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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to The Forzani Group Limited Fourth 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 "star-zero" for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Tuesday, February 22nd, 2005 at 10:30 a.m. Eastern time.

I will now turn the conference over to Bob Sartor, Chief Executive Officer. Please go ahead.

BOB SARTOR (Chief Executive Officer): Thank you and good morning ladies and gentlemen and welcome to The Forzani Group Limited Q4 Unaudited Earnings Release Conference Call. Joining me here today in Calgary are Bill Gregson, our President and Chief Operating Officer, and Richard Burnet, our Chief Financial Officer.

We issued a press release prior to the opening of markets today announcing our Q4 and full year fiscal '05 unaudited results, which did not – for the second year in a row – meet expectations. Obviously, our plan initially was to simply talk about sales, which were soft, and talk about the

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National acquisition, but clearly this weekend, when I was able to review financial statements with our CFO it was clear that the miss was of a slightly higher magnitude than expected, and hence the non-planned Q4, what I would call 'earning warning' conference call.

Those who have not seen the press release can get it on our website at www.forzanigroup.com. The press release covered a lot of material and I certainly believe that it was important to put this year into context. I think we should probably start with the numbers, both from an operating and an inventory point of view, and then really spend the rest of the time focusing on what we're doing to prevent a similar conference call next year.

I'm going to ask Richard Burnet now, our CFO, to talk to Q4 and to our year-to-date numbers. Richard.

RICHARD BURNET (Chief Financial Officer): Thanks Bob. I'll first cover Q4 as this is the new news, and then I'll review the fiscal '05 unaudited numbers. Just to confirm dates relating to the results; fiscal '05 results are for the thirteen and fifty-two weeks ended January 30th, '05 versus fiscal '04, which were the thirteen and fifty-two week period ended February 1st, '04.

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Revenues for the quarter were 274.3 million, down 2.3 percent from last year. This was driven entirely by softness in corporate store sales and comp store sales declined by 7.7 percent, and sales in our ski, snowboard, outerwear and accessories declined materially for the first time in recent memory as a lack of snow and ski hill closures in Western Canada, as well as unseasonably warm weather during some of our critical sales periods hampered sales.

Particularly hard hit in the quarter was the equipment category where the comp store sales declined in the alpine and snowboard hard goods product categories of 14.1 percent. The issue here we believe was more weather and lack of snow related than it was product driven. Outerwear, which is a big part of Q4 sales, also was affected with comp store sales of outerwear and accessories off 3.2 percent. Licenced clothing, another key category in the fall and winter, was off 39.5 percent, due primarily to the NHL lockout. That performance in the key winter category pretty much killed any chance we had of making the numbers for the quarter.

The good news, and yes, there is some in the seasonal wear and outerwear category; is our inventory position. We managed the category as well as we could under the circumstances and were able to actually

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drop our comp store and warehouse inventories by 3.2 percent in the categories mentioned above or previously, and by 4 percent overall versus a year ago in the face of a steep sales decline. And, we didn't take massive margin hits to do it as we kept our VAR relatively lean to start off with and marked product down on a timely basis.

Our Wholesale business, which continues to grow through acquisition, fared better for the quarter with sales up 7.4 percent to 44.8 million. The Gen-X acquisition contributed largely to that increase. Comparable franchise store sales increased a strong 7.1 percent for the quarter as the Quebec market was again great for us.

Consolidated margins declined during the quarter by 140 basis points to 37.4 percent. Most of this was driven by the Wholesale margins as Wholesale sales were a greater proportion of our total sales mix in the quarter. Corporate store margins only declined 55 basis points for the quarter, despite the aforementioned mark downs.

And overall, as pointed out in the press release, expenses were in good shape, with corporate store operating costs up less than \$200,000, despite the opening of seven new stores. They were, in fact, 4.5 percent lower on a comp store basis. G&A again was below prior year levels.

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Net earnings for the quarter were 13 million versus 16.1 million last year, and EPS ended up at 40 cents versus 50 last year. All figures do reflect the impact of EIC144.

Our fiscal '05 revenues were 985.1 million, up 1.8 percent from last year. Corporate store revenues were 718.8 million, down almost 2 percent from last year's mark, driven by the soft Q4 comp store sales, which drove the year-to-date comp decline to 5.1 percent. Wholesale sales for the year increased by 13.2 percent to 266.2 million, driven again by the Gen-X acquisition.

Corporate store operating expenses increased by 3.1 million versus a year ago to 189.8 million, driven by new store openings. On a comp store basis, operating expenses actually declined by roughly 2 percent. G&A costs were essentially flat as a percentage of revenues for the year.

Net earnings and EPS for the year were 22.9 million, or 70 cents a share, 74 cents exclusive of the Huffy write-down taken during the year, and that compares to 28.1 million or 87 cents per share a year earlier. Bob.

BOB SARTOR: Thanks Richard. This, ladies and gentlemen, is obviously not the quarter we had in mind to end up the year. Just to give you some colour on the quarter; it started off quite slowly with the month of November being by far the softest month, December's sales increased as

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the month progressed, and certainly towards the end of December and Boxing Week sales were very, very strong, and January was, in fact, nicely ahead of last year's expected, but simply not enough to overcome the November softness.

So, obviously, the question is what's next? As we said in our press release, we again ended up the year in good shape from an inventory point of view, which I believe is really critical of both maintaining a continued healthy balance sheet in the business, but also in terms of the flexibility it gives us in our Open To Buy and our buying going forward, and that's what I'd like Bill Gregson, our President and COO to spend some time talking to you about now. Bill.

