

Edgar Filing: BLAIR CORP - Form 10-Q

BLAIR CORP  
Form 10-Q  
November 12, 2003

Securities and Exchange Commission  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Period Ended September 30, 2003 Commission File Number 1-878  
-----

BLAIR CORPORATION

-----  
(Exact name of registrant as specified in its charter)

DELAWARE

25-0691670

-----  
(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

220 HICKORY STREET, WARREN, PENNSYLVANIA

16366-0001

-----  
(Address of principal executive offices)

(Zip Code)

(814) 723-3600

-----  
(Registrant's telephone number, including area code)

Not applicable

-----  
(Former name, former address and former fiscal year, if changed  
since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES X NO

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As of November 7, 2003 the registrant had outstanding 8,058,809 shares of its common stock without nominal or par value.

PART I FINANCIAL INFORMATION -2-

ITEM I. FINANCIAL STATEMENTS (UNAUDITED)

BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

CONSOLIDATED BALANCE SHEETS -3-

BLAIR CORPORATION AND SUBSIDIARIES

	September 30 2003 -----	December 31 2002 -----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 39,319,137	\$ 49,975,503
Customer accounts receivable, less allowances for doubtful accounts and returns of \$46,205,601 in 2003 and \$44,765,764 in 2002	141,330,290	149,229,882
Inventories - Note H		
Merchandise	65,343,987	55,101,925
Advertising and shipping supplies	25,787,705	19,115,380
	-----	-----
	91,131,692	74,217,305
Deferred income taxes - Note G	10,195,000	11,623,000
Prepaid and refundable federal and state taxes	2,169,490	-0-
Prepaid expenses	2,609,936	1,937,635
	-----	-----
Total current assets	286,755,545	286,983,325
Property, plant and equipment:		
Land	692,144	692,144
Buildings and leasehold improvements	65,468,805	65,280,676
Equipment	71,886,236	58,956,855
Construction in progress	1,367,580	9,376,463
	-----	-----
	139,414,765	134,306,138
Less allowances for depreciation	86,601,267	80,000,142
	-----	-----
	52,813,498	54,305,996
Assets held for sale - Note L	1,368,526	1,669,299

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Trademarks	506,225	560,407
Other long-term assets	621,821	578,405
TOTAL ASSETS	\$342,065,615	\$344,097,432
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable - Note J	\$ 15,000,000	\$ 15,000,000
Trade accounts payable	46,856,586	40,805,116
Advance payments from customers	3,711,442	3,959,801
Accrued expenses - Note E	14,556,246	19,970,241
Accrued federal and state taxes	-0-	4,587,124
Current portion of capital lease obligations - Note F	369,877	350,016
	-----	-----
Total current liabilities	80,494,151	84,672,298
Capital lease obligations, less current portion - Note F	199,650	480,320
Deferred income taxes - Note G	1,567,000	1,611,000
Stockholders' equity:		
Common Stock without par value:		
Authorized 12,000,000 shares; issued 10,075,440 shares (including shares held in treasury) - stated value	419,810	419,810
Additional paid-in capital	14,323,421	14,428,903
Retained earnings	288,427,188	286,511,847
Accumulated other comprehensive income	(30,663)	12,686
	-----	-----
	303,139,756	301,373,246
Less 2,016,631 shares in 2003 and 2,037,793 shares in 2002 of common stock in treasury - at cost	(40,839,791)	(41,264,330)
Less receivable and deferred compensation from stock plans	(2,495,151)	(2,775,102)
	-----	-----
Total stockholders' equity	259,804,814	257,333,814
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$342,065,615	\$344,097,432
	=====	=====

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

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BLAIR CORPORATION AND SUBSIDIARIES

Three Months Ended		Nine Months Ended	
September 30		September 30	
2003	2002	2003	2002
-----	-----	-----	-----

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Net sales	\$124,100,444	\$117,830,052	\$415,458,938	\$400,
Other income - Note I	11,001,885	10,094,534	30,664,888	30,
	-----	-----	-----	-----
	135,102,329	127,924,586	446,123,826	430,
Costs and expenses:				
Cost of goods sold	60,780,989	58,053,703	201,407,864	191,
Advertising	33,746,291	31,608,249	113,821,111	102,
General and administrative	32,530,994	30,990,706	98,991,016	94,
Provision for doubtful accounts	6,702,356	6,738,419	22,950,454	21,
Interest	72,159	118,123	256,999	
	-----	-----	-----	-----
	133,832,789	127,509,200	437,427,444	410,
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	1,269,540	415,386	8,696,382	20,
Income tax expense - Note G	477,000	136,000	3,303,000	7,
	-----	-----	-----	-----
NET INCOME	\$ 792,540	\$ 279,386	\$ 5,393,382	\$ 12,
	=====	=====	=====	=====
Basic and diluted earnings per share based on weighted average shares outstanding - Note D	\$ .10	\$ .03	\$ .67	
	=====	=====	=====	

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

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BLAIR CORPORATION AND SUBSIDIARIES

	Three Months Ended		Nine M
	September 30		Sep
	2003	2002	2003
	-----	-----	-----
Common Stock	\$ 419,810	\$ 419,810	\$ 419,8
Additional Paid-in Capital:			
Balance at beginning of period	14,311,675	14,559,818	4,428,9
Issuance of Common Stock to non-employee directors	11,746	-0-	(6,3
Issuance of Common Stock under Omnibus Stock Plan	-0-	(89,530)	-
Forfeitures of Common Stock under Omnibus Stock and Employee Stock Purchase Plans	-0-	(14,030)	(18,5
Exercise of non-qualified stock options under Omnibus Stock Plan	-0-	(21,687)	(109,5
Tax benefit on exercise of non-qualified stock options	-0-	-0-	29,0

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Balance at end of period	14,323,421	14,434,571	14,323,4
Retained Earnings:			
Balance at beginning of period	288,795,224	282,195,547	286,511,8
Net income	792,540	279,386	5,393,3
Cash dividends - Note B	(1,160,576)	(1,039,587)	(3,478,0
Balance at end of period	288,427,188	281,435,346	288,427,1
Accumulated Other Comprehensive Income:			
Balance at beginning of period	(18,562)	7,448	12,6
Foreign currency translation	(12,101)	(1,570)	(43,3
Balance at end of period	(30,663)	5,878	(30,6
Treasury Stock:			
Balance at beginning of period	(40,840,954)	(42,726,506)	(41,264,3
Issuance of Common Stock to non-employee directors	1,163	-0-	130,2
Issuance of Common Stock under Omnibus Stock Plan	-0-	1,389,905	-
Forfeitures of Common Stock under Omnibus Stock Plan and Employee Stock Purchase Plans	-0-	(130,451)	(37,5
Exercise of non-qualified stock options under Omnibus Stock Plan	-0-	61,599	331,9
Balance at end of period	(40,839,791)	(41,405,453)	(40,839,7
Receivable and Deferred Compensation from Stock Plans:			
Balance at beginning of period	(2,581,030)	(1,966,544)	(2,775,1
Issuance of Common Stock under Omnibus Stock Plan	-0-	(1,482,667)	-
Forfeitures of Common Stock under Omnibus Stock Plan and Employee Stock Purchase Plans	-0-	47,000	13,5
Amortization of deferred compensation, net of forfeitures	37,493	31,068	117,3
Applications of dividends and cash repayments	48,386	68,875	149,0
Balance at end of period	(2,495,151)	(3,302,268)	(2,495,1
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$259,804,814</b>	<b>\$251,587,884</b>	<b>\$259,804,8</b>
Comprehensive Income:			
Net income	792,540	279,386	5,393,3
Adjustment from foreign currency translation	(12,101)	(1,570)	(43,3
Comprehensive income	\$ 780,439	\$ 277,816	\$ 5,350,0

See accompanying notes.

