



INTERIM REPORT
FOR THE THREE MONTHS ENDED MAY 3, 2003



Reitmans

TO OUR SHAREHOLDERS

Including the results of Shirmax for the current period, sales for the first quarter ended May 3, 2003 increased 41% to \$177,750,000 as compared with \$126,028,000 for the first quarter ended May 4, 2002 last year. Comparable store sales decreased 3% in the period. Excluding Shirmax, sales increased 6% with comparable store sales increasing 1%. Net earnings for the period decreased 20% to \$4,105,000 or \$0.24 per share as compared with \$5,127,000 or \$0.30 per share last year. Operating earnings before depreciation and amortization (EBITDA) increased 23% to \$11,998,000 as compared with \$9,738,000 last year.

Sales for the month of May (4 weeks ended May 31) increased 13% with comparable store sales increasing 8%.

During the first quarter, the Company opened 17 new stores comprised of 6 Reitmans, 7 Smart Set, 1 Penningtons, 2 Addition-Elle Outlet and 1 Thyme Maternity and closed 7 stores. Accordingly, at May 3, 2003, there were 830 stores in operation, consisting of 338 Reitmans, 160 Smart Set / Dalmys, 124 Penningtons, 28 RW & CO., 68 Addition-Elle, 44 Addition-Elle Outlet and 68 Thyme Maternity stores. An additional 28 stores are scheduled to open this year and 24 stores will be closed.

The integration of Shirmax is virtually complete with all technology, human resources and accounting platforms converted. Phase II of the installation and operation of our new Montreal Distribution Centre is complete with all but the Addition-Elle divisions in operation. The remaining divisions will move within ninety days. We expect that this facility will be fully operational by August 2003.

At the Board of Directors meeting held on June 4, 2003, a quarterly cash dividend of 10 cents per share on all outstanding class A non-voting and Common shares of the capital stock of the Company was declared payable July 30, 2003, to shareholders of record as of the close of business July 16, 2003.

(signed)

Jeremy H. Reitman

President

Montreal, June 4, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

Management's discussion and analysis provides an overview of the performance of Reitmans (Canada) Limited and its subsidiaries for the first quarter ended May 3, 2003, compared to the quarter ended May 4, 2002 and reflects the combined operations of Reitmans (Canada) Limited ("Reitmans") and Shirmax Fashions Ltd. ("Shirmax"), a wholly-owned subsidiary of Reitmans, which was acquired effective June 5, 2002. Included in these results are the results of Shirmax for the 13 weeks from February 2, 2003. This should be read in conjunction with the audited financial statements and notes thereon found on page 21 of the 2003 Annual Report and following as well as the 5 year highlights found on page 1 thereof. On June 5, 2002, Reitmans completed the acquisition of Shirmax, which operated at that time 175 stores under the Addition-Elle, Addition-Elle Outlet and Thyme Maternity banners, with annualized gross revenues of approximately \$200,000,000.

OPERATING RESULTS

Sales for the first quarter ended May 3, 2003 increased 41% to \$177,750,000 as compared with \$126,028,000 for the first quarter ended May 4, 2002 last year. Comparable store sales decreased 3% in the period. Excluding Shirmax, sales increased 6% with comparable store sales increasing 1%. Net earnings for the period decreased 20% to \$4,105,000 or \$0.24 per share as compared with \$5,127,000 or \$0.30 per share last year. Operating earnings before depreciation and amortization (EBITDA) increased 23% to \$11,998,000 as compared with \$9,738,000 last year.

Sales for the month of May (4 weeks ended May 31) increased 13% with comparable store sales increasing 8%.

During the first quarter, the Company opened 17 new stores comprised of 6 Reitmans, 7 Smart Set, 1 Penningtons, 2 Addition-Elle Outlet and 1 Thyme Maternity and closed 7 stores. Accordingly, at May 3, 2003, there were 830 stores in operation, consisting of 338 Reitmans, 160 Smart Set / Dalmys, 124 Penningtons, 28 RW & CO., 68 Addition-Elle, 44 Addition-Elle Outlet and 68 Thyme Maternity stores. An additional 28 stores are scheduled to open this year and 24 stores will be closed.

The integration of Shirmax is virtually complete with all technology, human resources and accounting platforms converted. Phase II of the installation and operation of our new Montreal Distribution Centre is complete with all but the Addition-Elle divisions in operation. The remaining divisions will move within ninety days. We expect that this facility will be fully operational by August 2003.

