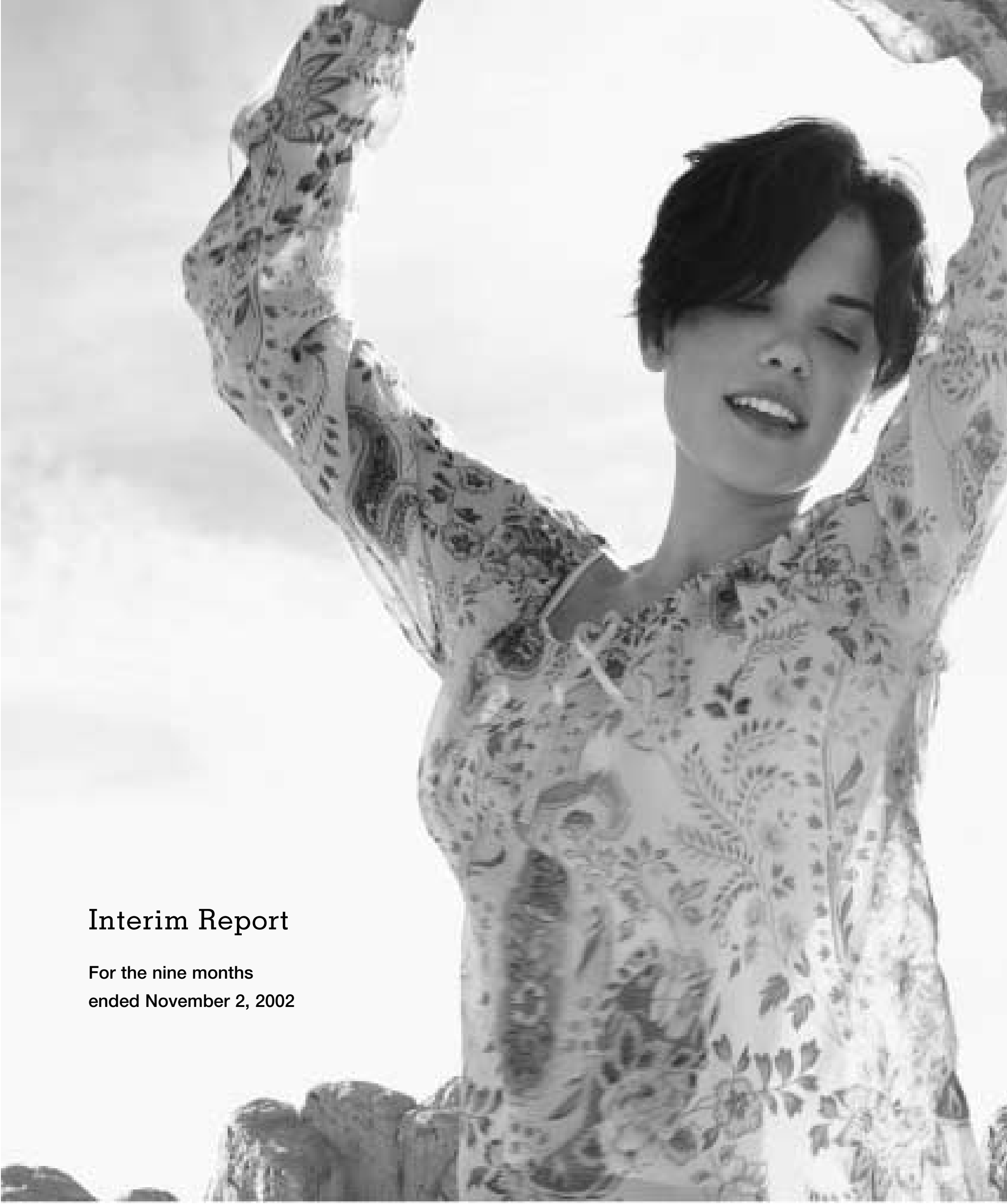

Interim Report

For the nine months ended November 2, 2002

Reitmans

Reitmans

Smart Set / Dalmys

Penningtons

RW & CO.

