



Interim Report

For the three months
ended May 4, 2002



Reitmans

To Our Shareholders

Sales for the first quarter ended May 4, 2002 increased 8% to \$126,028,000 as compared with \$116,256,000 for the first quarter ended May 5, 2001 last year. Comparable store sales increased 2% in the period. Net earnings for the period increased 21% to \$5,127,000 or \$0.60 per share as compared with \$4,250,000 or \$0.51 per share last year. Operating earnings increased 45% to \$4,896,000 as compared with \$3,365,000 last year.

Sales for the month of May (4 weeks ended June 1st) increased 10% with comparable store sales increasing 3%.

These results do not include the results of Shirmax, as the Shirmax transaction did not close until June 7th, 2002.

During the first quarter, the Company opened 5 Reitmans, 1 Smart Set and 4 Penningtons stores. Six stores were closed. Accordingly, at May 4, 2002, there were 627 stores in operation, consisting of 328 Reitmans, 149 Smart Set / Dalmys, 122 Penningtons and 28 RW & CO. An additional 30 stores are scheduled to open this year and 10 stores will be closed.

Approximately 99% of the outstanding shares of Shirmax Fashions Ltd. were tendered in response to our take-over bid of \$7.00 per share or a total of approximately \$85,400,000. The bid expired on June 4, 2002 and the shares were acquired by Reitmans on June 7, 2002 through bank financing. We expect to acquire the remaining shares of Shirmax in due course, whereupon Shirmax will become a wholly-owned subsidiary of Reitmans.

All conditions to the offer, including regulatory approvals, were satisfied. The Commissioner of Competition issued a "no action" letter confirming that Reitmans' acquisition of Shirmax did not provide grounds for challenge under the merger provisions of the *Competition Act*. In the course

of the Competition Bureau's investigation, the Commissioner requested, and we provided, an undertaking not to enforce, for three years, certain clauses in some of the parties' leases that may have precluded landlords from leasing space to competing retailers of plus-size women's apparel. It is not anticipated that this undertaking will have any material impact on the Company or its operations.

At quarter-end, Shirmax operated 174 stores consisting of 69 mall stores operating under the "Addition-Elle", "A/E Sport & Co." and "Lingerie by Addition-Elle" banners, 39 Addition-Elle Fashion Outlet and 66 Thyme Maternity stores.

Reitmans now operates 801 stores through 7 Divisions - 328 Reitmans, 149 Smart Set / Dalmys, 122 Penningtons, 28 RW & CO., 69 Addition-Elle, 39 Addition-Elle Outlet and 66 Thyme Maternity.

At the Board of Directors meeting held on June 5, 2002, a quarterly cash dividend of 20 cents per share on all outstanding Class A non-voting and Common Shares of the capital stock of the Company was declared payable July 26, 2002, to shareholders of record as of the close of business July 12, 2002.

(signed)

Jeremy H. Reitman

President

Montreal, June 10, 2002

Management Discussion and Analysis

OPERATING RESULTS

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INVESTMENTS

Investments consist of marketable securities, principally high quality preferred shares rated P-1. At May 4, 2002, marketable securities amounted to \$75,435,000 (market value \$77,140,000) as compared with \$81,804,000 (market value \$86,149,000) last year. Investment income in the first quarter amounted to \$2,981,000, composed principally of dividends and net capital gains of \$1,838,000 compared to \$2,585,000 with \$621,000 of net capital gains last year.

LIQUIDITY AND CAPITAL ASSETS

Shareholders' equity at May 4, 2002 amounted to \$228,988,000 or \$26.67 per share as compared to \$204,451,000 or \$24.50 per share last year. The Company continues to be in a strong financial position. The Company's sources of liquidity are its cash and investments in marketable securities of \$80,527,000 at May 4, 2002 compared with \$93,752,000 at May 5, 2001. The major financing activity during the quarter was the payment of cash dividends of \$1,717,000

or 20 cents a share. Subsequent to quarter-end, the Company completed the bank financing of \$86,000,000 to fund the acquisition of Shirmax Fashions Ltd.

The Company invested \$5,939,000 in new and renovated stores in the quarter ending May 4, 2002 and has budgeted a further \$12,000,000 for store development for fiscal 2003. These expenditures together with the payment of cash dividends will be funded by the Company's existing financial resources and funds derived from its operations.

The Company is continuing with the construction of its new Montreal distribution centre, comprising 330,000 square feet on a land area of 1,100,000 square feet, with the capacity to service up to 1,000 store locations. The Company has budgeted approximately \$18,000,000 for land and building with a further \$12,000,000 for equipment. As of the date of this report, the four-wall construction is complete and the installation of the automated merchandise handling equipment is on schedule. We expect that this facility will be fully operational by August 2003. The Company made progress payments of \$8,596,000 related to building construction and equipment during the first quarter. The Company anticipates financing the land and building using mortgage financing and the equipment using internal financial resources.

OUTLOOK

Subsequent to quarter-end, the Company has substantially completed its acquisition of Shirmax Fashions Ltd. and integration activities are currently underway. The Company, through its seven distinct operating divisions, believes that it is well positioned to compete effectively in the Canadian specialty retail market. We have continued to expand and strengthen our offshore sourcing capabilities based in Hong Kong.

