HOCKEY CO
Form 10-Q
November 14, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 0 - 19596

THE HOCKEY COMPANY
(Exact name of registrant as specified in its charter)

Delaware	13-36-32297
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3500, Boul. de Maisonneuve, Suite 800, Montreal, Quebec, Canada	H3Z 3C1
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (514) 932-1118

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

YES X NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under the plan confirmed by the court :

YES X NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 14, 2002
Common Stock, $.01 par value	7,040,523

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THE HOCKEY COMPANY
FORM 10-Q
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THE HOCKEY COMPANY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands, except share data)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

	Note 1
	Dec. 31,
ASSETS	
Current assets	
Cash and cash equivalents	$
Accounts receivable, net	5
Inventories (Note 2)	4
Prepaid expenses	
Income taxes and other receivables	
Total current assets	10
Property, plant and equipment, net of accumulated depreciation ($15,556 and $19,140, respectively)	1
Goodwill and excess re-organization intangible (Note 3)	6
Other assets	
Total assets	$19
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities	
Short-term borrowings (Note 4)	$ 2
Accounts payable	
Accrued liabilities	1
Income taxes payable	
Current portion of long term debt (Note 4)	
Total current liabilities	5
Long-term debt (Note 4)	8
Accrued dividends payable (Note 5)	
Deferred income taxes and other long-term liabilities	
Total liabilities	$14
Contingencies (Note 7)	
13% Pay-In-Kind preferred stock (Note 5)	1

Stockholders' equity	
Common stock, par value $0.01 per share, 20,000,000 shares authorized, 6,500,549 issued and outstanding at December 31, 2001 and 7,040,523 issued and outstanding at September 30, 2002	
Common stock purchase warrants, 699,101 issued and outstanding at December 31, 2001 and 159,127 issued and outstanding at September 30, 2002 (Note 5)	
Additional paid-in capital	6
Deficit	(2
Accumulated other comprehensive loss	(
Total stockholders' equity	4
Total liabilities and stockholders' equity	$19

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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THE HOCKEY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

	For the Three Months ended Sept. 30, 2001	For the Nine Months ended Sept. 30, 2001	Fo M Sep
Net sales	$65,899	$142,986	
Cost of goods sold before restructuring charges	38,479	83,931	
Restructuring and unusual charges (Note 9)	286	1,187	
Gross profit	27,134	57,868	
Selling, general and administrative expenses	15,446	44,294	
Restructuring and unusual charges (Note 9)	810	2,815	
Amortization of excess reorganization value and goodwill	1,098	3,303	
Operating income	9,780	7,456	
Other expense, net	889	2,304	
Interest expense	3,622	10,335	
Foreign exchange loss (gain)	(4)	(315)	
Income (loss) before income taxes and extraordinary item	5,273	(4,868)	
Income taxes (Note 3)	1,378	1,604	
Income (loss) before extraordinary item	3,895	(6,472)	
Extraordinary item - Loss on early extinguishment of debt, net of income taxes	-	1,091	
Net income (loss)	3,895	(7,563)	
Preferred stock dividends	526	1,577	
Accretion of 13% Pay-In-Kind preferred stock	59	178	

Net income (loss) attributable to common shareholders	$ 3,310	$ (9,318)
Basic and diluted income (loss) before extraordinary item per share (Note 6)	$ 0.46	$ (1.17)
Basic and diluted loss - extraordinary item	-	(0.15)
Basic and diluted income (loss) per share (Note 6)	0.46	(1.32)
Adjusted income (loss) before extraordinary item and amortization of excess reorganization value and goodwill	4,993	(3,169)
Adjusted income (loss) before amortization of excess reorganization value and goodwill	4,993	(4,260)
Adjusted income (loss) per share before extraordinary item and amortization of excess reorganization value and goodwill	0.69	(0.45)
Adjusted income (loss) per share before amortization of excess reorganization value and goodwill	0.69	(0.60)

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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THE HOCKEY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(In thousands)

	For the Three Months ended Sept. 30, 2001	For the Nine Months ended Sept. 30, 2001	For the Three Months ended Sept. 30, 2002
Net income (loss)	$3,895	$(7,563)	$ 3,382
Foreign currency translation adjustments	1,421	(368)	(1,241)
Net comprehensive income (loss)	$5,316	$(7,931)	$ 2,141

