INTERIM **REPORT**

FOR THE THREE MONTHS ENDED MAY 1, 2004

Reitmans

Reitmans is Canada's leading specialty retailer. We are customer driven, value oriented and committed to excellence. By promoting innovation, growth, development and teamwork, we strive to serve our customers the best quality and value proposition in the marketplace.

To our **Shareholders**

Sales for the first quarter ended May 1, 2004 increased 9% to $193,420,000 as compared with $177,750,000 for the first quarter ended May 3, 2003 last year. Comparable store sales increased 4% in the period. This sales increase is a result of strong customer response to the Company's spring merchandise offerings across all banners. As well, the Company had 854 stores in operation in this period compared to 830 stores in the same period last year.

Net earnings for the period increased 218% to $13,038,000 or $0.38 per share (after reflecting the 100% stock dividends paid on April 29, 2004) as compared with $4,105,000 or $0.12 per share last year. Operating earnings before depreciation and amortization (EBITDA) increased 89% to $22,722,000 as compared with $11,998,000 last year.

Sales for the month of May (4 weeks ended May 29) increased 6% with comparable store sales increasing 1%.

During the quarter, the Company repaid the balance of $74,000,000 of its long-term Shirmax acquisition debt.

During the first quarter, the Company opened 16 new stores comprised of 6 Reitmans, 2 Smart Set, 7 Penningtons and 1 Thyme Maternity and closed 7 stores. Accordingly, at May 1, 2004, there were 854 stores in operation, consisting of 350 Reitmans, 163 Smart Set / Dalmys, 133 Penningtons, 28 RW & CO., 66 Addition Elle, 49 Addition Elle Outlet and 65 Thyme Maternity. An additional 35 stores are scheduled to open this year and 10 stores will be closed.

At the Board of Directors meeting held on June 9, 2004, a quarterly cash dividend of $0.09 per share was declared on all class A non-voting and Common shares outstanding, payable July 29, 2004 to shareholders of record on July 15, 2004. This rate reflects the 100% stock dividends paid on April 29, 2004 on the class A non-voting and Common shares then outstanding.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
President

Montreal, June 9, 2004

Highlights

1st Quarter	% Increase
$193,420,000 sales	9
$22,722,000 ebitda	89
$18,138,000 pre-tax earnings	214
$13,038,000 net earnings	218
$0.38 earnings per share	218
$100,849,000 cash and investments	16
854 stores	3

Management's Discussion and Analysis of Financial Condition and Results of Operations

MD&A

For the period ended May 1, 2004

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the non-audited consolidated financial statements of Reitmans for the period ended May 1, 2004.

The purpose of the following discussion is to provide an update to the information contained in Management's Discussion and Analysis included in Reitmans' 2004 Annual Report. Reitmans assumes that the reader of the following discussion has access to and has read Management's Discussion and Analysis included in Reitmans' 2004 Annual Report. Reitmans' 2004 Annual Report can be downloaded from Reitmans' website at www.reitmans.ca.

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Such risks include but are not limited to: the impact of general economic conditions, general conditions in the retail industry, seasonality, weather and other risks included in public filings of the Company. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements. The reader should not place undue reliance on the forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise.

OVERVIEW OF FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS FOR THE PERIOD ENDED MAY 1, 2004 ("first quarter") AND COMPARISON TO FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS FOR THE PERIOD ENDED MAY 3, 2003

RESULTS OF OPERATIONS

Sales for the first quarter ended May 1, 2004 increased 9% to $193,420,000 as compared with $177,750,000 for the first quarter ended May 3, 2003 last year. Comparable store sales increased 4% in the period. This sales increase is due in part to a very strong customer response to the Company's spring merchandise offerings in all banners. As well, the Company had 854 stores in operation in this period compared to 830 stores in the same period last year.

