

REITMANS (CANADA) LIMITED

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED

JANUARY 29, 2000

June 13, 2000

THE COMPANY

(a) Incorporation

Reitmans (Canada) Limited ("Reitmans") was incorporated under the laws of Canada on April 5, 1947 and continued under the *Canada Business Corporations Act* on May 23, 1980. By certificate of amendment dated June 22, 1983, the legal designation of the Class A shares of the capital stock of Reitmans was changed to "Class A non-voting" shares. On February 3, 1992 Reitmans was amalgamated with Reitmans Holdings Limited, a wholly-owned subsidiary. On August 2, 1998 Reitmans and its wholly-owned subsidiary, Reitmans Inc. were amalgamated. The registered office of Reitmans is located at 1 Yorkdale Road, Suite 415, Toronto, Ontario, M6A 3A1. The principal office of Reitmans is located at 250 Sauvé Street West, Montreal, Québec, H3L 1Z2.

In this Annual Information Form, unless the context otherwise requires or indicates, "Reitmans" means Reitmans (Canada) Limited; and the "Company" means Reitmans and its subsidiaries collectively or one or more of such subsidiaries.

(b) Subsidiaries

994415 N.W.T. LTD., a wholly-owned subsidiary of Reitmans incorporated under the laws of the Northwest Territories, is the only subsidiary of Reitmans whose total assets constitute more than 10% of the consolidated assets of the Company or whose total revenues constitute more than 10% of consolidated revenues of the Company, as at January 29, 2000.

BUSINESS OF THE COMPANY

(a) Introduction

The Company engages principally in the retail sale of women's and children's wearing apparel. The retail activities of the Company are conducted under various trade names through the retail store divisions of the Company. The majority of its merchandise is moderately priced and targeted to appeal principally to young and contemporary customers. The merchandise offered by the Company includes coats, dresses, skirts, pants, sweaters, shirts, blouses, lingerie, hosiery and accessories. The Company diversifies its sales by targeting different markets through each of its different store formats. See "Business of the Company- Stores".

(b) General Development of the Company Over the Last Five Years

In July, 1995, the Company invested approximately \$37,000,000 to acquire a 21% interest in NetStar Communications Inc. ("NetStar"), a company formed to acquire Labatt Communications Inc., the broadcast and related assets owned by John Labatt Limited. NetStar's investor partners include the Company, Stephen Bronfman, the Caisse de dépôt et placement du Québec, ESPN Inc., and the management group of NetStar. The ownership of the broadcast assets (which include The Sports Network ("TSN"), Réseau des Sports ("RDS") and an 80% interest in The Discovery Channel Canada) is regulated by the Canadian Radio-television and Telecommunications Commission, which approved the transfer of the Broadcast Licenses to NetStar in March, 1996. In June 1997, ESPN Inc. exercised its conversion option on a NetStar debenture it held and increased its ownership equity position. On March 5, 1999, the Company and the other Canadian shareholders sold all of their respective interests in NetStar to CTV Inc. for cash. The Company received net proceeds of \$90.4 million from this transaction.

During fiscal 1996, the Company acquired certain assets of Penningtons Stores Limited from the trustee in bankruptcy, on a going-concern basis. These assets comprised the operations of 29 Penningtons Warehouse stores and 10 Penningtons mall stores, including all related leasehold interests, inventories, furniture, fixtures and equipment, trade marks and trade names.

During fiscal 1997, the Company completed the acquisition of Dalmys (Canada) Limited ("Dalmys") which had sought protection under the *Companies Creditors' Arrangement Act* in November, 1995. On March 2, 1996, the Company acquired 100% of Dalmys, which had been restructured according to the Company's plan, with 79 stores, consisting of 28 Dalmys, 37 Antels and 14 Cactus stores. The Dalmys stores were integrated into the Company's Smart Set division. The operations of the Antels and Cactus divisions of the Company were discontinued effective May 1, 1999 and the 21 Antels and 13 Cactus stores were closed by July 31, 1999. Certain locations were converted to stores of other divisions of the Company; the leases for the remaining stores were sold or surrendered to the landlords.

