment expense of $26.3 million, a $7.3 million increase in the fair value of marketable securities for which no deferred tax asset has been recognized (as described in Note 9 to the audited consolidated financial statements for fiscal 2018), and by tax exempt dividend income relative to the Company's active business income. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions.

Net Loss

Net loss for fiscal 2018 was $16.3 million ($0.26 basic and diluted loss per share) as compared with $10.9 million net earnings ($0.17 basic and diluted earnings per share) for fiscal 2017. The change from fiscal 2017 is mainly attributable to a non-tax deductible goodwill impairment expense of $26.3 million and $3.5 million of expenses, after tax, associated with the decision to close Hyba stores.

Excluding the impact of the impairment of goodwill, net earnings for fiscal 2018 were $10.0 million ($0.16 basic and diluted earnings per share) as compared with $10.9 million net earnings ($0.17 basic and diluted earnings per share) for fiscal 2017.

Adjusted EBITDA

Adjusted EBITDA for fiscal 2018 was $43.3 million, comparable with $42.7 million for fiscal 2017, an increase of $0.6 million.

OPERATING RESULTS FOR THE FOURTH QUARTER OF FISCAL 2018 COMPARED TO THE FOURTH QUARTER OF FISCAL 2017

	Fiscal 2018 (14 weeks)	Fiscal 2017 (13 weeks)	$ Change	% Change
Sales	**$ 263.4**	$ 248.4	$ 15.0	6.0%
Cost of goods sold	**127.3**	122.6	4.7	3.8%
Gross profit	**136.1**	125.8	10.3	8.2%
Gross profit %	51.7%	50.6%	-	-
Selling, distribution and administrative expenses	**143.2**	131.3	11.9	9.1%
Results from operating activities	**(7.1)**	(5.5)	(1.6)	29.1%
Net finance income	**2.2**	5.3	(3.1)	(58.5%)
(Loss) earnings before income taxes	**(4.9)**	(0.2)	(4.7)	n/a
Income tax recovery	**2.3**	0.5	1.8	n/a
Net (loss) earnings	**$ (2.6)**	$ 0.3	$ (2.9)	n/a
Adjusted EBITDA	**$ 4.6**	$ 5.5	$ (0.9)	(16.4%)
(Loss) earnings per share:				
Basic	**$ (0.04)**	$ 0.00	$ (0.04)	n/a
Diluted	**(0.04)**	0.00	(0.04)	n/a

Sales

Sales increased by $15.0 million or 6.0% to $263.4 million for the fourth quarter of fiscal 2018 as compared with the fourth quarter of fiscal 2017, including an additional week of sales of $13.3 million. The Company had a net reduction of 35 stores as it continued to close underperforming stores to optimize performance in select markets. Same store sales increased 3.2% with store sales decreasing 1.1% and e-commerce sales increasing 34.3% as the Company continues to experience strong growth in its e-commerce channel.

Gross Profit

Gross profit for the fourth quarter of fiscal 2018 increased $10.3 million or 8.2% to $136.1 million as compared to $125.8 million for the fourth quarter of fiscal 2017. The improvement in gross profit was primarily a result of the impact of inclusion of a 14^{th} week (instead of the normal 13 weeks) of $4.4 million along with a positive foreign exchange impact of approximately $3.2 million on U.S. dollar denominated purchases included in cost of goods sold for the fourth quarter of fiscal 2018. The Company continues its focus on distribution and sourcing opportunities to mitigate the negative impact of foreign exchange through improved vendor alliances while leveraging design and sourcing costs amongst the Company's banners.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses for the fourth quarter of fiscal 2018 increased 9.1%, or $11.9 million, to $143.2 million. Factors contributing to the increase included:

- increased expenses of $4.8 million due to costs associated with the decision to close Hyba stores, comprising asset impairments of $2.0 million and a provision for onerous store leases of $2.8 million;
- increased severance costs of $1.0 million, and merchandise purchase order cancellation costs of $1.0 million as the Company adopted tighter inventory management;
- higher selling and distribution expenses due to the inclusion of a 14th week instead of the normal 13 weeks.

Net Finance Income

Net finance income was $2.2 million for the fourth quarter of fiscal 2018 as compared to $5.3 million for the fourth quarter of fiscal 2017. This change is primarily attributable to a $2.0 million increase in the fair value of marketable securities for the fourth quarter of fiscal 2018 compared to a $5.5 million increase for the fourth quarter of fiscal 2017.