BILL GREGSON (President and Chief Operating Officer): Thanks Bob. Obviously the, as both Bob and Richard pointed out, our inventories are in very good shape, which for, gives us a lot of flexibility going forward. Our expenses were well-controlled during the quarter and during the year. So, the single biggest issue facing our corporation to greatly improve our financial performance obviously is a re-energizing of corporate sales, corporate comps and corporate stores, and a lot of work has been done recently and for the last little while and we are turning up the pace and up

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the heat on the changes in our corporate stores again to drive corporate, the company performance through increased corporate sales performance.

So, it would initially begin earnest, in earnest this spring. Some of the initiatives that will take place, a big one we will this spring, by the end of July, we will facelift sixty Sport Cheks with new lighting and paint colours. We have done this in the new stores. We have put in a new lighting system and new paint. It has been well received. It results in a much brighter store and a much more enhanced shopping environment, and we believe that a number of our stores are tired and have had a look for anywhere from four to eight years, and it's time to freshen them up, so sixty stores will be done by the end of July.

We've talked a lot in the past about clothing and clothing continued, it remains a challenge for us. We tested a number of new clothing initiatives at Christmas and they react, and they worked very well. So, what you will see for the upcoming year is you will see a focus in three areas for us; in Fashion and Lifestyle, in Athletic, and in Outdoor. Outdoor has done very well in our franchise business, and it is led by Columbia and North Face. We have Columbia in all our doors now. We don't have North Face Sports Wear in any of our doors right now on a Sport Chek side, and you will see it in all doors by fall.

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On the Fashion and Lifestyle side of our business, on the product that we tested that did very well is such brands as Burton, are such brands as Burton, Manns, Oakley, O'Neil, and Puma. We continually find that our commodity oriented athletic branded product or our fashion oriented private label product does not compete well with the US-based vertically integrated clothing companies. However, this is branded products not available elsewhere in, or only available at limited distribution, and the results were very encouraging for fall, in this past fall, and you will see a much bigger presence in our stores this spring and right through the fall.

As far as Athletic goes we've had some great success on (?) Athletic and we will continue with that. We will increase the assortment. We will increase the assortment especially available in women's, and we will launch a kid's program this spring as well.

Other areas that we're working on is an increase in average price points. With our inventories now in much better condition in all categories, especially clothing, and with our greater purchase of statement and elite product in footwear, outerwear, and hard goods, we expect to see average price points increase. And, as everybody knows, for the last couple years we have seen deflation in our price points, so we look forward to an increase in average price point.

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There's a number of hard good categories that we can, we remain underdeveloped in that we're making great strides in, such as bikes, golf, and fitness, so we will continue growing those. And as well, for this spring we will have the introduction of a camping program, which will go into all Sport Chek stores.

We also changed slightly our marketing program this year. We will borrow something from the success of what's gone on in our franchise business. We will have a return to radio and newspaper advertising for Sport Chek this year to support selected flyers. Last year we did no radio and no newspaper. Last year, we branded for Sport Chek, we had a branded TV campaign, "The Power of Sport". This will remain and be expanded. So, this year we will have a multifaceted marketing campaign to support Sport Chek of flyers, of radio, of newspaper, and a branded TV campaign.

And, what we will also focus on this year, and we're committing a lot of resources to it, is a company-wide commitment to improve our basic stock replenishment to ensure that we're in-stock on the everyday items that we need to be in sporting goods in every store. And, with the new system put in Sport Chek last year there was a lot of disruption obviously; we didn't have enough people in place. We have committed to that and we

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believe that there is great upside on comps by being in-stock every day, every store.

I'll talk a little bit now about National Sports and Ontario going forward. We completed the National Sports acquisition, the due diligence. The upside is better than we originally thought. There is some store overlap with National and some of the stores we have already, but it is not material and nothing that we can't work through. And, as part of National we believe now that it is time for us to maximize the asset base that we have in Ontario. Obviously we have a big commitment to Sport Chek stores, a big commitment to Sport Mart stores, and now a big commitment in National Sports stores, and a smaller commitment to Coast Mountain assets in Ontario.

Ontario has been an underperforming market for us for some time now as it's been the most competitive market, and Bob will talk to some of the things that have happened on the competitive landscape in Ontario this past Christmas and January. With the acquisition of National it's now time for FGL to maximize the return on its assets in that province, and as part of that is we needed somebody to take a pan FGL viewpoint for us in the Ontario marketplace, and so we've recently announced internally and announcing today the hiring of a very senior executive, he would be the

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President of National Sports and a Senior Vice President for Forzani Group Limited, his name is Doug Hayes. He comes to us from Calloway Golf, where he has most recently matched Calloway for Canada and been responsible for the integration of the Hogan Top Flight Calloway brands, and prior to that Doug was at Adidas for twenty-three or twenty-four years. His last position there was President of Adidas Canada, also responsible for Solomon and Tailor Made, and was responsible for the integration of those brands. So, with Doug positioned in Ontario we're looking forward to strategic rethink and maximization of our assets in Ontario.

And then my last point that I'm going to talk to is just growth for the upcoming year, the National acquisition obviously gives us a great deal of growth for the year. You will see the Sport Mart growth slowed greatly. Sport Mart will probably add four to five stores this year, of which only one will be in Ontario and that was a deal we had committed to some time ago, and Sport Chek will do seven to eight stores this year across the country, of which three to four will be in Ontario. National had one store already slated for opening this year, which is going to open next month in March.

So, with that I would like to hand it off to Bob.

BOB SARTOS: Thanks Bill. As I said in the press release, we certainly understand that the continued pursuit of our long-term strategic

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objectives are certainly being overshadowed by our current operating performance, which I certainly believe is to be expected. This year we did get a lot done. Obviously, as Bill pointed out, the key thing we need to get done in the coming year is to get our corporate comps pointed in the right direction because we have a healthy franchise business; we've got a solid, solid Wholesale business, and Gen-X National is, quite frankly, going to be I think a wonderful acquisition for us; and our corporate stores notwithstanding the negative comps are still generating a heckuva lot of cash for this business. So, we've got one major cog in the wheel that we've got to get pointed in the right direction folks.

