



INTERIM REPORT
FOR THE SIX MONTHS ENDED AUGUST 2, 2003



Reitmans

Reitmans

SMART SET | DALMYS


penningtons 14+

Addition-Elle

14+ Addition-Elle 14+
Fashion Outlet

thyme]maternity

RW&CO.

TO OUR SHAREHOLDERS

The consolidated financial statements for the six month and three month periods ending August 2, 2003 reflect the combined operations of Reitmans (Canada) Limited ("Reitmans") and Shirmax Fashions Ltd. ("Shirmax"), which was acquired effective June 5, 2002. Accordingly, last year's results are not strictly comparable as they do not include sales and operations from the Shirmax stores for the period February 2, 2002 to June 5, 2002.

Sales for the six months ended August 2, 2003 increased 25.4% to \$410,975,000 as compared with \$327,758,000 for the six months ended August 3, 2002. Excluding Shirmax, sales increased 8.1% to \$312,888,000 and comparable store sales increased 4.0%. Operating earnings for the six months increased 11.0% to \$28,926,000 as compared with \$26,052,000 last year. Net earnings after tax increased 14.3% to \$21,401,000 or \$1.24 per share as compared with \$18,717,000 or \$1.09 for the period last year.

Sales for the second quarter ended August 2, 2003 increased 15.6% to \$233,225,000 as compared with \$201,730,000 for the second quarter ended August 3, 2002. Excluding Shirmax, sales increased 9.6% to \$179,025,000 and comparable store sales increased 3.9%. Operating earnings for the period increased 14.5% to \$24,217,000 as compared with \$21,156,000 last year. Net earnings after tax increased 27.3% to \$17,296,000 or \$1.01 per share as compared with \$13,590,000 or \$0.79 per share for the period last year.

During the second quarter, the Company opened 5 new stores and closed 6 stores. To date, the Company opened 22 stores comprised of 6 Reitmans, 8 Smart Set, 1 Penningtons, 3 Addition-Elle Outlet and 4 Thyme Maternity stores; 13 stores were closed. Accordingly, at August 2, 2003, there were 829 stores in operation, consisting of 337 Reitmans, 160 Smart Set / Dalmys, 124 Penningtons, 28 RW & CO., 68 Addition-Elle, 45 Addition-Elle Outlet and 67 Thyme Maternity stores. An additional 36 stores are scheduled to open this year and 19 stores will be closed.

The integration of Shirmax is virtually complete with all technology, human resources and accounting platforms converted. Our new Montreal Distribution Centre is complete with the Shirmax divisions now in operation. We expect the Shirmax office personnel to move to our Sauvé Street premises by December 31, 2003.

At the Board of Directors meeting held on September 10, 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 October 30, 2003, to shareholders of record as of the close of business October 16, 2003.

(signed)

Jeremy H. Reitman
President

Montreal, September 10, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE INTERIM PERIOD ENDING AUGUST 2, 2003

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the unaudited consolidated financial statements of Reitmans for the period ended August 2, 2003.

The purpose of the following discussion is to provide an update to the information contained in Management's Discussion and Analysis included in Reitmans' 2003 Annual Report. A more comprehensive discussion of Reitmans' operations can be found in its 2003 Annual Report. Reitmans assumes that the reader of the following discussion has access to and has read Management's Discussion and Analysis included in Reitmans' 2003 Annual Report. This assumption is in accordance with Section 430.2.1 of *MD&A Guideline on Preparation and Disclosure* published in 2002 by the Canadian Institute of Chartered Accountants and with Section 2.3 of *Ontario Securities Commission's Companion Policy 51-501CP*. Reitmans' 2003 Annual Report can be downloaded from Reitmans' website at www.reitmans.ca.

OVERVIEW OF FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS SIX MONTH PERIOD ENDED AUGUST 2, 2003 ("year to date")

The consolidated financial statements for the year to date ending August 2, 2003 reflect the consolidated operations of Reitmans. These operations now include the Addition-Elle, Addition-Elle Outlet and Thyme Maternity stores (the "Shirmax Stores"), which were acquired effective June 5, 2002 as a result of the acquisition by Reitmans of Shirmax Fashions Ltd. ("Shirmax"). Accordingly, Reitmans' results for the prior year or prior periods are not strictly comparable, as they do not include sales and operations from the Shirmax Stores prior to June 5, 2002.

