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OPERATOR: Good morning ladies and gentlemen. Thank you for standing by. Welcome to The Forzani Group Ltd. Third Quarter Fiscal 2005 Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press *, 0 for operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Friday, December 3rd, 2004, at 10:00 a.m. Eastern Time. I will now turn the conference over to Mr. Bob Sartor, Chief Executive Officer. Please go ahead sir.

BOB SARTOR (CEO): Thank you. Good morning everyone and welcome to The Forzani Group Ltd. Third Quarter Conference Call. With me today are President, Chief Operating Officer, Bill Gregson and the President of our franchise business, Tom Quinn, and our CFO, Richard Burnet. Q3 was a quarter of extremes, I believe, as our combined comparable store sales in August we were very soft, as we previously reported, partially offset by a very strong September and a relatively flat October. In my view, the quarter can be summarized in the following way: Continued softness in our corporate retail operations, which was exacerbated by the more competitive environment in Ontario. Strong wholesale revenues due to much stronger bookings by our franchisees and

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Tom will talk about that in a minute, as well as the addition of Genex and solid expense control. Margins were down to about 31.07% from 32.5% last year, but that was entirely due to a mix shift of more, lower margin wholesale business in the quarter than last year. And I'll remind our listeners that our corporate business margins because they are at retail, tend to be significantly higher, so if we have a shift in wholesale business, in another words, more wholesale as a percentage of our mix, I typically draw the consolidated margins down. In fact, corporate margins were essentially flat with last year. Our earnings per share prior to the new vendor rebate accounting change, of which I am sure you are all aware of, were \$0.23 a share in both the current and prior year. (Inaudible) implementation of the new vendor rebate accounting requirements, EPS was \$0.20 in the quarter, versus \$0.18 last year. I will now turn it over to Richard Burnet, our CFO to provide a little more color on the financial details. After which both Bill and Tom will provide operational comments. Richard.

RICHARD BURNET (Vice President and CFO): Thanks Bob. Just a quick note with respect to the accounting for vendor rebates, we will post on our web site for the benefit of the readers of our financials, the quarterly impacts going back to Q1 fiscal '04, which would have been the first restated quarter and that would give you an indication of the impact

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through all the comparative periods up till today. Just on the results themselves, retail system sales for the quarter were 257.5 million, a \$3.1 million decrease from sales for the 13 weeks ended November 2nd, 2003, of 260.6 million. Corporate comp sales were down 4.4%, while the franchise stores were flat. Total comp retail system sales were up 3%. Revenues were 265.7 million, a \$15.5 million increase over the 13-week period last year, as Bob said, combined gross margins for the quarter were 31.1% of revenues versus 32.5 last year, again, due primarily to the change in the waiting of retail versus wholesale. In the current year, retail represented 66% of revenues and 34% wholesale versus last years 72% retail and 28% wholesale. Though our operating expenses increased as a percent of retail revenues to 26.8% from 25.9 in the prior year due primarily to the relationship of the fixed cost components of store expenses against the decline in comp store sales, G&A expenses exclusive of stock base compensation were 5.4% of revenues or 14.4 million compared to the prior year. EBITDA was 20.3 million and a 20 basis point increase from 18.5 million last year and as a percent of revenue EBITDA increased 20 basis points to 7.6% when compared to the prior year. Net income for the quarter was 6.4 million, as Bob said \$0.20 fully diluted versus 5, 9 or \$0.18 in the prior year and as Bob had mentioned, exclusive of the impact of the

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adoption of the vendor rebate accounting, diluted EPS would have been \$0.23 share in both the current and prior years third quarters, Bill.

BILL GREGSON (President and COO): Thanks Richard. On the corporate side, just to give a little flavor on some of the details, on the sales side corporate was down as both, Bob and Richard mentioned. The West was stronger than the East. In terms of categories, footwear was strong, was up, most hard goods categories were up except for ski and snow boarding end lines but categories like hockey, golf, bikes, team sports were all up. On the apparel and the outerwear side both were down and were the leading factors for the negative comps. On the margin side, as Bob mentioned, the corporate margins were flat for the quarter and on the expense side, as Richard mentioned, they were up as percent but in terms of absolute dollars on a comp store basis, our comp store expenses were down from a year ago as we maintained our tight expense control. On the inventory side, inventory per square foot on comp store basis, it is down from a year ago. Now over to Tom for a little bit of information of the franchise side.

