



Reitmans (CANADA) LIMITED

INTERIM REPORT
FOR THE THREE MONTHS
ENDED MAY 2, 1998

TO OUR SHAREHOLDERS

Sales for the first quarter increased 11.3% to \$87,480,000 as compared with \$78,615,000 last year. Net earnings for the period amounted to \$1,748,000 or 20 cents per share as compared with a net loss of \$1,698,000 or 20 cents per share last year.

Significant increases in comparable store sales and operating profit were achieved in five of the six chains, with only Cactus registering a decrease. While the first quarter is traditionally the weakest quarter of the year and not necessarily indicative of year-end results, we are encouraged by the dramatic improvement in operating earnings and look forward to continued progress.

In the second quarter to date, being the six weeks ended June 13, 1998, total Company sales increased 12% and comparable store sales increased 11%.

During the first quarter, the Company opened 1 Reitmans, 1 Smart Set, 1 Dalmys and 4 Penningtons stores. Twelve (12) stores were closed. Accordingly, at May 2, 1998, there were 614 stores in operation, consisting of 348 Reitmans, 137 Smart Set, 19 Dalmys, 67 Penningtons, 28 Antels and 15 Cactus. An additional 32 stores are scheduled to open this year and 10 stores will be closed.

Our investment in NetStar Communications Inc. which, through subsidiaries, operates TSN, RDS, Discovery Channel and other broadcast assets, continues to perform well. NetStar, which has an April 30 fiscal year-end, exceeded its 1998 business plan with record results. We are most pleased with this investment and look forward to its continued growth.

At the Board of Directors meeting held June 18, 1998, a quarterly cash dividend of 13 cents per share on all outstanding Class A non-voting and Common shares of the capital stock of the Company was declared payable July 29, 1998 to shareholders of record as of the close of business July 15, 1998.



JEREMY H. REITMAN (signed)
President

Montreal, June 18, 1998

CONSOLIDATED STATEMENT OF EARNINGS

(unaudited)

(in thousands except per share amounts)	For the three months ended May 2 1998	May 3 1997
Sales	\$87,480	\$78,615
Cost of goods sold and selling, general and administrative expenses exclusive of items shown hereunder	85,988	81,056
Earnings (loss) before items shown hereunder	1,492	(2,441)
Investment income	2,924	2,601
	4,416	160
Deduct:		
Depreciation and amortization	2,307	2,157
Interest on long-term debt	355	264
Other interest	6	12
	2,668	2,433
Earnings (loss) before income taxes	1,748	(2,273)
Income taxes - deferred	-	(575)
Net earnings (loss)	\$ 1,748	\$ (1,698)
Earnings (loss) per share	\$ 0.20	\$ (0.20)

The Company's current tax liability has been reduced to nil by the utilization of loss carry-forwards.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(unaudited)

(in thousands)	For the three months ended May 2 1998	May 3 1997
CASH PROVIDED BY (USED FOR)		
Operations:		
Net earnings (loss) for the period	\$ 1,748	\$ (1,698)
Items not involving cash from operations:		
Depreciation and amortization	2,307	2,157
Deferred income taxes	-	(575)
Investment income including gain on sale of marketable securities of \$1,122 (1997 - \$971)	(2,924)	(2,601)
Changes in non-cash working capital items	(9,853)	(8,209)
Cash used for operations	(8,722)	(10,926)
Investments:		
Net (increase) decrease in marketable securities	(634)	2,632
Investment income, excluding gain on sale of marketable securities	1,802	1,630
	1,168	4,262
Net additions to capital assets	(2,862)	(2,662)
Investment in NetStar	(729)	(729)
Cash (used for) provided by investments	(2,423)	871
Financing:		
Issue of share capital	217	-
Purchase of Class A non-voting shares for cancellation	(2,859)	(2,209)
Cash used for financing	(2,642)	(2,209)
Dividends paid	(1,165)	(1,147)
DECREASE IN CASH DURING THE PERIOD	(14,952)	(13,411)
CASH AT BEGINNING OF THE PERIOD	33,785	28,149
CASH AT END OF THE PERIOD	\$18,833	\$14,738

Cash includes cash and short-term deposits, but does not include the marketable securities portfolio of \$47,058,000 (1997 - \$45,520,000).

Reitmans

348



137

Penningtons

67

Antels

28

DALMYS

19

CACTUS

15

TOTAL

614