Income Taxes

The income tax recovery for the fourth quarter of fiscal 2018 was impacted primarily by a $2.0 million increase in the fair value of marketable securities for which no deferred tax asset has been recognized (as described in Note 9 to the audited consolidated financial statements for fiscal 2018), and tax exempt dividend income relative to the Company's active business income. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions.

Net Loss

Net loss for the fourth quarter of fiscal 2018 was $2.6 million ($0.04 basic and diluted loss per share) as compared with $0.3 million net earnings ($0.00 basic and diluted earnings per share) for the fourth quarter of fiscal 2017. This $2.9 million reduction is due mainly to $3.5 million of expenses, after tax, associated with the decision to close Hyba stores.

Adjusted EBITDA

Adjusted EBITDA for the fourth quarter of fiscal 2018 was $4.6 million comparable with $5.5 million for the fourth quarter of fiscal 2017, a decrease of $0.9 million.

FOREIGN EXCHANGE CONTRACTS

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company enters into foreign exchange forwards contracts to hedge a significant portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance. The Company's policy is to satisfy at least 80% of projected U.S. dollar denominated merchandise purchases in any given fiscal year by way of foreign exchange forward hedge contracts, with any additional requirements being met through spot U.S. dollar purchases. In fiscal 2018, merchandise purchases, payable in U.S. dollars, approximated $244 million U.S.

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

	February 3, 2018				
	Average Strike Price	**Notional Amount in U.S. Dollars**	**Derivative Financial Asset**	**Derivative Financial Liability**	**Net**
Foreign exchange forwards contracts	**$ 1.286**	**$ 204.5**	**$ -**	**$ (9.7)**	**$ (9.7)**

	January 28, 2017				
	Average Strike Price	**Notional Amount in U.S. Dollars**	**Derivative Financial Asset**	**Derivative Financial Liability**	**Net**
Foreign exchange forwards contracts	$ 1.319	$ 197.0	$ 1.4	$ (3.2)	$ (1.8)

SUMMARY OF QUARTERLY RESULTS

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

	Fourth Quarter		**Third Quarter**		**Second Quarter**		**First Quarter**	
	2018 (14 weeks)	**2017 (13 weeks)**	**2018[1] (13 weeks)**	**2017 (13 weeks)**	**2018 (13 weeks)**	**2017 (13 weeks)**	**2018 (13 weeks)**	**2017 (13 weeks)**
Sales	$ 263.4	$ 248.4	$ 242.4	$ 245.6	$ 251.1	$ 254.4	$ 207.1	$ 203.5
Net (loss) earnings	(2.6)	0.3	(16.8)	7.6	9.7	9.0	(6.6)	(6.0)
(Loss) earnings per share								
Basic	$ (0.04)	$ -	$ (0.27)	$ 0.12	$ 0.15	$ 0.14	$ (0.10)	$ (0.09)
Diluted	(0.04)	-	(0.27)	0.12	0.15	0.14	(0.10)	(0.09)
Net (loss) earnings before impairment of goodwill	$ (2.6)	$ 0.3	$ 9.5	$ 7.6	$ 9.7	$ 9.0	$ (6.6)	$ (6.0)
(Loss) earnings per share excluding impairment of goodwill								
Basic	$ (0.04)	$ -	$ 0.15	$ 0.12	$ 0.15	$ 0.14	$ (0.10)	$ (0.09)
Diluted	(0.04)	-	0.15	0.12	0.15	0.14	(0.10)	(0.09)

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

BALANCE SHEET

Selected line items from the Company's balance sheets as at February 3, 2018 and January 28, 2017 are presented below:

	2018	2017	$ Change	% Change
Cash and cash equivalents	**$ 104.7**	$ 120.3	$ (15.6)	(13.0%)
Marketable securities	**62.0**	54.8	7.2	13.1%
Trade and other receivables	**4.9**	4.3	0.6	14.0%
Income taxes recoverable	**2.2**	3.5	(1.3)	(37.1%)
Inventories	**136.0**	146.1	(10.1)	(6.9%)
Prepaid expenses	**19.2**	6.8	12.4	n/a
Property and equipment & intangible assets	**129.7**	147.2	(17.5)	(11.9%)
Goodwill	**11.9**	38.2	(26.3)	(68.8%)
Deferred income taxes	**28.4**	25.9	2.5	9.7%
Trade and other payables (current and long-term)	**101.3**	121.4	(20.1)	(16.6%)
Net derivative financial liability	**9.7**	1.8	7.9	n/a
Deferred revenue	**21.6**	21.5	0.1	0.5%