THOMAS G. QUINN (President, Franchise Division): Good morning, as Bob mentioned on the franchise side, we did have a record of wholesale quarter directly related as well to the Fidelity ratio in the group of the franchisees and that's the amount of purchases that they buy through the

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system. As we go forward each year that number continues to grow positively. Comp retail sales were flat and the franchise retail margin performances slightly up from the previous year. We are very pleased with consistent growth of sales of margin of our Atmosphere banner and Sport Experts and Intersport continue to roll along with the store expansions and renovation projects. On the category level and the technical athletic in higher end sport fashion clothing continue to show solid growth. The footwear category continues growing with the positive growth as well and in equipment we are having strong hockey, bikes and exercise category growth. With that I will turn it back over to Bob.

BOB SARTOR: Thanks Tom. So, folks, there you have, not a lot to talk about, not a lot has changed, it's still tough in Ontario and it's still relatively tough in some of the winter categories because the weather we've and Bill pointed out, the snowboard on the hard good side and outerwear were soft in the third quarter. Like I said, I am personally pleased with performance we gave in a quarter given the slow down in our industry and again the competitive pressures on Ontario. Going forward, we expect to continue to very tightly manage our expenses, I know, after the second quarter, there were some concerns about our G&A expenses, they were unfounded, I will remind folks, that we had over million dollars worth of BC startup costs in G&A last quarter which weren't quarter. So,

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we'll continue to tightly manage those expenses in the fourth quarter and we're hoping like all other retailers for a stronger Christmas and boxing week. We'll now turn it over to you any questions you might have.

OPERATOR: Would you like to proceed to the Q&A, sir?

BOB SARTOR: Yes, please.

OPERATOR: Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press *, 1 on your touchtone phone. You will hear a tone acknowledging your request, and your questions will be polled in the order that they are received. Please ensure you lift the handset, if you are using a speakerphone, before pressing any keys. One movement please, for your first question. Your first question comes from Kathleen Wong from CIBC Wood Gundy.

KATHLEEN WONG: Good morning. Can you elaborate on the performance of the outerwear compared to athletic and technical clothing in Q3? And, if you can, also talk about the competitors' promotional activities that you saw in Q3, in November, and your expectation of the promotional environment in December?

BOB SARTOR: Hope so Kathleen. There are a couple of questions there. The first question was you'd like us to provide some additional color on outerwear versus technical clothing or just those two categories as a separate listing category?

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KATHLEEN WONG: Basically outerwear versus technical clothing and athletic in the Q3.

BOB SARTOR: Q3 technical clothing was very strong, both in corporate and franchise and of clothing, this performance, athletic clothing and typically branded, typically has either moisture management or cold or hot temperature capabilities management very strong for both franchise and corporate. On the outerwear side, as we mentioned, outerwear was tougher in the quarter.

KATHLEEN WONG: And what about the margins of the apparel side?

BOB SARTOR: We don't give out, we talk to margins on clothing for the company, we manage a lot of different businesses, and ours is for the corporate business, we're flat for the quarter and I think we're up on the, at the franchise E level, they were up for the quarter.

KATHLEEN WONG: And what about the competitive promotional activities that you saw in Q3 and what's your expectation going forward?

BOB SARTOR: Our expectation is as we said that we think Ontario is a very competitive market, we'll be the most competitive market in the country and we don't think there's any change in that and from where it has been.

KATHLEEN WONG: Thanks.

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BOB SARTOR: But we do you expect competition to be certainly as intense over the Christmas period as last year, so we don't see a lessening of competition, that's for sure.

KATHLEEN WONG: Okay. And I also observed that your promotional activities seem to be more aggressive in October and November. Are you going to keep continuing that promotional activities in December?

BOB SARTOR: We, I think, we are similar in terms of our, this year to last year and in terms of promotional activity is we have something going on every week, the same as we did last year.

KATHLEEN WONG: Okay. The second question is on your marketing strategy in Sport Chek versus Sport Mart, just wondering, do you see any sales kind of relaxation impact on your Sport Mart stores, when you are running distributor events or the no tax events over at the Sport Chek stores in Ontario?

BOB SARTOR: We, Sport Mart and Sport Chek have been in this country together for a long time, it's only since 2001 that they've been under the FGL umbrella, they always run promotional activity and they both typically in a typical week, for most weeks of the year they're both running a flier, so that's, that's nothing new. We'd like to think that if there is capitalization from each other, then there is a much bigger capitalization

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from the competition, which is obviously is a long-term strategy is that Sport Chek and Sport Mart are a combined one, two-punch. In Western Canada, there is, have a dominant position and we believe that Sport Chek, Sport Mart as a one, two-punch will end up with a dominant position in Ontario as well.

