

For immediate release

**GENDIS INC. ANNOUNCES SECOND QUARTER RESULTS  
FOR FISCAL 2005**

Winnipeg, Manitoba (September 3, 2004) - Gendis Inc. (TSX:GDS) today announced its financial results for the 2<sup>nd</sup> quarter ended July 31, 2004 of the fiscal year ending January 29, 2005.

Consolidated net loss for the 2<sup>nd</sup> quarter was \$2.4-million (\$0.16 per share) compared to a net loss of \$1.9-million (\$0.13 per share) last year. Saan Stores net loss for the quarter was \$2.7-million (\$0.18 per share) compared to net earnings of \$0.5-million (\$0.03 per share) last year.

Revenue for the 2<sup>nd</sup> quarter was \$71.4-million compared to \$83.7-million last year. Sales on a same store basis of the Retail segment declined 17% for the quarter compared to last year. Regionally, same store sales of the Retail segment declined 17% in the Maritimes, 16% in Quebec, 18% in Ontario and 16% in Western Canada.

In the quarter last year, the Corporate & Realty segment incurred a financing cost of \$2.9-million on the settlement of an option held by a previous lender to the Company.

For the six months ended July 31, 2004, revenue was \$128.1-million, compared to \$145.3-million last year. The net loss for the period was \$12.6-million (\$0.82 per share) compared to a net loss of \$10.0-million (\$0.65 per share) last year.

Operating results follow.

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*Gendis is active in the retail merchandising industry through Saan Stores Ltd., a wholly owned subsidiary that operates junior department and family clothing stores across Canada. These retail outlets have a broad geographic base and operate under the names SAAN and Red Apple Clearance Centre.*

## Gendis Inc.

## Consolidated Statement of Earnings and Retained Earnings

(unaudited - in thousands of dollars)	13 weeks ended		26 weeks ended	
	July 31, 2004	July 26, 2003	July 31, 2004	July 26, 2003
Revenue	71,350	83,659	128,126	145,252
Costs and expenses				
Cost of goods sold, selling, general and administrative expenses	71,993	80,670	137,205	148,542
Amortization of property and equipment	1,759	1,936	3,448	3,832
Interest and finance costs	485	3,427	951	3,952
	74,237	86,033	141,604	156,326
Earnings (loss) before the undernoted	(2,887)	(2,374)	(13,478)	(11,074)
Investment income	490	419	967	839
Gain on sale of real estate	—	74	—	397
Loss before income tax	(2,397)	(1,881)	(12,511)	(9,838)
Provision for income taxes	24	19	62	120
Earnings (loss) for the period	(2,421)	(1,900)	(12,573)	(9,958)
Premium on shares purchased for cancellation	—	—	—	(182)
Retained earnings - beginning of period	83,726	94,980	93,878	103,220
Retained earnings - end of period	81,305	93,080	81,305	93,080
Earnings (loss) per share - basic and diluted	(0.16)	(0.13)	(0.82)	(0.65)

## Basis of Presentation of unaudited interim financial statements

These unaudited interim financial statements are prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods of application as the audited annual financial statements at January 31, 2004. These interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto as presented in the Company's Annual Report for the fiscal year ended January 31, 2004.

Gendis Inc.  
Consolidated Balance Sheet  
(unaudited - in  
thousands of dollars)

July 31, Jan. 31, July 26,  
2004 2004 2003

**Assets**

Cash and equivalents	4,088	6,318	8,237
Receivables	1,398	3,548	4,637
Inventory	59,820	50,927	67,150
Prepaid expenses	4,128	3,050	4,208
	<u>69,434</u>	<u>63,843</u>	<u>84,232</u>
Investments	18,921	16,123	14,493
Deposit on income tax re-assessment	28,361	28,361	28,361
Property & equipment	42,999	44,105	42,376
Accrued pension asset	4,350	4,350	4,350
	<u>164,065</u>	<u>156,782</u>	<u>173,812</u>

**Liabilities & Shareholders' Equity**

Outstanding cheques	3,217	1,347	4,184
Payables	25,788	17,810	29,046
Income & capital taxes payable	288	285	440
Current portion of capital lease obligations	1,266	1,509	1,187
Credit facility	25,880	—	—
Bank loan	8,500	—	—
	<u>64,939</u>	<u>20,951</u>	<u>34,857</u>
Long-term portion of capital lease obligations	1,721	2,201	1,941
Credit facility	—	23,652	27,825
	<u>1,721</u>	<u>25,853</u>	<u>29,766</u>
Shareholders' equity			
Capital stock	16,100	16,100	16,109
Retained earnings	81,305	93,878	93,080
	<u>97,405</u>	<u>109,978</u>	<u>109,189</u>
	<u>164,065</u>	<u>156,782</u>	<u>173,812</u>