Addition-Elle

Addition-Elle Outlet

Thyme Maternity

To Our Shareholders

I am pleased to report excellent results for the nine months and third quarter ended November 2, 2002, which reflect the combined operations of Reitmans (Canada) Limited ("Reitmans") and Shirmax Fashions Ltd. ("Shirmax"), a wholly-owned subsidiary of Reitmans, which was acquired effective June 5, 2002. Included in these results are the results of Shirmax for twenty-two weeks from June 5, 2002, the effective date of acquisition. Accordingly, last year's results are not comparable.

Sales for the nine months ended November 2, 2002 increased 32.9% to $535.1 million as compared with $402.6 million for the nine months ended November 3, 2001. Comparable store sales increased 4.0%. Operating earnings for the nine months increased 71.0% to $37.7 million as compared with $22.1 million last year. Net earnings after tax increased 36.7% to $26.9 million or $1.57 per share as compared with $19.7 million or $1.18 for the period last year.

Sales for the third quarter ended November 2, 2002 increased 44.5% to $207.3 million as compared with $143.5 million for the third quarter ended November 3, 2001. Comparable store sales increased 0.9%. Operating earnings for the period increased 27.6% to $11.7 million as compared with $9.2 million last year. Net earnings after tax increased 9.7% to $8.2 million or $0.48 per share as compared with $7.5 million or $0.45 per share for the period last year.

Sales in November increased 18.8% while comparable store sales decreased 6.3%.

During the third quarter, the Company opened 21 new stores comprised of 5 Reitmans, 7 Smart Set, 3 Penningtons, 2 Addition-Elle, 1 Addition-Elle Outlet and 3 Thyme Maternity stores and closed 11 stores. Accordingly, at November 2, 2002, there were 814 stores in operation, consisting of 329 Reitmans, 153 Smart Set / Dalmys, 124 Penningtons, 28 RW & CO., 71 Addition-Elle, 42 Addition-Elle Outlet and 67 Thyme Maternity stores. An additional 14 stores are scheduled to open this year and 9 stores will be closed.

Inditex, S.A., the parent company of ZARA, recently completed an initial public offering in Europe. As a result, we have sold to Inditex, S.A. our minority interest in its Canadian operations resulting in a pre-tax gain of approximately $1,000,000.

The integration of Shirmax is progressing on schedule with a targeted completion date for all systems by April 2003. Phase I of the installation of the automated merchandise handling equipment in our new Montreal Distribution Centre is complete with the Reitmans division operating in the facility. Other divisions will move within six months. We expect that this facility will be fully operational by August 2003.

At the Board of Directors meeting held on December 10, 2002, 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 January 29, 2003, to shareholders of record as of the close of business January 15, 2003.

(Signed)

Jeremy H. Reitman
President
Montreal, December 10, 2002

Management Discussion and Analysis

OPERATING RESULTS

Consolidated financial statements for the nine month period ended November 2, 2002 reflect the combined operations of Reitmans (Canada) Limited ("Reitmans") and Shirmax Fashions Ltd. ("Shirmax"), a wholly-owned subsidiary of Reitmans, which was acquired effective June 5, 2002. Included in these results are the results of Shirmax for twenty-two weeks from June 5, 2002, the effective date of acquisition. Accordingly, last year's results are not comparable.

Sales for the nine months ended November 2, 2002 increased 32.9% to $535,081,000 as compared with $402,585,000 for the nine months ended November 3, 2001. Comparable store sales increased 4.0%. Operating earnings for the nine months increased 71.0% to $37,730,000 as compared with $22,061,000 last year. Net earnings after tax increased 36.7% to $26,930,000 or $1.57 per share as compared with $19,702,000 or $1.18 for the period last year.

Sales for the third quarter ended November 2, 2002 increased 44.5% to $207,323,000 as compared with $143,513,000 for the third quarter ended November 3, 2001. Comparable store sales increased 0.9%. Operating earnings for the period increased 27.6% to $11,678,000 as compared with $9,153,000 million last year. Net earnings after tax increased 9.7% to $8,213,000 or $0.48 per share as compared with $7,488,000 or $0.45 per share for the period last year.