KATHLEEN WONG: Okay, just a last question. Can you give us the square footage of the corporate stores and the franchise stores at the end of Q3?

BOB SARTOR: At the end of Q3, the corporate store square footage 3,355,000 feet and for the franchise, it was 1,384,000 sq. ft.

KATHLEEN WONG: Okay, great, thanks very much.

OPERATOR: Your next question comes from Jamie Spreng from Fraser MacKenzie. Please go ahead.

JAMIE SPRENG: Good morning. Was curious, on the accounting changes with the vendor, relating to the vendor rebates. Presumably, the \$2.7 million increase and cost of good sales you've had in the first nine months of the year would be, or you'd expected could be reversed in Q4, so I am, I guess the question is from the modeling side, is it fair to reverse all of that in the fourth quarter?

BOB SARTOR: Given the trends and our inventory levels going through the fourth quarter, Jamie, we believe the overall impact on the year

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will be marginal, so an answer to your question is essentially yes. The impact in both years we anticipate being immaterial but that, certainly that's depended on how the fourth quarter flows and where we end up with our inventory levels.

JAMIE SPRENG: Right, okay. I was curious, Bill, if you could elaborate a little bit more in what you're seeing in November, particularly in the outerwear categories, and if you'd comment on same store sales as start of October went into November if there was any change?

BILL GREGSON: They were probably, we hate to, I mean, we the problem with breaking it down into such small timeframes, it's not something that we really want to do, it's, we're looking, we prefer to look at the quarter, November is, I mean, is the prelude to December and all the action comes in December and in early January, so it's not something that I think we're prepared to talk about today.

BOB SARTOR: To put in a perspective though, I was stuck in Halifax when we had a snowstorm three weeks ago and our outerwear business, and you know what, nobody likes to use the weather card, but the reality is when it's cold and it's snowing we sell a ton of outerwear. Our business in Atlantic Canada was up, I don't know some double, yeah double-digit and in October when we had a roughly ten day cold snap in Western Canada, our business was up double-digits in outerwear, so really

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is, and there are two issues, number 1, it's a business that is impacted by weather, and number 2, and most important and those, I'm sure you'll remember, anyone covering our company for a while would know, that the bulk of our outerwear business is typically done in January or February.

JAMIE SPRENG: Okay. I was curious also and it may be a little better early but your thoughts on next year in terms of new stores versus renovations, is the intention to spend a little bit more time on the renovation side or?

BOB SARTOR: Yeah, that's, that's probably a fair comment Jamie. Well, actually next year, I think, we will have more Sport Chek opportunities than we had for the last couple of years.

JAMIE SPRENG: In terms of new stores?

BILL GREGSON: In terms of new stores, yeah, you know, those kind of, you have to take them when they come and they're not predictable and it looks like so far to date that a number of good possibilities have come up that we will take advantage of, so I would think we would probably do more Sport Cheks next year than we did this year or the year before, but you're right, I think, we have earmarked, we're just, in fact we have our board meeting today to talk about our budget for next year and we have earmarked a significant amount of CAPEX for refurbishing a number of Sport Chek Stores next year really we, we've, a lot of them are 6, 7, 8

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years old right now and in terms of when they were built and we look to brighten up and both from point of view of paint and from point of view of lighting in the stores, so, yeah, I think you'll see a number of refurbishments next year.

JAMIE SPRENG: Great, that's it for me, thanks.

OPERATOR: Your next question comes from Tay Wilson from Laurentian University. Please go ahead.

TAY WILSON: Yeah, hi, it's Tay Wilson here. The weighted average number of common shares outstanding is 32.6 versus 32.3, that's an increase from about 3%, is that the normal, like, delusion of shares that occurs every year or?

BILL GREGSON: 32.6 versus?

TAY WILSON: 31.

BILL GREGSON: 31.3 in the prior years?

TAY WILSON: Yeah.

BILL GREGSON: I would say yes, on average, that's the--

TAY WILSON: 3% increase.

BILL GREGSON: We see an increase, yeah.

UNIDENTIFIED: But we also, not forget we did issue some shares in the first quarter on the acquisition of Genex.

TAY WILSON: Right.

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UNIDENTIFIED: I believe that was, Richard, 300,000 shares?

RICHARD BURNET: Yeah, something like that.

TAY WILSON: Okay, thank you very much.

OPERATOR: Your next question comes from Bob Gibson from Maison Placements. Please go ahead.