In June 1999, the Company announced a strategic alliance with the Inditex Group of Spain, which will allow them to open Zara stores in Canada. Averaging 10,000 sq. ft. in major high profile downtown and mall locations, Zara targets the junior and contemporary women, men and children's markets at moderate price points. The first store was opened in December 1999 in Montreal (Place Montreal Trust) and Toronto (Bloor and Bay) and Vancouver (Robson St.) stores opened in April 2000. There are currently over 300 Zara stores in operation worldwide, including England, France, Israel, Italy, Japan, Spain and the United States.

In August 1999, the Company launched a new division named RW & CO. The RW & CO. stores average 4,000 sq. ft. located in major malls and will cater to junior (18 to 30) ladies and men, offering active, casual and city wear clothing and accessories at moderate prices under the RW & CO. brand, in a modern lifestyle setting. Thirteen stores were opened last year and twelve are planned for this year.

(c) Stores

As at April 29, 2000, the Company operated a total of four retail store formats, under the banner Reitmans (332 stores), Smart Set/Dalmys (147 stores), Penningtons Superstore (100 stores) and RW & CO. (22 stores), for a total of 601 stores.

During the current fiscal year, Reitmans expects to open a total of 38 new stores under the following banners: 12 Reitmans, 2 Smart Set, 12 Penningtons and 12 RW & CO. It is anticipated that approximately 20 unprofitable stores will be closed during 2000. The Company's renovation program progressed during 1999 (88 stores were renovated) and will continue during 2000 with renovations expected to be made to 70 stores.

Substantially all of the Company's stores are located in enclosed shopping malls which are situated both in central and suburban metropolitan areas and in smaller towns in Canada.

The Reitmans stores offer a broad assortment of current fashions and accessories designed to appeal to budget-conscious and fashion-conscious women and their children.

The Smart Set/Dalmys stores offer a complete coordinated line of affordable fashion and accessories at the best quality/price/value, targeting customers between the ages of 15-35. All Smart Set clothing and accessories are designed and manufactured specifically for the stores and carry the Smart Set label.

The Penningtons Superstore stores offer a wide selection of large size women's apparel. The stores offer value-priced merchandise in stores that average 9,000 square feet, located in high traffic "strip" shopping centres.

All of the Company's stores feature wall and selling-floor displays which coordinate merchandise in order to promote multiple sales. The number of apparel items being displayed in each store varies depending on the selling season and size of the store. The stores, which the Company believes must constantly present a fresh, contemporary shopping environment, are redecorated periodically or fully remodelled as necessary to augment sales. New store design in Reitmans and Smart Set, where tested in existing locations, have proven successful in generating increased sales and will be implemented in new store locations and renovated stores, where appropriate.

The Company's stores conduct business primarily on a cash basis, although all stores accept a number of national credit cards. The Company also accepts direct payment (debit) cards at all store locations nationwide, providing customers with convenient payment options.

(d) Merchandising and Marketing

The merchandise sold by the Company is produced by a large number of manufacturers in Canada, the Far East and Europe. Most of the merchandise sold by the Company consists of either brand name items or garments produced for one of the Company's private labels. The Company's private label program is aimed at satisfying the demand for better quality merchandise, comparable to certain national brands, at lower prices. The Company uses its buying power in the marketplace and directly with manufacturers to have goods specially made to the Company's specifications (construction, fabric, fit and style), which are sold at attractive prices while providing higher than average mark-up for the Company.

The Company views the retail apparel market as having two principal selling seasons, spring and fall. As is generally the case in the women's apparel industry, the Company experiences its peak sales activity during the fall season. This seasonal sales pattern results in increased inventory during the fall and Christmas selling periods.

The Company follows a policy of continuous review of its inventory in order to identify slow-selling merchandise. If inventory exceeds customer demand for reasons of style, seasonal adaptation, adverse weather conditions or changes in customer preference, markdowns are taken to clear the merchandise. The Company emphasizes rapid turnovers and takes markdowns where required to keep merchandise fresh and current with customers' requirements and fashion trends.

The Company emphasizes customer service, including the presence of sales people in the stores, rather than self-service, and acceptance of merchandise returns for cash or credit within a reasonable time. During 1996, an extensive store training program was implemented at a nonrecurring cost of \$2.5 million. Specific standards regarding customer service and employee conduct have been put in place throughout the Company.