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BLAIR CORPORATION AND SUBSIDIARIES

	Nine Months Ended September 30	
	2003	2002
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 5,393,382	\$12,913,195
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,886,499	6,479,351
Provision for doubtful accounts	22,950,454	21,247,530
Provision for deferred income taxes	1,384,000	(3,020,000)
Compensation expense (net of forfeitures) for stock awards	198,547	(9,316)
Changes in operating assets and liabilities providing (using) cash:		
Customer accounts receivable	(15,051,162)	(1,796,444)
Inventories	(16,914,387)	23,682,950
Prepaid expenses and other assets	(714,349)	(913,959)
Trade accounts payable	6,051,133	(7,929,867)
Advance payments from customers	(248,359)	1,710,097
Accrued expenses	(5,413,061)	4,929,324
Federal and state taxes	(6,726,577)	4,622,185
	-----	-----
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,203,880)	61,915,046
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(5,037,015)	(9,004,513)
NET CASH USED IN INVESTING ACTIVITIES	(5,037,015)	(9,004,513)
FINANCING ACTIVITIES		
Principle repayments on capital lease obligations	(260,809)	(253,086)
Dividends paid	(3,478,041)	(3,432,664)
Exercise of non-qualified stock options	222,368	148,206
Repayments of notes receivable from stock plans	149,093	173,514
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(3,367,389)	(3,364,030)
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(48,082)	21,728
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,656,366)	49,568,231
Cash and cash equivalents at beginning of year	49,975,503	5,712,495
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$39,319,137	\$55,280,726
	=====	=====

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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BLAIR CORPORATION AND SUBSIDIARIES

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September 30, 2003

### NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Blair Corporation and its wholly-owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information refer to the financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2002.

The consolidated financial statements include the accounts of Blair Corporation and its wholly-owned subsidiaries. All significant intercompany accounts are eliminated upon consolidation.

As of June 30, 2003 the Company formed a new wholly-owned subsidiary, Allegheny Trail Corp., to launch a wholesale business targeted primarily at outdoor sporting goods and recreational retailers. Allegheny Trail will offer a core product line of men's and women's outdoor apparel basics at entry-level price points allowing retailers to be more competitive with major brands.

On August 20, 2003 the Company commenced operations of a new wholly-owned subsidiary, JLB Service Bank. The establishment of JLB Service Bank will enable the Company to manage its credit portfolio in a more cost-effective and efficient manner. The bank's products will involve the extension of credit on an unsecured basis to individuals who are customers of Blair Corporation to facilitate their purchases of Blair's merchandise. As of September 30, 2003, JLB Service Bank's total assets represented .90% of the total consolidated assets of the Company. Gross revenue of JLB Service Bank was .45% and .14% of the Company's consolidated gross revenue for the quarter ended and year to date September 30, 2003, respectively.

### NOTE B - DIVIDENDS DECLARED

2-13-02	\$.15 per share	2-21-03	\$.15	per share
4-16-02	.15	4-15-03	.15	
7-16-02	.15	7-15-03	.15	
10-15-02	.15	10-21-03	.15	

Blair Corporation has declared a dividend for 281 consecutive quarters.

### NOTE C - Stock Compensation

In accordance with the provisions of Statement of Financial Accounting Standards No. 123 the Company has elected to continue applying the provisions of Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, the Company does not recognize compensation expense for stock options when the stock option price at the grant date is equal to or greater than the fair market value of the stock at that date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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BLAIR CORPORATION AND SUBSIDIARY

September 30, 2003

NOTE C - Stock Compensation - continued

The following illustrates the pro forma effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Net income as reported	\$792,540	\$279,386	\$5,393,382	\$12,913,195
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	214,401	116,271	529,408	256,384
Pro forma net income	\$578,139	\$163,115	\$4,863,974	\$12,656,811
Earnings per share:				
Basic - as reported	\$0.10	\$0.03	\$0.67	\$1.61
Basic - pro forma	\$0.07	\$0.02	\$0.60	\$1.58
Diluted - as reported	\$0.10	\$0.03	\$0.67	\$1.61
Diluted - pro forma	\$0.07	\$0.02	\$0.60	\$1.58

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its stock options under the fair value method of SFAS No. 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 3.49%, 4.95% and 5.20% for stock options issued 4/15/03, 4/15/02 and 4/16/01, respectively; dividend yields of 2.54%, 3.11% and 3.50% for stock options issued 4/15/03, 4/15/02 and 4/16/01, respectively; volatility factors of the expected market price of the Company's common stock of .540, .564 and .547 for stock options issued 4/15/03, 4/15/02 and 4/16/01, respectively; and a weighted-average expected life of 7 years for the stock options issued 4/15/03, 4/15/02 and 4/16/01. The per share fair value of the options granted was determined to be \$10.63, \$8.83 and \$7.40 for stock options issued 4/15/03, 4/15/02 and 4/16/01, respectively.

NOTE D - EARNINGS PER SHARE AND WEIGHTED AVERAGE SHARES OUTSTANDING

Earnings per share are computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share." Basic earnings per share are computed using the weighted average number of shares of common stock outstanding during the period. For diluted earnings per share, the weighted average number of shares includes common stock equivalents related to stock options.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

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BLAIR CORPORATION AND SUBSIDIARY

September 30, 2003

NOTE D - EARNINGS PER SHARE AND WEIGHTED AVERAGE SHARES OUTSTANDING - continued

The following table sets forth the computations of basic and diluted earnings per share as required by Statement No. 128:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Numerator:				
Net income	\$ 792,540	\$ 279,386	\$5,393,382	\$12,913,195
Denominator:				
Denominator for basic earnings per share - weighted average shares outstanding	8,058,665	8,027,272	8,052,783	7,994,791
Effect of dilutive securities:				
Employee stock options	19,211	28,075	24,596	26,139
Denominator for diluted earnings per share - weighted average shares outstanding and assumed conversions	8,077,876	8,055,347	8,077,379	8,020,930
Basic earnings per share	\$0.10	\$0.03	\$0.67	\$1.61
Diluted earnings per share	\$0.10	\$0.03	\$0.67	\$1.61

NOTE E - ACCRUED EXPENSES

Accrued expenses consist of:

	September 30 2003	December 31 2002
Employee compensation	\$ 9,706,513	\$12,923,615
Profit sharing contribution	606,016	2,094,327
Health insurance	1,285,656	1,767,850
Voluntary separation program	849,688	1,098,103
Taxes, other than taxes on income	466,580	919,183
Other accrued items	1,641,793	1,167,163
	\$ 14,556,246	\$19,970,241

NOTE F - Leases

Capital Leases

The Company leases certain data processing and telephone equipment under agreements that expire in various years through 2005. The following is a schedule by year of future minimum capital lease payments required under capital leases that have initial or remaining noncancelable lease terms in excess of one

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year as of September 30, 2003:	
2003	\$102,010
2004	408,042
2005	103,426
	-----
	613,478
Less amount representing interest	(43,951)
	-----
Present value of minimum lease payments	569,527
Less current portion	(369,877)
	-----
Long-term portion of capital lease obligations	\$199,650
	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

NOTE F - Leases - continued

Operating Leases

The Company leases certain data processing, office and telephone equipment under agreements that expire in various years through 2008. The Company has also entered into several lease agreements for buildings, expiring in various years through 2012. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2003:

2003	\$ 833,605
2004	2,900,063
2005	2,362,914
2006	1,774,218
2007	1,276,752
Thereafter	3,893,171
	-----
	\$13,040,723
	=====

NOTE G - INCOME TAXES

The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The components of income tax expense (benefit) are as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2003	2002	2003	2002
	-----	-----	-----	-----
Currently payable:				
Federal	\$ (4,845,000)	\$ (1,797,000)	\$ 1,539,000	\$ 9,525,000
Foreign	163,000	93,000	352,000	159,000
State	(734,000)	(401,000)	28,000	481,000
	-----	-----	-----	-----
	(5,416,000)	(2,105,000)	1,919,000	10,165,000