BOB GIBSON: Good morning, guys, awfully early for you. Could you give me some cover on the Nevada Bob's, maybe stretching it to give me an idea how much they contributed to franchise revenue. If you're seeing any synergies, maybe on the branding side, and just give me some flavor?

THOMAS G. QUINN: Bob, Tom Quinn. At the moment we're still in the process of concluding the transaction to acquire Nevada Bob's so they had absolutely no impact on the business in this last quarter.

BOB GIBSON: Okay, not at all, so then the increase in your absolute sales, is that more stores or what?

THOMAS G. QUINN: No, we've just had comp store growth and primarily an increase in Fidelity ratios, which is the amount of the franchisees that buy through our system.

BOB GIBSON: Okay, so what, could you give me that number, that percentage?

THOMAS G. QUINN: No, we don't report that at all.

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BOB GIBSON: The Fidelity, okay. And then do you think you might see some benefits on the branding side on the golf, may be carrying better brands or more higher-end brands on the golf side in your other stores?

BILL GREGSON: Bob, it's Bill. The answer to that, the simple answer is no. The explanation would be the golf, if you look at the, we'll call the elite brands in Canada, which would be Tina May (?), Callaway, Ping, Titlelist, they have a policy today and there is no reason to think it is going to change of selling golf only stores, so they will sell Nevada Bob's because Nevada Bob's obviously is a golf-only store. But you should look to see that going over into Sport Chek or Sport Experts.

BOB GIBSON: Okay, and then finally, are you seeing any new toys coming up for the winter season?

BILL GREGSON: Personally or, no probably there's nothing we're having, probably the biggest single thing is the bikes, in terms of the chopper-style bikes, as you know with a (inaudible) craze of Orange County Choppers and West Coast Choppers, there are chopper bikes out there right now. We have some in our stores. They're doing quite well. You'll see that for Christmas and you'll see it for next spring as well.

BOB GIBSON: Okay, thank you very much.

OPERATOR: Your next question comes from Shelea Broughton from Pacific International. Please go ahead.

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SHELEA BROUGHTON: Hi guys, just wondering if you could follow up on Bob's question. Do you have a timeline for the closing of the Nevada Bob's transaction?

BOB SARTOR: Yeah, the Nevada Bob's transaction is expected to close probably on, or about the second week of January. We had hoped to close it prior to Christmas but they had some work to do to (inaudible) US assets and US business. So, we're just waiting for the vendor to complete that work. So, it will likely be in the second week of January or sooner.

SHELEA BROUGHTON: Okay, and with expecting most of the change for the accounting change to revert back in Q4, are you still sticking with your guidance of EPS \$0.84 to \$0.90 for the year?

BOB SARTOR: Yeah, it's really too early, Shelea, to give it a call because if you had access to our data, which is sort of a weekly sales date, you would see that the next five weeks are huge.

SHELEA BROUGHTON: Oh, yeah.

BOB SARTOR: So at this stage it's impossible to talk (inaudible).

SHELEA BROUGHTON: Okay, then just lastly, since on the last conference call, we're still looking for a new flashy modeled 19 corporate and 12 franchise for the year, no changes to that?

BOB SARTOR: This current year.

SHELEA BROUGHTON: Yeah, no, for this current year.

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BOB SARTOR: Yeah, we're basically the, yeah that's right those are the right numbers.

SHELEA BROUGHTON: Okay, great, that's it for my questions.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press *, 1. As a reminder, if you are using a speakerphone, please lift the handset before pressing any keys. Your next question comes from Benoit Caron from Canaccord Capital. Please go ahead.

BENOIT CARON: Good morning gentlemen. Quick question here. You mentioned that bookings were pretty strong on the franchise side and it certainly shows in the receivables, which has gone up. Could you mention the nature of these bookings, what kind of equipment they primarily represent, please?

THOMAS G. QUINN: I believe that, it's Tom here, I believe where we had increases was in the technical clothing, athletic clothing, certainly shows some of the growth in the quarter. Bookings in terms of the footwear category went up over the previous year and our outerwear category came in at the later time in delivery that helped increase those sales as well.

BENOIT CARON: Okay. And part of that probably comes from, well I would presume, part of that would come from the Atmosphere network

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that they are kind of building their winter inventory and all these things, could they be a part of that?

THOMAS G. QUINN: It's marginally there because the 14 stores we did have in place last year and normally in the previous year we would get a stronger growth by buying initial inventories plus the sales inventories.

BENOIT CARON: Alright, thank you. That's it.