This year, just to recap, we acquired Gen-X in the spring and it was a contributor for us. We acquired Nevada Bob, which was, we felt, pretty important in terms of continuing to broaden our product offering, our product base. We doubled our warehouse capacity, which shows that we are exceedingly bullish about future growth. We installed the new merchandising system, and that was really critical because we have gotten big, and we needed state-of-the-art merchandising technology to better manage inventory and inventory turn, and manage book mark down. Having said that, I think we've done a phenomenal job of managing our inventories in these tough times. When your comps are declining like that

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to be able to react quickly and to end up your season with less inventory than the prior year is pretty darn good.

We also bought the Hespler Hockey brand. We're renewing our commitment to hockey in addition to Vick Hockey that we bought last year; that's going to help our business we think long-term, and also help us get some volume outside of Canada on the wholesale side.

And finally, we fought the good, but obviously really painful fight in Ontario, which culminated in the month of January in the exit of one regional competitor and in early February the acquisition of National Sports, our third acquisition in eleven months.

All of these projects we'll call them were strategically right on the money and will add tremendous value to our business long-term, and we're going to continue to pursue these long-term building blocks. There's lots of other things for us that we need to do from a structural perspective to continue to grow this business.

But obviously, as Bill pointed out, we're very, very focused on the here and now, as are the majority of our shareholders. The complete reworking of our clothing assortment, you know, the continued addition of resources to our merchandising and operations team, an aggressive Sport Chek renovation plan, changes to our advertising and marketing plans,

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really are all testament to our focus on what needs to be done now to improve current operating performance.

So, clearly, you know, I think we've gone through a difficult year. I think the very recent turn of events in Ontario is favourable for us. I believe that from a product perspective, from a marketing perspective, and from a store look perspective as it relates to the renovations we've got, we've got what it takes to turn the nose of the corporate ship around as it relates to comps. And, the good news ladies and gentlemen is we're working with a heckuva strong balance sheet, and we've always been focused on keeping our powder dry because we are a cyclical retailer. We generated again over \$54 million in cash from operations prior to working capital change, and our working capital surface is over 113 million. So, a strong business, it just needs to fix one element of it, and I believe we've got the answer for that.

On March 22nd, after our Q4 Board meeting, we will be releasing our audited Q4 financial statements, and at that point in time certainly there'll be more financial data for you to review. I'm now going to turn it over to questions, and ladies and gentlemen, please try and restrict your questions to the issued press release, as obviously we can't provide new disclosure

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in this type of form. I'll now ask Marie, our moderator, to open it up to questions.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct a question-and-answer session. If you have a question, please press the "star" followed by the "one" on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset, if you are using a speakerphone, before pressing any keys. One moment, please, for your first question. Your first question comes from Jason Bilodeau from UBS. Please go ahead.

JASON BILODEAU: Hey, good morning and thank you. Just first on some of the categories that you mentioned were the biggest challenge for you with the corporate business, can you comment on your market share performance, particularly in something like ski?

BOB SARTOR: The problem with market share performance is we have to rely usually on an outside service, cause there's no real reliable monthly data. So, as it relates to where our market share is on ski and snowboard at the end of our fiscal year, we're not going to be able to say really until May, cause normally the information we rely on, which is called Trendex, comes out usually in early May, and at that point in time we can

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come out with data. But, I believe, certainly anecdotally Jason, from what we've heard from the trades, it was a pretty ugly ski and snowboard year for everybody in the industry.

JASON BILODEAU: Okay, but you feel you probably held your own?

BOB SARTOR: We think we did.

JASON BILODEAU: Okay. Just on National Sports, can you give us a little bit of colour on maybe the genesis or the timing of this deal? I guess getting announced two or three weeks after the Christmas holiday season is that, should I read into that any comment on the profitability or the state of that business, or had this been sort of in the works for a while?

BILL GREGSON: Well, it's been in the works for a while, and I think Jason it really speaks to, you know, what we've stated all along is that we were going to fight the Ontario battle with the long-term strategy of consolidating that marketplace, and the more stores we opened and the greater pressure, and more advertising that we did, and the greater pressure we put on competitors, we put pressure on them with hoping for two results; one was either for acquisition, or one was, the other is that we would just take their market share, and we saw both happen in January, early February, is that we bought National and another regional player,

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which did roughly \$50 million in the Province of Ontario filed for bankruptcy.

JASON BILODEAU: Okay. And, you're keeping the costs, sort of the overhead structure in place, is that transitional, or is that sort of figured out yet to be determined?

BOB SARTOR: Well, to be honest with you we've always taken an approach that is what I would call less efficient and more effective, and that approach as it relates to businesses is to make sure that there is a core group of people who are focused exclusively on that banner. I honestly believe that to try and shut down National's offices and run it out of Calgary would be a disaster. National is a very successful team sports oriented business, so it's a different business than Sport Chek for example. It's a grassroots marketing business, and I think that kind of business has to be run out of Ontario. So, I mean, will there be some efficiencies over time? We think so. Are we looking at office closures? Absolutely not.

JASON BILODEAU: Okay. If I can add one last sort of accounting one maybe for Richard, some of the other, some of your peers in retailing have started to look at accounting for lease inducements; I know it's a minor issue, but can you just talk to us whether you've thought about that

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all, and whether that would be anything material for you guys if you had a lot of that type of activity?

RICHARD BURNET: If you're referring to the Sears restatement, our accounting for lease inducements is appropriate and we would have no issue there and no changes at all.