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Deferred (credit)	5,893,000	2,241,000	1,384,000	(3,020,000)
	-----	-----	-----	-----
	\$ 477,000	\$ 136,000	\$ 3,303,000	\$ 7,145,000
	=====	=====	=====	=====

The differences between total tax expense and the amount computed by applying the statutory federal income tax rate of 35% to income before income taxes are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	-----	-----	-----	-----
Statutory rate applied to pre-tax income	\$444,339	\$ 145,385	\$3,043,734	\$7,020,368
State income taxes, net of federal tax benefit	(3,900)	(74,100)	142,350	45,500
Other items	36,561	64,715	116,916	79,132
	\$477,000	\$ 136,000	\$3,303,000	\$7,145,000
	=====	=====	=====	=====

In a previous year, the Company incurred a net operating loss of approximately \$21 million in the State of Pennsylvania. Only \$16 million of the net operating loss remains available to offset future income in the state of Pennsylvania. Pennsylvania limits the annual net operating loss carry forward to \$2 million for 10 years. A deferred tax asset has been established based on the remaining \$16 million net operating loss available to be carried forward. The deferred tax asset is offset by a valuation allowance because it is uncertain as to whether the Company will generate sufficient income in the State of Pennsylvania in the future to absorb the net operating loss before they expire in 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

NOTE G - INCOME TAXES - continued

Components of the provision for deferred income tax expense (benefit) are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	-----	-----	-----	-----
Provision for estimated returns	\$ 13,000	\$ (81,000)	\$ (623,000)	\$ (556,000)
Provision for doubtful accounts	216,000	6,000	(98,000)	192,000
Advertising costs	4,927,000	2,299,000	2,182,000	(2,141,000)
Severance	33,000	33,000	95,000	81,000
Inventory obsolescence	23,000	(283,000)	46,000	(349,000)
Depreciation	721,000	(118,000)	(44,000)	(563,000)
Restricted Stock	(16,000)	391,000	(44,000)	391,000
Other items - net	(24,000)	(6,000)	(130,000)	(75,000)

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\$5,893,000	\$2,241,000	\$1,384,000	\$(3,020,000)
=====	=====	=====	=====

Components of the deferred tax assets and liability under the liability method as of September 30, 2003 and December 31, 2002 are as follows:

	September 30 2003	December 31 2002
	-----	-----
Current net deferred tax asset:		
Doubtful accounts	\$14,146,000	\$14,048,000
Returns allowances	2,210,000	1,587,000
Inventory obsolescence	1,481,000	1,527,000
Inventory costs	(328,000)	(328,000)
Vacation pay	1,670,000	1,670,000
Advertising costs	(9,553,000)	(7,371,000)
State net operating loss	490,000	490,000
Other items	569,000	490,000
	-----	-----
Total deferred tax asset	10,685,000	12,113,000
State valuation allowance	(490,000)	(490,000)
	-----	-----
Deferred tax asset, net of valuation allowance	\$10,195,000	\$11,623,000
	=====	=====
Long-term deferred tax liability:		
Property, plant and equipment	\$ 1,567,000	\$ 1,611,000
	=====	=====

NOTE H - INVENTORIES

Inventories are valued at the lower of cost or market. Cost of merchandise inventories is determined principally on the last-in, first-out (LIFO) method. Cost of advertising and shipping supplies is determined on the first-in, first-out (FIFO) method. Advertising and shipping supplies include printed advertising material and related mailing supplies for promotional mailings which are generally scheduled to occur within two months. These costs are expensed when mailed. If the FIFO method had been used for all inventories, inventories would have increased by approximately \$5,676,000 at both September 30, 2003 and December 31, 2002. The Company has a reserve for slow moving and obsolete inventory amounting to \$3,880,000 at September 30, 2003, \$4,000,000 at December 31, 2002 and \$5,063,000 at September 30, 2002.

NOTE I - OTHER INCOME

Other income consists of:	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2003	2002	2003	2002
	-----	-----	-----	-----
Finance charges on time payment accounts	\$ 9,010,271	\$ 8,443,430	\$26,323,846	\$26,335,200
Commissions earned	437,783	554,575	1,002,762	1,532,745
Other items	1,553,831	1,096,529	3,338,280	2,176,740
	-----	-----	-----	-----
	\$11,001,885	\$10,094,534	\$30,664,888	\$30,044,685
	=====	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

NOTE I - OTHER INCOME - continued

Finance charges on time payment accounts are recognized on an accrual basis of accounting.

NOTE J - FINANCING ARRANGEMENTS

On December 20, 2001, the Company entered into a Credit Agreement with PNC Bank, National Association, as agent, and certain other banks. The Agreement put in place a syndicated revolving credit facility of up to \$30 million, secured by inventory and certain other assets of the Company and its subsidiaries. The revolving credit facility expires on December 20, 2004. The credit agreement was amended on July 25, 2003 to increase the commitments to the facility from \$28 million to \$30 million. As of September 30, 2003, the facility had lender commitments of \$30 million. For each borrowing tranche, the Company may select from three options to determine the interest rate. The options are: a base rate option (greater of Prime or Fed Funds Rate plus .5% as of September 30, 2003); swing loan rate option (as quoted by PNC Bank); or Euro-rate option (Euro-rate plus 1.75%) as defined in the Credit Agreement. The Company is required to meet certain covenants that relate to tangible net worth, maintaining a defined leverage ratio and fixed charge coverage ratio, and complying with certain indebtedness restrictions. As of September 30, 2003, the Company was in compliance with all the Agreement's covenants. At September 30, 2003, the Company had no borrowings (loans) outstanding, but had letters of credit totaling \$20.7 million outstanding, which reduces the amount of borrowings available under the Credit Agreement. At December 31, 2002, and September 30, 2002, the Company had no borrowings (loans) outstanding, but had outstanding letters of credit totaling \$16.2 million and \$9.7 million, respectively.

Also, on December 20, 2001, the Company completed a securitization of up to \$100 million in accounts receivable. The Company sells all right, title and interest in and to certain of its accounts receivable to Blair Factoring Company, a wholly-owned subsidiary. Blair Factoring Company is a separate bankruptcy remote special purpose entity that entered into a Receivables Purchase Agreement with PNC Bank, National Association, as administrator, and certain conduit purchasers. The Company's consolidated financial statements reflect all the accounts of Blair Factoring Company, including the receivables and secured borrowings. Transactions entered into under the Receivables Purchase Agreement are considered secured borrowings and collateral transactions under the provisions of Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.

The securitization had initial lender commitments of \$50 million. On April 9, 2003, the lender commitment level increased to \$70 million. Also, the securitization was amended to extend the term to April 7, 2006. The interest rate charged was amended from 1-month LIBOR plus 55 basis points to 1-month LIBOR plus 80 basis points. At September 30, 2003, \$70 million of the \$100 million was available to the Company. The securitization requires certain performance standards for the Company's accounts receivable portfolio in addition to complying with the covenants in the Credit Agreement. As of September 30, 2003, the Company was in compliance with all the requirements of the Receivables Purchase Agreement. At September 30, 2003, December 31, 2002, and September 30, 2002 the Company had \$15 million outstanding, the minimum amount required to be outstanding under the terms of the Receivables Purchase

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Agreement, all of which was classified as short-term.

### NOTE K - NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2002, the Company adopted the provisions of SFAS No. 142 Goodwill and Other Intangible Assets and SFAS No. 143 Accounting For Asset Retirement Obligations. The Company adopted SFAS No. 148, Accounting For Stock-Based Compensation Transition and Disclosure an amendment of SFAS No. 123, Accounting for Stock-Based Compensation effective the year ended December 31, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

### NOTE K - NEW ACCOUNTING PRONOUNCEMENTS - continued

SFAS No. 145, Recission of FASB No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections, and FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others were adopted by the Company effective January 1, 2003. The adoption of these standards did not have a material impact on the Company's results of operations or financial condition.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets which supersedes SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. Although retaining many of the provisions of SFAS No. 121, SFAS No. 144 establishes a uniform accounting model for long-lived assets to be disposed. The Company's adoption of this statement in the first quarter of 2002 did not have an impact on the Company's financial results. However, the provisions of the statement impact the accounting treatment of the planned sale of the Blair Outlet Store in Erie, Pa. (see Note L).