Changes in selected line items from the Company's balance sheets at February 3, 2018 as compared to January 28, 2017 were primarily due to the following:

- cash and cash equivalents decreased primarily due to investments in property and equipment and dividend payments which were mainly offset by cash generated from operating activities in fiscal 2018;
- marketable securities increased due to the net change in their fair value in fiscal 2018;
- trade and other receivables were comparable and consist primarily of credit card sales from the last few days of the fiscal quarter, wholesale account receivables and government incentive program receivables;
- income taxes recoverable consist of tax refunds relating to prior years, net of current year tax liabilities;
- a reduction in inventories is the result of fewer stores and a focus on tighter inventory management. The Company also carefully manages its inventory held to support the significant growth in the e-commerce channel;
- prepaid expenses, consisting mainly of prepaid rent, insurance, maintenance contracts and realty and business taxes increased $12.4 million principally due to February 2018 rent that was paid and classified as a prepaid item;
- the Company continues to closely manage its investment in property and equipment and intangible assets. The decrease reflects the reduction in the number of stores. For fiscal 2018, $27.0 million ($34.4 million in fiscal 2017) was invested in property and equipment and intangible assets. Depreciation, amortization and net impairment losses of $44.9 million were recognized in fiscal 2018 ($44.2 million in fiscal 2017);
- the reduction of goodwill is attributable to the recognition of an impairment of goodwill charge related to the Addition Elle banner as described in Note 8 to the audited consolidated financial statements for fiscal 2018;
- deferred income taxes increased by $2.5 million largely due to deductible temporary timing differences arising on foreign exchange forwards contracts. Deferred income taxes arise primarily due to deductible temporary timing differences on property and equipment and intangible assets and pension liability;

- trade and other payables were impacted mainly by the timing of payments for vendor liabilities and various sales and withholding taxes resulting from the year-end being one week later than normal due to the 53rd week. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities;
- the change in the net derivative position is attributable to the impact of mark-to-market adjustments on foreign exchange forwards contracts;
- deferred revenue was comparable and consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed.

OPERATING RISK MANAGEMENT

Economic Environment

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

Competitive Environment

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by the arrival over the past years of a number of foreign-based competitors and additional foreign retailers continuing to expand into the Canadian marketplace. Additionally, Canadian consumers 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. The Company's stores, located throughout Canada, offer affordable fashions to consumers. The Company also offers an e-commerce alternative for shoppers through each of the banners' websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Company has invested significantly in its e-commerce websites and social media to drive consumers to the websites and believes that it is positioned well to compete in this environment.

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 the Company's ability to replenish its stores on a timely basis or satisfy e-commerce demand causing a loss of sales and potential dissatisfaction amongst its customers, which could have a significant effect on the results of operations.

Loyalty Programs

The Company's loyalty programs are a valuable offering to customers and provide a key marketing tool for the business. The marketing, promotional and other business activities related to possible changes to the loyalty programs must be well managed and coordinated to preserve positive customer perception. Any failure to successfully manage the loyalty programs may negatively impact the Company's reputation and financial performance.

Leases

All of the Company's stores are held under leases, most of which can be renewed for additional terms at the Company's option. The Company has good relationships with its landlords. Any factor which would have the effect of impeding or affecting, in a material way, the Company's ability to lease prime locations or re-lease and/or renovate existing profitable locations, or delay the Company's ability to close undesirable locations could adversely impact the Company's operations.

Consumer Shopping Patterns

Changes in customer shopping patterns could affect sales. Many of the Company's stores are located in enclosed shopping malls. The ability to sustain or increase the level of sales depends in part on the continued popularity of malls as shopping destinations and the ability of malls, tenants and other attractions to generate a high volume of customer traffic. Many factors that are beyond the control of the Company may decrease mall traffic, including economic downturns, closing of anchor department stores, weather, concerns of terrorist attacks, construction and accessibility, alternative shopping formats such as e-commerce, discount stores and lifestyle centres, among other factors. Any changes in consumer shopping patterns could adversely affect the Company's financial condition and operating results.

Weather

Changes in weather can affect the planned receipt and/or distribution of merchandise and the timing of consumer spending, and may have an adverse effect upon the Company's results of operations. In particular, unseasonably warm or cold weather, especially during the Company's peak selling seasons, may have an adverse effect on consumer shopping patterns and on the Company's sales.

