



For the three months
ended May 1, 1999

Reitmans (Canada) Limited

Sales for the first quarter ended May 1, 1999 increased 11.8% to \$91,618,000 as compared with \$81,935,000 last year. Operating earnings for the period increased 678% to \$3,466,000 as compared with \$446,000 last year. Net earnings for the period amounted to \$35,304,000 or \$4.04 per share as compared with \$1,748,000 or 20 cents per share last year.

Significant increases in comparable store sales and operating profit were achieved in each of the Reitmans, Smart Set/Dalmys and Penningtons divisions. While the first quarter is traditionally the weakest quarter of the year and not necessarily indicative of year-end results, we are very encouraged by the continuing strong improvement in all facets of these operations and look forward to continued progress.

In the second quarter to date, being the six weeks ended June 12, 1999, total Company sales increased 18.1% and comparable store sales increased 15.7%.

During the first quarter, the Company opened 2 Reitmans, 3 Smart Set and 1 Penningtons stores. Five stores were closed. Accordingly, at May 1, 1999, there were 565 stores in operation, consisting of 334 Reitmans, 130 Smart Set, 18 Dalmys and 83 Penningtons. An additional 42 stores are scheduled to open this year and 23 stores will be closed in these divisions.

On March 5, 1999, the Company sold its interest in NetStar Communications Inc. to CTV Inc. for cash resulting in a pre-tax gain of \$45,666,000 which is included in investment income.

The Board approved a plan to close the Antels and Cactus divisions effective May 1, 1999 and the 21 Antels and 13 Cactus stores will close by July 31. Certain locations will be converted to stores in other divisions; the remaining stores will be sold or returned to landlords. The loss from discontinued operations amounts to \$3,161,000 after tax, and includes the first quarter operating losses and management's best estimate of all expenses to be incurred in closing these divisions. Accordingly, we have restated last year's results to classify these operations as discontinued.

We are excited to announce the launching of a new division named RW & CO. Averaging 4,000 sq. ft. in major malls, RW & CO. will cater to junior (18 to 30) ladies and men, offering active, casual, and co-ordinated sportswear and accessories under the RW & CO. brand in a modern lifestyle setting. Fifteen stores are planned to open this year: 5 in Ontario, 3 in each of Québec, Alberta and British Columbia and 1 in New Brunswick.

At the Board of Directors meeting held on June 17, 1999, a quarterly cash dividend of 16 cents per share on all outstanding Class A non-voting and Common Shares of the capital stock of the Company was declared payable July 30, 1999, to shareholders of record as of the close of business July 16, 1999.

JEREMY H. REITMAN
President

Montreal, June 17, 1999

Reitmans



DALMYS

Penningtons
SUPERSTORE

RW & CO.

STATEMENT OF EARNINGS
(unaudited)

(in thousands except per share amounts)	For the three months ended	
	May 1 1999	May 2 1998 (Restated)
Sales	\$ 91,618	\$ 81,935
Cost of goods sold and selling, general and administrative expenses	85,893	79,351
Depreciation and amortization	5,725	2,584
Operating earnings	2,259	2,138
Investment income	3,466	446
Interest on long-term debt	45,573	2,924
	374	355
Earnings from continuing operations before income taxes	48,665	3,015
Income taxes	10,200	-
Earnings from continuing operations	38,465	3,015
Loss from discontinued operations	(3,161)	(1,267)
Net earnings	\$ 35,304	\$ 1,748
Earnings per share from continuing operations:		
Basic	\$ 4.40	\$ 0.34
Fully diluted	\$ 4.23	\$ 0.34
Earnings per share:		
Basic	\$ 4.04	\$ 0.20
Fully diluted	\$ 3.89	\$ 0.20

CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

(in thousands)	For the three months ended	
	May 1 1999	May 2 1998 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings from continuing operations	\$ 38,465	\$ 3,015
Adjustments for:		
Depreciation and amortization	2,259	2,138
Investment income including gain on sales of securities of \$43,744 (1998 - \$1,122)	(45,573)	(2,924)
Cash (used for) from continuing operations before the undernoted	(4,849)	2,229
Changes in non-cash working capital	4,566	(9,853)
Cash used for continuing operations	(283)	(7,624)
Discontinued operations	(3,011)	(1,098)
	(3,294)	(8,722)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in marketable securities	2,933	(634)
Investment income, excluding gain (loss) on sale of marketable securities	1,829	1,802
	4,762	1,168
Net additions to capital assets	(5,182)	(2,862)
Net proceeds on sale of NetStar	90,396	-
Investment in NetStar	(169)	(729)
	89,807	(2,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	309	217
Purchase of Class A non-voting shares for cancellation	-	(2,859)
Dividends paid	(1,399)	(1,165)
	(1,090)	(3,807)
NET INCREASE (DECREASE) IN CASH POSITION DURING THE PERIOD	85,423	(14,952)
CASH POSITION AT BEGINNING OF THE PERIOD	19,416	33,785
CASH POSITION AT END OF THE PERIOD	\$ 104,839	\$ 18,833

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