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities when the liability is incurred and not as a result of an entity's commitment to an exit plan. The statement is effective for exit or disposal activities initiated after December 31, 2002. The Company's adoption of this statement in the first quarter 2003 did not have an impact on the Company's financial results. However, the provisions of the statement impact the accounting treatment of the voluntary separation of employees due to the planned sale of the Blair Outlet Store in Erie, Pa. (see Note M).

In April 2003, the FASB issued SFAS No. 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is generally effective for contracts entered into or modified after June 30, 2003. The Company adopted the new statement effective July 1, 2003. The Company has historically not utilized derivative instruments, and as a result, the adoption of this statement has had no impact on the financial statements of the Company.

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In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise at the beginning of the Company's third quarter. The effective dates of certain provisions of SFAS No. 150 have been deferred. The Company believes the adoption of this standard will not have a material impact on its results of operations or financial condition.

### NOTE L - Long-lived Assets Classified as Held for Sale

Upon review of the Company's inventory liquidation strategy, the Company made the decision in January 2003 to close its liquidation outlet store located in Erie, Pa. This closure was effective at the close of business on March 28, 2003. The Company intends to sell the building and believes that the sale will be completed by March 2004. Evolvement of the Company's inventory liquidation strategy into more rapid

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

### NOTE L - Long-lived Assets Classified as Held for Sale - continued

and profitable methods of disposing obsolete and excess inventory led to this decision. Over the past three years, package insertions, telephone upsell promotions, sale catalogs and the growing e-commerce channel have proven to be more successful and profitable in moving inventory than the traditional outlet sales process. The \$1,368,526 shown as Assets Held for Sale at September 30, 2003 and the \$1,669,299 shown as Assets Held for Sale at December 31, 2002 consist of the net book value of the land, land improvements and building. The carrying value of the asset was reduced as a result of the level of interest in the asset.

### NOTE M - VOLUNTARY SEPARATION PROGRAM

In the first quarter of 2003, the Company accrued and charged to expense \$75,000 in separation costs. The costs were charged to General and Administrative Expense in the income statement. The one-time \$75,000 charge represents severance pay, related payroll taxes and medical benefits due the 32 eligible employees who accepted the voluntary separation program offered in connection with closing the Company's Outlet Store located in Erie, Pennsylvania on March 28, 2003. As of the end of the second quarter of 2003, \$53,000 had been paid. This liability is considered satisfied and resulted in \$22,000 being taken back to income in the second quarter of 2003.

In the first quarter of 2001, the Company accrued and charged to expense \$2.5 million in separation costs. The costs were charged to General and Administrative Expense in the income statement. The one-time \$2.5 million charge represents severance pay, related payroll taxes and medical benefits due the 56 eligible employees who accepted the voluntary separation program rather than relocate or accept other positions in the Company. The program was offered to eligible employees of the Blair Mailing Center from which the merchandise

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returns operations have been relocated and the mailing operations have been outsourced. As of September 30, 2003, approximately \$1.65 million of the \$2.5 million has been paid.

### NOTE N - CONTINGENCIES

The Company is involved in certain items of litigation, arising in the normal course of business. While it cannot be predicted with certainty, management believes that the outcome will not have a material effect on the Company's financial condition or results of operations.

### NOTE O - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### NOTE P - RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Results of Operations

Comparison of Third Quarter 2003 and Third Quarter 2002

Net income for the third quarter ended September 30, 2003 increased \$513,154 to \$792,540 or \$.10 per basic and diluted share, compared to net income of \$279,386, or \$.03 per basic and diluted share, for the third quarter ended September 30, 2002. Results for the third quarter of 2003 reflect the impact of increased sales offset to a large extent by increases in cost of goods sold and advertising expenses.

Net sales for the third quarter of 2003 increased \$6.3 million to \$124.1 million or 5.3% compared to net sales for the third quarter of 2002. The increase in net sales was primarily attributable to strategic increases in catalog mailings to current customers that served to generate sales and improve inventory management. Actual response rates were lower in the third quarter of 2003 than in the third quarter of 2002. Gross sales revenue generated per advertising dollar decreased slightly in the third quarter of 2003 as compared to the third quarter of 2002. The provision for returned merchandise as a percentage of gross mail order sales decreased 1.7% or \$700,000 in the third quarter of 2003 as compared to the third quarter of 2002. Management believes that this decrease is attributed to ongoing efforts to improve product quality and fit.

Other income increased 9.0% in the third quarter of 2003 as compared to the third quarter 2002. Increased finance charges were primarily responsible for the higher other income.

Cost of goods sold increased \$2.7 million or 4.7% to \$60.8 million in the third quarter of 2003 as compared to the third quarter of 2002. As a percentage of net



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sales, cost of goods sold decreased to 49.0% in the third quarter of 2003 from 49.3% in the third quarter of 2002. The increase in cost of goods sold primarily relates to the increase in sales.

Advertising expenses in the third quarter of 2003 increased \$2.2 million or 6.8% to \$33.7 million from the third quarter of 2002. Strategic increases in catalog mailings to current customers account for the majority of the increase. A 2% increase in printing costs effective April 1, 2003 also contributed to this variance.

The total number of catalog mailings released in the third quarter of 2003 increased by 7.2 million or 18.0% as compared to the third quarter of 2002. Print advertising for Crossing Pointe is all via catalog and is included in the catalog mailings numbers.

The total number of letter mailings released in the third quarter of 2003 increased by 3.4 million or 32.3% versus the third quarter of 2002.

Total circulation of the co-op and media advertising programs increased by 44.9 million pieces or 45.8% in the third quarter of 2003 as compared to the third quarter of 2002.

The Company launched e-commerce sites for Blair [www.blair.com](http://www.blair.com) and Crossing Pointe [www.crossingpointe.com](http://www.crossingpointe.com) in the third quarter of 2000. In the third quarter of 2003, the Company generated \$18.7 million in e-commerce gross sales demand, as compared to \$14.3 million in the third quarter of 2002.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Results of Operations - continued

Comparison of Third Quarter 2003 and Third Quarter 2002 - Continued

General and administrative expense increased \$1.5 million or 5.0% to \$32.5 million in the third quarter of 2003 as compared to the third quarter of 2002. The higher general and administrative expense was primarily attributable to increased employee costs, additional bank fees incurred as part of rate increases for check processing along with amortization costs associated with the amended securitization, and legal fees incurred for the establishment of the JLB Service Bank and Allegheny Trail subsidiaries. The amended securitization, which is discussed further in the "Liquidity and Sources of Capital" section, provided additional liquidity and extended the term of the financing arrangement. JLB Service Bank enables the company to manage its accounts receivable portfolio in a more cost-effective and efficient manner. The formation of Allegheny Trail represents the launch of a wholesale business targeted at outdoor sporting goods and recreational retailers.

The provision for doubtful accounts was basically flat for the third quarter 2003 as compared to third quarter 2002. The estimated bad debt rate used in the third quarter of 2003 was 4 basis points lower than the bad debt rate used in the third quarter of 2002. Favorable experience in the Crossing Pointe credit

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portfolio was primarily offset by necessary increases in the estimated bad debt rate to provide for greater charge off experience attributable to prospect credit offers, which traditionally result in higher bad debts. These offers to prospects are intended to increase sales and the Company's customer file.