Seasonality

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

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 continues to undertake investments in new IT systems to improve the operating effectiveness of the organization. Failure to successfully migrate from legacy systems to new IT systems or a significant disruption in the Company's IT systems in general could result in a lack of accurate data to enable management to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses. The Company also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Company, data accuracy, quality and governance are required for effective decision making.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude the Company from optimizing its overall performance and could result in inefficiencies and duplication in processes, which in turn could adversely affect the reputation, operations or financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with the new IT systems could adversely affect the reputation, operations or financial performance of the Company.

Laws and Regulation

The Company is structured in a manner that management considers to be most effective to conduct its business. The Company is subject to material and adverse changes in government regulation that might impact income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

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

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

Merchandise Sourcing

Virtually all of the Company’s merchandise is private label. On an annual basis, the Company directly imports over 90% of its merchandise, largely from Asia. In fiscal 2018, no supplier represented more than 10% of the Company’s purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and international) for virtually all of the Company’s merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address the environmental concerns of its customers. The Company has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Company requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that could 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.

Cyber Security, Privacy and Protection of Personal Information

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

The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business. In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information") regarding the Company and its employees, vendors, customers and credit card holders. Some of this Confidential Information is held and managed by third party service providers. As with other large and prominent companies, the Company is regularly subject to cyber attacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company also has security processes, protocols and standards that are applicable to its third party service providers. Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of our third party service providers' information systems. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, customer or credit card holder privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cyber security incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of existing customers or failure to attract new customers; the loss of sales; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Legal Proceedings

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve suppliers, customers, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain and could result in a material adverse effect on the Company's reputation, operations or financial condition or performance.

Merchandising, Electronic Commerce and Disruptive Technologies

The Company may have inventory that customers do not want or need, is not reflective of current trends in customer tastes, habits or regional preferences, is priced at a level customers are not willing to pay or is late in reaching the market. In addition, the Company's operations, specifically inventory levels, sales, volume and product mix, are impacted to some degree by seasonality, including certain holiday periods in the year. If merchandising efforts are not effective or responsive to customer demand, it could adversely affect the Company's financial performance.

The Company's e-commerce strategy is a growing business initiative. As part of the e-commerce initiative, customers expect innovative concepts and a positive customer experience, including a user-friendly website, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Company is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Company's ability to grow its e-commerce business could be adversely affected. The Company has increased its investment in improving the digital customer experience, but there can be no assurances that the Company will be able to recover the costs incurred to date.

The retail landscape is quickly changing due to the rise of the digitally influenced shopping experience and the emergence of disruptive technologies. In addition, the effect of increasing digital advances could have an impact on the physical space requirements of retail businesses. Although the importance of a retailer's physical presence has been demonstrated, the size requirements and locations may be subject to further disruption. Any failure to adapt the business models to recognize and manage this shift in a timely manner could adversely affect the Company's operations or financial performance.

FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses derivative instruments to offset certain of these risks. Policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions which could adversely affect the financial performance of the Company.

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. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, trade and other receivables and foreign currency forwards exchange contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents and foreign currency forwards contracts by dealing with major Canadian financial institutions. Marketable securities consist of preferred shares of highly-rated Canadian public companies. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year. Due to the nature of the Company's activities and the low credit risk of the Company's trade and other receivables as at February 3, 2018 and January 28, 2017, expected credit loss on these financial assets is not significant.

As at February 3, 2018, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 104.7
Marketable securities	62.0
Trade and other receivables	4.9
	$ 171.6

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within twelve months. As at February 3, 2018, the Company had a high degree of liquidity with $166.7 million in cash and cash equivalents and marketable securities. In addition, the Company has unsecured credit facilities of $75 million subject to annual renewals. The Company has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for U.S. dollar merchandise purchases.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency option or forward contracts, normally not to exceed twelve months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. A foreign currency forward contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Company enters into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. The foreign exchange contracts that were settled during the fiscal 2018 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk, and accordingly the Company established a ratio of 1:1 for all foreign exchange hedges.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $16.2 million and trade payables of $43.4 million to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 3, 2018, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $1.6 million increase or decrease, respectively, in the Company's net earnings for fiscal 2018.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On February 3, 2018, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $9.2 million decrease or increase, respectively, in the Company's other comprehensive income for fiscal 2018.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and cash equivalents. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash and cash equivalents that are invested mainly with major Canadian financial institutions. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $75 million or its U.S. dollar equivalent that it utilizes for documentary and standby letters of credit, and the Company funds the drawings on these facilities as the payments are due.