(e) Purchasing and Distribution

Purchasing is conducted for each of the store divisions of the Company by a staff of merchandise managers and buyers. The Company believes that specialization of buyers for each store format allows each division to focus on its particular customers, thereby maximizing sales and gross margin by department.

Distribution is conducted through the Company's distribution centre located in Montreal where all merchandise is received and processed for distribution to stores throughout Canada, primarily by common carrier.

No supplier to the Company accounted for more than five percent of the Company's merchandise purchases (determined at cost) during the past fiscal year. The Company's merchandise is obtained from over 700 North American suppliers as well as a number of offshore suppliers. During the fiscal year ended January 29, 2000, approximately 55% of the Company's merchandise was purchased from Canadian sources and the balance was directly imported by the Company. The Company does not have any formal, long-term arrangements with any of its merchandise suppliers. This allows the Company flexibility in placing its purchase orders. The Company maintains buying offices in Canada and the Far East.

The Company's arrangements with its foreign suppliers are subject to the risks attendant to doing business abroad, including the availability of quota and other requisite customs clearances, the imposition of export duties, increases in the rate of import duties, political and social instability, late deliveries, currency revaluations and fluctuations in exchange rates. The Company seeks continually to minimize its potential exposure to quota-related risks through, among other measures, geographical diversification of its sources of supply and shifts of purchases among countries and suppliers. The Company monitors duty, tariff and quota-related developments. The Company believes that its operations have not been materially affected by any of these factors to date. However, the imposition of new quotas, duties, tariffs or other restrictions, or the adverse adjustment of presently prevailing quota, duty or tariff levels, could have adverse effects upon the Company's operations and its ability to continue to import products at current or increased levels. The Company cannot now predict the likelihood of any such events occurring.

The vast majority of the Company's non-Canadian sourced merchandise is priced and paid for in United States dollars. The Company actively manages its exposure to the risk of United States/Canadian dollar exchange rate fluctuations through a combination of timely spot currency purchases, zero-cost range forward options and Canadian dollar puts. The intent of this managed program is to fix the Canadian dollar cost of the Company's merchandise purchases for periods of six to twelve months forward, on average.

The Company believes that the number and geographical diversity of its sources of supply minimize any risk of adverse consequences that would result from termination of its relationship with any of its larger suppliers. The Company also believes that it would have the ability to develop, over a reasonable period of time, adequate alternate sources of supply should any of its existing arrangements terminate. To date, the Company has not experienced any significant difficulty in obtaining merchandise and considers its sources of supply to be adequate.

The merchandising staff obtains chain-wide inventory information for each of the Company's store divisions generated by its merchandise information system utilizing point-of-sale terminals, through which merchandise can be followed from the placement of the order to the actual sale. Based upon this data, the merchandise managers compare budgeted to actual sales and make merchandising decisions, as required, including re-order, markdowns and changes in buying plans.

The Company completed a significant upgrade of its management information, merchandise management distribution, finance, human resources and payroll systems. During the third quarter of 1999, the Company completed the installation of a new state of the art point of sale ("POS") system, involving the installation of approximately 850 machines in over 600 stores. The completion of the POS installation completes a seven year program, including the customization, integration and installation of a number of different software packages. The total investment for these systems is approximately \$22,000,000 and management believes that the cost will be recouped through productivity gains and labour savings.

(f) Intangible Rights

The Company is the registered owner of approximately 240 trademarks in Canada. The Company considers that some of its registered trademarks have significant value in the marketing of its merchandise.

(g) Competition

Depth of selection in sizes, colours and styles of merchandise, price of merchandise, ability to anticipate fashion trends and customer preferences, inventory control, reputation, quality of private-label merchandise, procurement of merchandise, store locations, advertising, customer service and store design are all important factors in competing successfully in the retail industry.

The retail sale of women's apparel is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores and department stores. The Company cannot reasonably estimate the number of its competitors. However, the Company believes, based on such trade information as is available, that the Company is one of the largest Canadian retailers of women's apparel.

(h) Employees

On January 29, 2000, the Company employed approximately 2,100 persons on a full time basis and approximately 4,000 persons on a part-time basis (fewer than 29 hours per week).