The provision for doubtful accounts is based on current expectations (consumer credit and economic trends, etc.), sales mix (prospect/customer) and current and prior years' experience, especially delinquencies (accounts over 30 days past due) and actual charge-offs (accounts removed from accounts receivable for non-payment). At September 30, 2003, the delinquency rate of open accounts receivable was approximately 2% or 30 basis points higher than at September 30, 2002. The charge-off rate for the third quarter of 2003 was 17% or 20 basis points greater than the charge-off rate for the third quarter of 2002. The increased charge off experience is the result of additional prospecting activity in 2003 compared to 2002.

Recoveries of bad debts previously charged off have been credited back against the allowance for doubtful accounts. The allowance for doubtful accounts as a percentage of delinquent accounts is the same at September 30, 2003 and September 30, 2002. At September 30, 2003, the allowance for doubtful accounts as a percentage of open accounts is 2.3% or 50 basis points higher than September 30, 2002.

At this time, the Company feels that the allowance for doubtful accounts is sufficient to cover the charge-offs from the current customer accounts receivable portfolio. Also, credit granting, collection and behavior models continue to be updated and improved, and, along with expanding database capabilities, provide valuable credit-marketing opportunities.

Interest expense decreased approximately \$45,000 or 39% to \$72,159 in the third quarter of 2003 as compared to the third quarter of 2002. Interest expense results primarily from the Company's required borrowings under the Receivables Purchase Agreement. Interest rates have been lower in the third quarter of 2003.

Income taxes as a percentage of income before income taxes were 37.6% in the third quarter of 2003 and 32.7% in the third quarter of 2002. The federal income tax rate was 35% in both years. The difference in the total income tax rate was caused by a change in the Company's effective state income tax rate.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Results of Operations - continued

Comparison of Nine Month Periods Ended September 30, 2003 and September  
30, 2002

Net income for the nine months ended September 30, 2003 decreased 58.2% to \$5,393,382, or \$.67 per share, as compared to \$12,913,195, or \$1.61 per share, for the nine months ended September 30, 2002. Results for the first nine months of 2003 reflect an increase in sales offset by increases in cost of goods sold, advertising expenses, general & administrative expenses and the provision for

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doubtful accounts.

Net sales for the first nine months of 2003 increased \$14.9 million to \$415.5 million or 3.7% greater than net sales for the first nine months of 2002. The increase in net sales was primarily attributable to strategic increases in catalog and letter mailings to current and prospective customers that served to generate sales, grow the customer file and improve inventory management. Actual response rates in the first nine months of 2003 were lower than in the first nine months of 2002. Gross sales revenue generated per advertising dollar decreased approximately 6% in the first nine months of 2003 as compared to the first nine months of 2002. The provision for returned merchandise as a percentage of gross mail order sales decreased 2.9% or \$500,000 thousand in the first nine months of 2003 as compared to the first nine months of 2002. Management attributes this favorable change to improved product quality and fit.

Other income increased approximately \$620,000 or 2.1% to \$30.7 million in the first nine months of 2003 as compared to the first nine months of 2002. The increase was primarily due to an increase in revenue generated from providing third party services such as quality control reviews performed by the company's foreign offices and third party advertising literature being included in outgoing customer packages.

Cost of goods sold increased \$9.9 million or 5.2% to \$201.4 million in the first nine months of 2003 as compared to the same period in 2002. As a percentage of net sales, cost of goods sold increased to 48.5% in the first nine months of 2003 from 47.8% for the first nine months of 2002. The increase in cost of goods sold reflects an increase in sales generated from promotional activities intended to address lower response rates. Further, higher inbound freight expenses, a greater mix of outbound packages in excess of one pound that increased shipping costs and the postal rate increase of approximately 10% that took place on June 30, 2002 contributed to the increase.

Advertising expenses in the first nine months of 2003 increased \$11.2 million or 10.9% to \$113.1 million. Strategic increases in catalog mailings to current and prospective customers account for the majority of the increase. The June 30, 2002 postal rate increase and a 2% increase in printing costs effective April 1, 2003 also contributed to this variance.

The total number of catalog mailings released in the first nine months of 2003 was 31.2 million or 24.9% greater than those released in the first nine months of 2002.

The total number of letter mailings released in the first nine months of 2003 was 47.3 million or 9.9% greater than those released in the first nine months of 2002.

Total circulation of the co-op and media advertising programs increased 64.5 million pieces or 11.6% in the first nine months of 2003 as compared to the first nine months of 2002.

The Company launched e-commerce sites for Blair [www.blair.com](http://www.blair.com) and Crossing Pointe [www.crossingpointe.com](http://www.crossingpointe.com) in the third quarter of 2000.

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Results of Operations - continued

Comparison of Nine Month Periods Ended September 30, 2003 and September 30, 2002 - continued

In the first nine months of 2003, the Company has generated \$60.4 million in e-commerce gross sales demand versus \$44.9 million for the first nine months of 2002, an increase of 34.5% over the first nine months of 2002. In all of 2002, the Company generated \$65.7 million in e-commerce orders.

General and administrative expense increased \$4.2 million from \$94.8 million to \$99.0 million or 4.4% in the first nine months of 2003 as compared to the first nine months of 2002. The higher general and administrative expense in the first nine months of 2003 was primarily attributable to increased employee costs, additional bank fees incurred as part of rate increases for check processing along with amortization costs associated with the amended securitization, increased costs incurred to service an expanded credit program, depreciation on the new fulfillment equipment and legal fees incurred for the establishment of the JLB Service Bank and Allegheny Trail subsidiaries. The increased employee costs were attributable to overtime incurred to complete the enhancements and automation of the Company's fulfillment capabilities. The amended securitization, which is discussed further in the "Liquidity and Sources of Capital" section, provided additional liquidity and extended the term. JLB Service Bank enables the company to manage its accounts receivable portfolio in a more cost-effective and efficient manner. The formation of Allegheny Trail represents the launch of a wholesale business targeted at outdoor sporting goods and recreational retailers.

The provision for doubtful accounts increased \$1.7 million from \$21.2 million to \$22.9 million or 8.0% from the first nine months of 2003 compared to the same period in 2002. The estimated bad debt rate used in the first nine months of 2003 was approximately 6% or 50 basis points higher than the bad debt rate used in the first nine months of 2002. The estimated bad debt rate has increased primarily due to increased credit offers to both Blair and Crossing Pointe prospects, which traditionally result in higher bad debts. These offers to prospects are made to increase sales and to build the customer file.

The provision for doubtful accounts is based on current expectations (consumer credit and economic trends, etc.), sales mix (prospect/customer) and current and prior years' experience, especially delinquencies (accounts over 30 days past due) and actual charge-offs (accounts removed from accounts receivable for non-payment). At September 30, 2003, the delinquency rate of open accounts receivable was approximately 2% or 30 basis points higher than at September 30, 2002. The charge-off rate for the first nine months of 2003 was 9% or 11 basis points greater than the charge-off rate for the first nine months of 2002. The increased charge off experience is the result of additional prospecting activity in 2003 compared to 2002.

Recoveries of bad debts previously charged off have been credited back against the allowance for doubtful accounts. The allowance for doubtful accounts as a percentage of delinquent accounts is the same at September 30, 2003 and September 30, 2002. At September 30, 2003, the allowance for doubtful accounts as a percentage of open accounts is 2.3% or 50 basis points higher than September 30, 2002.

At this time, the Company feels that the allowance for doubtful accounts is sufficient to cover the charge-offs from the current customer accounts receivable portfolio. Also, credit granting, collection and behavior models

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continue to be updated and improved, and, along with expanding database capabilities, provide valuable credit-marketing opportunities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Results of Operations - continued

Comparison of Nine Month Periods Ended September 30, 2003 and September  
30,2002 - continued

Interest expense decreased approximately \$108,000 (29.6%) to \$256,999 in the first nine months of 2003 as compared to the first nine months of 2002. Interest expense results primarily from the Company's required borrowings under the Receivables Purchase Agreement. Interest rates have been lower in the first nine months of 2003.

