

Reitmans (CANADA) LIMITED

PRELIMINARY REPORT
FOR THE YEAR ENDED
JANUARY 30, 1999

TO OUR SHAREHOLDERS

Sales for the year ended January 30, 1999 increased 10.8% to \$456,674,000 as compared with \$412,292,000 last year. Net earnings increased 12% to \$13,872,000 or \$1.57 per share as compared with \$12,391,000 or \$1.42 per share last year. Pre-tax earnings increased 104%, and the moderate increase in net earnings reflects the fact that this year's net earnings are after a tax expense of \$5,227,000, as compared to a tax recovery of \$3,017,000 last year. The increase in profitability is attributable to the significant increases in comparable store sales of 9% in Reitmans, 18% in Smart Set/Dalmys and 10% in Penningtons, resulting in higher gross and operating margins in each of these divisions.

Sales for the fourth quarter ended January 30, 1999 increased 9% to \$134,891,000 as compared with \$123,801,000 last year. Net earnings amounted to \$1,244,000 or 15 cents per share as compared with \$4,483,000 or 52 cents per share last year. While pre-tax earnings increased 25.6%, this year's 4th quarter net earnings reflect a tax expense of \$2,952,000 as compared to a tax recovery of \$1,142,000 last year.

During the year, the Company opened 34 new stores (7 Reitmans, 3 Smart Set, 4 Dalmys and 20 Penningtons) and closed 55 stores (27 Reitmans, 12 Smart Set, 5 Dalmys, 1 Penningtons, 8 Antels and 2 Cactus). At year-end, the Company operated 598 stores, consisting of 335 Reitmans, 129 Smart Set, 18 Dalmys, 82 Penningtons, 21 Antels and 13 Cactus.

As previously announced, the Company sold its interest in NetStar Communications Inc. to CTV Inc. and received cash proceeds of approximately \$93,000,000 on March 5, 1999. This transaction occurred subsequent to our fiscal 1999 year-end and will be reflected in our first quarter results, for the three months ending May 1, 1999.

The Board of Directors declared the payment of a quarterly cash dividend of 16 cents per Class A non-voting and Common share payable April 30, 1999 to shareholders of record April 16, 1999. This is an increase of 23% over the previous rate of 13 cents per share.

On April 6, 1999, the Board of Directors authorized the Corporation, subject to the approval of the Montreal Exchange and The Toronto Stock Exchange, to purchase up to 300,000 of its Class A non-voting shares (representing approximately 8% of the public float in respect of the Class A non-voting shares as at April 6, 1999) as an appropriate and desirable investment. There are 7,053,882 Class A non-voting shares currently outstanding as of April 6, 1999, of which 3,796,444 shares comprise the public float. Reitmans may purchase the shares on the open market through the facilities of the Montreal Exchange and The Toronto Stock Exchange from time to time over the course of twelve months commencing April 19, 1999 and ending April 18, 2000. Shareholders may obtain a copy of the Notice of Intention at no charge from the Secretary of the Corporation. Under the Corporation's 1998 normal course issuer bid, the Corporation purchased 178,600 Class A non-voting shares.

The Annual Report for the year ended January 30, 1999 will follow shortly. Submitted on behalf of the Board.



JEREMY H. REITMAN
President
Montreal, April 16, 1999

STATEMENT OF EARNINGS

(in thousands except per share amounts)	For twelve months ended		For three months ended	
	January 30 1999	January 31 1998	January 30 1999	January 31 1998
Sales	\$456,674	\$412,292	\$134,891	\$123,801
Cost of goods sold and selling, general and administrative expenses	434,179	402,090	129,389	119,937
	22,495	10,202	5,502	3,864
Depreciation and amortization	11,626	10,958	3,496	3,087
Operating earnings (loss)	10,869	(756)	2,006	777
Investment income	9,735	11,271	2,569	2,867
Interest on long-term debt	(1,505)	(1,141)	(379)	(303)
Earnings before income taxes	19,099	9,374	4,196	3,341
Income taxes (recovery)	5,227	(3,017)	2,952	(1,142)
Net earnings	\$ 13,872	\$ 12,391	\$ 1,244	\$ 4,483
Earnings per share:				
Basic	\$ 1.57	\$ 1.42	\$ 0.15	\$ 0.52
Fully diluted	\$ 1.55	\$ 1.42	\$ 0.14	\$ 0.52

STATEMENT OF CASH FLOWS

(in thousands)	For the years ended	
	January 30 1999	January 31 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 13,872	\$ 12,391
Adjustments for:		
Depreciation and amortization	11,626	10,958
Deferred income taxes	4,836	(3,145)
Investment income including gain on sale of marketable securities of \$1,384 (1998 - \$3,625)	(9,735)	(11,271)
Changes in non-cash working capital	5,271	585
	25,870	9,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in marketable securities	(21,574)	5,504
Investment income, excluding gain on sale of marketable securities	8,351	7,646
	(13,223)	13,150
Net additions to capital assets	(14,779)	(11,355)
Investment in NetStar	(2,989)	(3,005)
	(30,991)	(1,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	413	4,114
Purchase of Class A non-voting shares for cancellation	(5,050)	(2,210)
Dividends paid	(4,611)	(4,576)
	(9,248)	(2,672)
NET (DECREASE) INCREASE IN CASH POSITION	(14,369)	5,636
CASH POSITION AT BEGINNING OF YEAR	33,785	28,149
CASH POSITION AT END OF YEAR	\$ 19,416	\$ 33,785

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

Reitmans 335

Smart Set 129

DALMYS 18

Penningtons 82

Antels 21

CACTUS 13

TOTAL 598