Number of shares outstanding ('000's) 15,316 15,316 15,325

Fair market value of investments 23,758 22,712 19,170

Gendis Inc.  
Consolidated Statement of Cash Flows

(unaudited- in thousands of dollars)	13 weeks ended		26 weeks ended	
	July 31, 2004	July 26, 2003	July 31, 2004	July 26, 2003
<b>By operations:</b>				
Earnings (loss) for the period	(2,421)	(1,900)	(12,573)	(9,958)
add (deduct) items not affecting cash:				
Amortization of property and equipment	1,759	1,936	3,448	3,832
Loss (gain) on property and equipment	—	(78)	—	(400)
Cash flow from earnings	(662)	(42)	(9,125)	(6,526)
Changes in non-cash working capital	2,502	7,685	160	2,990
	<u>1,840</u>	<u>7,643</u>	<u>(8,965)</u>	<u>(3,536)</u>
<b>By investing activities:</b>				
Proceeds from the sale of property & equipment	—	616	—	1,193
Purchase of property and equipment	(12)	(2,342)	(2,303)	(6,575)
Investment acquired	(198)	—	(2,798)	(304)
	<u>(210)</u>	<u>(1,726)</u>	<u>(5,101)</u>	<u>(5,686)</u>
<b>By financing activities:</b>				
Net increase (decrease) in credit facility debt	(6,323)	(8,427)	2,228	5,318
Net increase in bank loans	6,500	—	8,500	—
Payments on capital lease obligations	(383)	(280)	(762)	(566)
Purchase of shares for cancellation	—	—	—	(352)
	<u>(206)</u>	<u>(8,707)</u>	<u>9,966</u>	<u>4,400</u>
Increase (decrease) in cash	1,424	(2,790)	(4,100)	(4,822)
Cash - beginning of period	(553)	6,843	4,971	8,875
Cash - end of period	<u>871</u>	<u>4,053</u>	<u>871</u>	<u>4,053</u>
<b>Cash is comprised of:</b>				
Cash and equivalents			4,088	8,237
Outstanding cheques			(3,217)	(4,184)
			<u>871</u>	<u>4,053</u>
<b>Supplemental information:</b>				
Interest & finance costs paid	414	3,428	901	3,885
Income taxes paid	15	2	41	88

Gendis Inc.  
Segment Information  
13 weeks ended July 31, 2004

(unaudited - in thousands of dollars)		Retail	Corporate & Realty	Inter Segment	Total
External	TY	71,202	148	—	71,350
revenue	LY	83,494	165	—	83,659
Intersegment	TY	—	367	(367)	—
revenue	LY	—	489	(489)	—
Amortization of	TY	1,652	107	—	1,759
property & equipment	LY	1,816	120	—	1,936
Investment	TY	—	490	—	490
income	LY	—	419	—	419
Gain on sale	TY	—	—	—	—
of real estate	LY	—	74	—	74
Interest &	TY	443	78	(36)	485
finance costs	LY	600	2,913	(86)	3,427
Income tax expense	TY	19	5	—	24
(recovery)	LY	38	(19)	—	19
Earnings	TY	(2,736)	315	—	(2,421)
(loss)	LY	521	(2,421)	—	(1,900)
Acquisition of	TY	28	—	—	28
property & equipment	LY	2,390	117	—	2,507

Gendis Inc.  
Segment Information  
26 weeks ended July 31, 2004

(unaudited - in thousands of dollars)		Retail	Corporate & Realty	Inter Segment	Total
External revenue	TY	127,828	298	—	128,126
	LY	144,949	303	—	145,252
Intersegment revenue	TY	—	758	(758)	—
	LY	—	955	(955)	—
Amortization of property & equipment	TY	3,232	216	—	3,448
	LY	3,595	237	—	3,832
Investment income	TY	—	967	—	967
	LY	—	839	—	839
Gain on sale of real estate	TY	—	—	—	—
	LY	—	397	—	397
Interest & finance costs	TY	953	91	(93)	951
	LY	1,172	2,913	(133)	3,952
Income tax expense	TY	39	23	—	62
	LY	76	44	—	120
Earnings (loss)	TY	(13,141)	568	—	(12,573)
	LY	(8,273)	(1,685)	—	(9,958)
Acquisition of property & equipment	TY	2,342	—	—	2,342
	LY	3,093	3,482	—	6,575
Segment assets	TY	92,611	86,454	(15,000)	164,065
	LY	101,866	76,946	(5,000)	173,812