



Reitmans
(CANADA) LIMITED

INTERIM REPORT
FOR THE SIX MONTHS
ENDED AUGUST 1, 1998

TO OUR SHAREHOLDERS

Sales for the six months ended August 1, 1998 amounted to \$212,857,000 as compared with \$189,082,000 last year, an increase of 12.6%. Net earnings for the period amounted to \$10,090,000 or \$1.14 per share as compared with \$4,014,000 or 46 cents per share last year, an increase of 151%.

Sales for the three months ended August 1, 1998 amounted to \$125,377,000 as compared with \$110,467,000 last year, an increase of 13.5%. Net earnings for the period amounted to \$8,342,000 or 94 cents per share as compared with \$5,712,000 or 66 cents per share last year, an increase of 46%.

Significant increases in comparable store sales and operating profit were achieved in the Reitmans, Smart Set and Penningtons divisions.

In the third quarter to date (seven weeks ended September 19, 1998), total Company sales increased 12.7% and comparable store sales increased 13.4% as compared to last year.

Year to date, the Company has opened 2 Reitmans, 1 Smart Set, 2 Dalmys and 5 Penningtons. Twenty-seven (27) stores were closed. Accordingly, at August 1, 1998, there were 602 stores in operation, consisting of 340 Reitmans, 135 Smart Set, 19 Dalmys, 68 Penningtons, 26 Antels and 14 Cactus. An additional 28 stores are scheduled to open this year and 7 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, has significantly exceeded its 1999 business plan for its first quarter ended July 31, 1998. We are most pleased with this investment and look forward to its continued growth.

At the Board of Directors meeting held September 24, 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 October 30, 1998 to shareholders of record as of the close of business October 16, 1998.



JEREMY H. REITMAN (signed)
President

Montreal, September 24, 1998

CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

(in thousands except per share amounts)	For the six months ended		For the three months ended	
	August 1 1998	August 2 1997	August 1 1998	August 2 1997
Sales	\$212,857	\$189,082	\$125,377	\$110,467
Cost of goods sold and selling, general and administrative expenses exclusive of items shown hereunder	200,399	186,350	114,411	105,294
Earnings before items shown hereunder	12,458	2,732	10,966	5,173
Investment income	5,224	5,998	2,300	3,397
	17,682	8,730	13,266	8,570
Deduct:				
Depreciation and amortization	5,237	5,336	2,930	3,179
Interest on long-term debt	732	546	377	282
Other interest	8	9	2	(3)
	5,977	5,891	3,309	3,458
Earnings before income taxes	11,705	2,839	9,957	5,112
Income taxes - deferred	1,615	(1,175)	1,615	(600)
Net earnings	\$ 10,090	\$ 4,014	\$ 8,342	\$ 5,712
Earnings per share	\$ 1.14	\$ 0.46	\$ 0.94	\$ 0.66

The Company's current tax liability has been reduced to nil by the utilization of approximately \$8,300,000 of loss carry-forwards.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (unaudited)

(in thousands)	For the six months ended	
	August 1 1998	August 2 1997
CASH PROVIDED BY (USED FOR)		
Operations:		
Net earnings for the period	\$ 10,090	\$ 4,014
Items not involving cash from operations:		
Depreciation and amortization	5,237	5,336
Deferred income taxes	1,615	(1,175)
Investment income including gain on sale of marketable securities of \$1,182 (1997 - \$2,424)	(5,224)	(5,998)
Changes in non-cash working capital items	(9,337)	(12,181)
Cash provided by (used for) operations	2,381	(10,004)
Investments:		
Net (increase) decrease in marketable securities	(3,280)	5,447
Investment income, excluding gain on sale of marketable securities	4,042	3,574
	762	9,021
Net additions to capital assets	(7,504)	(5,771)
Investment in NetStar	(1,483)	(1,495)
Cash (used for) provided by investments	(8,225)	1,755
Financing:		
Issue of share capital	383	150
Purchase of Class A non-voting shares for cancellation	(2,859)	(2,209)
Cash used for financing	(2,476)	(2,059)
Dividends paid	(2,313)	(2,276)
DECREASE IN CASH DURING THE PERIOD	(10,633)	(12,584)
CASH AT BEGINNING OF THE PERIOD	33,785	28,149
CASH AT END OF THE PERIOD	\$ 23,152	\$ 15,565

Cash includes cash and short-term deposits, but does not include the marketable securities portfolio of \$49,763,000 (1997 - \$44,158,000).

Reitmans

340



135

DALMYS

19

Penningtons

68

Antels

26

CACTUS

14

TOTAL

602