Sales for the year to date increased 25.4% to \$410,975,000 as compared with \$327,758,000 for the six months ended August 3, 2002 due primarily to increased sales as a result of the addition of the Shirmax Stores. Excluding sales from the Shirmax Stores, sales increased 8.1% to \$312,888,000 and comparable store sales increased 4.0%.

Operating earnings for the year to date increased 11.0% to \$28,926,000 as compared with \$26,052,000 for the comparable period last year. Net earnings after tax increased 14.3% to \$21,401,000 or \$1.24 per share as compared with \$18,717,000 or \$1.09 for the comparable period last year. The factors contributing to such increases included improved gross margins and operating cost containment at both store and corporate overhead levels.

THREE MONTH PERIOD ENDED AUGUST 2, 2003 ("second quarter")

Sales for the second quarter increased 15.6% to \$233,225,000 as compared with \$201,730,000 for the three month period ended August 3, 2002. Excluding sales from the Shirmax Stores, sales increased 9.6% to \$179,025,000 and comparable store sales increased 3.9%. Operating earnings for the second quarter increased 14.5% to \$24,217,000 as compared with \$21,156,000 for the comparable period last year. Net earnings after tax increased 27.3% to \$17,296,000 or \$1.01 per share as compared with \$13,590,000 or \$0.79 per share for the comparable period last year. This increase reflects a strong gross margin performance at the store operating level.

Inventories on hand at August 2, 2003 were approximately \$9,400,000 more than at August 3, 2002. Our expanded store base accounts for some of this increase. However, the majority of this increase represents the earlier receipt of certain fall and winter merchandise acquired as a result of strategic buying opportunities. Accounts payable and accrued liabilities at August 2, 2003 have correspondingly increased by approximately the same amount over August 3, 2002, primarily reflecting these early receipts of merchandise.

During the second quarter, the equipment installation in the Company's new Distribution Centre was virtually completed and all remaining merchandise receiving, processing and distribution activities for the Addition-Elle and Addition-Elle Outlet banners were successfully moved from the Jarry Distribution Centre to this facility. As a result, the Company now operates from a single distribution centre. When the remaining office employees at the Jarry Street office are relocated to the Company's Sauvé Street offices (expected to be completed by December 31, 2003), the Company will be in a position to dispose of the leased Jarry facility.

All of the Shirmax administrative, merchandising and management activities are now integrated into Reitmans. This has been accomplished on time and without any significant additional cost over that which was anticipated and provided for at the time of the acquisition (principally severance costs for approximately 150 redundant personnel) and the software costs to convert the Shirmax POS system to the Reitmans system (amortized in the same manner as the Company's other POS software costs). Once the Jarry facility has been disposed of, the Company will be in a position to further realize the cost saving benefits, which were anticipated at the time of the acquisition. These cost savings for the combined operations, which are estimated to be between \$4,000,000 and \$5,000,000 on an annualized basis once they have been fully implemented, have already begun to be reflected in the second quarter, and it is expected that they will be more fully realized in the remainder of the fiscal year and thereafter.

During the second quarter, the Company opened 5 new stores and closed 6 stores. In the year to date, the Company opened 22 stores comprised of 6 Reitmans, 8 Smart Set, 1 Penningtons, 3 Addition-Elle Outlet and 4 Thyme Maternity stores; 13 stores were closed. Accordingly, at August 2, 2003, there were 829 stores in operation across Canada, consisting of 337 Reitmans, 160 Smart Set/Dalmys, 124 Penningtons, 28 RW & CO., 68 Addition-Elle, 45 Addition-Elle Outlet and 67 Thyme Maternity stores. An additional 36 stores are scheduled to open this year and 19 stores are scheduled to be closed.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity at August 2, 2003 amounted to \$261,581,000 or \$15.20 per share as compared to \$241,107,000 or \$14.02 per share last year. The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and investments in marketable securities of \$121,000,000 at August 2, 2003, compared with \$91,535,000 at August 3, 2002.

