



For the six months
ended July 31, 1999

Reitmans (Canada) Limited

Sales for the six months ended July 31, 1999 increased 12% to \$224,376,000 as compared with \$200,449,000 last year. Operating earnings for the period increased 81% to \$17,547,000 as compared with \$9,709,000 last year. Net earnings for the period amounted to \$46,068,000 or \$5.27 per share as compared with \$10,090,000 or \$1.14 per share last year.

Sales for the second quarter ended July 31, 1999 increased 12% to \$132,758,000 as compared with \$118,514,000 last year. Operating earnings for the period increased 52% to \$14,081,000 as compared with \$9,263,000 last year. Net earnings for the period amounted to \$10,764,000 or \$1.23 per share as compared with \$8,342,000 or 94 cents per share last year.

Significant increases in comparable store sales, gross margin and operating profit were achieved in each of the Reitmans, Smart Set/Dalmys and Penningtons divisions. We are very encouraged by the continuing strong improvement in all facets of these operations and look forward to continued progress.

In the third quarter to date, being the six weeks ended September 11, 1999, total Company sales increased 8.7% and comparable store sales increased 3.6%.

During the second quarter, the Company opened 2 Reitmans, 4 Smart Set and 8 Penningtons stores. Eight (8) stores were closed. Accordingly, at July 31, 1999, there were 571 stores in operation, consisting of 331 Reitmans, 149 Smart Set/Dalmys and 91 Penningtons. An additional 25 stores are scheduled to open this year and 15 stores will be closed in these divisions.

During the second quarter the Antels and Cactus stores were closed. The loss from discontinued operations amounts to \$3,161,000 after tax, and includes the operating losses incurred in the six months to July 31, 1999 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.

Seven (7) new RW & CO. stores have opened in August and a further 6 will open during the third quarter. Averaging 4,000 sq. ft. in major malls, RW & CO. caters 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. Initial results have been most encouraging.

As previously announced, in the first quarter, 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 Year 2000 issue and the Company's information technology have been a priority for management for some years. We believe that the Company's hardware and software is now Y2K compliant. We have sought assurances from our outside vendors, finance and service suppliers that they are also Y2K compliant. All major corporations can be affected by the Year 2000 preparedness of other parties and in that regard, the Company cannot be certain that all aspects of the Year 2000 issue will be resolved by external parties. The Company has been assessing the areas of risk and planning accordingly to minimize the potential impact of problems arising from external sources.

At the Board of Directors meeting held on September 16, 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 October 29, 1999, to shareholders of record as of the close of business October 15, 1999.



JEREMY H. REITMAN (signed)
President

Montreal, September 16, 1999

Reitmans



DALMYS

Penningtons
SUPERSTORE

RW & CO.

STATEMENT OF EARNINGS
(unaudited)

(in thousands except per share amounts)	For the six months ended		For the three months ended	
	July 31 1999	August 1 1998 (Restated)	July 31 1999	August 1 1998 (Restated)
Sales	\$ 224,376	\$ 200,449	\$ 132,758	\$ 118,514
Cost of goods sold and selling, general and administrative expenses	201,441	185,999	115,548	106,648
Depreciation and amortization	22,935	14,450	17,210	11,866
Operating earnings	5,388	4,741	3,129	2,603
Investment income	17,547	9,709	14,081	9,263
Interest on long-term debt	48,236	5,224	2,663	2,300
Earnings from continuing operations before income taxes	604	732	230	377
Income taxes	65,179	14,201	16,514	11,186
Earnings from continuing operations	15,950	2,688	5,750	2,688
Loss from discontinued operations	49,229	11,513	10,764	8,498
Net earnings	(3,161)	(1,423)	-	(156)
Net earnings	\$ 46,068	\$ 10,090	\$ 10,764	\$ 8,342
Earnings per share from continuing operations:				
Basic	\$ 5.63	\$ 1.31	\$ 1.23	\$ 0.97
Fully diluted	\$ 5.42	\$ 1.31	\$ 1.19	\$ 0.97
Earnings per share:				
Basic	\$ 5.27	\$ 1.14	\$ 1.23	\$ 0.94
Fully diluted	\$ 5.08	\$ 1.14	\$ 1.19	\$ 0.94

The Company's current tax liability has been reduced by the utilization of approximately \$12,300,000 of loss carry-forwards.

CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

(in thousands)	For the six months ended	
	July 31 1999	August 1 1998 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings from continuing operations	\$ 49,229	\$ 11,513
Adjustments for:		
Depreciation and amortization	5,388	4,741
Deferred income taxes	3,843	1,615
Investment income including gain on sales of securities of \$43,919 (1998 - \$1,182)	(48,236)	(5,224)
Cash from continuing operations before the undernoted	10,224	12,645
Changes in non-cash working capital	3,555	(9,337)
Cash from continuing operations	13,779	3,308
Discontinued operations	(786)	(927)
	12,993	2,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in marketable securities	(13,093)	(3,280)
Investment income, excluding gain (loss) on sale of marketable securities	4,317	4,042
	(8,776)	762
Net additions to capital assets	(13,530)	(7,504)
Net proceeds on sale of NetStar	90,396	-
Investment in NetStar	(169)	(1,483)
	67,921	(8,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	684	383
Repayment of long-term debt	(20,000)	-
Purchase of Class A non-voting shares for cancellation	-	(2,859)
Dividends paid	(2,802)	(2,313)
	(22,118)	(4,789)
NET INCREASE (DECREASE) IN CASH POSITION DURING THE PERIOD	58,796	(10,633)
CASH POSITION AT BEGINNING OF THE PERIOD	19,416	33,785
CASH POSITION AT END OF THE PERIOD	\$ 78,212	\$ 23,152

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