

# Reitmans (CANADA) LIMITED

INTERIM REPORT  
FOR THE NINE MONTHS  
ENDED OCTOBER 31, 1998

## TO OUR SHAREHOLDERS

Sales for the nine months ended October 31, 1998 increased 11.5% to \$321,783,000 as compared with \$288,491,000 last year. Net earnings after tax for the period increased 60% to \$12,628,000 or \$1.42 per share as compared with \$7,908,000 or 90 cents per share last year.

Sales for the three months ended October 31, 1998 increased 9.6% to \$108,926,000 as compared with \$99,409,000 last year. Operating earnings for the period increased 27%. Net earnings after tax for the period amounted to \$2,538,000 or 28 cents per share as compared with \$3,894,000 or 44 cents per share last year, which included an income tax recovery of \$700,000.

In the fourth quarter to date (5 weeks ended December 5, 1998), total Company sales increased 9.0% and comparable store sales increased 7.6% as compared to last year.

Year to date, the Company opened 7 Reitmans, 1 Smart Set, 2 Dalmys and 18 Penningtons. Thirty-three (33) stores were closed. Accordingly, at October 31, 1998, there were 614 stores in operation, consisting of 343 Reitmans, 134 Smart Set, 18 Dalmys, 80 Penningtons, 25 Antels and 14 Cactus. An additional 5 stores are scheduled to open this year and 6 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. We are most pleased with this investment and look forward to its continued growth.

At the Board of Directors meeting held December 10, 1998, a quarterly cash dividend of 13 cents per share on all outstanding Class A non-voting and Common shares of the Company was declared payable January 29, 1999 to shareholders of record as of the close of business January 15, 1999.



JEREMY H. REITMAN  
President

Montreal, December 10, 1998

## CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

(in thousands except per share amounts)	For the nine months ended		For the three months ended	
	October 31 1998	November 1 1997	October 31 1998	November 1 1997
Sales	\$321,783	\$288,491	\$108,926	\$99,409
Cost of goods sold and selling, general and administrative expenses exclusive of items shown hereunder	304,737	282,137	104,338	95,787
Earnings before items shown hereunder	17,046	6,354	4,588	3,622
Investment income	7,166	8,404	1,942	2,406
	24,212	14,758	6,530	6,028
Deduct:				
Depreciation and amortization	8,130	7,871	2,893	2,535
Interest on long-term debt	1,126	838	394	292
Other interest	53	16	45	7
	9,309	8,725	3,332	2,834
Earnings before income taxes	14,903	6,033	3,198	3,194
Income taxes - deferred	2,275	(1,875)	660	(700)
Net earnings	\$ 12,628	\$ 7,908	\$ 2,538	\$ 3,894
Earnings per share	\$ 1.42	\$ 0.90	\$ 0.28	\$ 0.44

The Company's current tax liability has been reduced to nil by the utilization of approximately \$11,600,000 of loss carry-forwards.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (unaudited)

(in thousands)	For the nine months ended	
	October 31 1998	November 1 1997
CASH PROVIDED BY (USED FOR)		
Operations:		
Net earnings for the period	\$ 12,628	\$ 7,908
Items not involving cash from operations:		
Depreciation and amortization	8,130	7,871
Deferred income taxes	2,275	(1,875)
Investment income including gain on sale of marketable securities of \$1,239 (1997 - \$3,160)	(7,166)	(8,404)
Changes in non-cash working capital items	(16,079)	(17,254)
Cash used for operations	(212)	(11,754)
Investments:		
Net (increase) decrease in marketable securities	(16,164)	5,859
Investment income, excluding gain on sale of marketable securities	5,927	5,244
	(10,237)	11,103
Net additions to capital assets	(12,444)	(9,231)
Investment in NetStar	(2,236)	(2,252)
Cash used for investments	(24,917)	(380)
Financing:		
Issue of share capital	413	1,024
Purchase of Class A non-voting shares for cancellation	(2,859)	(2,209)
Cash used for financing	(2,446)	(1,185)
Dividends paid	(3,462)	(3,412)
DECREASE IN CASH DURING THE PERIOD	(31,037)	(16,731)
CASH AT BEGINNING OF THE PERIOD	33,785	28,149
CASH AT END OF THE PERIOD	\$ 2,748	\$ 11,418

Cash includes cash and short-term deposits, but does not include the marketable securities portfolio of \$62,704,000 (1997 - \$44,482,000).

Reitmans 343

smart  
set 134

DALMYS 18

Penningtons 80

Antels 25

CACTUS 14

TOTAL 614