Income taxes as a percentage of income before income taxes were 38.0% in the first nine months of 2003 and 35.6% in the first nine months of 2002. The federal income tax rate was 35% in both years. The difference in the total income tax rate was caused by a change in the Company's effective state income tax rate.

Liquidity and Sources of Capital

All working capital and cash requirements for the first nine months of 2003 were met using funds from operations and surplus cash.

On December 20, 2001, the Company entered into a Credit Agreement with PNC Bank, National Association, as agent, and certain other banks. The Agreement put in place a syndicated revolving credit facility of up to \$30 million, secured by inventory and certain other assets of the Company and its subsidiaries. The revolving credit facility expires on December 20, 2004. The credit agreement was amended on July 25, 2003 to increase the commitments to the facility from \$28 million to \$30 million. As of September 30, 2003, the facility had lender commitments of \$30 million. For each borrowing tranche, the Company may select from three options to determine the interest rate. The options are: a base rate option (greater of Prime or Fed Funds Rate plus .5% as of September 30, 2003); swing loan rate option (as quoted by PNC Bank); or Euro-rate option (Euro-rate plus 1.75%) as defined in the Credit Agreement. The Company is required to meet certain covenants that relate to tangible net worth, maintaining a defined leverage ratio and fixed charge coverage ratio, and complying with certain indebtedness restrictions. As of September 30, 2003, the Company was in compliance with all the Agreement's covenants. At September 30, 2003, the Company had no borrowings (loans) outstanding, but had letters of credit totaling \$20.7 million outstanding, which reduces the amount of borrowings available under the Credit Agreement. At December 31, 2002, and September 30,2002, the Company had no borrowings (loans), but had letters of credit outstanding of \$16.2 million and \$9.7 million respectively.

Also, on December 20, 2001, the Company completed a securitization of up to \$100 million in accounts receivable with PNC Bank, National Association, as

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administrator, and certain conduit purchasers. At December 20, 2001, the securitization had initial lender commitments of \$50 million. On April 9, 2003, the lender commitment level increased to \$70 million. Also, the securitization was amended to extend the term to April 7, 2006. The interest rate charged was amended from 1-month libor plus 55 basis points to 1-month LIBOR plus 80 basis points. The Company sells all right, title and interest in and to certain of its accounts receivable to Blair Factoring Company, a wholly-owned subsidiary. Blair Factoring Company is a separate bankruptcy remote special purpose entity that entered into a Receivables Purchase Agreement with PNC Bank, National Association, as administrator, and certain conduit purchasers. The Company's consolidated financial statements reflect all the accounts of Blair Factoring Company, including the receivables and secured borrowings. Transactions entered into under the Receivables Purchase Agreement are considered secured borrowings and collateral transactions under the provisions of Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. At September 30, 2003, \$70 million of the \$100

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - Continued

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### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

#### Liquidity and Sources of Capital - Continued

million was available to the Company. The securitization requires certain performance standards for the Company's accounts receivable portfolio in addition to complying with the covenants in the Credit Agreement. As of September 30, 2003, the Company was in compliance with all the requirements of the Receivables Purchase Agreement. At September 30, 2003, December 31, 2002, and September 30, 2002, the Company had \$15 million outstanding, the minimum amount required to be outstanding under the terms of the Receivables Purchase Agreement, all of which was classified as short-term.

The ratio of current assets to current liabilities was 3.56 at September 30, 2003, and 3.39 at both December 31, 2002 and September 30, 2002. Working capital increased \$3.9 million to \$206.3 million in the first nine months of 2003. The 2003 net increase was primarily attributable to a \$16.9 million increase in inventories along with a \$6.7 million change in federal and state taxes, offset somewhat by a \$7.9 million reduction in accounts receivable and a \$10.3 million reduction in cash and cash equivalents. Inventories typically peak in the third quarter to reflect the seasonality of the business.

Merchandise inventory turnover was 3.5 times at September 30, 2003, 3.4 times at December 31, 2002 and 3.1 times at September 30, 2002. Merchandise inventory as of September 30, 2003 of \$65.3 million was \$10.2 million or 18.6% greater than at December 31, 2002 and \$9.2 million or 16.4% greater than at September 30, 2002. The merchandise inventory levels are net of the Company's reserve for inventory obsolescence. The reserve totaled \$3.9 million at September 30, 2003, \$4.0 million at December 31, 2002 and \$5.1 million at September 30, 2002. Inventory write-offs and write-downs (reductions to below cost) charged against the reserve for obsolescence were \$4.0 million in the first nine months of 2003 and \$4.5 million in the first nine months of 2002. A monthly provision for obsolete inventory is added to the reserve and expensed to cost of goods sold,

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based on the levels of merchandise inventory and merchandise purchases.

An operating segment is identified as a component of an enterprise for which separate financial information is available for evaluation by the chief decision-maker, or decision-making group, in deciding on how to allocate resources and assess performance. The Company operates as one business segment consisting of the Womenswear, Menswear, Home, Crossing Pointe and Allegheny Trail product lines. Allegheny Trail was added in the third quarter of 2003 and is expected to become a significant revenue source over the next few years.

Product Line	September 30, 2003 Net Sales	Percent of Total Net Sales	September 30, 2002 Net Sales	Percent of Total Net Sales
Womenswear	\$268.9 million	64.7%	\$264.3 million	66.0%
Menswear	64.6 million	15.6%	70.1 million	17.5%
Home	50.8 million	12.2%	42.5 million	10.6%
Crossing Pointe	31.0 million	7.5%	23.7 million	5.9%
Allegheny Trail	0.2 million	0.0%	0.0 million	0.0%
<b>Total</b>	<b>\$415.5 million</b>	<b>100.0%</b>	<b>\$400.6 million</b>	<b>100.0%</b>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - Continued

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### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

#### Liquidity and Sources of Capital - Continued

Product Line	September 30, 2003 Merchandise Inventory	December 31, 2002 Merchandise Inventory	September 30, 2002 Merchandise Inventory
Womenswear	\$41.1 million	\$32.1 million	\$33.2 million
Menswear	9.1 million	11.0 million	10.8 million
Home	5.2 million	5.0 million	4.8 million
Crossing Pointe	8.5 million	7.0 million	7.4 million
Allegheny Trail	1.4 million	0.0 million	0.0 million
<b>Total</b>	<b>\$65.3 million</b>	<b>\$55.1 million</b>	<b>\$56.2 million</b>

The Company looks upon its credit granting (Blair Credit) as a marketing advantage. Blair Credit customers, on average, buy more, buy more often and are more loyal than cash and credit card customers. The Company has determined that the benefit from the increased sales volume achieved by offering the Blair Credit is significant and more than outweighs the cost of the credit program. The cost of the credit program is comparable to the discount rates of third party credit cards. The Company's gross credit sales increased 4.9% in the first

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nine months of 2003 as compared to the first nine months of 2002.

On August 20, 2003 the Company commenced operations of a new wholly-owned subsidiary, JLB Service Bank. The establishment of JLB Service Bank will enable the Company to manage its credit portfolio in a more cost-effective and efficient manner. The bank's products will involve the extension of credit on an unsecured basis to individuals who are customers of Blair Corporation to facilitate their purchases of Blair's merchandise. As of September 30, 2003, JLB Service Bank's total assets represented .90% of the total consolidated assets of the Company. Gross revenue of JLB Service Bank was .45% and .14% of the Company's consolidated gross revenue for the quarter ended and year to date September 30, 2003, respectively.

The Company has added new facilities, modernized its existing facilities and acquired new cost-saving equipment during the last several years. Capital expenditures for property, plant and equipment totaled \$5.0 million during the first nine months of 2003 and \$9.0 million during the first nine months of 2002.