JASON BILODEAU: Okay, that's it for me. Thanks everyone.

OPERATOR: Your next question comes from Jim Durran from National Bank Financial. Please go ahead.

JIM DURRAN: Good morning. Just want to talk about three things, first of all inventory; if I was to walk into your stores now compared to last year do you have more fixtures up, preoccupied with fall merchandise, or are you more, do you have more openings for spring merchandise to come in earlier than last year?

BILL GREGSON: Jim, you want to, I'm not, I don't, I'm not sure I totally understand your question. It's Bill.

JIM DURRAN: I guess the question sort of falls like, I know from a dollar standpoint you're down, from a unit standpoint in the stores is your fall merchandise less than it was last year?

BILL GREGSON: Yes.

JIM DURRAN: Taking up less space?

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BOB SARTOR: Both in outerwear, ski, snowboard, and in clothing.

JIM DURRAN: So, do you think you've entered Q1 with a greater spring mix then?

BOB SARTOR: We will have a, I'll put it this way, for the upcoming fiscal year we have an opportunity to have a lot more fresh merchandise in our stores than we did last year. I think that's what you're asking.

JIM DURRAN: Yeah.

BOB SARTOR: Yeah.

JIM DURRAN: Camping, I'm just interested strategically what kind of price points you're going after, you know, say versus Canadian Tire that's dominant in that area?

BILL GREGSON: It's going to be the, very much a, in Sport Chek a backyard or summer camping category with price points that are on the low to mid side. It's a fairly narrow focus this year of tents, of sleeping bags, and of a boat.

JIM DURRAN: Okay.

BILL GREGSON: We certainly see it, it's something that we see a lot of in the US with US sporting goods retailers. Pretty much every big box US sporting goods retailer has a fairly extensive camping program, and this is really our entry into it to see how it goes.

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JIM DURRAN: Okay. Listening to the new store plans for the year; sounds like square footage growth is going to be lower than we might have expected originally?

BILL GREGSON: Well, with the acquisition obviously of National that right there gave us everything that we would normally expect. So, in fact, overall from a total play including the National acquisition it would be bigger than we would have expected.

JIM DURRAN: Right, but on the previous existing business?

BILL GREGSON: Yeah, it's, Sport Mart, Sport Chek will be a little bigger than it has been in past years actually. There is some real estate opportunities. Sport Chek in the last few years has done typically four to five stores, so at seven it's a little higher this year. Sport Mart has traditionally done about fifteen stores, and at four to five obviously is substantially less than past years.

JIM DURRAN: Can you give us some idea of what kind of Capex you think you're going to spend in fiscal '06?

BOB SARTOR: We, it's Bob. We haven't as yet released Capex numbers. We obviously will post Q4 once we have our final Q4 conference, we'll be talking about issues like Capex spending. But, needless to say, this year Jim is a year where we want to really focus on

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two fundamental things; number one, getting the most out of Ontario, and number two, getting overall our corporate comps pointed in the right direction. So, you should expect to see less.

JIM DURRAN: Okay. I'll ask one last question, just with respect to Ontario, with National Sports now under your control can you give us some indication as to how much margin lift in Ontario you'd hope to get, I mean, if I assume that part of the margin benefit is not just the acquisition of the company but also maybe some less onerous price discounting by National Sports as a previous competitor?

BOB SARTOR: Well Jim, I think at the end of the day it's not only the National issue. I mean, I just think there is going to be a lot less heat in Ontario this year, you know, we had another major competitor in the athletic clothing and footwear business that you'll recall was 50 off, and buy one, get one free, or buy one, get one 50 off starting in March of last year. That really hurt. National was competitive, but I don't think National was leading the competitive price parade quite frankly. I think there were other folks. And, I think that the rationalization of that marketplace will give an actual lift. Am I prepared to commit to a number? No.

JIM DURRAN: Okay. Thanks. I'll let somebody else take over now.

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

JAMIE SPRENG: Good morning guys. I wanted to start off with, I guess if you could give us a bit of a flavour on the geographical breakdown, both by same store sales, as well as gross margin rates across the country, just in the quarter?

BILL GREGSON: Probably Jamie the only real labour we can give you at this time would be obviously the ski numbers, ski and snowboard numbers and outerwear numbers we talked to were tougher, and we did more business in those categories in Alberta and BC than we would on a per store basis in Ontario. So, it affected those two provinces the greatest.

BOB SARTOR: And, we're not, we're just not going to get into that level of detail at this stage. But, suffice to say that, you know, your markets where you had significant winter category concentration were the markets that got hit.

JAMIE SPRENG: Okay. You have mentioned that the gross margin rate at the corporate stores was down 55 basis points. Was curious, margins at the wholesale level, were they comparable to last year, a little stronger, a little softer?

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BOB SARTOR: By and large, margins at the wholesale level were comparable to last year.

JAMIE SPRENG: Okay.

BOB SARTOR: So, we didn't have any sort of margin weakness there. We didn't have any particular margin strength. We just had some good wholesale volume.

JAMIE SPRENG: Okay. Going back to the corporate gross margin rate, you know, same store sales down 7.7 percent, ski and snowboard business hurt obviously a lot more, to only be down 55 basis points would suggest that there must have been a couple of categories that were actually up in the quarter?

BILL GREGSON: Yeah, there was Jamie. Footwear was, continues to be strong for us. A number of hard good categories were up as well.

BOB SARTOR: So, I mean, obviously the news wasn't all bad. I mean, we, Jamie, we certainly could never and did not anticipate a good year like that. Certainly in my eight years here this is by far and away the toughest ski and snowboard year we've had, and unfortunately it overshadowed the fact that we've got some categories that are humming. And, as Bill pointed out in his comments, that with the new clothing assortments we have coming in in spring, and especially fall, combined

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with the new marketing I think we're going to see, we're going to see some change there.