The Company has performed a sensitivity analysis on interest rate risk at February 3, 2018 to determine how a change in interest rates would impact net earnings. For fiscal 2018, the Company earned interest income of $1.2 million on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased or decreased net earnings by $0.9 million, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Equity Price Risk

Equity price risk arises from marketable securities. The Company monitors the mix of equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Chief Executive Officer.

The Company has performed a sensitivity analysis on equity price risk at February 3, 2018, to determine how a change in the market price of the Company's marketable securities would impact net earnings. The Company's equity investments consist principally of preferred shares of highly-rated Canadian public companies. The Company believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at February 3, 2018, would result in a $3.0 million increase or decrease, respectively, in net earnings for fiscal 2018. The Company's equity securities are subject to market risk and, as a result, the impact on net earnings may ultimately be greater than that indicated above.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company primarily uses funds for working capital requirements, capital expenditures and payment of dividends. Shareholders' equity as at February 3, 2018 amounted to $340.8 million or $5.38 per share (January 28, 2017 - $373.5 million or $5.90 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and cash equivalents and investments in marketable securities of $166.7 million as at February 3, 2018 (January 28, 2017 - $175.1 million). Cash is held in interest bearing accounts with major Canadian financial institutions. The Company closely monitors its risk with respect to cash investments. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $75 million or its U.S. dollar equivalent. As at February 3, 2018, $4.3 million (January 28, 2017 -

$9.7 million) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for U.S. dollar letters of credit to satisfy international third-party vendors which require such backing before confirming purchase orders issued by the Company and to support U.S. dollar foreign exchange forward contract purchases. The Company rarely uses such credit facilities for other purposes. The committed operating lines of credit are recorded when the Company considers it probable that a payment has to be made to the other party of the contract. The Company has recorded no liability with respect to these commitments. The reduction in the commitments under the operating lines of credit reflects the Company's initiative to change payment settlement from documentary letters of credit towards open credit.

The Company purchases insurance coverage from financially stable third-party insurance companies. The Company maintains comprehensive internal security and loss prevention programs aimed at mitigating the financial impact of theft.

As of November 6, 2017 the Company had fully repaid all its long-term debt. The Company paid $0.20 dividends per share in fiscal 2018 totalling $12.7 million, similar to fiscal 2017. With regard to dividend policy, the Board of Directors considers the Company's earnings per share, cash flow from operations, the level of planned capital expenditures and its cash and marketable securities. The targeted payout ratio is approximately 50% to 80% of sustainable earnings per share, 50% to 75% of cash flow from operations with consideration as to the ability to augment the dividend from the liquidity on the Company's balance sheet, if these targets are missed in a given year. The Board of Directors reviews these guidelines regularly.

In fiscal 2018, the Company invested $27 million in capital expenditures, on a cash basis, primarily on new and renovated stores. In fiscal 2019, the Company expects to invest approximately $30 million in capital expenditures. These expenditures, together with the payment of dividends and any repayments related to the Company's bank credit facility are expected to be funded by the Company's existing financial resources and funds derived from its operations.

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

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments, excluding trade and other payables, as at February 3, 2018:

Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Store & office operating leases[1]	$ 271	$ 76	$ 147	$ 48
Purchase obligations[2]	117	114	3	-
Other operating leases[3]	8	5	3	-
Total contractual obligations	**$ 396**	**$ 195**	**$ 153**	**$ 48**

[1] Represents the minimum lease payments under long-term leases for store locations and office space.
[2] Includes amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company.
[3] Includes lease payments for computer equipment, automobiles and office equipment.

As at February 3, 2018, the Company's pension liability has not been included in the table above as the timing and amount of future payments are uncertain.

OUTSTANDING SHARE DATA

At April 4, 2018, 13,440,000 Common shares and 49,890,266 Class A non-voting shares of the Company were issued and outstanding. Each Common share entitles the holder thereof to one vote at meetings of shareholders of the Company. The Company has 2,331,600 share options outstanding at an average exercise price of $7.87. 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 fiscal 2018 and 2017, the Company did not purchase any shares under a normal course issuer bid.

In December 2017, 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 3,282,764 Class A non-voting shares of the Company, representing 10% of the public float of the issued and outstanding Class A non-voting shares as at December 5, 2017. The bid commenced on December 19, 2017 and may continue to December 18, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency forward hedge contracts with maturities generally not exceeding twelve months.

Details of the foreign currency contracts outstanding as at February 3, 2018 are included in the “Foreign Exchange Contracts” section of this MD&A.

