

REITMANS (CANADA) LIMITED

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED

February 3, 2001

May 11, 2001

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

Reitmans had no subsidiary 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 February 3, 2001.

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. On March 5, 1999, the Company sold all of its interest in NetStar to CTV Inc. for net cash proceeds of \$90.4 million.

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 August 1999, the Company launched a new division named RW & CO. which caters to junior (18 to 30) ladies and men.

(c) Stores

As at May 5, 2001, the Company operated a total of four retail store formats consisting of Reitmans (335 stores), Smart Set/Dalmys (141 stores), Penningtons Superstore (105 stores) and RW & CO. (26 stores), for a total of 607 stores.

During the current fiscal year, Reitmans expects to open a total of 38 new stores under the following banners: 15 Reitmans, 5 Smart Set, 13 Penningtons and 5 RW & CO. It is anticipated that approximately 20 unprofitable stores will be closed during 2001. The Company's renovation program continued during 2000 with 56 store renovations and will continue during 2001 with 26 stores to be remodelled.

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.

The RW & CO. stores average 4,000 sq. ft. located in major malls and cater to junior 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.

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 designs in Reitmans and Smart Set 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. 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 seven percent of the Company's merchandise purchases (determined at cost) during the past fiscal year. The Company's merchandise is obtained from over 650 North American suppliers as well as a number of offshore suppliers. During the fiscal year ended February 3, 2001, approximately 45% 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.

In fiscal 2000 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 relating to the Company's management information, merchandise management distribution, finance, human resources and payroll systems. The total investment for these systems was 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 230 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 February 3, 2001, the Company employed approximately 2,200 persons on a full time basis and approximately 4,300 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				
	February 3, 2001	January 29, 2000 ⁽¹⁾	January 30, 1999 ⁽¹⁾	January 31, 1998 ⁽¹⁾	February 1, 1997 ⁽¹⁾
	(thousands of dollars except per share amounts)				
Sales	\$518,384	477,730	\$431,465	\$383,815	\$373,949
Earnings from continuing operations					
- total	20,202	55,214 ⁽²⁾	17,246	15,262	3,230
- per share	2.35	6.30	1.95	1.75	0.37
Total assets	244,199	256,251	220,997	212,185	199,385
Long-term debt	NIL	NIL	29,000	29,000	29,000
Dividends per share					
- Class A non-voting	0.80	0.64	0.52	0.52	0.52
- Common	0.80	0.64	0.52	0.52	0.52
Net earnings					
- total	20,202	51,707 ⁽²⁾	13,872	12,391	1,052
- per share	2.35	5.90	1.57	1.42	0.12

(1) Sales and earnings from continuing operations (total and on a per share basis) reflect the discontinuation of the Antels and Cactus divisions subsequent to their acquisition in March, 1996.

(2) Includes a non-recurring gain on the sale of NetStar of \$45.7 million (\$36.3 million after tax or \$4.15 per share).

The consolidated financial information for the fiscal year ended February 3, 2001 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

	Feb. 3, 2001	Oct. 28 2000	July 29, 2000	April 29, 2000	Jan. 29, 2000 ⁽¹⁾	Oct. 30, 1999 ⁽¹⁾	July 1, 1999 ⁽¹⁾	May 1, 1999 ⁽¹⁾⁽²⁾
(thousands of dollars except per share amounts) (unaudited)								
Sales	\$154,286	\$126,847	\$139,059	\$98,192	\$140,610	\$112,744	\$132,758	\$91,618
Earnings from continuing operations								
- total	5,112	5,938	7,629	1,523	3,163	2,822	10,764	38,465
- per share	0.60	0.69	0.88	0.18	0.36	0.31	1.23	4.40
Earnings								
- total	5,112	5,938	7,629	1,523	2,817	2,822	10,764	35,304
- per share	0.60	0.69	0.88	0.18	0.32	0.31	1.23	4.04

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

(2) Earnings include a non-recurring gain on the sale of NetStar of \$45.7 million (\$36.3 million after tax or \$4.15 per share).

The consolidated financial data for the quarter ended February 3, 2001 includes the results of operation for fourteen weeks, all others are for thirteen weeks.

(c) Dividends

The Company has paid a quarterly dividend on its Common shares for 50 years and on its Class A non-voting shares for 40 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 2001 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

<u>Name and municipality of residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation</u>
Douglas M. Deruchie, C.A. Westmount, Québec	Vice-President - Finance	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 - Reitmans	N/A	Prior to April, 1997, Mr. Langevin was Director of Marketing and Communications of M.M.G. Management Group (general merchandise retailer).
R. James McCoubrey ^{(1),(2),(3)} Toronto, Ontario	Director	1997	Principal, The Osborne Group (business consultants). Prior to January, 2001, Mr. McCoubrey was 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 ^{(1),(2),(3)} 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)
Jonathan Plens Montreal, Québec	Vice-President – Penningtons	N/A	Same
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	President - Smart Set / Dalmys	N/A	Same

<u>Name and municipality of residence</u>	<u>Position held with Reitmans</u>	<u>Director since</u>	<u>Principal occupation</u>
Robert S. Vineberg ^{(1),(2),(3)} Westmount, Québec	Director	1987	Partner, Davies Ward Phillips & Vineberg (attorneys)
Suzana Vovko Ville St. Laurent, Québec	President – 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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