JAMIE SPRENG: Just a couple of more quick questions, do you, in the release you'd mentioned EBITDA was down about 3.7 million, inventory levels though were also down, so when I look at cash flows from operations in the quarter, which I know isn't in there, but I guess looking at it my expectation would be after non-cash working capital that it's comparable to last year, is there any reason it shouldn't be?

BOB SARTOR: There's no reason it shouldn't be, but I don't have that information directly in front of me right now, but I understand.

JAMIE SPRENG: Okay. Just the last issue then, I wanted to go through, although you didn't break them out as unusual items, some of the things that have happened in the year. You mentioned Huffy. There was also the Competition Bureau fine, which I think was about 1.7 million if I'm correct.

BOB SARTOR: Actually, the bulk of that fine was accrued in January of the prior year. So, really the bulk of those would have affected the prior year. We did have some still unusually high legal fees this year, and just so that we do clarify it wasn't, in our view, a fine. That's what the Bureau characterized it as, but, and this is, I'm getting on my soapbox here, but if

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you care to read the Consent Agreement it was clear that the Bureau's press release was markedly different than the Consent Agreement. Having said that, having said that, the bulk of that amount was accrued in the prior year, but our legal fees, cause we've been going back and forth on trying to get some direction obviously on compliance programs, so our legal fees were very high this year.

JAMIE SPRENG: Okay. Can you give us a sense though as to what some of these additional expenses have totaled then, and was there anything additional spent on distribution this year that would not recur next year?

BOB SARTOR: Well, I mean, certainly I'm not going to sit here and tally a whole bunch of one-timers to try and prop up the results. At the end of the day, minus 5.1 comps for the year is the story Jamie. So, my point of view is, you know, we did open a new almost 500,000 square foot warehouse. We probably dropped the better part of a million bucks in setting up that warehouse and moving to a new warehouse and so on, but you know what, those are, in my view, small potatoes. The real issue is getting the corporate comps up.

JAMIE SPRENG: No, understood. I guess what I was also going to get to next was then on the marketing side you're adding radio and

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newspaper that you took out before, what should we expect in terms of margin rates, I mean, are those expenses going to be up as a percentage of sales, are they offset by some of these other things that shouldn't recur, sort of where does that end up balancing out?

BILL GREGSON: The, it's the total spend Jamie that I really don't want to get into the details, but you shouldn't expect any significant change in our expense base because of our change in marketing program.

JAMIE SPRENG: Okay, thanks a lot.

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

BOB GIBSON: Good morning guys. Let's talk about National. First off, are you going to tell us how much you spent?

BOB SARTOR: No.

BOB GIBSON: Okay.

BOB SARTOR: Bob, and I don't mean to be flip with my response, but that was at the request of the vendor. We obviously have some statutory obligations to provide disclosure in our audited financial statement, and so I suspect shortly that information will come out.

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BOB GIBSON: Okay, great. Could you maybe give us some colour as to the range and the size of the different stores, and like product mix; hard versus soft goods, stuff like that?

BILL GREGSON: Yeah, it's Bill, Bob. The stores generally are around 20,000 feet. The one in Pickering, which is a different lease deal, is closer to 100,000 square feet, with an amusement centre, and stuff like that, so they're not necessarily cookie cutters by any means, but generally they're around 20,000 feet. In terms of their product mix, they are heavier in hard goods than Sport Chek is, similar amount, so they're roughly 25 percent in footwear, and then their hard goods component would be higher, let's say, or I'm going to say around the, I don't have the number in front of me, but around the 40 to 45 range, and then, probably around the 45 range I guess actually, and then the remainder would be clothing. So, they have less clothing, they have less soft goods than a Sport Chek, a similar amount of footwear business, and more hard goods business.

BOB GIBSON: Okay.

BILL GREGSON: And, they're hard goods business is team oriented as opposed to, some of the big categories for Sport Chek would be ski, snowboard, and bikes, and those are not big, or not at all categories for National. Hockey is their single biggest category by far, and they are one

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of Ontario's, or they are Ontario's preeminent hockey dealer in the province.

BOB GIBSON: And, the new President, is he going to bring anything to Nevada Bob's?

BILL GREGSON: He is not going to necessarily be involved with, he's not going to be involved with Nevada Bob's on a day-to-day basis. However, Doug Hayes is part of the Executive Steering Committee, which also consists of Tom Quinn, the President of our Franchise Division, who is responsible for the launch of Nevada Bob's, so I'm sure there will be lots of conversation back and forth on the golf industry.

BOB GIBSON: Okay. And lastly, could you give us some information on this new hockey brand that you acquired?

BILL GREGSON: The hockey brand that we acquired, which was done I guess early December, Hespler; Hespler's a long time hockey brand. We've done a lot of business with the Hespler brand over the years, as has National, as has Sport Chek, as has Sport Mart and Franchise, and it became available through the Huffy court proceedings, and we just felt that we could, instead of paying a brand tax, if we had it as a private label we could certainly make back in a fairly short order what we would have to pay to acquire the brand, and then we would own it on a world-wide basis.

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So, it wasn't a big deal in terms of dollars, and it was something we were already doing business with, and we thought it was a great opportunity to add to our stable of private label, especially the amount of hockey business that we do in this country.

BOB GIBSON: And, are they doing business outside of Canada?

BILL GREGSON: They had, yes.

BOB GIBSON: Okay, great, thank you very much.

OPERATOR: Your next question comes from John McCarthy from Hockey Business News. Please go ahead.

JOHN McCARTHY: Hi guys. You briefly touched on what I'm interested in, but can you expand on what you think the acquisition of National and Hespler will mean to your place in the hockey market?