The Company is not a party to any collective bargaining contract with respect to its employees and the Company considers its employee relations to be highly satisfactory.

(i) Principal Properties of the Company

The Company leases all of its retail locations, as well as its principal office premises and distribution centre located at 250 Sauvé West, Montreal, Québec.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(a) Five-Year Consolidated Financial Information

The following table sets forth selected consolidated financial data for the last five fiscal years of the Company.

	Year ended				
	January 29, 2000 ⁽¹⁾	January 30, 1999 ⁽¹⁾	January 31, 1998 ⁽¹⁾	February 1, 1997 ⁽¹⁾	February 3, 1996
	(thousands of dollars except per share amounts)				
Sales	\$477,730	\$431,465	\$383,815	\$373,949	\$349,886
Earnings from continuing operations					
- total	55,214	17,246	15,262	3,230	8,803
- per share	6.11	1.92	1.75	0.37	0.96
Total assets	253,849	220,997	212,185	199,385	198,602
Long-term debt	NIL	29,000	29,000	29,000	29,000
Dividends per share					
- Class A non-voting	0.64	0.52	0.52	0.52	0.52
- Common	0.64	0.52	0.52	0.52	0.52
Net earnings					
- total	51,707	13,872	12,391	1,052	8,803
- per share	5.72	1.55	1.42	0.12	0.96

(1) Sales and earnings from continuing operations (total and on a per share basis) have been restated to reflect the discontinuation of the Antels and Cactus divisions, which were acquired by the Company in March of 1996 together with the Dalmy's stores.

The consolidated financial information for the fiscal year ended February 3, 1996 includes the results of operation for fifty-three weeks, all others are for fifty-two weeks.

(b) Selected Quarterly Financial Data

The following table sets forth selected quarterly financial data for the last eight quarters ending with the most recently completed fiscal year of the Company.

	Three months ended ⁽¹⁾							
	Jan. 29, 2000	Oct. 30, 1999	July 1, 1999	May 1, 1999	Jan. 30, 1999	Oct. 31, 1998	Aug 1, 1998	May 2, 1998
	(thousands of dollars except per share amounts) (unaudited)							
Sales ⁽¹⁾	\$140,610	\$112,744	\$132,758	\$91,618	\$127,872	\$103,144	\$118,514	\$81,935
Earnings from continuing operations ⁽¹⁾								
- total	3,163	2,822	10,764	38,465	2,296	3,437	8,498	3,015
- per share	0.36	0.33	1.19	4.23	0.23	0.38	0.97	0.34
Earnings								
- total	2,817	2,822	10,764	35,304	1,244	2,538	8,342	1,748
- per share	0.32	0.33	1.19	3.88	0.13	0.28	0.94	0.20

(1) Sales and earnings (loss) and from continuing operations (total and on a per share basis) have been restated to reflect the discontinuation of the Antels and Cactus divisions, which were acquired by the Company in March of 1996 together with the Dalmy's stores.

(c) Dividends

The Company has paid a quarterly dividend on its Common shares for 49 years and on its Class A non-voting shares for 39 years, which dividend is currently at the rate of \$0.20 per Common share and Class A non-voting share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND FINANCIAL STATEMENTS

Pages 4, 5 and 6 of the Company's 2000 annual report are incorporated by reference in this Annual Information Form.

MARKET FOR SECURITIES

The Common shares and the Class A non-voting shares of the capital of Reitmans are listed on The Toronto Stock Exchange.

DIRECTORS AND OFFICERS

During the last five years, all of the directors and officers listed below have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their names or with related or affiliated companies, except as noted below.