Operating earnings for the period increased 209% to $14,547,000 as compared with $4,709,000 last year. Net earnings after tax increased 218% to $13,038,000 as compared with $4,105,000 for the same period last year. The factors contributing to such increases included significantly improved gross margins realized at store level, helped in part by a Canadian dollar which continues to remain relatively strong, combined with effective cost containment at both store and overhead levels. As well, the Company continues to open stores in less expensive power centres and strip malls allowing us to build somewhat larger, more profitable stores.

Pre-tax investment income increased to $4,586,000 from $2,378,000 for the comparable period last year. Of the $2,208,000 increase in investment income, approximately $2,000,000 is represented by an increase in realized capital gains over the comparable period last year. Management decided to realize capital gains on certain marketable securities which might otherwise have been exposed to a possible rise in interest rates in the future.

With respect to the Canadian dollar, the Company in its normal course of business must make long lead-time commitments for a significant proportion of its merchandise purchases, in some cases as long as eight months. Many of these purchases must ultimately be paid for in US dollars. The Company uses a variety of strategies designed to fix the cost of its continuing US dollar long-term commitments at the lowest possible cost while at the same time allowing itself the opportunity to take advantage of a positive swing in the value of the Canadian dollar vis-à-vis the US dollar.

During the first quarter, the Company opened 16 new stores comprised of 6 Reitmans, 2 Smart Set, 7 Penningtons and 1 Thyme Maternity and closed 7 stores. Accordingly, at May 1, 2004, there were 854 stores in operation, consisting of 350 Reitmans, 163 Smart Set / Dalmys, 133 Penningtons, 28 RW & CO., 66 Addition Elle, 49 Addition Elle Outlet and 65 Thyme Maternity. An additional 35 stores are scheduled to open this year and 10 stores will be closed.

Cash and cash equivalents are approximately $29,790,000 or approximately a $19,972,000 increase over last year. This reflects in part the very strong positive cash flow generated by our retailing operations last year and the first quarter this year. Merchandise inventories this year are $88,191,000 or approximately $11,055,000 lower than last year reflecting the effects of a strong Canadian dollar, a much tighter control of inventory levels in general over last year and an excellent selling season experienced in this quarter. Accounts receivable are approximately $1,125,000 less than last year as most of the remaining tenant allowances and third-party licensing fees acquired as a result of the Shirmax acquisition have been collected. The Pension Asset of $5,580,000 reflected on the May 3, 2003 Balance Sheet representing the Company's share of the surplus of the Employee Retirement Pension Plan (which was terminated in 2001) was collected in July 2003. Prepaid expenses are $7,669,000 or approximately $7,668,000 less than last year due to the timing of the current year's rent and occupancy payments. Accounts payable and accrued items are $91,564,000 or approximately $10,796,000 more than last year. Increased GST and Provincial sales tax remittance liabilities resulting from increased sales and increased deductions at source liabilities account for the majority of this difference.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity at May 1, 2004 amounted to $286,487,000 or $8.32 per share as compared to $245,907,000 or $7.15 per share last year. The Company continues to be in a strong financial position. The Company's sources of liquidity are its cash and cash equivalents and investments in marketable securities of $100,849,000 at May 1, 2004 (market value $104,546,000) compared with $86,921,000 at May 3, 2003, (market value $89,845,000).

In June 2002, the Company borrowed $86,000,000 to fully fund the Shirmax acquisition. This loan was financed on an ongoing basis by a combination of three and six month Bankers' acceptances. The terms of the loan required the Company to repay $2,000,000 each quarter, commencing October 15, 2002, for 11 quarters, with the balance of $64,000,000 repayable on June 5, 2005. On March 1, 2004 and on April 15, 2004, the Company exercised its contractual right and accelerated the paydown of its long-term Shirmax acquisition debt by $40,000,000 and $34,000,000 respectively. As a result, this loan has been fully repaid fourteen months in advance from internally generated cash flow and is no longer reflected on the Balance Sheet as a liability. This prepayment will reduce our otherwise projected pre-tax interest expense for the remainder of the current fiscal year by approximately $3,000,000.