BILL GREGSON: Well, obviously, the first thing it means is a much bigger market share. The National is a phenomenal brand in Ontario for hockey business. So, what we see is we probably, I am sure we can learn some things from National that we can take in Sport Chek across Canada, outside of Ontario. So, I think the first thing is that it just gives us a lot more share. It gives us learnings into what National has done to look to take outside of Ontario, and Hespler, as I talked about, and Vick as well, which we own, give us a great one-two punch on a private label side to, I think,

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give some great value to the consumers, but also give us some margin opportunity in those two brands.

JOHN McCARTHY: Thank you.

OPERATOR: Your next question comes from Kathleen Kent from BMO Nesbitt Burns. Please go ahead.

KATHLEEN KENT: Thank you. Can you discuss a bit about the relative performance between the Sport Mart and the Sport Chek banners?

BILL GREGSON: We don't get into that level of . . .

BOB SARTOR: We actually Kathleen, it's Bob, we don't usually go into banner level detail, just like I wouldn't discuss the relative performance between Atmosphere, InterSport, or Sport Experts. I mean, there's only so much opening of the kimono that we're prepared to do for competitive reasons, and certainly that level of detail is, that would be very new disclosure for us, which at this time I would propose not to do. There will be some segmented information obviously with our audited financial statements, which will be released at one point in time, but it will be more along the retail/wholesale side of things. We're very cognizant of the fact that we're the only publicly traded player in the space, and that would behoove us to be rather circumspect with that level of disclosure.

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KATHLEEN KENT: I just noted that you highlight that you're renovating sixty Cheks, so I, then I sort of wondered if that implied that the Sport Marts were performing better than the Sport Cheks.

BOB SARTOR: Well, actually you shouldn't read that into it. I mean, the fundamental issue is you renovate stores when, as Bill pointed out, they start getting a little tired. Most of the Marts growth has been in the past three or four years. The stores are fresh. The stores are newer, and hence require less renovation. It really is a focus on where does the renovation dollar have to go. If, in fact, the Mark stores were holder than we would be looking at renovating those as well.

KATHLEEN KENT: What percentage of your Chek-base, store base is renovated? How many did you renovate this year?

BOB SARTOR: Well, when we do these sixty stores we will have roughly 90 percent of the stores with the new look, the new lights, the new paint.

KATHLEEN KENT: Can you tell me what you're exiting the year with in terms of number of Sport Chek and Sport Marts?

BOB SARTOR: I'm sorry, what we're exiting the year with?

KATHLEEN KENT: Yeah, in terms of store numbers.

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BOB SARTOR: Sport Mart was right around 100, Sport Chek was 116 I think it was.

KATHLEEN KENT: And, also on, I was just a bit surprised that you want to deemphasize the private label fashion. Is it you want to deemphasize private label across the board, or just in the fashion right now?

BILL GREGSON: No, when we're talking to fashion, I mean, this is nothing new. We've talked about that for quite awhile. In our private label of fashion we're up against Old Navy; we're up American Eagle, it's what they do, and for us it's one small part. Where we, we're not deemphasizing private label. In fact, our private label had an outstanding year. It continues to be a mainstay of our outerwear category, a mainstay of a number of our hard goods categories. In basics, basic apparel it's very, it has done very well for us. But, when we get into fashion, and it has not fared well, and what we found is, and you know, I guess maybe what part of our heritage is and part of what's our strengths are is the brands, whether they be, in some cycles the athletic brands, or now we believe in a bit of a different cycle, some of the Lifestyle brands – people like Burton and Vans, and O'Neil, and Puma, etc. – that they fare better than our private label.

KATHLEEN KENT: What's your private label penetration level?

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BILL GREGSON: Around 12 percent.

KATHLEEN KENT: And so, in terms of your category mix between hard goods and apparel and footwear, are you, do you see any major changes in that, or you expect to maintain status quo?

BILL GREGSON: Nothing significant. We're very bullish about footwear this year. Footwear has had a tremendous run in the States last year, and some of our new product that we brought in that's higher price points, some of the Sigma Elite product, the Nike Shocks for instance, some of the Aztec Silhouettes are doing very well, so every year you have different categories that outperform. Other categories, are we saying we want major shifts in the mix? No.

KATHLEEN KENT: And just lastly, can you give us your year-end debt level?

RICHARD BURNET: We haven't disclosed that, but as soon as the audited financial statements are released it will be available.

KATHLEEN KENT: Thank you.

OPERATOR: Your next question comes from Keith Howlett from Desjardins Securities. Please go ahead.

KEITH HOWLETT: Yes, just a question on the product mix is the fiscal 2005 mix significantly different than the published fiscal 2004 mix?

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BILL GREGSON: No, not significantly.

BOB SARTOR: Keith, you mean mix of products and categories?

KEITH HOWLETT: Hard goods, soft goods, you know, footwear.

BILL GREGSON: No.

BOB SARTOR: No.

KEITH HOWLETT: Same.

BOB SARTOR: It won't be dramatically different.

KEITH HOWLETT: And then, just a question on the ski, snowboard, I presume Quebec, the weather here in the East was pretty good I think for skiing, so I presume that drove a good number in Quebec, and I'm just wondering on the Ontario ski and snowboard market, if you don't want to reference your own numbers, was it a generally good year in Ontario?

BILL GREGSON: Well, the Ontario market is a much smaller market on a per capita basis than Quebec, Alberta, and BC. Those are the three big outdoor markets in this country. Now, Ottawa certainly has a very strong outdoor market as well. So, the, it's when you get the shifts in Alberta, BC, or Quebec one way or another that can materially affect the results.