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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THE HOCKEY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	For the N Months en Sept. 30, 2
OPERATING ACTIVITIES:	
Income (loss) before extraordinary items	$ (6,
Adjustments to reconcile net income (loss) before extraordinary item to net cash used in operating activities:	
Restructuring and unusual charges	4,
Depreciation and amortization	8,
Deferred income taxes	
Gain on sales of fixed assets	
Loss (gain) on foreign exchange	(
Other	
Change in operating assets and liabilities:	
Accounts receivable	(30,
Inventories	(7,
Prepaid expenses	2,
Accounts payable and accrued liabilities	(4,
Income taxes payable	
Net cash used in operating activities	(33,
INVESTING ACTIVITIES:	
Purchases of property, plant and equipment	(
Proceeds from sales of property, plant and equipment	
Net cash used in investing activities	(
FINANCING ACTIVITIES:	
Net change in short-term borrowings	36,
Proceeds from long-term debt	
Principal payments on debt	(
Issuance of warrants	3,
Deferred financing costs	(5,
Net cash provided by financing activities	34,
Effects of foreign exchange rate changes on cash	
Increase in cash	
Cash and cash equivalents at beginning of period	2,
Cash and cash equivalents at end of period	$ 3,

The accompanying notes are an integral part of the unaudited consolidated financial statements.

THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF BUSINESS AND PRINCIPLES OF CONSOLIDATION

The Hockey Company ("THC" or the "Company") was incorporated in September 1991 and reorganized in April 1997.

The consolidated financial statements include the accounts of The Hockey Company and its wholly-owned subsidiaries (collectively, the "Company"). The Company designs, develops, manufactures and markets a broad range of sporting goods. The Company manufactures hockey and hockey related products, including hockey uniforms, hockey sticks, protective equipment and hockey, figure and inline skates, as well as street hockey products, marketed under the CCM(R), KOHO(R), JOFA(R), TITAN(R), CANADIEN(TM) and HEATON(R) brand names. The Company sells its products worldwide to a diverse customer base consisting of mass merchandisers, retailers, wholesalers, sporting goods shops and international distributors. The Company manufactures and distributes most of its products at facilities in North America, Finland and Sweden and sources products internationally.

B. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements appearing in this quarterly report have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X, on a basis consistent with the annual financial statements of THC and its subsidiaries, except for the application of accounting pronouncements as discussed below.

In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the Company's Unaudited Consolidated Balance Sheets, Statements of Operations, Statements of Comprehensive Income (Loss) and Statements of Cash Flows for the 2002 and 2001 periods have been included. These unaudited interim consolidated financial statements do not include all of the information and footnotes required by United States generally accepted accounting principles to be included in a full set of financial statements. Results for the interim periods are not necessarily a basis from which to project results for the full year due to the seasonality of the Company's business. Sales of hockey equipment products are generally highly seasonal and in many instances are dependent on weather conditions. This seasonality causes the financial results to vary from quarter to quarter, with sales and earnings usually weakest in the first and second quarters. In addition, the nature of the business requires that in anticipation of the peak selling season for its products, the Company makes relatively large investments in inventory. Relatively large investments in receivables consequently exist during and after such season.

The Balance Sheet at December 31, 2001 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These unaudited consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K, filed with the Securities and Exchange Commission for the year ended December 31, 2001. Certain prior period amounts have been reclassified to conform to the current period presentation.

C. ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141, BUSINESS

COMBINATIONS, and No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. Under the new rules, goodwill and intangible assets with indefinite lives will no longer be amortized but will be subject to annual impairment tests using a two-step process. The first step is to screen for potential impairment, while the second step measures the amount of impairment, if any. Other intangible assets will continue to be amortized over their estimated useful lives.

In accordance with the transition provisions of the SFAS No. 142, the Company has completed the first step of the transitional goodwill impairment test for all reporting units of the Company. The results of that test have indicated that no impairment in the value of goodwill and excess re-organizational intangible exists.