Major financing activities in the second quarter included paying down \$2,000,000 of the \$86,000,000 loan obtained to finance the acquisition of Shirmax, and \$530,000 of other long-term debt, consisting principally of the mortgage on Reitmans' new Distribution Centre. The Company also paid a cash dividend of 10 cents per share for an aggregate amount of \$1,721,000 and issued 9,000 class A non-voting shares under its employee stock option plan.

During the second quarter, the Company received \$5,600,000 as its share of the surplus of its Employees Pension Plan, which under an agreement with the plan members had been terminated as of December 31, 2001. The Company also sold certain of its new merchandise handling equipment under a four-year sale lease-back arrangement with a Canadian bank for an amount of \$10,000,000.

During the second quarter, the Company invested \$4,000,000 in new and renovated stores, \$3,200,000 in its new Distribution Centre and \$1,100,000 in renovating and refurbishing its Sauvé Street offices. For the year to date, the Company has expended \$21,600,000 on new and renovated stores, the new Distribution Centre and the Sauvé Street offices. The Company has budgeted a further \$14,000,000 for new capital investment for the remainder of the fiscal year, principally for store development. These expenditures, together with the payment of cash dividends and the quarterly repayments related to Reitmans' bank credit facility and other long-term debt obligations, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

INVESTMENTS

Investments consist mainly of marketable securities, principally high quality preferred shares. At August 2, 2003, marketable securities amounted to \$71,284,000 (market value \$76,030,000) as compared with \$77,178,000 (market value \$78,503,000) last year. Investment income for the year to date amounted to \$4,472,000, composed principally of net capital gains of \$1,218,000 and dividends compared to \$4,975,000 with \$2,521,000 of net capital gains for the comparable year-to-date period last year. Investment income was lower this year reflecting the effect of the lower interest rate environment on the Company's investment portfolio.

TRENDS, UNCERTAINTIES AND RISKS

The Company is principally engaged in the sale of women's apparel through 829 leased retail outlets operating under 7 different banners located across Canada. 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. As well, there is no effective barrier to prevent entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic.

To mitigate these risk exposures, each banner is directed to and focused on a different niche in the Canadian women's apparel market. Virtually all the Company's merchandise is private label. No supplier represents more than 6% of our purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all the Company's merchandise. When merchandise is sourced offshore and must be paid for in US dollars, the Company hedges the purchase of like amounts of US dollars to ensure it is protected against any material adverse fluctuations in the value of the Canadian dollar between the time the relevant merchandise is ordered and when it must be paid for.

Geographically, the Company's stores are located generally according to Canada's female population. About 40% of RW & CO.'s merchandise is young men's wear and certain Reitmans stores carry a limited selection of children's apparel. Together, these non-women's wear sales account for less than 3% of all apparel sales made by the Company.

The Company has good relationships with its landlords and suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling our merchandise on an ongoing basis.

For the year to date, while the Company has experienced improved sales and operating margins and has begun to realize the cost savings benefits from the integration of the Shirmax Stores, the Company cautions that past financial performance is not necessarily indicative of future results.

OUTLOOK

The Company believes that it is well positioned to compete effectively in the Canadian specialty retail apparel market through its different banners. Reitmans has continued to expand and strengthen its offshore sourcing capabilities in Asia. It is expected that the Shirmax banners acquired on June 5, 2002, will now begin to benefit from their new ability to source goods offshore within the Company's infrastructure.

Reitmans is in a strong financial position. It has good relationships with its vendors and suppliers, both in Canada and globally and has invested in technology and people. Reitmans believes that the prospects for the future remain positive.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (UNAUDITED)

(in thousands except per share amounts)