In November 2002, the Company mortgaged its new Distribution Centre, receiving $20,000,000 at a fixed rate of 6.40% for a 15-year period. On May 30, 2003, the Company entered into a sale leaseback agreement with a third party financial institution for certain of its merchandise handling equipment aggregating $10 million of value. The lease calls for 48 monthly payments of $193,000, following which the Company has an option to extend the lease or buy back the equipment.

The current portion of long-term debt as reflected on the Balance Sheet represents the principal repayments on the mortgage and capital leases due during the next twelve months.

During this quarter, the Company invested $8,580,000 in capital additions. This consisted of $6,229,000 on new and renovated stores, $2,180,000 on the new Distribution Centre and Head Office and $171,000 on other assets. The Company paid dividends amounting to $3,102,000.

The Company's principal capital requirements are to fund ongoing new and renovation store construction projects, finance the remaining equipment required to complete the expanded Distribution Centre (estimated cost is $4,300,000) and fund its working capital needs. These requirements have in the past been satisfied by a combination of cash flow from its retailing and investment operations and management expects that to continue.

The Company does have borrowing and working capital credit facilities available to it in excess of $100 million. These credit facilities are used principally for US dollar Letters of Credit to satisfy offshore third party vendors who require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other day-to-day purposes.

FINANCIAL COMMITMENTS

The following tables set forth our financial commitments after giving effect to the repayment of the Shirmax acquisition loan, the details of which are described in the commentary above.

		Payments Due by Period		
Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Long-term debt	$ 18,805,000	$ 905,000	$ 3,083,000	$ 14,817,000
Capital leases	1,600,000	801,000	799,000	-
Total contractual obligations	$ 20,405,000	$ 1,706,000	$ 3,882,000	$ 14,817,000

		Payments Due by Period		
Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Store leases and equipment	$ 361,125,000	$ 74,984,000	$ 172,404,000	$ 113,737,000

FINANCIAL INSTRUMENTS

The Company as part of its strategies to fix the cost of certain of its US dollar merchandise purchase commitments has entered into a series of forward options and forward plus "knock-in" options. These instruments are exercisable at various dates up to August 2004 granting the Company the ability to purchase up to 20 million US dollars at a strike rate of 1.34 Canadian.

RELATED PARTY TRANSACTIONS

The Company leases two retail locations, which are owned by a corporation controlled by a related party. All aspects of both leases include normal and usual commercial terms.

TRENDS, UNCERTAINTIES AND RISKS

The Company is principally engaged in the sale of women's apparel through 854 leased retail outlets operating under seven different banners located across Canada. The Company's business is seasonal and is also subject to a number of factors, which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences. As well, there is no effective barrier to prevent entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic.

To mitigate these risk exposures, each banner is directed to and focused on a different niche in the Canadian women's apparel market. Virtually all the Company's merchandise is private label. No supplier represents more than 8% of our purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all the Company's merchandise. When merchandise is sourced offshore and must be paid for in US dollars, the Company uses a variety of strategies to fix the cost of US dollars to ensure it is protected against any material adverse fluctuations in the value of the Canadian dollar between the time the relevant merchandise is ordered and when it must be paid for.

Geographically, the Company's stores are located generally according to Canada's female population. About 40% of RW & CO.'s merchandise is young men's wear and certain Reitmans stores carry a limited selection of children's apparel. Together, these non-women's wear sales account for less than 4% of all apparel sales made by the Company.

The Company has good relationships with its landlords and suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling our merchandise on an ongoing basis.

For the year, while the Company has experienced significantly improved sales and operating margins and has begun to fully realize the cost savings benefits from the integration of the Shirmax operations, the Company cautions that past financial performance is not necessarily indicative of future results.

OUTLOOK

The Company is very well positioned for the future. It has consolidated its position as the leader in maternity apparel and plus-size ladies apparel in Canada with the Shirmax acquisition. The Reitmans banner has continued to successfully expand its offerings in off-mall, lower cost locations, while serving its target market in larger stores with a deeper merchandise assortment. Our more youth-oriented banners, namely Smart Set / Dalmys and RW & CO. are positioned for further growth.

