The unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). All references to dollars are in Canadian funds unless otherwise indicated. The Annual Report and other related documents can be found at www.sedar.com.

Management's discussion and analysis provides an overview of the performance of The Forzani Group Ltd. ("FGL" or the "Company"), and its subsidiaries, for the 13-week first quarter ended May 2, 2004 ("fiscal 2005"), compared to the 13-week first quarter ended May 4, 2003 ("fiscal 2004"). It should be read in conjunction with the consolidated financial statements and notes contained in the fiscal 2004 Annual Report.

REVIEW OF OPERATIONS

For the 13 weeks ended May 2, 2004 and May 4, 2003

Retail system sales for the 13 weeks ended May 2, 2004 were $227.7 million, a $6.1 million increase from sales for the 13 weeks ended May 4, 2003 of $221.6 million. Comparable sales in corporate stores decreased 2.1%, while franchise stores decreased 1.0%, with total comparable retail system sales decreasing 1.7%.

On March 19, 2004, the Company purchased all of the outstanding shares of Gen-X Sports Inc., an opportunity-buy business specializing in the sourcing, purchase and subsequent resale of manufacturers' excess capacity product. The acquisition will provide the Company with an opportunity-buy arm that will deliver profitable close-out products to our corporate and franchise stores, as well as to other North American retailers.

During the quarter, the Company opened 2 corporate stores (1 Sport Chek and 1 Sport Mart) and closed 2 corporate stores (1 Sport Mart and a clearance centre operating under the Intersport banner). In the franchise division, 1 store was opened (Econosport) and 1 store was closed (Intersport). In addition, the Company assumed the operations of 4 outerwear stores that were subsequently closed in the second quarter. As a result, at the end of the first quarter, the Company had 221 corporate stores and 174 franchise locations. This was a net increase of 30,485 square feet of retail selling space, a 0.7 % increase versus the previous quarter. The Company now has 395 stores from coast to coast (fiscal 2004 - 368 stores).

Revenue was $228.6 million, a $7.3 million, or 3.3% increase over the 13-week period last year. Revenue consists of corporate store sales, wholesale sales, service income, equipment rentals, franchise fees and franchise royalties. Combined gross margin for the 13 weeks ended May 2, 2004 was up 50 basis points to 31.0% of revenue, from 30.5% in the prior year. In absolute dollars, the combined gross margin increased $3.4 million, to $70.9 million, from the 13-week period last year.

Store operating expenses increased slightly, as a percent of corporate revenue, to 29.7% from 29.0% in the prior year, due to the relationship of the fixed cost components of store expenses against the decline in comparable store sales. General and administrative expenses, excluding stock-based compensation, were 5.9% of total revenue or $13.4 million, a decrease of 10 basis points compared to the 13-week period last year.

Earnings, before interest, taxes, depreciation, and amortization ("EBITDA")[1] , were $11.9 million, a 9.2% increase from $10.9 million for the 13-week period last year. As a percent of revenue, EBITDA increased 30 basis points to 5.2%, when compared to the 13-week period in the prior year.

As a result, earnings before income taxes for the 13 weeks ended May 2, 2004 were $2.5 million, or 1.1% of revenues, compared to $1.9 million, or 0.9% of revenues, for the 13-week period in the prior year. Basic and diluted earnings per share for the 13-week period ended May 2, 2004 were $0.05, compared to $0.04 in the prior year. Cash flow from operations[2] increased from $7.0 million to $8.9 million. On a per share basis, cash flow increased 21.7% to $0.28 from $0.23 in the prior year.