In August 2001, the FASB issued SFAS No. 144, IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. Under the new rules, assets held for sale would be recorded at the lower of the assets' carrying amounts and fair values and would cease to

be depreciated. The Company adopted the Statement as of January 1, 2002, and no significant transition adjustment resulted from its adoption.

On April 30, 2002, the FASB issued SFAS No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. SFAS No. 145 rescinds Statement 4, which required all gains and losses from extinguishment of debt to be classified as an extraordinary item, net of related income tax effect, if material in the aggregate. Due to the rescission of SFAS No. 4, the criteria in Opinion 30 will now be used to classify those gains and losses. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria for classification as an extraordinary item will be reclassified. The provisions of SFAS No. 145 related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of this Statement shall be effective for financial statements issued on or after May 15, 2002. The Company will adopt this Statement on January 1, 2003 upon which the extraordinary item - loss on early extinguishment of debt, and the related income taxes will be reclassified.

In July 2002, FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES, which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3 "LIABILITY RECOGNITION FOR CERTAIN EMPLOYEE TERMINATION BENEFITS AND OTHER COSTS TO EXIT AN ACTIVITY (INCLUDING CERTAIN COSTS INCURRED IN A RESTRUCTURING)". SFAS No.146 requires that a liability for a cost associated with an exit or disposal activity be recognized at the time when the liability is incurred. SFAS No.146 eliminates the definition and requirement for recognition of exit costs at the date of an entity's commitment to an exit plan in Issue 94-3. The Company will adopt SFAS No.146 for exit and disposal activities initiated after December 31, 2002.

D. DERIVATIVE INVESTMENTS

On July, 2002, the Company entered into two zero-cost foreign exchange collars for the sale of a total of $9 million in exchange for Canadian dollars. The Company has not designated the collars as a part of a hedging relationship and, accordingly, the charge in their fair value is charged to income at period end. During the three and nine month periods ended September 30, 2002, the change in fair value of the collars was not significant. No such derivative contracts were in place during the three and nine month periods ended September 30, 2001.

(In thousands, except share data)

2. INVENTORIES

Net inventories consist of:

	December 31, 2001	Septe
Finished products	$ 31,892	$
Work in process	2,665	
Raw materials and supplies	8,308	
	$ 42,865	$

3. GOODWILL AND EXCESS RE-ORGANIZATION INTANGIBLE

Goodwill and excess re-organization intangible consist of:

	December 31, 2001	Septe
Goodwill	$ 42,883	$
Excess re-organization intangible	26,367	
	$ 69,250	$

Fresh-start reporting requires the Company to report a provision in lieu of income taxes when there is a book taxable income and utilization of a pre-organization net operating loss carry-forward. This requirement applies despite the fact that the Company's pre-reorganization net operating loss carry-forward and other deferred tax assets would eliminate the related federal income tax payable. The current and future year tax benefit related to the carry-forward is recorded as a reduction of reorganizational value in excess of amounts allocable to identifiable assets until exhausted and then as a direct increase to paid in capital. The amount of income tax provision which has been used to reduce the reorganizational value in excess of amounts allocable to identifiable assets in the amount of $3,122 has been reflected as a provision in lieu of income taxes in the Company's Consolidated Statements of Operations.

4. REVOLVING CREDIT FACILITIES AND LONG-TERM DEBT

a) REVOLVING CREDIT FACILITIES

Effective November 19, 1998, two of the Company's U.S. subsidiaries, Maska U.S., Inc. and SHC Hockey Inc., entered into a credit agreement (the "U.S. Credit Agreement") with the lenders referred to therein and with General Electric Capital Corporation, as Agent and Lender. Simultaneously, two of the Company's Canadian subsidiaries, Sport Maska Inc. and Tropsport Acquisitions Inc., entered into a credit agreement (the "Canadian Credit Agreement") with the lenders referred to therein and with General Electric Capital Canada Inc., as Agent and Lender. The Credit Agreements are collateralized by all accounts receivable, inventories and related assets of the borrowers and the Company's other North American subsidiaries and are further collateralized by a second lien on all of the Company's and the Company's North American subsidiaries' other tangible and intangible assets.