Our Hong Kong office continues to perform well, with over 80 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all our banners.

The Company has a very strong Balance Sheet, with excellent liquidity and borrowing capacity should it need to avail itself thereof. Its systems, including merchandise procurement, inventory control, planning, allocation and distribution, Distribution Centre management, point-of-sale, financial management and information technology, are now fully integrated. The Company is committed to continue to invest in training for all levels of its employees.

Consolidated Statements of **Earnings** (Unaudited)

(in thousands except per share amounts)

	For the three months ended May 1, 2004	For the three months ended May 3, 2003
Sales	**$ 193,420**	$ 177,750
Cost of goods sold and selling, general and administrative expenses	**170,698**	165,752
	22,722	11,998
Depreciation and amortization	**8,175**	7,289
Operating earnings before the undernoted	**14,547**	4,709
Investment income	**4,586**	2,378
Interest on long-term debt	**995**	1,307
Earnings before income taxes	**18,138**	5,780
Income taxes	**5,100**	1,675
Net earnings	**$ 13,038**	$ 4,105
Earnings per share:		
Basic	**$ 0.38**	$ 0.12
Diluted	**0.37**	0.12

Consolidated Statements of **Retained Earnings** (Unaudited)

(in thousands)

	For the three months ended May 1, 2004	For the three months ended May 3, 2003
Balance at beginning of the period	**$ 263,455**	$ 230,993
Net earnings	**13,038**	4,105
	276,493	235,098
Deduct:		
Dividends	**3,102**	1,720
Balance at end of the period	**$ 273,391**	$ 233,378

Consolidated Statements of **Cash Flows** (Unaudited)

(in thousands)

	For the three months ended May 1, 2004	May 3, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	**$ 13,038**	$ 4,105
Adjustments for:		
Depreciation and amortization	**8,175**	7,289
Future income taxes	**(150)**	(135)
Stock based compensation	**60**	-
Amortization of deferred licensing revenue	**(50)**	(50)
Amortization of deferred financing costs	**292**	55
Investment income	**(4,586)**	(2,378)
Changes in non-cash working capital	**(10,222)**	(18,627)
	6,557	(9,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	**(11,018)**	(15,987)
Proceeds on sale of marketable securities	**16,812**	19,493
Additions to capital assets	**(8,582)**	(12,054)
Investment income, excluding gain on sale of marketable securities of $2,973 (2003 - $912)	**1,613**	1,466
	(1,175)	(7,082)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(3,102)**	(1,720)
Repayment of long-term debt	**(74,416)**	(2,524)
Issue of share capital	**89**	-
	(77,429)	(4,244)
NET DECREASE IN CASH DURING THE PERIOD	**(72,047)**	(21,067)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**101,837**	30,885
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 29,790**	$ 9,818

Cash and cash equivalents consist of cash balances with banks and investments in short-term deposits.

Consolidated **Balance Sheets**

(in thousands)

	Unaudited May 1, 2004	Unaudited May 3, 2003	Audited January 31, 2004
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**$ 29,790**	$ 9,818	$ 101,837
Accounts receivable	**3,956**	5,081	3,962
Merchandise inventories	**88,191**	99,246	60,223
Prepaid expenses	**7,669**	15,337	7,604
Pension asset	**-**	5,580	-
Income taxes recoverable	**-**	9,267	-
Total Current Assets	**129,606**	144,329	173,626
INVESTMENTS			
(Market value $74,756; 2003 - $80,027)	**71,059**	77,103	73,880
CAPITAL ASSETS	**161,344**	164,306	161,110
GOODWILL	**42,426**	42,426	42,426
FUTURE INCOME TAXES	**1,154**	2,146	710
OTHER ASSETS	**1,423**	1,865	1,715
	$ 407,012	$ 432,175	$ 453,467
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued items	**$ 91,564**	$ 80,769	$ 74,986
Income taxes payable	**7,271**	-	6,217
Current portion of long-term debt	**1,706**	9,956	9,739
Future income taxes	**-**	2,011	-
Total Current Liabilities	**100,541**	92,736	90,942
LONG-TERM DEBT	**18,699**	92,391	85,082
DEFERRED LICENSING REVENUE	**317**	517	367
FUTURE INCOME TAXES	**968**	625	674
SHAREHOLDERS' EQUITY			
Share capital	**12,887**	12,528	12,798
Contributed surplus	**209**	-	149
Retained earnings	**273,391**	233,378	263,455
Total Shareholders' Equity	**286,487**	245,906	276,402
	$ 407,012	$ 432,175	$ 453,467

