



INTERIM REPORT
FOR THE NINE MONTHS ENDED NOVEMBER 1, 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 nine month and three month periods ending November 1, 2003 reflect the combined operations of Reitmans (Canada) Limited ("Reitmans") and Shirmax Fashions Ltd. ("Shirmax"), which was acquired effective June 5, 2002. Accordingly, for the nine month period, 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. For the three month period, last year's results are comparable.

Sales for the nine months ended November 1, 2003 increased 17.1% to \$626,658,000 as compared with \$535,081,000 for the nine months ended November 2, 2002. Comparable store sales decreased 0.5%. Operating earnings for the nine months increased 22.4% to \$46,178,000 as compared with \$37,730,000 last year. Net earnings after tax increased 26.5% to \$34,055,000 or \$1.98 per share as compared with \$26,930,000 or \$1.57 for the period last year.

Sales for the third quarter ended November 1, 2003 increased 4.0% to \$215,683,000 as compared with \$207,323,000 for the third quarter ended November 2, 2002. Comparable store sales decreased 0.2%. Operating earnings for the period increased 47.7% to \$17,252,000 as compared with \$11,678,000 last year. Net earnings after tax increased 54.1% to \$12,654,000 or \$0.74 per share as compared with \$8,213,000 or \$0.48 per share for the period last year.

Sales in November increased 4.1% while comparable store sales decreased 0.2%.

During the third quarter, the Company opened 18 new stores and closed 4 stores. To date, the Company opened 40 stores comprised of 12 Reitmans, 12 Smart Set, 4 Penningtons, 7 Addition-Elle Outlet and 5 Thyme Maternity stores; 17 stores were closed. Accordingly, at November 1, 2003, there were 843 stores in operation, consisting of 342 Reitmans, 164 Smart Set / Dalmys, 126 Penningtons, 28 RW & CO., 68 Addition-Elle, 49 Addition-Elle Outlet and 66 Thyme Maternity stores. An additional 15 stores are scheduled to open in the fourth quarter and 19 stores will be closed.

The integration of Shirmax is now complete with all technology, human resources and accounting platforms converted. The Shirmax office personnel moved to our Sauvé Street premises on November 21, 2003. Our new Montreal Distribution Centre is complete with the Shirmax divisions now in operation.

At the Board of Directors meeting held on December 3, 2003, a quarterly cash dividend of 14 cents per share on all outstanding class A non-voting and Common shares of the capital stock of the Company was declared payable January 29, 2004, to shareholders of record as of the close of business January 15, 2004. This is an increase of 40% over the previous rate of 10 cents per share.

(signed)

Jeremy H. Reitman
President

Montreal, December 3, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE INTERIM PERIOD ENDED NOVEMBER 1, 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 November 1, 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 NINE MONTH PERIOD ENDED NOVEMBER 1, 2003 ("year to date")

The consolidated financial statements for the year to date ending November 1, 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 year-to-date period are not strictly comparable, as they do not include results from the Shirmax operations prior to June 5, 2002.

Sales for the year to date increased 17.1% to \$626,658,000 as compared with \$535,081,000 for the nine months ended November 2, 2002 due primarily to increased sales as a result of the addition of the Shirmax Stores. Comparable store sales decreased 0.5%.

Operating earnings for the year to date increased 22.4% to \$46,178,000 as compared with \$37,730,000 for the comparable period last year. Net earnings after tax increased 26.5% to \$34,055,000 or \$1.98 per share as compared with \$26,930,000 or \$1.57 for the comparable period last year. The factors contributing to such increases included significantly improved gross margins realized at store level, helped in part by a strengthening Canadian dollar, effective cost containment at both store and overhead levels, and the successful integration of the Shirmax operations and the resulting cost savings therefrom.

THREE MONTH PERIOD ENDED NOVEMBER 1, 2003 ("third quarter")

Sales for the third quarter increased 4.0% to \$215,683,000 as compared with \$207,323,000 for the three month period ended November 2, 2002. Comparable store sales decreased 0.2%.

Operating earnings for the third quarter increased 47.7% to \$17,252,000 as compared with \$11,678,000 for the comparable period last year. This increase reflects a very strong gross margin performance at the store operating level, aided by a strengthening Canadian dollar and the effect of the cost savings resulting from the full integration of the Shirmax operations. Net earnings after tax increased 54.1% to \$12,654,000 or \$0.74 per share as compared with \$8,213,000 or \$0.48 per share for the comparable period last year.