During the third quarter, the Company opened 21 new stores comprised of 5 Reitmans, 7 Smart Set, 3 Penningtons, 2 Addition-Elle, 1 Addition-Elle Outlet and 3 Thyme Maternity stores and closed 11 stores. Accordingly, at November 2, 2002, there were 814 stores in operation, consisting of 329 Reitmans, 153 Smart Set / Dalmys, 124 Penningtons, 28 RW & CO., 71 Addition-Elle, 42 Addition-Elle Outlet and 67 Thyme Maternity stores. An additional 14 stores are scheduled to open this year and 9 stores will be closed.

INVESTMENTS

Investments consist of marketable securities, principally high quality preferred shares. At November 2, 2002, marketable securities amounted to $67,002,000 (market value $68,698,000) as compared with $69,497,000 (market value $72,747,000) last year. Investment income amounted to $7,534,000, composed principally of dividends and net capital gains of $3,853,000 compared to $8,241,000 with $2,825,000 of net capital gains last year.

During the third quarter, the Company sold its minority interest in ZARA's Canadian operations to Inditex, S.A. the parent company of ZARA. The resulting gain of approximately $1,000,000 is included in investment income.

LIQUIDITY AND CAPITAL ASSETS

Shareholders' equity at November 2, 2002 amounted to $247,602,000 or $13.91 per share as compared to $217,438,000 or $12.93 per share last year. The Company continues to be in a strong financial position. The Company's sources of liquidity are its cash and investments in marketable securities of $69,150,000 at November 2, 2002 compared with $81,020,000 at November 3, 2001. The major financing activities during the quarter included the repayment of $2,000,000 under the terms of the $86,000,000 credit facility. The Company also paid cash dividends of $1,719,000 or 10 cents per share.

The Company invested $10,788,000 in new and renovated stores in the quarter ending November 2, 2002 and has budgeted a further $3,000,000 for store development in the fourth quarter of this year. These expenditures together with the payment of cash dividends and the quarterly repayments related to the bank credit facility will be funded by the Company's existing financial resources and funds derived from its operations.

The first phase of installation of the automated merchandise handling equipment in the new Montreal Distribution Centre has been completed with the Reitmans division operating in the facility. Progress payments of $2,322,000 related to building construction and equipment were made during the third quarter.

Subsequent to quarter end, the Company completed a long-term mortgage facility and received $20,000,000 to finance the land and building for the new Montreal Distribution Centre. The mortgage facility has a fifteen year term, bears a fixed interest rate of 6.4% and is secured by the building.

OUTLOOK

The Company has completed the acquisition of Shirmax Fashions Ltd. and full integration of all the Shirmax operating, financial, warehousing, POS and merchandising systems into Reitmans' platforms is well underway. The Company, through its seven operating divisions, believes that it is well positioned to compete effectively in the Canadian specialty retail market. We have continued to expand and strengthen our offshore sourcing capabilities based in Hong Kong.

The Company is in a strong financial position. It has excellent relationships with its vendors and suppliers, both in Canada and globally. It has invested in technology and people. The outlook remains positive.

Consolidated Statements of Earnings and Retained Earnings (Unaudited)

(in thousands except per share amounts)

	For the nine months ended November 2, 2002	For the nine months ended November 3, 2001	For the three months ended November 2, 2002	For the three months ended November 3, 2001
Sales	**$ 535,081**	$ 402,585	**$ 207,323**	$ 143,513
Cost of goods sold and selling, general and administrative expenses	**479,495**	367,666	**188,658**	129,896
	55,586	34,919	**18,665**	13,617
Depreciation and amortization	**17,856**	12,858	**6,987**	4,464
Operating earnings	**37,730**	22,061	**11,678**	9,153
Investment income	**7,534**	8,241	**2,559**	2,960
Interest on long-term debt	**1,535**	-	**948**	-
Earnings before income taxes	**43,729**	30,302	**13,289**	12,113
Income taxes	**16,799**	10,600	**5,076**	4,625
Net earnings	**26,930**	19,702	**8,213**	7,488
Retained earnings at beginning of the period	**213,334**	193,960	**228,614**	202,012
Deduct:				
Dividends	**5,156**	5,031	**1,719**	1,681
Premium on purchase of Class A shares	**-**	812	**-**	-
Retained earnings at end of the period	**$ 235,108**	$ 207,819	**$ 235,108**	$ 207,819
Net earnings per share:				
Basic	**$ 1.57**	$ 1.18	**$ 0.48**	$ 0.45
Diluted	**1.55**	1.17	**0.47**	0.45