The Company is in a strong financial position. It has excellent relationships with its vendors and suppliers, both in Canada and globally. It has invested in technology and people. The outlook remains positive.

Consolidated Statements of Earnings and Retained Earnings (Unaudited)

(in thousands except per share amounts)

	For the three months ended	
	May 4, 2002	May 5, 2001
Sales	\$ 126,028	\$ 116,256
Cost of goods sold and selling, general and administrative expenses	116,290	108,548
	9,738	7,708
Depreciation and amortization	4,842	4,343
Operating earnings	4,896	3,365
Investment income	2,981	2,585
Earnings before income taxes	7,877	5,950
Income taxes	2,750	1,700
Net earnings	5,127	4,250
Retained earnings at beginning of the period	213,334	193,960
Deduct:		
Dividends	1,717	1,669
Premium on purchase of Class A shares	-	812
Retained earnings at end of the period	\$ 216,744	\$ 195,729
Net earnings per share:		
Basic	\$ 0.60	\$ 0.51
Fully diluted	0.59	0.51

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	For the three months ended	
	May 4, 2002	May 5, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 5,127	\$ 4,250
Adjustments for:		
Depreciation and amortization	4,842	4,343
Future income taxes	125	100
Investment income	(2,981)	(2,585)
Changes in non-cash working capital	(22,696)	(5,678)
	(15,583)	430
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(25,346)	(12,298)
Proceeds on sale of marketable securities	27,033	12,515
Net additions to capital assets	(14,300)	(8,364)
Investment income, excluding gain on sale of marketable securities of \$1,838 (2001 - \$621)	1,143	1,964
	(11,470)	(6,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,717)	(1,669)
Purchase of Class A non-voting shares for cancellation	-	(878)
Issue of share capital	-	240
	(1,717)	(2,307)
NET DECREASE IN CASH POSITION DURING THE PERIOD	(28,770)	(8,060)
CASH POSITION AT BEGINNING OF THE PERIOD	33,862	20,008
CASH POSITION AT END OF THE PERIOD	\$ 5,092	\$ 11,948

Cash position consists of cash balances with banks and investments in short-term deposits.

Consolidated Balance Sheets

(in thousands)

	Unaudited May 4, 2002	Unaudited May 5, 2001	Audited February 2, 2002
Assets			
CURRENT ASSETS			
Cash and short-term deposits	\$ 5,092	\$ 11,948	\$ 33,862
Accounts receivable	2,666	2,548	1,912
Merchandise inventories	63,565	58,468	39,197
Prepaid expenses	10,855	9,831	10,440
Total Current Assets	82,178	82,795	85,411
INVESTMENTS	75,435	81,804	75,284
CAPITAL ASSETS	119,478	87,644	109,377
ACCRUED PENSION ASSET	8,121	6,903	8,121
	\$ 285,212	\$ 259,146	\$ 278,193
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES			
Accounts payable and accrued items	\$ 53,218	\$ 51,547	\$ 40,785
Income taxes payable	524	1,667	9,473
Total Current Liabilities	53,742	53,214	50,258
FUTURE INCOME TAXES	2,481	1,481	2,356
SHAREHOLDERS' EQUITY			
Share capital	12,245	8,722	12,245
Retained earnings	216,744	195,729	213,334
Total Shareholders' Equity	228,989	204,451	225,579
	\$ 285,212	\$ 259,146	\$ 278,193

Notes to the Interim Consolidated Financial Statements (Unaudited)

1. Disclosure

These interim consolidated financial statements (the "financial statements") do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the 52 week period ended February 2, 2002.

The Company's business follows a seasonal pattern, with merchandise sales traditionally being higher in the fourth quarter than in other quarterly periods due to consumer holiday buying patterns. The business seasonality results in performance for the 13 weeks ended May 4, 2002, which is not necessarily indicative of performance for the balance of the year.

2. Accounting Policies

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the 52 week period ended February 2, 2002 except as follows:

Effective February 3, 2002, the Corporation adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants relating to stock-based compensation and other stock-based payments. Under the new standard, the Corporation has the option to use the fair value method of accounting or settlement accounting. As in prior periods, the Corporation uses settlement accounting such that transactions are reflected in the financial statements only upon the exercise of options, at the exercise price. Any consideration paid by employees on the exercise of options is credited to share capital. During the period ended May 4, 2002 no options were granted.

3. Earnings Per Share

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

	May 4, 2002	May 5, 2001
Weighted average number of shares per basic earnings per share calculations	8,584,782	8,345,626
Effect of dilutive options outstanding	73,776	23,969
Weighted average number of shares per diluted earnings per share calculations	8,658,558	8,369,595

	Reitmans	Smart Set / Dalmys	Penningtons	RW & CO.	Total
Newfoundland	14	3	3	-	20
Prince Edward Island	3	3	1	-	7
Nova Scotia	19	7	3	-	29
New Brunswick	17	5	3	1	26
Québec	82	25	23	8	138
Ontario	104	61	45	10	220
Manitoba	11	5	5	-	21
Saskatchewan	6	4	4	-	14
Alberta	36	17	16	3	72
British Columbia	34	19	19	6	78
Northwest Territories	1	-	-	-	1
Yukon	1	-	-	-	1
	328	149	122	28	627



627 STORES