A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian chartered banks. The Company does not use derivative financial instruments for speculative purposes.

RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity - directly or indirectly. The definition of key management personnel includes directors (both executive and non-executive). The Board of Directors (which includes the Chief Executive Officer and President) and the Chief Operating Officer have the responsibility for planning, directing and controlling the activities of the Company and are considered key management personnel. The Directors participate in the share option plan, as described in note 15 to the audited consolidated financial statements for fiscal 2018.

Compensation expense for key management personnel is as follows:

	For the fiscal years ended	
	February 3, 2018	**January 28, 2017**
Salaries, Directors' fees and short-term benefits	**$ 2.9**	$ 3.1
Share-based compensation costs	**0.1**	0.4
	$ 3.0	$ 3.5

Further information about the remuneration of individual Directors is provided in the annual Management Proxy Circular.

Other Related-Party Transactions

The Company leased two retail locations during the year which were owned by companies controlled by the major shareholders of the Company. For fiscal 2018, the rent expense under these leases was, in the aggregate, $0.2 million (fiscal 2017 - $0.2 million). Effective November 2017, the leased locations are no longer owned by companies controlled by the major shareholders of the Company.

The Company incurred $0.3 million in fiscal 2018 (fiscal 2017 - $0.4 million) with professional service firms connected to certain members of the Board of Directors of the Company for fees in conjunction with general legal advice and other consultation.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

FINANCIAL INSTRUMENTS

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

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

For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to Note 23 of the audited consolidated financial statements for fiscal 2018.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Key Sources of Estimation Uncertainty

Pension Plans

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. For this purpose, the Company has developed assumptions regarding the quantity of merchandise sold below cost.

Asset Impairment

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

Judgments

Financial Instruments

The Company does not separately account for embedded U.S. dollar foreign exchange derivatives in its purchase contracts of merchandise from suppliers where it has determined the US dollar to be commonly used in that country's economic environment.

Operating Segments

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, Operating Segments, which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, the identification of operating segments and the aggregation of operating segments. The Company's operating segments, before aggregation, have been identified as the Company's six banners: Reitmans, Penningtons, Addition Elle, RW & CO., Thyme Maternity and Hyba. Each operating segment is reviewed by the CODM in reviewing their profitability so that the information can be used to ensure adequate resources are allocated to that part of the Company's operations. The Company has aggregated its operating segments into one reportable segment on the basis of their similar economic characteristics, customers (mainly female) and nature of products (mainly ladies' specialty apparel). The similarity in economic characteristics reflects the fact that the Company's operating segments operate mainly in the ladies apparel business, primarily in Canada and are therefore subject to the same economic market pressures. The Company's operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The operating segments also share centralized, common functions such as distribution and IT.

NEW ACCOUNTING POLICIES ADOPTED IN FISCAL 2018

The new accounting policy set out below has been adopted in the audited consolidated financial statements for fiscal 2018:

- Disclosure Initiative (Amendments to IAS 7)

Further information on this new accounting policy can be found in Note 3 of the audited consolidated financial statements for fiscal 2018.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended February 3, 2018 and have not been applied in preparing the audited consolidated financial statements for fiscal 2018. New standards and amendments to standards and interpretations that are currently under review include:

- IFRS 16 - Leases
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 2 – Share-based Payment

Further information on these modifications can be found in Note 3 of the audited consolidated financial statements for fiscal 2018.

DISCLOSURE CONTROLS AND PROCEDURES

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

As required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at February 3, 2018.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in ‘Internal Control – Integrated Framework (COSO Framework)’ published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company’s internal controls over financial reporting were effective as at February 3, 2018.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

There were no changes in the Company’s internal control over financial reporting in the fourth quarter of 2018 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

OUTLOOK

The Company is well positioned for the future with recognizable banners each offering a powerful, positive brand experience able to capitalize on a strong network of stores and an exceptional e-commerce proposition. A variety of measures have been implemented to improve profitability, including enhancing the product offerings, tighter inventory management and improving the customer experience both in stores and online. Significant resources have been deployed to ensure that strategic initiatives supporting the changing consumer shopping behaviours are successful in responding to consumer demands. The Company’s wholesale operations continue to grow and provide exciting opportunities in the U.S. marketplace with a wide variety of retailers showing interest in product offerings.

The retail industry and consumer shopping behaviours are changing faster than ever before and, as a result, the Company recognizes its need to significantly increase its agility and improve efficiencies. The ability to quickly respond to these new demands and continue to reinvent will be key to long-term growth and future success.