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	For the nine months ended November 2, 2002	For the nine months ended November 3, 2001	For the three months ended November 2, 2002	For the three months ended November 3, 2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	**$ 26,930**	$ 19,702	**$ 8,213**	$ 7,488
Adjustments for:				
Depreciation and amortization	**17,856**	12,858	**6,987**	4,464
Future income taxes	**575**	450	**200**	200
Amortization of deferred licensing revenue	**(98)**	-	**(59)**	-
Amortization of deferred financing costs	**91**	-	**55**	-
Investment income	**(7,534)**	(8,241)	**(2,559)**	(2,960)
Changes in non-cash working capital	**(36,211)**	(23,692)	**(19,408)**	(8,470)
	1,609	1,077	**(6,571)**	722
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of marketable securities	**(46,199)**	(44,965)	**(14,966)**	(10,795)
Proceeds on sale of marketable securities	**58,333**	59,692	**26,473**	15,485
Net additions to capital assets	**(35,293)**	(24,933)	**(14,387)**	(14,151)
Investment income, excluding gain on sale of marketable securities of $3,853 (2001 - $2,825)	**3,681**	5,416	**1,227**	1,480
Acquisition of subsidiary including bank indebtedness	**(91,803)**	-	**-**	-
	(111,281)	(4,790)	**(1,653)**	(7,981)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	**(5,156)**	(5,031)	**(1,719)**	(1,681)
Proceeds of long-term debt	**86,000**	-	**-**	-
Deferred financing costs	**(656)**	-	**-**	-
Purchase of Class A non-voting shares for cancellation	**-**	(878)	**-**	-
Repayment of long-term debt	**(2,479)**	-	**(2,266)**	-
Issue of share capital	**249**	1,137	**-**	75
	77,958	(4,772)	**(3,985)**	(1,606)
NET DECREASE IN CASH POSITION DURING THE PERIOD	**(31,714)**	(8,485)	**(12,209)**	(8,865)
CASH POSITION AT BEGINNING OF THE PERIOD	**33,862**	20,008	**14,357**	20,388
CASH POSITION AT END OF THE PERIOD	**$ 2,148**	$ 11,523	**$ 2,148**	$ 11,523

Cash position consists of cash balances with banks and investments in short-term deposits.

Consolidated Balance Sheets

(in thousands)	Unaudited November 2, 2002	Unaudited November 3, 2001	Audited February 2, 2002
Assets			
CURRENT ASSETS			
Cash and short-term deposits	**$ 2,148**	$ 11,523	$ 33,862
Accounts receivable	**8,392**	2,409	1,912
Merchandise inventories	**108,109**	75,450	39,197
Prepaid expenses	**15,858**	10,199	10,440
Total Current Assets	**134,507**	99,581	85,411
INVESTMENTS	**67,002**	69,497	75,284
CAPITAL ASSETS	**160,776**	98,989	109,377
GOODWILL	**41,436**	-	-
OTHER ASSETS	**8,687**	6,903	8,121
	$ 412,408	$ 274,970	$ 278,193
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES			
Accounts payable and accrued items	**$ 73,496**	$ 49,293	$ 40,785
Income taxes payable	**987**	6,409	9,473
Current portion of long-term debt	**9,074**	-	-
Total Current Liabilities	**83,557**	55,702	50,258
LONG-TERM DEBT	**78,181**	-	-
DEFERRED LICENSING REVENUE	**602**	-	-
FUTURE INCOME TAXES	**2,466**	1,830	2,356
SHAREHOLDERS' EQUITY			
Share capital	**12,493**	9,619	12,245
Retained earnings	**235,109**	207,819	213,334
Total Shareholders' Equity	**247,602**	217,438	225,579
	$ 412,408	$ 274,970	$ 278,193

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 2, 2002.

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 2, 2002, which is not necessarily indicative of performance for the balance of the year.