	For the six months ended		For the three months ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
Sales	\$ 410,975	\$ 327,758	\$ 233,225	\$ 201,730
Cost of goods sold and selling, general and administrative expenses	367,579	290,837	201,827	174,547
	43,396	36,921	31,398	27,183
Depreciation and amortization	14,470	10,869	7,181	6,027
Operating earnings before the undernoted	28,926	26,052	24,217	21,156
Investment income	4,472	4,975	2,094	1,994
Interest on long-term debt	2,497	587	1,190	587
Earnings before income taxes	30,901	30,440	25,121	22,563
Income taxes	9,500	11,723	7,825	8,973
Net earnings	21,401	18,717	17,296	13,590
Retained earnings at beginning of the period	230,993	213,334	233,378	216,744
Deduct:				
Dividends	3,441	3,437	1,721	1,720
Retained earnings at end of the period	\$ 248,953	\$ 228,614	\$ 248,953	\$ 228,614
Earnings per share:				
Basic	\$ 1.24	\$ 1.09	\$ 1.01	\$ 0.79
Diluted	1.23	1.08	0.99	0.78

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	For the six months ended		For the three months ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	\$ 21,401	\$ 18,717	\$ 17,296	\$ 13,590
Adjustments for:				
Depreciation and amortization	14,470	10,869	7,181	6,027
Future income taxes	(1,490)	375	(1,355)	250
Amortization of deferred licensing revenue	(100)	(39)	(50)	(39)
Amortization of deferred financing costs	109	36	54	36
Investment income	(4,472)	(4,975)	(2,094)	(1,994)
Changes in non-cash working capital	(3,996)	(16,803)	14,631	5,893
	25,922	8,180	35,663	23,763
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of marketable securities	(25,454)	(31,233)	(9,467)	(5,887)
Proceeds on sale of marketable securities	35,085	31,860	15,592	4,827
Additions to capital assets	(21,646)	(20,906)	(9,592)	(6,606)
Proceeds on sale of capital assets	10,065	-	10,065	-
Investment income, excluding gain on sale of marketable securities of \$1,218 (2002 - \$2,521)	3,254	2,454	1,788	1,311
Acquisition of Shirmax Fashions Ltd. including bank indebtedness	-	(91,803)	-	(91,803)
	1,304	(109,628)	8,386	(98,158)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(3,441)	(3,437)	(1,721)	(1,720)
Proceeds of long-term debt	-	86,000	-	86,000
Deferred financing costs	-	(656)	-	(656)
Repayment of long-term debt	(5,054)	(213)	(2,530)	(213)
Issue of share capital	100	249	100	249
	(8,395)	81,943	(4,151)	83,660
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	18,831	(19,505)	39,898	9,265
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	30,885	33,862	9,818	5,092
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 49,716	\$ 14,357	\$ 49,716	\$ 14,357

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

CONSOLIDATED BALANCE SHEETS

(in thousands)

	Unaudited August 2, 2003	Unaudited August 3, 2002	Audited February 1, 2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 49,716	\$ 14,357	\$ 30,885
Accounts receivable	4,262	6,573	5,089
Merchandise inventories	93,918	84,520	68,501
Prepaid expenses	15,590	15,752	16,219
Pension asset	-	-	5,580
Income taxes recoverable	2,337	-	7,911
Total Current Assets	165,823	121,202	134,185
INVESTMENTS			
(Market value \$76,030; 2002 - \$78,503)	71,284	77,178	79,697
CAPITAL ASSETS	156,075	153,213	159,044
GOODWILL	42,426	41,436	42,426
FUTURE INCOME TAXES	1,624	1,350	2,298
OTHER ASSETS	1,810	8,742	1,920
	\$ 439,042	\$ 403,121	\$ 419,570
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued items	\$ 76,418	\$ 67,340	\$ 67,688
Income taxes payable	-	875	-
Current portion of long-term debt	9,832	9,086	9,991
Future income taxes	91	97	2,236
Total Current Liabilities	86,341	77,398	79,915
LONG-TERM DEBT	89,985	80,436	94,880
DEFERRED LICENSING REVENUE	467	661	567
FUTURE INCOME TAXES	668	3,519	687
SHAREHOLDERS' EQUITY			
Share capital	12,628	12,493	12,528
Retained earnings	248,953	228,614	230,993
Total Shareholders' Equity	261,581	241,107	243,521
	\$ 439,042	\$ 403,121	\$ 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 August 2, 2003, which is not necessarily indicative of performance for the balance of the year.

