

## TO OUR SHAREHOLDERS

Sales for the first quarter ended April 29, 2000 increased 7% to \$98,192,000 as compared with \$91,618,000 last year. Operating loss for the period amounted to \$391,000 as compared with operating earnings of \$3,466,000 last year. Earnings from continuing operations amounted to \$1,523,000 or \$0.18 per share as compared with \$2,155,000 or \$0.25 per share. Reported earnings from continuing operations for the prior period of \$38,465,000 or \$4.40 per share included a non-recurring gain on the sale of NetStar of \$45,666,000 (\$36,310,000 after tax or \$4.15 per share). Net earnings for the period amounted to \$1,523,000 or \$0.18 per share as compared with \$35,304,000 or \$4.04 per share, which included a loss from discontinued operations of the Antels and Cactus divisions of \$3,161,000 or \$0.36 per share.

The sales growth of 7% achieved in the quarter was predominantly a result of more stores in operation compared to last year. Unseasonable weather adversely impacted sales of spring/summer merchandise, with comparable store sales declining 1%. Targeted sales levels were not achieved, resulting in gross and operating margins below plan. Seasonal conditions have continued during the first six weeks of the second quarter with sales decreasing 1.3% and comparable store sales declining 8.5%.

We have addressed this by moving aggressively in all divisions, in terms of timely sales promotions and cost containment.

During the first quarter, the Company opened 2 Reitmans, 1 Smart Set/Dalmys, 3 Penningtons and 9 RW & CO. stores. Two stores were closed. Accordingly, at April 29, 2000, there were 601 stores in operation, consisting of 332 Reitmans, 147 Smart Set/Dalmys, 100 Penningtons and 22 RW & CO. An additional 25 stores are scheduled to open this year and 17 stores will be closed.

At the Board of Directors meeting held on June 15, 2000, a quarterly cash dividend of 20 cents per share on all outstanding Class A non-voting and Common Shares of the capital stock of the Company was declared payable July 28, 2000, to shareholders of record as of the close of business July 14, 2000.



JEREMY H. REITMAN  
President

Montreal, June 15, 2000

### interim report

For the three months  
ended April 29, 2000

Reitmans (Canada) Limited

Reitmans  DALMYS

Penningtons  
SUPERSTORE RW & CO.

## STATEMENT OF EARNINGS (UNAUDITED)

(in thousands except per share amounts)	For the three months ended	
	April 29 2000	May 1 1999
Sales	\$ 98,192	\$ 91,618
Cost of goods sold and selling, general and administrative expenses	95,033	85,893
	3,159	5,725
Depreciation and amortization	3,550	2,259
Operating (loss) earnings	(391)	3,466
Investment income (loss)	2,314	(93)
Gain on sale of NetStar	-	45,666
Interest on long-term debt	-	374
Earnings from continuing operations before income taxes	1,923	48,665
Income taxes	400	10,200
Earnings from continuing operations	1,523	38,465
Loss from discontinued operations	-	(3,161)
Net earnings	\$ 1,523	\$ 35,304
Earnings per share from continuing operations:		
Basic	\$ 0.18	\$ 4.40
Fully diluted	\$ 0.18	\$ 4.23
Net earnings per share:		
Basic	\$ 0.18	\$ 4.04
Fully diluted	\$ 0.18	\$ 3.89

Effective January 30, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants, relating to income taxes and employee future benefits. The initial adoption of these recommendations resulted in no impact on the consolidated financial statements of the Company.

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(in thousands)	For the three months ended	
	April 29 2000	May 1 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings from continuing operations	\$ 1,523	\$ 38,465
Adjustments for:		
Depreciation and amortization	3,550	2,259
Investment income	(2,314)	(45,573)
Changes in non-cash working capital	(33,525)	4,566
Cash from continuing operations	(30,766)	(283)
Discontinued operations	-	(3,011)
	(30,766)	(3,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(1,038)	(9,856)
Proceeds on sale of marketable securities	6,844	12,789
Investment income, excluding gain on sale of marketable securities of \$199 (1999 - \$43,744)	2,115	1,829
Net additions to capital assets	(8,435)	(5,182)
Net proceeds on sale of NetStar	-	90,396
Investment in NetStar	-	(169)
	(514)	89,807
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	30	309
Dividends paid	(1,736)	(1,399)
	(1,706)	(1,090)
NET (DECREASE) INCREASE IN CASH POSITION DURING THE PERIOD	(32,986)	85,423
CASH POSITION AT BEGINNING OF THE PERIOD	53,226	19,416
CASH POSITION AT END OF THE PERIOD	\$ 20,240	\$ 104,839

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