INVESTMENTS

Investments consist of marketable securities, principally high quality preferred shares. At May 3, 2003, marketable securities amounted to \$77,103,000 (market value \$80,027,000) as compared with \$75,435,000 (market value \$77,140,000) last year. Investment income amounted to \$2,378,000, including net capital gains of \$912,000 compared to \$2,981,000 with \$1,838,000 of net capital gains last year.

LIQUIDITY AND CAPITAL ASSETS

Shareholders' equity at May 3, 2003 amounted to \$245,907,000 or \$14.30 per share as compared to \$228,989,000 or \$13.34 per share last year. The Company continues to be in a strong financial position. The Company's sources of liquidity are its cash and cash equivalents and investments in marketable securities of \$86,921,000 at May 3, 2003 compared with \$80,527,000 at May 4, 2002.

In June 2002, the Company borrowed \$86,000,000 to fully fund the Shirmax acquisition. This loan is funded by a combination of three month and six month Bankers Acceptances. The Company must repay \$2,000,000 each quarter, commencing October 15, 2002, for 11 quarters, with the balance of \$64,000,000 repayable on June 5, 2005. As at May 3, 2003, \$6,000,000 has been repaid, and management fully expects that the Company will be able to fulfill its obligations under the terms and conditions of this financing from the cash flow generated from the Company's operations.

In November 2002, the Company mortgaged its new Distribution Centre, receiving \$20,000,000 at a fixed rate of 6.40% for a 15-year period.

The current portion of long-term debt as reflected on the Balance Sheet includes \$8,000,000 under the acquisition loan facility and the remainder represents the principal repayments on the mortgage and capital leases due during the next twelve months.

During the first quarter, the Company invested \$12,054,000 in capital additions. This consisted of \$6,260,000 on new and renovated stores, \$4,235,000, on the new Distribution Centre and \$1,559,000 on other assets. The Company paid dividends amounting to \$1,720,000.

The Company's principal capital requirements are to fund ongoing new and renovation store construction projects, fund the expansion of the Distribution Centre from its current 447,000 square feet configuration to approximately 567,000 square feet (estimated cost is \$6,000,000), and fund its working capital needs. These requirements have in the past been satisfied by a combination of cash flow from its retailing and investment operations, and management expects that to continue.

The Company does have borrowing and working capital credit facilities available to it in excess of \$100 million. These credit facilities are used principally for US dollar Letters of Credit to satisfy offshore third party vendors who require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other day-to-day purposes.

OUTLOOK

The Company is very well positioned for the future. It has consolidated its position as the leader in maternity apparel and plus-size ladies apparel in Canada with the Shirmax acquisition. The Reitmans banner has continued to successfully expand its offerings in off-mall, lower cost locations, while serving its target market in larger stores with a deeper merchandise assortment. Our more youth-oriented banners, namely Smart Set / Dalmys and RW & CO. are positioned for further growth.

Our Hong Kong office continues to perform well, notwithstanding the SARS issue, with 60 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all our banners. We expect our newest banners to benefit from our presence in the Far East.

The Company has a very strong Balance Sheet, with excellent liquidity and borrowing capacity should it need to avail itself thereof. Its systems, including merchandise procurement, inventory control, planning, allocation and distribution, Distribution Centre management, point-of-sale, financial management and information technology, are now fully integrated. The Company is committed to continue to invest in training for all levels of its employees.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (UNAUDITED)

(in thousands except per share amounts)

	For the three months ended	
	May 3, 2003	May 4, 2002
Sales	\$ 177,750	\$ 126,028
Cost of goods sold and selling, general and administrative expenses	165,752	116,290
	11,998	9,738
Depreciation and amortization	7,289	4,842
Operating earnings before the undernoted	4,709	4,896
Investment income	2,378	2,981
Interest on long-term debt	1,307	-
Earnings before income taxes	5,780	7,877
Income taxes	1,675	2,750
Net earnings	4,105	5,127
Retained earnings at beginning of the period	230,993	213,334
Deduct:		
Dividends	1,720	1,717
Retained earnings at end of the period	\$ 233,378	\$ 216,744
Earnings per share:		
Basic	\$ 0.24	\$ 0.30
Diluted	0.24	0.30