<u>Name and municipality of residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation</u>
H. Jonathan Birks ^{(1),(2),(3)} Westmount, Québec	Director	1989	Business consultant. Prior to June 1, 1998, Mr. Birks served as Vice-Chairman and Director, Henry Birks & Sons Inc. (jewellers)
Nadia Cerantola Town of Mount Royal, Québec	Vice-President – Reitmans	N/A	Same
Douglas M. Deruchie, C.A. Westmount, Québec	Vice-President - Finance	N/A	Same
Bruno Eller St. Lazare, Québec	Vice-President - Store Planning	N/A	Same
Henry Fiederer Westmount, Québec	President - Reitmans	N/A	Same
Stephen J. Kauser ^{(1),(2),(3)} Stowe, Vermont	Director	1995	Business consultant. Prior to April 1, 1999, Mr. Kauser served as Chairman and Chief Executive Officer, VMI Communication & Learning Systems Inc. (computer software for learning system applications). Prior to 1997, Mr. Kauser was President and Chief Executive Officer, Innocan Canada Inc. (venture capital company)
Daniel G. Langevin Saint-Sauveur, Québec	Vice-President - Marketing	N/A	Prior to April, 1997, Mr. Langevin was Director of Marketing and Communications of M.M.G. Management Group (general merchandise retailer). Prior to November, 1995, Mr. Langevin was President of The Marketing Group (marketer of consumer products)

<u>Name and municipality of residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation</u>
R. James McCoubrey ^{(1),(2),(3)} Toronto, Ontario	Director	1997	Executive Vice-President and Chief Operating Officer, Canadian Broadcasting Corporation (The National Public Broadcaster). Prior to June 1, 1997, Mr. McCoubrey was President and Chief Executive Officer, Telemedia Inc. (publisher and broadcaster)
Samuel Minzberg Westmount, Québec	Director	2000	President and Chief Executive Officer, Claridge Inc. (a management company). Prior to January 1, 1998, Mr. Minzberg was a partner at Goodman Phillips & Vineberg (attorneys)
Joanne Nemeroff Montreal West, Québec	President – Penningtons	N/A	Same
Jonathan Plens Montreal, Québec	Vice-President – Penningtons	N/A	Prior to March, 1996, Mr. Plens was Vice-President, Store Operations and Loss Prevention of Dalmys (Canada) Limited (clothing retailer)
Cyril Reitman Town of Mount Royal, Québec	Vice-President - Reitmans and Director	1969	Same
Jeremy H. Reitman Westmount, Québec	President and Director	1975	Same
Stephen F. Reitman Westmount, Québec	Executive Vice-President and Director	1984	Same
Allen F. Rubin Westmount, Québec	Vice-President – Human Resources and Corporate Services	N/A	Same
Allan Salomon Dollard des Ormeaux, Québec	Vice-President - Real Estate and Secretary	N/A	Same
Kimberly Schumpert Toronto, Ontario	Vice-President – Reitmans	N/A	Prior to January, 1997, Ms. Schumpert was Director of Stores, Northern Reflections, Division of Woolworth Canada (clothing retailer)
Isabelle Taschereau Boucherville, Québec	Co-President - Smart Set/Dalmys / RW & CO.	N/A	Prior to May, 1996, Ms. Taschereau was Merchandise Manager of Boutique Jacob, Inc. (clothing retailer)
Robert S. Vineberg ^{(1),(2),(3)} Westmount, Québec	Director	1987	Partner, Goodman Phillips & Vineberg (attorneys)
Suzana Vovko Ville St. Laurent, Québec	Co-President – Smart Set/Dalmys / RW & CO.	N/A	Same
Richard Wait, C.G.A. Kirkland, Québec	Vice-President – Comptroller	N/A	Same
Jay Weiss Dollard des Ormeaux, Québec	Vice-President - Loss Prevention	N/A	Same
Eric Williams, C.A. Kirkland, Québec	Vice-President – Treasurer	N/A	Same

- (1) Member of the Audit Committee of the Board of Directors of Reitmans.
(2) Member of the Compensation Committee of the Board of Directors of Reitmans.
(3) Member of the Nominating Committee of the Board of Directors of Reitmans.

As a group, the directors and senior officers of Reitmans beneficially own, directly or indirectly, or have control or direction over approximately 61% of the Common shares and 21% of the Class A non-voting shares of the capital of Reitmans.

The term of office of each director expires at the annual meeting of shareholders, unless such director is re-elected. There is no executive committee of the Board of Directors of Reitmans.

ADDITIONAL INFORMATION

Additional information, including information on the remuneration of senior executives, indebtedness of senior executives, principal holders of Reitmans' securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in Reitmans' information circular for its most recent annual meeting of shareholders. Additional financial information is provided in Reitmans' comparative financial statements for its most recently completed financial year. A copy of such documents may be obtained upon request from the Secretary of Reitmans.

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