KEITH HOWLETT: And then, just on the, the footwear numbers seem to be quite good, and yet that seemed to be the focus of the buy one

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get one off and also the bankruptcy of Joggers here in Ontario, but your actual footwear numbers were pretty good, is that . . . ?

BILL GREGSON: Yeah, they were good.

KEITH HOWLETT: So, I guess they'll only get better I presume I guess we can assume?

BILL GREGSON: Well, I mean, that's part of the, hopefully part of the payoff is that the, if somebody leaves the market our expectation would be that we would pick up a percentage of the business that was done by them.

BOB SARTOR: And, obviously we would expect to see hopefully, you know, over time a lot less Bogo activity Keith.

KEITH HOWLETT: Okay. And then just, do you happen to have the square footage at year-end corporate and franchise?

BILL GREGSON: No.

BOB SARTOR: We'll make all of that information available in our Q4 audited financial statement press release.

KEITH HOWLETT: Great. Just one last one on Nevada Bob's, what is, what would you sort of think you'll do there, well, or what is the run rate on the wholesale business there?

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BOB SARTOR: We previously actually have discussed that, so that is something we can talk about. The run rate on the wholesale business is a little north of \$30 million. We think that that number can improve, sorry on the, we think that number can improve substantially. Will it improve substantially this year? Probably not; I think what we want to do with Nevada Bob's, as we talked about with National is let's consolidated, let's make the purchased asset better to the extent we can, both for our licencees and for ourselves. You'll likely at some point in time see us field a new prototype store, and we're not, certainly not ruling that out, doing that in the current fiscal year. But, would you see us rolling out fifteen, twenty new stores? No, not this year; we typically take a slower approach to that.

KEITH HOWLETT: And, all the Nevada Bob's stores will be franchised?

BOB SARTOR: Yeah, we would expect to have no corporate stores on the golf side. That goes along with our philosophy on specialized sports. We believe owner/operator trying to sell a very expensive set of Calloways or Tailor Made's, so on, who live the sport, love the sport, breathe it probably would do a better job than in a corporate environment.

KEITH HOWLETT: Thanks.

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OPERATOR: Your next question comes from Candice Williams from Raymond James. Please go ahead with your question.

CANDICE WILLIAMS: Yes, good morning. I'm just wondering for the new product mix and the new Chek look, how much of this are you borrowing from the franchise operations, cause they've done pretty well, and I guess what I'm trying to make sense out is, is this sort of a brand new product mix and sort of strategy you're trying out with a Chek store, or are you borrowing from something that's already been well established on the franchise?

BILL GREGSON: It'd be a mixture of both Candice. Certainly, the franchises had tremendous results in the last three to four years in a number of those areas. So, we look to, I mean, obviously we look to borrow from each and whether it be corporate or franchise, and a number of the areas that for the reason for their success, or their marketing, their mix, and their store look. So, I think if you read into the corporate store initiative, or driving comps, specifically on a Sport Chek banner, you will see a number of things borrowed there from the franchise. Part of it is a fresh look, which our franchise stores have a new fresh look from the last three or four years, most of them have been expanded and renovated, so a brighter look. So, that's definitely something that shares with the

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franchise. In terms of marketing; they do radio. They do newspaper. They combine that with flyer. They combine that with TV, so definitely some similarities there going forward for the corporate stores. And, on the mix some similarities and some differences, the outdoor has been tremendously successful in franchise, and also has been tremendously successful in certain US chains as well. So, the Columbia, which we had for a year, but pulling out into a separate section is a big step, and then adding North Face; North Face is a tremendous partner with our franchise business in Quebec, so that is new, and that is definitely something that we've learned on the success from the franchise side. On the Lifestyle side, the franchise isn't as much into Burton or O'Neil or Puma. They tend to be more outdoor, even more outdoor brand oriented, but some of them tend to be Quebec only based, so there are some differences there. But, I would say overall there's a number of elements, from the look of the stores to the marketing to certain elements of the merchandise mix that going forward the corporate stores will be incorporating that have been very successful on the franchise side.

CANDICE WILLIAMS: But, you won't be going as high-end as like the cost of some of the other high, high-end you see in the Sport Experts?

BILL GREGSON: No, not necessarily.

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CANDICE WILLIAMS: Thank you.

OPERATOR: Your next question comes from Jim Durran from National Bank Financial. Please go ahead with your question.

JIM DURRAN: Just a couple of questions, the hockey situation with the strike obviously continuing, and uncertain of resolution.

BILL GREGSON: Lock-out.

JIM DURRAN: You know, that business being down, how much of that was just year-over-year differences other than the strike in your judgment versus the strike itself, and what categories are you building up to offset a continued down trend on that category?

BILL GREGSON: It's Bill, Jim. We think it was all related to the lock-out. I take it then you're pro management calling it a strike. I think the correct term is a lock-out. The, we think the entire decrease was due to the lock-out because at that time it's, and when you get into April and May you get (?) by which Canadian teams are in the playoffs, but in November, December, and January, it's a gift giving item.

BOB SARTOR: Yeah, it's Christmas.

BILL GREGSON: So, I'd be very, I'd be on very shaky ground if I didn't say that we were going to replace our NHL business with a massive increase in CFL now that our Chairman is an, one of the owners of the

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Calgary Stampeders. But, quite honestly, it's not easy to replace, and that licence business just doesn't go elsewhere. Part of it will. Part of it will go to athletic, part of it will go to Lifestyle, but if you're buying a jersey from your favorite team then it's not necessarily as easy to have something replace that. So, it's a tough one to replace.

JIM DURRAN: And, just in terms of sales expectations for Q1, if I recall correctly Calgary did pretty well last year.

BILL GREGSON: Yeah, and we had a significant run in the Calgary area stores on the Flames, yes.