OPERATOR: Your next question, is a question from Kathleen Kent from BMO Nesbitt Burns. Please go ahead.

KATHLEEN KENT: Good morning. You said that gross margins were flat on the corporate side. So I guess the decline then was largely obviously on the wholesale side. What was the driver of that?

BOB SARTOR: It's not a decline. What you're looking at is a blended number, so if, you know, 70% of your business last year generated a margin of X, that 70% is now, say let's take a range of 65%. It generates the same X, and last year 30% generated Y, now that's 30% is grown to 35%, generating Y. When you blend the two, your weighted average comes down. We've not seen a deterioration in our margins.

KATHLEEN KENT: Oh, so, neither corporate or wholesale.

BOB SARTOR: No, its blend, yeah, I mean the margin of Tom's business, on a franchise side, are virtually identical to last year. The margins of corporate were flat with last year and the margins or Genex are

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new, obviously we didn't have Genex last year, but there wholesale margins as well which typically run considerably lower than retail margins but they typically have considerably lower cost attached to them.

KATHLEEN KENT: Is Genex margins combined with your other wholesale business?

BOB SARTOR: Genex would be between our traditional franchise and it would be closer to our traditional franchise wholesale margins but higher and was substantially less than our retail margins.

KATHLEEN KENT: Can you give us an estimate on the proportion of the next set it would close out this quarter?

BOB SARTOR: I am sorry Kathleen, could you tell again?

KATHLEEN KENT: The proportion of the sales mix that was close out merchandise?

BOB SARTOR: No, we have slightly, I think we can find that, (inaudible) it was just over 13% for the quarter, so not far off of our market store leverages, up slightly from a year ago.

KATHLEEN KENT: Can you give us any idea on what Genex contributed in terms of sales for the quarter?

BOB SARTOR: No, it's we just blend it, remember in wholesale we have three different businesses so that we can recall, we have franchise business, we have Genex and we also have a business called Intersport

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North America which builds private brands, and we basically put those together under wholesale, so the level of granularity you're looking for, and I appreciate why you are looking for, is something for competitive reasons, we really have no stomach to put out there.

KATHLEEN KENT: That's all I have. Thank you.

OPERATOR: Your next question is a follow-up from Jamie Spreng from Fraser MacKenzie.

JAMIE SPRENG: Hi. I wanted to ask you about the performance of your, I don't know what to call them, your super stores if you will. I noticed you've opened a new one in Ottawa. I was curious how the Calgary location is going?

BOB SARTOR: It's actually Edmonton, Jamie, in Londonderry.

JAMIE SPRENG: Oh, I am sorry, right, Edmonton.

BOB SARTOR: Yeah, it's gone very well, extremely well, we're very happy with it, and the one in Ottawa, which is Place d'Orleans opens this morning. So it would open right now, actually it's grand open today.

JAMIE SPRENG: Okay. But have you, I mean, is the experience in Edmonton changed your thoughts on how many of these you can open or?

BOB SARTOR: No, again we go back. It's a real estate opportunity. We will open, if it's always a perfect world, we can have the real estate deal we wanted anywhere, you know, we would have a 120 of them, it

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would be more like the 10-20 range across the country, but we will only do them as the right real estate deal comes off, so we don't have to push on to do them, it's typically sitting down with the landlord and working out an advantageous deal and that's the number one driver before we do one we will have to have the right deal.

JAMIE SPRENG: Right, thanks.

OPERATOR: Mr. Sartor, there are no further questions at this time, please continue.

BOB SARTOR: Right, well thank you very much for attending the call. I understand there has been fairly heavy competition since Loblaw's is out there today (inaudible). As I said in my wrap-up prior to taking questions and we read the papers like everyone else, certainly all people who follow retail are holding their breath to see how Christmas shapes out. Clearly, the softer or the warmer weather didn't help our outerwear business in Q3 and extended (inaudible) in Q4 as well. We certainly are terribly concerned because we do, as I said earlier, bulk of our outerwear business in the Jan-Feb timeframe. We also do a lot of our ski business post Christmas. I think over the years, people have come to expect to buy their skis at Sport Chek after the Christmas period, so that is not a surprise to us. The key will be obviously how the next four-five weeks shape up. Going back to Shelea's question about guidance, we will basically have an

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awful lot of what I consider to be quality promotional events over the next four-five weeks, and certainly, from a consumer's perspective, an awful lot of reasons to come into our stores, be they corporate or franchise. Ladies and gentlemen, thank you very much and good day.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, and please disconnect your lines.

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