Capital expenditures had been projected to be \$15 million plus for each of the years 2001 and 2002 and nearly \$10 million for 2003. However, capital expenditures for 2001 were delayed due to economic conditions. This included slowing the implementation of the previously announced modernization and enhancement of the Company's fulfillment operations. The fulfillment project was completed in the second quarter at a total cost of \$13.2 million, down from earlier estimates of \$21 million. The Company anticipates that this equipment will increase the productivity of its fulfillment operations.

The Company continues to hold for sale its liquidation outlet store located in Erie, Pa. The Company believes the sale will be completed by March, 2004.

The Company has contractual obligations consisting of capital leases for data processing and telephone equipment, and operating leases for buildings and data processing, office and telephone equipment.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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#### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

#### Liquidity and Sources of Capital - continued

Contractual Obligations	Total	Payments Due by Period			
		2003	2004-2005	2006-2007	Thereafter
Capital lease Obligations	\$ 569,527	\$ 89,250	\$ 480,277	---	---
Operating leases	13,040,723	833,605	5,262,977	3,050,970	3,893,171
<b>Total</b>	<b>\$13,610,250</b>	<b>\$922,855</b>	<b>\$5,743,254</b>	<b>\$3,050,970</b>	<b>\$3,893,171</b>

The Company has other lender commitments consisting of a \$30 million revolving



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credit facility and \$70 million of lender commitments under an accounts receivable securitization.

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1 - 3 years	4 - 5 years	After 5 Years
Line of Credit- Revolving effective 7/25/03	\$ 30,000,000	-0-	\$ 30,000,000	-0-	-0-
Line of Credit- Securitization effective 4/9/2003	70,000,000	-0-	70,000,000	-0-	-0-
Total	\$100,000,000	-0-	\$100,000,000	-0-	-0-

If an event of default should occur, payments and/or maturity of the lines of credit could be accelerated. The Company is not in default and does not expect to be in default of any of the provisions of the credit facilities.

The Company continues to have significant deferred tax assets primarily resulting from reserves against accounts receivable. The Company believes these assets are realizable based upon past earnings and availability in the carry-back period.

The Company recently declared a quarterly dividend of \$.15 per share payable on September 15, 2003. The Company has declared dividends for 281 consecutive quarters. It is the Company's intent to continue paying dividends; however, the Company will evaluate its dividend practice on an ongoing basis. See "Future Considerations".

Future cash needs will be financed by cash flow from operations, the existing borrowing arrangement and, if needed, other financing arrangements that may be available to the Company. The Company's current projection of future cash requirements, however, may be affected in the future by numerous factors, including changes in customer payments on accounts receivable, consumer credit, industry trends, sales volume, operating cost fluctuations, revised capital spending plans and unplanned capital spending.

### Critical Accounting Policies

Preparation of the Company's financial statements requires the application of a number of accounting policies which are described in "Note 1, Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" in the Company's 2002 Annual Report. The critical accounting policies, which if interpreted differently under different conditions or circumstances could result in material changes to the reported results, deal with properly valuing accounts receivable and inventory. Properly valuing accounts

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September 30, 2003

### Critical Accounting Policies - continued

receivable and inventory requires establishing proper reserve and allowance levels, specifically the allowances for doubtful accounts and returns and the reserve for inventory obsolescence. The Company's senior financial management reviews the critical accounting policies and estimates with the Audit Committee of the Board of Directors.

The allowance for doubtful accounts and related items, provision for doubtful accounts and Blair Credit, are discussed in "Results of Operations," "Liquidity and Sources of Capital" and "Future Considerations." A change in the charge off rate would cause changes in the provision for doubtful accounts and the allowance for doubtful accounts. Based on the Company's 2002 level of credit sales and finance charges, net income would change by approximately \$2.5 million, or \$.31 per share, from a 1% change in the charge off rate.

The allowance for returns is a deduction from customer accounts receivable. A monthly provision for anticipated returns is recorded as a percentage of gross sales, based upon historical experience. The provision is charged against gross sales to arrive at net sales, and actual returns are charged against the allowance for returns. Returns are generally more predictable as they settle within two-to three months, but are impacted by season, new products and/or product lines, type of sale (cash, credit card, Blair Credit) and sales mix (prospect/customer). The Company feels that the allowance for returns is sufficient to cover the returns that will occur after September 30, 2003 from sales prior to October 1, 2003. A change in the returns rate would cause changes in the provision for returns and the allowance for returns. Based on the Company's 2002 level of sales, net income would change by approximately \$2.8 million, or \$.35 per share, from a 1% change in the returns rate.

The reserve for inventory obsolescence and related items, inventory levels and write-downs, are discussed in "Liquidity and Sources of Capital" and "Future Considerations". The Company feels that the reserve for inventory obsolescence is sufficient to cover the write-offs and write-downs that will occur after September 30, 2003 on merchandise inventory as of September 30, 2003. A change in the obsolescence rate would cause changes in cost of goods sold and the reserve for inventory obsolescence. Based on the Company's 2002 level of merchandise subject to obsolescence, net income would change by approximately \$1.8 million, or \$.22 per share, from a 1% change in the obsolescence rate.

### Impact of Inflation and Changing Prices

Although inflation has moderated in our economy, the Company is continually seeking ways to cope with its impact. To the extent permitted by competition, increased costs are passed on to customers by selectively increasing selling prices over a period of time. Historically, profit margins have been pressured by postal and paper rate increases. Paper rates have moderated over the reporting period. Postal rates increased on January 10, 1999, on January 7, 2001, on July 1, 2001 and again on June 30, 2002. Based on recent public communications by the United States Postal Service, it is anticipated that postal rates will not increase again until 2006. The Company spent approximately \$97 million for postage and delivery services in 2002.

The Company principally uses the LIFO method of accounting for its merchandise inventories. Under this method, the cost of products sold reported in the financial statements approximates current costs and thus reduces distortion in reported income due to increasing costs. However, the Company has been experiencing consistent to declining merchandise costs and the LIFO reserve has remained relatively constant-\$5.7 million at September 30, 2003 and at December

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31, 2002. At September 30, 2002, the LIFO reserve was \$5.4 million.

Property, plant and equipment are continuously being expanded and updated. Major

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Impact of Inflation and Changing Prices - continued

projects are discussed under "Liquidity and Sources of Capital". Assets acquired in prior years will be replaced at higher costs but this will take place over many years. New assets, when acquired, will result in higher depreciation charges, but in many cases, due to technological improvements, savings in operating costs should result. The charges to operations for depreciation represent the allocation of historical costs incurred over past years and are significantly less than if they were based on the current cost of productive capacity being used.

Accounting Pronouncements

Effective January 1, 2002, the Company adopted the provisions of SFAS No. 142 Goodwill and Other Intangible Assets and SFAS No. 143 Accounting For Asset Retirement Obligations. The Company adopted SFAS No. 148, Accounting For Stock-

Based Compensation Transition and Disclosure an amendment of SFAS No. 123, Accounting for Stock-Based Compensation effective the year ended December 31, 2002.

SFAS No. 145, Recission of FASB No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections, and FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others were adopted by the Company effective January 1, 2003. The adoption of these standards did not have a material impact on the Company's results of operations or financial condition.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets which supersedes SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. Although retaining many of the provisions of SFAS No. 121, SFAS No. 144 establishes a uniform accounting model for long-lived assets to be disposed. The Company's adoption of this statement in the first quarter of 2002 did not have an impact on the Company's financial results. However, the provisions of this statement impact the accounting treatment of the planned sale of the Blair Outlet Store in Erie, Pa. (see Note L).

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities when the liability is incurred and not as a result of an entity's commitment to an exit plan. The statement is effective for exit or disposal activities initiated after December 31, 2002. The Company's adoption of this statement in the first quarter 2003 did not have an impact on the

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Company's financial results. However, the provisions of this statement impact the accounting treatment of the voluntary separation of employees due to the planned sale of the Blair Outlet Store in Erie, Pa. (see Note M).