Current assets increased by over \$50,000,000 from the comparable period last year. Cash and cash equivalents have increased \$66,000,000, while accounts receivable have decreased \$4,400,000 from the same period last year as a result of collecting certain receivables (tenant allowances and third party licensing fees) which the Company acquired as a result of the Shirmax acquisition. The Company has been able to generate significantly more cash flow as a result of the strong sales and gross margin performances experienced to date. Current liabilities have increased by \$21,700,000 over the same period last year. This increase is accounted for in part by the increase in the current income tax provision reflecting the strong growth in pre-tax earnings and in part by early merchandise receipts.

Shortly after the end of the third quarter, the Shirmax office personnel moved from the Jarry Street premises to our Sauvé Street premises. 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 fully realize the cost saving benefits which were anticipated at the time of the acquisition.

During the third quarter, the Company opened 18 new stores and closed 4 stores. To date, the Company opened 40 stores comprised of 12 Reitmans, 12 Smart Set, 4 Penningtons, 7 Addition-Elle Outlet and 5 Thyme Maternity stores; 17 stores were closed. Accordingly, at November 1, 2003, there were 843 stores in operation, consisting of 342 Reitmans, 164 Smart Set / Dalmys, 126 Penningtons, 28 RW & CO., 68 Addition-Elle, 49 Addition-Elle Outlet and 66 Thyme Maternity stores. An additional 15 stores are scheduled to open in the fourth quarter and 19 stores will be closed.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity at November 1, 2003 amounted to \$272,565,000 or \$15.83 per share as compared to \$247,602,000 or \$14.40 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 \$142,786,000 at November 1, 2003, compared with \$69,150,000 at November 2, 2002.

Major financing activities in the third quarter included paying down \$2,000,000 of the \$86,000,000 loan obtained to finance the acquisition of Shirmax and \$497,000 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 \$1,721,356 and issued 5,000 class A non-voting shares under its employee stock option plan.

During the third quarter, the Company invested \$8,530,000 in new and renovated stores, \$1,532,000 in its new Distribution Centre and \$2,700,000 in renovating and refurbishing its Sauvé Street offices. For the year to date, the Company has expended \$33,100,000 on new and renovated stores, the new Distribution Centre and the Sauvé Street offices. The Company has budgeted a further \$4,250,000 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 November 1, 2003, marketable securities amounted to \$74,473,000 (market value \$79,830,000) as compared with \$67,002,000 (market value \$68,698,000) last year. Investment income for the year to date amounted to \$6,853,000 composed principally of net capital gains of \$1,925,000 and dividends compared to \$7,534,000 with \$3,853,000 of net capital gains for the comparable year-to-date period last year. Investment income (excluding net capital gains) was higher this year to date reflecting the effect of the improved cash flow from retailing operations, which has been invested in the short-term money market.

TRENDS, UNCERTAINTIES AND RISKS

The Company is principally engaged in the sale of women's apparel through 843 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 more fully realize the cost savings benefits from the integration of the Shirmax operations, 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 capabilities in Asia, principally through its Hong Kong office. The Company's Hong Kong office now has in excess of 70 staff engaged in sourcing, quality control, transportation and logistics. The Shirmax operations, acquired on June 5, 2002, are now beginning to benefit from the Company's ability to source goods offshore.

Reitmans is in a very 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 nine months ended		For the three months ended	
	November 1, 2003	November 2, 2002	November 1, 2003	November 2, 2002
Sales	\$ 626,658	\$ 535,081	\$ 215,683	\$ 207,323
Cost of goods sold and selling, general and administrative expenses	558,480	479,495	190,901	188,658
	68,178	55,586	24,782	18,665
Depreciation and amortization	22,000	17,856	7,530	6,987
Operating earnings before the undernoted	46,178	37,730	17,252	11,678
Investment income	6,853	7,534	2,381	2,559
Interest on long-term debt	3,676	1,535	1,179	948
Earnings before income taxes	49,355	43,729	18,454	13,289
Income taxes	15,300	16,799	5,800	5,076
Net earnings	34,055	26,930	12,654	8,213
Retained earnings at beginning of the period	230,993	213,334	248,953	228,614
Deduct:				
Dividends	5,162	5,156	1,721	1,719
Retained earnings at end of the period	\$ 259,886	\$ 235,108	\$ 259,886	\$ 235,108
Earnings per share:				
Basic	\$ 1.98	\$ 1.57	\$ 0.74	\$ 0.48
Diluted	1.96	1.55	0.73	0.47