2. Accounting Policies

These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the 52 week period ended February 2, 2002 except as follows:

Effective June 5, 2002, the Company adopted, on a prospective basis, the recommendations of The Canadian Institute of Chartered Accountants relating to goodwill and other intangible assets. Under the standard, goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any.

Effective February 3, 2002, the Corporation adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants relating to stock-based compensation and other stock-based payments. Under the new standard, the Corporation has the option to use the fair value method of accounting or settlement accounting. As in prior periods, the Corporation uses settlement accounting such that transactions are reflected in the financial statements only upon the exercise of options, at the exercise price. Any consideration paid by employees on the exercise of options is credited to share capital. During the period ended November 2, 2002 no options were granted.

Deferred financing costs, included in other assets, are amortized on a straight-line basis over the term of the loan facility described in note 4.

Deferred licensing revenue is amortized on a straight-line basis over the terms of the agreements.

3. Acquisition

As previously reported, effective June 5, 2002, the Company acquired all of the outstanding common shares of Shirmax Fashions Ltd. ("Shirmax") for $87.3 million, including acquisition costs. Shirmax is a specialty retailer of ladies' plus-size and maternity wear in Canada. The acquisition has been accounted for using the purchase method of accounting with the results of Shirmax included in the interim consolidated financial statements from the date of acquisition. The estimated fair value of the net assets acquired and consideration paid are summarized as follows:

(in thousands)	
Consideration Paid	**$ 87,273**
Net Assets Acquired:	
Sundry receivables	**3,934**
Merchandise inventories	**31,015**
Capital assets	**33,252**
Other assets	**4,608**
Bank indebtedness	**(4,531)**
Accounts payable and accrued items	**(18,049)**
Long-term debt	**(3,691)**
Deferred licensing revenue	**(701)**
	45,837
Goodwill	**$ 41,436**

The impact of the acquisition on the Consolidated Statement of Cash Flows is the sum of the bank indebtedness assumed and the cash consideration.

4. Long-Term Debt

Long-term debt consists of the following:

a) In June 2002, the Company completed a long-term financing agreement whereby up to $86,000,000 of bank borrowings was made available under a three-year committed facility expiring in June 2005, at floating rates of interest. The facility is subject to quarterly principal repayments of $2,000,000 during the term of the loan. At November 2, 2002, the cost of financing, including the amortization of financing costs related to the facility of $91,230, was 4.03%. The debt is secured by a first-ranking charge on the Company's marketable securities. The terms of the banking agreement require the Company to meet certain financial covenants. The Company is in compliance with all covenants.

b) Obligations under capital leases which expire at various dates to 2007, bear interest at rates between 5.49% and 7.25% total $3,255,673. Current maturities due within one year amount to $1,075,197.

5. 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 nine months ended		For the three months ended	
	November 2, 2002	**November 3, 2001**	**November 2, 2002**	**November 3, 2001**
Weighted average number of shares per basic earnings per share calculations	**17,182,304**	16,749,336	**17,195,564**	16,812,482
Effect of dilutive options outstanding	**155,659**	79,186	**273,833**	87,934
Weighted average number of shares per diluted earnings per share calculations	**17,337,963**	16,828,522	**17,469,397**	16,900,416

	Reitmans	Smart Set / Dalmys	Penningtons	RW & CO.	Addition-Elle	Addition-Elle Outlet	Thyme Maternity	Total
Newfoundland	14	3	3	-	1	1	1	23
Prince Edward Island	3	3	1	-	-	-	-	7
Nova Scotia	19	7	5	-	2	1	1	35
New Brunswick	18	5	3	1	1	1	2	31
Québec	82	26	21	8	20	14	16	187
Ontario	104	63	46	10	26	16	28	294
Manitoba	11	5	5	-	2	2	2	27
Saskatchewan	6	4	5	-	2	1	2	20
Alberta	36	18	16	3	9	3	8	92
British Columbia	34	19	19	6	8	3	7	96
Northwest Territories	1	-	-	-	-	-	-	1
Yukon	1	-	-	-	-	-	-	1
	329	**153**	**124**	**28**	**71**	**42**	**67**	**814**

814 stores across Canada

REITMANS (CANADA) LIMITED