Notes to the Interim Consolidated Financial Statements (Unaudited)

(dollar amounts in thousands except per share amounts)

1. DISCLOSURE

These interim consolidated financial statements (the "financial statements") do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the 52 week period ended January 31, 2004.

The Company's business follows a seasonal pattern, with merchandise sales traditionally being higher in the fourth quarter than in other quarterly periods due to consumer holiday buying patterns. The business seasonality results in performance for the 13 weeks ended May 1, 2004, which is not necessarily indicative of performance for the balance of the year.

2. STOCK-BASED COMPENSATION

The Company has a share option plan as described in note 1 j) to the consolidated financial statements contained in the 2004 Annual Report. During the three month period ended May 1, 2004, no options were granted. For the three month period ended May 1, 2004, the Company recognized compensation cost of $60 related to stock options granted in the fiscal year ended January 31, 2004, with an offsetting credit to contributed surplus.

3. LONG-TERM DEBT

	2004	2003
Bank financing bearing interest at prime or bankers' acceptance rate, repayable in quarterly instalments of $2 million, due June 2005. The loan is secured by specific marketable securities	**$ -**	$ 80,000
Mortgage bearing interest at 6.40%, payable in monthly instalments of principal and interest of $172, due November 2017 and secured by the Company's distribution centre	**18,805**	19,658
Obligations under capital leases, expiring at various dates to 2007 bearing interest at varying rates, payable in monthly instalments of approximately $75	**1,600**	2,689
	20,405	102,347
Less current portion	**1,706**	9,956
	$ 18,699	$ 92,391

Interest on long-term debt includes 292 $ (2003- $55) amortization of deferred financing costs relating to the bank financing. The balance of deferred financing costs at May 1, 2004 is NIL (2003 - $456) and is included in other assets for comparative purposes.

During the quarter, the Company repaid $74,000 of its bank financing.

4. EARNINGS PER SHARE

The number of shares used in the calculation of earnings per share has been adjusted to reflect the 100% stock dividend paid on April 29, 2004 to Common and class A shareholders. Comparative figures have been restated on the same basis.

	May 1, 2004	May 3, 2003
Weighted average number of shares per basic earnings per share calculations	**34,452,644**	34,399,128
Effect of dilutive options outstanding	**709,744**	400,102
Weighted average number of shares per diluted earnings per share calculations	**35,162,388**	34,799,230

854 stores

- Newfoundland
- Prince Edward Island
- Nova Scotia
- New Brunswick
- Québec
- Ontario
- Manitoba
- Saskatchewan
- Alberta
- British Columbia
- Northwest Territories
- Yukon

Reitmans	Smart Set Dalmys	Penningtons	RW & CO.	Addition Elle	Addition Elle Outlet	Thyme Maternity	Total
14	3	3	-	1	1	1	**23**
3	3	1	-	-	-	-	**7**
20	6	6	-	1	1	1	**35**
18	6	3	1	1	2	1	**32**
91	29	22	8	19	15	17	**201**
113	69	52	10	25	18	26	**313**
11	6	5	-	2	3	2	**29**
6	4	5	-	2	1	2	**20**
41	18	17	3	8	5	9	**101**
31	19	19	6	7	3	6	**91**
1	-	-	-	-	-	-	**1**
1	-	-	-	-	-	-	**1**
350	**163**	**133**	**28**	**66**	**49**	**65**	**854**


Reitmans
Smart Set / Dalmys
Penningtons
Addition Elle
Thyme Maternity
RW & CO.