In April 2003, the FASB issued SFAS No. 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is generally effective for contracts entered into or modified after June 30, 2003. The Company adopted the new statement effective July 1, 2003. The Company has historically not utilized derivative instruments, and as a result, the adoption of this statement has had no impact on the financial statements of the Company.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures in its statement

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - Continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Accounting Pronouncements - continued

of financial position certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise at the beginning of the Company's third quarter. The effective dates of certain provisions of SFAS No. 150 have been deferred. The Company believes the adoption of this standard will not have a material impact on its results of operations or financial condition.

Future Considerations

The Company is faced with the ever-present challenge of maintaining and expanding its customer file. This involves the acquisition of new customers (prospects), the conversion of new customers to established customers (active repeat buyers) and the retention and/or reactivation of established customers. These actions are vital in growing the business but are being negatively impacted by increased operating costs, increased competition in the retail sector, high levels of consumer debt, varying consumer response rates and an uncertain economy. The preceding factors can also negatively impact the Company's ability to properly value accounts receivable and inventories by making it more difficult to establish proper reserve and allowance levels, specifically, the allowances for doubtful accounts and returns and the reserve for inventory obsolescence.

The Company's marketing strategy includes targeting customers in the "40 to 60, low-to-moderate income" market and in the "60+, low-to-moderate income" market. The "40 to 60" market is the fastest growing segment of the population. Also, customers in the "low-to-moderate income" market tend to be more credit-needy and utilize Blair credit to a greater degree. Success of the Company's marketing

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strategy requires investment in database management, financial and operating systems, prospecting programs, catalog marketing, new product lines, telephone call centers, e-commerce, fulfillment operations and credit management. Management believes that these investments should improve Blair Corporation's position in new and existing markets and provide opportunities for future earnings growth.

The Company has a working arrangement with accomplished actress, artist, author and mother, Jane Seymour, to launch the "Jane Seymour Signature Collection" of women's apparel. The Jane Seymour inspired womens fashions are being sold exclusively through the Company's Crossing Pointe catalog and website ([www.crossingpointe.com](http://www.crossingpointe.com)). The first "Jane Seymour Signature Collection" fashions previewed in early January 2002 on the Crossing Pointe website and debuted in the Crossing Pointe Spring 2002 Catalog mailed at the end of January 2002.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Forward-looking statements in this report, including without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Words such as "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. Any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Such forward-looking statements are included in, but not limited to, the following sections of the report:

- The paragraph on the provision for doubtful accounts in the Results of Operations, Comparison of Third Quarter 2003 and Third Quarter 2002.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS - continued

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BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995  
- continued

- The paragraph on the provision for doubtful accounts in the Results of Operations, Comparison of Nine Month Periods Ended September 30, 2003 and September 30, 2002.
- Liquidity and Sources of Capital.
- Critical Accounting Policies.
- The Impact of Inflation and Changing Prices.
- Future Considerations.

Investors are cautioned that such forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, including without limitation the following:

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(i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth, accounts receivable and inventory; (iii) external factors such as, but not limited to, changes in consumer response rates, changes in consumer credit trends, success of new business lines and increases in postal, paper and printing costs; and (iv) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The carrying amounts of cash, customer accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The interest rates on the Company's securitized and revolving credit facilities are adjusted regularly to reflect current market rates. Accordingly, the carrying amounts of the Company's borrowings also approximate fair value.

### ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) each of the Chief Executive Officer and the Chief Financial Officer of the Company has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms.

There were no significant changes in the Company's internal controls or in any other factors that could significantly affect those controls subsequent to the date of the most recent evaluation of the Company's internal controls by the Company, including any corrective actions with regard to any significant deficiencies or material weaknesses.

## PART II. OTHER INFORMATION

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### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

#### Item 1. Legal Proceedings

The Company is from time to time a party to ordinary routine litigation incidental to various aspects of its operations. Management is not currently aware of any litigation that will have a material adverse impact on the Company's financial condition or results of operations.

#### Item 2. Changes in Securities and Use of Proceeds

Not Applicable.

#### Item 3. Defaults Upon Senior Securities

Not Applicable.

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### Item 4. Submission of Matters to a Vote of Security Holders

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Not Applicable.

### Item 5. Other Information

Not Applicable.

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

- 3.1 Restated Certificate of Incorporation(1)
- 3.2 Amended and Restated Bylaws of Blair Corporation
- 4 Specimen Common Stock Certificate(2)
- 10.1 Stock Accumulation and Deferred Compensation Plan for Directors(3)
- 10.2 Blair Corporation 2000 Omnibus Stock Plan(4)
- 10.3 Blair Credit Agreement(5)
- 10.4 Amendment No. 2 to Credit Agreement(6)
- 11 Statement regarding computation of per share earnings(7) 31.1 Section 302 Certification-CEO 31.2 Section 302 Certification-CFO 32.1 Section 906 Certification-CEO 32.2 Section 906 Certification-CFO

#### (b) Reports on Form 8-K

On August 22, 2003, the Company filed a Form 8-K announcing that it had formally organized and began operations of JLB Service Bank (the "Bank"), a Delaware chartered banking corporation which is wholly-owned by the Company. The Bank is a Delaware state chartered non-Federal Reserve member bank, which has been approved for Federal Deposit Insurance by the Federal Deposit Insurance Corporation, which will serve as a credit card bank to engage only in credit card origination. The Bank will not accept demand deposits, will not accept savings or time deposits of less than \$100,000, and will not make commercial loans.

On October 22, 2003, the Company filed a Form 8-K announcing its earnings for the quarter and nine months ended September 30, 2003.

## PART II. OTHER INFORMATION

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### BLAIR CORPORATION AND SUBSIDIARIES

September 30, 2003

### Item 6. Exhibits and Reports on Form 8-K - continued

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(1) Incorporated by reference to Exhibit A to the Quarterly Report on Form 10-Q of the Company filed with the SEC on August 10, 1995 (SEC File No. 1-878).

(2) Incorporated by reference to Exhibit 4.1 to the Form S-8 Registration Statement filed with the SEC on July 19, 2000 (SEC File No. 333-41770).

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(3) Incorporated herein by reference to Exhibit A to the Company's Proxy Statement filed with the SEC on March 20, 1998 (SEC File No. 1-878).

(4) Incorporated herein by reference to Exhibit A to the Company's Proxy Statement filed with the SEC on March 17, 2000 (SEC File No. 1-878).

(5) Incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K filed with the SEC on January 9, 2002 (SEC File No. 1-878).

(6) Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of the Company filed with the SEC on August 8, 2003 (SEC File No. 1-878). Certain schedules to the agreement have been omitted.

(7) Incorporated by reference to Note D of the financial statements included herein.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BLAIR CORPORATION  
(Registrant)

Date November 7, 2003  
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By JOHN E. ZAWACKI  
-----  
JOHN E. ZAWACKI  
President and Chief Executive Officer

By BRYAN J. FLANAGAN  
-----  
BRYAN J. FLANAGAN  
Senior Vice President and Chief  
Financial Officer

[Certifications to follow]

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CERTIFICATION

I, John E. Zawacki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blair Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2003

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JOHN E. ZAWACKI

-----  
JOHN E. ZAWACKI  
President and  
Chief Executive Officer

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Exhibit 31.2

CERTIFICATION

I, Bryan J. Flanagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blair Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board

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of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2003

BRYAN J. FLANAGAN

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BRYAN J. FLANAGAN  
Senior Vice President  
and Chief Financial Officer

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Exhibit 32.1

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Blair Corporation (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Zawacki, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 7, 2003

JOHN E. ZAWACKI

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JOHN E. ZAWACKI  
President and

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Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authentication, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by section 906, has been provided to Blair Corporation and will be retained by Blair Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 32.2

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Blair Corporation (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan J. Flanagan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 7, 2003

BRYAN J. FLANAGAN

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BRYAN J. FLANAGAN  
Senior Vice President and  
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authentication, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by section 906, has been provided to Blair Corporation and will be retained by Blair Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