JIM DURRAN: Right, so regionally, that'll just make Q1 pretty tough in that region?

BILL GREGSON: Yeah.

BOB SARTOR: Ah Jim, it'll make it tougher, but really the sales really took off in May.

BILL GREGSON: Yeah.

BOB SARTOR: When they got deeper into the playoffs, so really it'll be more of a Q2 phenomenon.

BILL GREGSON: Yeah. There'll be some April effect, and by then May was big.

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JIM DURRAN: Okay. And just back to National Sports, are you prepared to provide any more specific accretion comment National Sports with respect to fiscal '06 and '07?

BOB SARTOR: Other than the fact that we believe it will be accretive and perhaps echoing our comment on the press release even a little more accretive than originally thought, we're not going to provide any additional colour at this point in time.

JIM DURRAN: Okay. And, with respect to Nevada Bob's, is that expected to be accretive in '06 or not?

BOB SARTOR: Very, very moderately.

JIM DURRAN: Okay, thank you.

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

JAMIE SPRENG: Hi. Just two quick follow-ups, continuing on with the licence clothing, can you provide some colour on how big of a business this is for you?

BILL GREGSON: It probably cost us in the range of at least a point comps in the fourth quarter.

JAMIE SPRENG: Okay. The other thing you talked about a few times was the opportunity on the in-stock position, again, can you provide

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some colour on where that is running and how significant an opportunity this is?

BILL GREGSON: Well, it's, this past year we focused a lot of our resources on getting a new system into Sport Chek and Coast Mountain. We had an old merchandise system, outdated, very limited, and so, a lot of the focus went there. Going forward what we need to do is take some of those resources and just get better at the day-to-day management of inventory. And, we don't believe that we're anywhere near the level we should be in terms of being in-stock on items you should never be out of stock of, and can I give you a number of what it's going to be for comps? No. But, we believe obviously that it's important, and we believe it has an upside on the comp basis, you know, we're not going to quantify it here, but we believe it's significant and we, from a customer service point of view and from a comp point of view, and therefore we're going to some of the those resources that have been focused this past year and spent this past year on the new system, and said okay, now let's make it work for us by in-stock.

BOB SARTOR: Jamie, just as additional clarification, our old merchandising technology was great for, you know, 1990, 1992, but obviously as plans progressed, and then as we got bigger and more

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complex the number of banners, it was clear that we needed to make a serious investment in technology to manage this business going towards the \$2 billion retail market. Our in-stock position in all of our banners is neither better nor worse than it was a year ago, two years ago, or three years ago. What we've identified, going back to Bill's comments when we were in the, what call the formal part of this conference call, was that we recognized some time ago that we could improve in-stock but not with our old technology. So, now that we have the new technology in place, then obviously this singular, single-minded focus to turn the corporate costs around, one of the key items we'll be pursuing is just that, you know, leveraging this technology investment and improving the in-stock, in-store, in-colour every day.

JAMIE SPRENG: Great, thanks.

OPERATOR: Your next question comes from Keith Howlett from Desjardins Securities. Please go ahead with your question.

KEITH HOWLETT: I just had a question on the large stores that you opened up I guess on a trial or a lease availability basis, or opportunistic basis, are there any of those planned for 2005, and I'm speaking of the Edmonton store, and I guess you have one in . . . ?

BILL GREGSON: Ottawa.

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KEITH HOWLETT: In Ottawa.

BILL GREGSON: Yeah, they've done very well. We're very happy with them. They're very profitable. We will do more when the right real estate deal appears. To-date, there's nothing confirmed for the upcoming year. We are talking about a number of different opportunities, but kind of the, out of a lot of talk only, and usually you have a couple of opportunities come available, and right now not been firmed up.

KEITH HOWLETT: Thanks.

OPERATOR: Your next question comes from Jim Durran from National Bank Financial. Please go ahead with your question.

JIM DURRAN: Last question, just you mentioned I think that the footwear business for you this whole year was actually up year-over-year?

BILL GREGSON: For the Q4 we said it was, yeah Jim.

JIM DURRAN: Okay. So, not for the year though?

BILL GREGSON: I have to go and double check that number, I don't want to give you, in footwear we had a good year. I don't know what the exact number was off the top of my head, you know, Cheks footwear numbers were good.

JIM DURRAN: I'm interested in understanding like, maybe it's an Ontario issue, but with Joggers struggling and going almost under

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technically, and Athlete's World shutting down a bunch of stores across the country, I assume liquidating their inventory, did that not affect your business?

BILL GREGSON: I think, no, Richard just help me out here; I guess we were slightly up here in footwear. The, and I guess the, yeah, I think it did, well, it did affect our business. It was margin pressure. We reacted with Bogo's on footwear. It was a very competitive year to try and drive footwear business. I think some of that's going away for the upcoming year and I think what also is happening is that from a number of our major vendors there's some outstanding product that is higher priced that wouldn't have been carried in the Joggers anyway, or it might not be available in some of our other competitors, and so, when we look at this upcoming year we're very bullish on footwear for this year.

JIM DURRAN: Okay, thank you.

BILL GREGSON: Yeah.

BOB SARTOR: Alright, ladies and gentlemen, thank you for participating in this conference call. Hopefully, you sense management's focus on what is the task at hand because this company has many moving parts, and the vast majority of them are moving in the right direction, and we have obviously one major cog in the wheel, which fortunately because

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of our exceedingly low cost structure and the fact that we are tight with the bucks still generate really good cash flow for us and profit, but just not enough, so we're obviously going to be talking about our corporate business and every facet of our corporate business, probably more than you're used to during the course of this coming year.

Thank you very much and if you need any follow-up, obviously we always try and make ourselves as available as possible.

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

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