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	For the nine months ended		For the three months ended	
	November 1, 2003	November 2, 2002	November 1, 2003	November 2, 2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	\$ 34,055	\$ 26,930	\$ 12,654	\$ 8,213
Adjustments for:				
Depreciation and amortization	22,000	17,856	7,530	6,987
Future income taxes	(1,597)	575	(107)	200
Amortization of deferred licensing revenue	(150)	(98)	(50)	(59)
Amortization of deferred financing costs	164	91	55	55
Investment income	(6,853)	(7,534)	(2,381)	(2,559)
Changes in non-cash working capital	14,638	(36,211)	18,634	(19,408)
	62,257	1,609	36,335	(6,571)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of marketable securities	(33,627)	(46,199)	(8,173)	(14,966)
Proceeds on sale of marketable securities	40,776	58,333	5,691	26,473
Additions to capital assets	(34,408)	(35,293)	(12,762)	(14,387)
Proceeds on sale of capital assets	10,065	-	-	-
Investment income, excluding gain on sale of marketable securities of \$1,925 (2002 - \$3,853)	4,928	3,681	1,674	1,227
Acquisition of Shirmax Fashions Ltd. including bank indebtedness	-	(91,803)	-	-
	(12,266)	(111,281)	(13,570)	(1,653)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(5,162)	(5,156)	(1,721)	(1,719)
Proceeds of long-term debt	-	86,000	-	-
Deferred financing costs	-	(656)	-	-
Repayment of long-term debt	(7,551)	(2,479)	(2,497)	(2,266)
Issue of share capital	150	249	50	-
	(12,563)	77,958	(4,168)	(3,985)
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	37,428	(31,714)	18,597	(12,209)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	30,885	33,862	49,716	14,357
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 68,313	\$ 2,148	\$ 68,313	\$ 2,148

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

CONSOLIDATED BALANCE SHEETS

(in thousands)

	Unaudited November 1, 2003	Unaudited November 2, 2002	Audited February 1, 2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 68,313	\$ 2,148	\$ 30,885
Accounts receivable	3,958	8,392	5,089
Merchandise inventories	104,179	108,109	68,501
Prepaid expenses	8,402	15,858	16,219
Pension asset	-	-	5,580
Income taxes recoverable	-	-	7,911
Total Current Assets	184,852	134,507	134,185
INVESTMENTS			
(Market value \$79,830; 2002 - \$68,698)	74,473	67,002	79,697
CAPITAL ASSETS	161,210	160,776	159,044
GOODWILL	42,426	41,436	42,426
FUTURE INCOME TAXES	1,718	1,149	2,298
OTHER ASSETS	1,755	8,687	1,920
	\$ 466,434	\$ 413,557	\$ 419,570
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued items	\$ 85,959	\$ 73,496	\$ 67,688
Income taxes payable	9,428	987	-
Current portion of long-term debt	9,857	9,074	9,991
Future income taxes	115	97	2,236
Total Current Liabilities	105,359	83,654	79,915
LONG-TERM DEBT	87,463	78,181	94,880
DEFERRED LICENSING REVENUE	417	602	567
FUTURE INCOME TAXES	630	3,518	687
SHAREHOLDERS' EQUITY			
Share capital	12,679	12,493	12,528
Retained earnings	259,886	235,109	230,993
Total Shareholders' Equity	272,565	247,602	243,521
	\$ 466,434	\$ 413,557	\$ 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 November 1, 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 nine month period ended November 1, 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. During the three month period ended November 1, 2003 no options were granted.

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	\$ 76,000	\$ 84,000
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	19,240	-
Obligations under capital leases, expiring at various dates to 2007 bearing interest at varying rates, payable in monthly instalments of approximately \$96	2,080	3,255
	97,320	87,255
Less current portion	9,857	9,074
	\$ 87,463	\$ 78,181

Interest on long-term debt includes \$164 (2002 - \$91) of amortization of deferred financing costs relating to the bank financing. The balance of deferred financing costs at November 1, 2003 is \$347 (2002 - \$566) and is included in other assets.

4

EARNINGS PER SHARE

	For the nine months ended		For the three months ended	
	November 1, 2003	November 2, 2002	November 1, 2003	November 2, 2002
Weighted average number of shares per basic earnings per share calculations	17,205,066	17,182,304	17,212,630	17,195,564
Effect of dilutive options outstanding	197,882	155,659	196,271	273,833
Weighted average number of shares per diluted earnings per share calculations	17,402,948	17,337,963	17,408,901	17,469,397

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	86	29	22	8	19	15	16	195
Ontario	110	67	46	10	25	19	27	304
Manitoba	12	6	5	-	2	3	2	30
Saskatchewan	6	4	5	-	2	1	2	20
Alberta	39	20	17	3	8	4	9	100
British Columbia	33	19	19	6	8	3	6	94
Northwest Territories	1	-	-	-	-	-	-	1
Yukon	1	-	-	-	-	-	-	1
	342	164	126	28	68	49	66	843



Over 800 stores

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