2

STOCK-BASED COMPENSATION

The Company has a share option plan as described in note 1 j) to the consolidated financial statements contained in the 2003 Annual Report. During the three month period ended August 2, 2003, 125,000 options on class A non-voting shares were granted. If the fair value method of accounting under CICA Handbook Section 3870 had been used, there would be no material difference in reported net earnings and no change in the reported amounts of earnings per share. The weighted average fair value of the 125,000 options granted during the year is \$4.00 per stock option, which would be recognized over the vesting period. The weighted average fair value of the stock options granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 2.35%; expected volatility of 26.24%; risk-free interest rate of 4.38%; and expected lives of 4.83 years.

3

LONG-TERM DEBT

	2003	2002
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	\$ 78,000	\$ 86,000
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	19,450	-
Obligations under capital leases, expiring at various dates to 2007 bearing interest at varying rates, payable in monthly instalments of approximately \$96	2,366	3,522
	99,816	89,522
Less current portion	9,832	9,086
	\$ 89,984	\$ 80,436

Interest on long-term debt includes \$109 (2002 - \$36) of amortization of deferred financing costs relating to the bank financing. The balance of deferred financing costs at August 2, 2003 is \$401 (2002 - \$620) and is included in other assets.

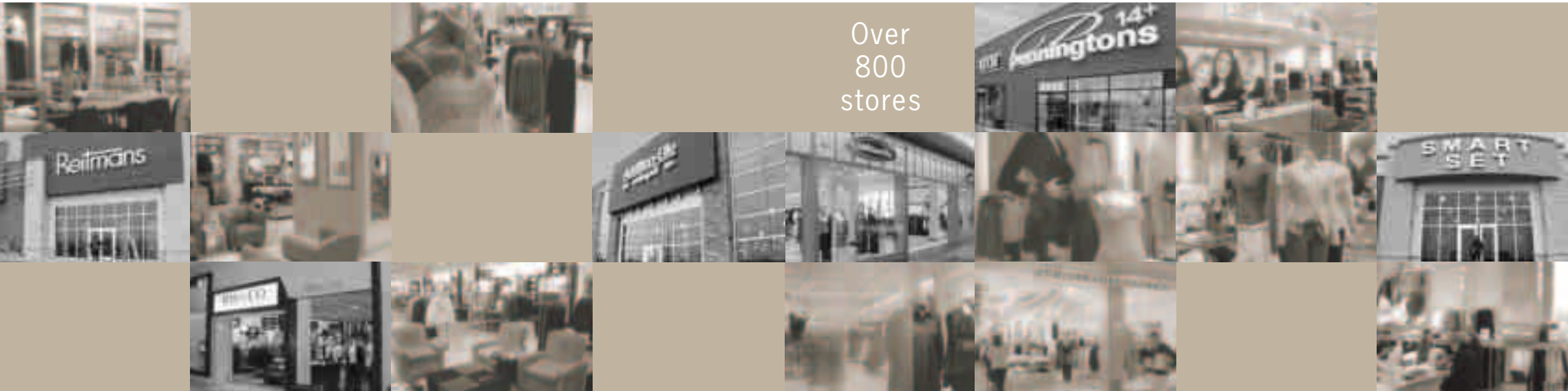
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EARNINGS PER SHARE

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.

	For the six months ended		For the three months ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
Weighted average number of shares per basic earnings per share calculations	17,201,284	17,175,674	17,203,004	17,181,784
Effect of dilutive options outstanding	197,323	193,146	194,595	238,738
Weighted average number of shares per diluted earnings per share calculations	17,398,607	17,368,820	17,397,599	17,420,522

Canada's leading fashion retailer



	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	84	27	22	8	19	14	16	190
Ontario	108	66	45	10	25	17	28	299
Manitoba	12	5	5	-	2	2	2	28
Saskatchewan	6	4	5	-	2	1	2	20
Alberta	38	20	16	3	8	4	9	98
British Columbia	33	19	19	6	8	3	6	94
Northwest Territories	1	-	-	-	-	-	-	1
Yukon	1	-	-	-	-	-	-	1
	337	160	124	28	68	45	67	829



Over 800 stores

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