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	For the three months ended	
	May 3, 2003	May 4, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 4,105	\$ 5,127
Adjustments for:		
Depreciation and amortization	7,289	4,842
Future income taxes	(135)	125
Amortization of deferred licensing revenue	(50)	-
Amortization of deferred financing costs	55	-
Investment income	(2,378)	(2,981)
Changes in non-cash working capital	(18,627)	(22,696)
	(9,741)	(15,583)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(15,987)	(25,346)
Proceeds on sale of marketable securities	19,493	27,033
Net additions to capital assets	(12,054)	(14,300)
Investment income, excluding gain on sale of marketable securities of \$912 (2002 - \$1,838)	1,466	1,143
	(7,082)	(11,470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,720)	(1,717)
Repayment of long-term debt	(2,524)	-
	(4,244)	(1,717)
NET DECREASE IN CASH DURING THE PERIOD	(21,067)	(28,770)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	30,885	33,862
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 9,818	\$ 5,092

Cash and cash equivalents consist of cash balances with banks and investments in short-term deposits.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	Unaudited May 3, 2003	Unaudited May 4, 2002	Audited February 1, 2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,818	\$ 5,092	\$ 30,885
Accounts receivable	5,081	2,666	5,089
Merchandise inventories	99,246	63,565	68,501
Prepaid expenses	15,337	10,855	16,219
Pension asset	5,580	-	5,580
Income taxes recoverable	9,267	-	7,911
Total Current Assets	144,329	82,178	134,185
INVESTMENTS			
(Market value \$ 80,027; 2002 - \$77,140)	77,103	75,435	79,697
CAPITAL ASSETS	164,306	119,478	159,044
GOODWILL	42,426	-	42,426
FUTURE INCOME TAXES	2,146	1,128	2,298
OTHER ASSETS	1,865	8,121	1,920
	\$ 432,175	\$ 286,340	\$ 419,570
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued items	\$ 80,768	\$ 53,219	\$ 67,688
Income taxes payable	-	524	-
Current portion of long-term debt	9,956	-	9,991
Future income taxes	2,011	87	2,236
Total Current Liabilities	92,735	53,830	79,915
LONG-TERM DEBT	92,391	-	94,880
DEFERRED LICENSING REVENUE	517	-	567
FUTURE INCOME TAXES	625	3,521	687
SHAREHOLDERS' EQUITY			
Share capital	12,528	12,245	12,528
Retained earnings	233,379	216,744	230,993
Total Shareholders' Equity	245,907	228,989	243,521
	\$ 432,175	\$ 286,340	\$ 419,570

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 1, 2003.

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 3, 2003, which is not necessarily indicative of performance for the balance of the year.

2

LONG-TERM DEBT

Bank financing bearing interest at prime or bankers' acceptance rate, repayable in quarterly instalments of \$2 million, due June 2005. The loan is secured by specific marketable securities	\$ 80,000
Mortgage bearing interest at 6.40%, payable in monthly instalments of principal and interest of \$172, due November 2017 and secured by the Company's distribution centre	19,658
Obligations under capital leases, expiring at various dates to 2007 bearing interest at varying rates, payable in monthly instalments of approximately \$96	2,689
	102,347
Less current portion	9,956
	\$ 92,391

Interest on long term debt includes \$55 of amortization of deferred financing costs relating to the bank financing. The balance of deferred financing costs at May 3, 2003 is \$456 and is included in other assets.

3

EARNINGS PER SHARE

The number of shares used in the calculation of earnings per share has been adjusted to reflect the 100% stock dividend paid on October 14, 2002 to common and class A shareholders. Comparative figures have been restated on the same basis.

	May 3, 2003	May 4, 2002
Weighted average number of shares per basic earnings per share calculations	17,199,564	17,169,564
Effect of dilutive options outstanding	200,051	147,553
Weighted average number of shares per diluted earnings per share calculations	17,399,615	17,317,117

Canada's leading fashion retailer



Over
800
stores

	Reitmans	Smart Set / Dalmys	Penningtons	RW & CO.	Addition-Elle	Addition-Elle Outlet	Thyme Maternity	Total
Newfoundland	14	4	3	-	1	1	1	24
Prince Edward Island	3	3	1	-	-	-	-	7
Nova Scotia	19	6	5	-	2	1	1	34
New Brunswick	18	6	3	1	1	2	2	33
Québec	85	28	22	8	19	14	16	192
Ontario	108	65	45	10	25	17	28	298
Manitoba	12	5	5	-	2	2	2	28
Saskatchewan	6	4	5	-	2	1	2	20
Alberta	38	20	16	3	8	3	8	96
British Columbia	33	19	19	6	8	3	8	96
Northwest Territories	1	-	-	-	-	-	-	1
Yukon	1	-	-	-	-	-	-	1
	338	160	124	28	68	44	68	830



Over 800 stores

Reitmans — Smart Set / Dalmys — Penningtons — Addition-Elle — Addition-Elle Outlet — Thyme Maternity — RW & CO.