FINANCIAL CONDITION

The Company's financial position continues to be strong. As at May 2, 2004, the Company had a working capital surplus of $121.1 million, compared to $103.9 million in the prior year. Accounts receivable days outstanding increased to 112 days from 109 days in the prior year as a result of improved supplier terms, which are passed on to franchisees. Inventory increased due to the acquisition of Gen-X Sports Inc. and increased square footage. Inventory intensity[3], exclusive of Gen-X Sports Inc. has decreased 1.1% to $88 versus the prior year of $89. Accounts payable financing of inventory and receivables from franchisees, improved to 52.6%, versus 52.2% in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirements are to fund working capital needs, develop private-label brands and open new stores in connection with its expansion strategy. These capital requirements have generally been satisfied by a combination of cash flow from operations and borrowings under its credit facility and term loans (more fully described in Note 7 to the fiscal 2004 Consolidated Financial Statements) and the periodic issuance of shares. For the period ended May 2, 2004, these sources of capital included: $25.0 million in long-term debt; cash generated from operating activities, before changes in non-cash working capital elements, of $8.9 million, an increase of 27.1% over the prior year; and an available credit facility of $115.0 million with an option to increase the maximum revolving credit commitment by $35 million, to $150 million, via exercising of a single, irreversible option. Based on current operating levels and available funds, there will be sufficient means to satisfy the Company's working capital needs, debt-service requirements and expansion strategies for the coming fiscal year. Capital expenditures, net of lease inducements and disposals, were $6.2 million for the 13-week period ended May 2, 2004, an increase of $2.3 million over the previous year.

RETAIL RISKS AND UNCERTAINTIES

The risks and uncertainties faced by the Company are substantially the same as those disclosed in the Management's Discussion and Analysis section of the Company's fiscal 2004 Annual Report. Traditionally, the retail industry is influenced by a number of external factors that are difficult to actively manage. These include the overall economy, consumer spending and debt levels. Other factors, such as retail competition, seasonality, changes in fashion trends and adverse movements in foreign exchange and interest rates, can be managed.

[1]Earnings before interest, taxes, depreciation and amortization (EBITDA) is not a recognized performance measure under GAAP. Management believes that, in addition to net earnings, this measure is useful supplemental information, which provides the reader with an indication of operating earnings prior to amortization, debt service and provision for income taxes.

[2]Cash flow from operations is not a recognized measure under GAAP. Cash flow per share is defined to be cash from operating activities before non-cash changes in working capital divided by the weighted average shares outstanding. Management believes that cash flow per share is a key measure, as it demonstrates the Company's ability to generate cash flow necessary to fund future growth.

[3]Defined as inventory on hand, at cost, per square foot of retail space.

ACCOUNTING POLICIES

Our critical accounting policies are disclosed in Management's Discussion and Analysis report in the Company's fiscal 2004 Annual Report. Effective February 2, 2004 the Company has adopted the following new accounting policies, none of which had a material impact on the financial statements of the Company for the 13 weeks ended May 2, 2004.

Hedging Relationships – Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 13. This guideline is effective for fiscal years beginning on or after July 1, 2003. Under this policy the Company formally documents the relationship between the hedging instruments, hedged items, its risk management objective and risk management strategy. This documentation links all derivatives to specific assets, liabilities, firm commitments or forecasted transactions. The Company formally assesses the effectiveness of derivatives in offsetting changes or cash flow hedged items at inception and on an ongoing basis.

Impairment of Long-Lived Assets – CICA Section 3063. This standard is effective for fiscal years beginning on or after April 1, 2003. The standard provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets and replaces the previous standard regarding write-down of property, plant and equipment. There is a requirement to recognize an impairment loss for a long-lived asset when its carrying value exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition (fair value). The impairment loss is measured as the amount by which the carrying value exceeds its fair value.

Asset Retirement Obligations – CICA Section 3110. This standard is effective for fiscal years beginning on or after January 1, 2004. The Standard provides guidance on the recognition and measurement of liabilities or obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operations of the assets. The obligation is recorded in the period when a reasonable estimate of the fair value can be determined, with a corresponding increase in the carrying value of the related asset. The asset is then amortized over the length of its useful life and the actual asset retirement expenditures are charged against the obligation.

FUTURE EVENTS AND TRENDS

The Company anticipates continued consolidation in the sporting-goods retail industry. This will create opportunities for the Company to further increase its market share. As independent retailers continue to see reductions in their profit margins, and as buying groups weaken, this will create opportunities for the franchise division to attract quality independents. Furthermore, as less productive retailers exit the market, it will create opportunities for further corporate expansion. In fiscal 2005, the Company anticipates opening at least 20 new corporate stores and 18 franchise stores.

This document may contain forward-looking statements relating to the future performance of The Forzani Group Ltd. Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially. The Company, with the appropriate securities commissions, details these risks and uncertainties from time to time. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.