In connection with the issuance of the Units (See Note 4b), the Third Amendment to the U.S. Credit Agreement was entered into by Maska U.S., Inc., as borrower, the Credit Parties, the U.S. Lenders and General Electric Capital Corporation, as Agent and Lender. Simultaneously, the Fourth Amendment to the Canadian Credit Agreement was entered into by Sport Maska Inc., as borrower, the Credit Parties, the Canadian Lenders and General Electric Capital Canada Inc., as Agent and Lender. The maximum amount of loans and letters of credit that may be outstanding under the two credit agreements is $60,000. However, under the terms of the Notes (Note 4b), the Company's indebtedness cannot exceed $35,000 and must be repaid in its entirety at least once each fiscal year. Borrowings in excess of $35,000 are subject to certain financial covenants under the Notes. Each of the Credit Agreements is subject to a minimum borrowing availability of $1,750 in certain months. Total borrowings outstanding under the Credit Agreements at December 31, 2001 and September 30, 2002 were $27,792 and $11,463, respectively (excluding outstanding letters of credit of $5,732 at December 31, 2001 and $6,025 at September 30, 2002). The Credit Agreements matured on October 17, 2002 and were renewed for a further three year term on terms substantially the same as the prior agreements and remains subject to the conditions under the Units, including full repayment at least once each fiscal year. The maximum amount of loans and letters of credit that may be outstanding under the renewed agreements are $35,000 and $7,000, respectively.

As at September 30, 2002 borrowings under the U.S. Credit Agreement bear interest at rates of either U.S. prime rate plus 0.50%-1.25% or LIBOR plus 1.75%-2.75% depending on the Company's Operating Cash Flow Ratio, as defined in the agreement. Borrowings under the Canadian Credit Agreement bear interest at rates between the Canadian prime rate plus 0.75% to 1.50%, the U.S. prime rate plus 0.50% to 1.25% and the Canadian Bankers' Acceptance rate or LIBOR plus 1.75% to 2.75% depending on the Company's Operating Cash Flow Ratio, as defined in the agreement. In addition, the borrowers are charged a monthly commitment fee at an annual rate of up to 3/8 of 1% on the unused portion of the revolving credit facilities under the Credit Agreements and certain other fees.

The Credit Agreements contain customary negative and affirmative covenants including those relating to capital expenditures, minimum interest coverage and fixed charges coverage ratio. The agreements restrict, among others, the ability to pay cash dividends on the preferred shares.

Effective March 18, 1999, Jofa AB (Jofa), a Swedish subsidiary of the Company, entered into a credit agreement with Nordea Bank in Sweden. The maximum amount of loans and letters of credit that may be outstanding under the agreement is SEK 90,000 ($9,700)(SEK 80,000 in 2001($7,700)). The facility is collateralized by the assets of Jofa, excluding intellectual property, bears interest at a rate of STIBOR (4.5% at September 30, 2002) plus 0.90%, matures December 31, 2002 and is renewable annually. Total borrowings as at December 31, 2001 and September 30, 2002 were nil and SEK 25,610 ($2,753), respectively.

Management believes that the credit agreement can be renewed or refinanced upon maturity. If this agreement cannot be renewed or refinanced with Nordea Bank, the Company will seek alternate sources of financing to replace this agreement.

Effective July 10, 2001, KHF Finland Oy (KHF), a Finnish subsidiary of the Company, entered into a credit agreement with Nordea Bank in Finland, replacing the former credit facility for FIM 30,000 ($4,600) which was terminated during 2001. The maximum amount of loans and letters of credit that may be outstanding under the agreement is EUR 2,400 ($2,300). The facility is collateralized by the assets of KHF and bears interest at a rate of EURIBOR (3.4% at September 30, 2002) plus 0.9% and is renewable annually. Total borrowings as at December 31, 2001 and September 30, 2002 were nil.

b) LONG-TERM DEBT

SECURED LOANS

On November 19,1998, in connection with its acquisition of Sports Holdings Corp., the Company and Sport Maska Inc. entered into a Secured Loan Agreement with the Caisse de depot et placement du Quebec ("Caisse") to borrow a total of Canadian $135,800. The loan was initially for a period of two years that was extended until March 14, 2001, on which date, an Amended and Restated Credit Agreement was entered into by the Company and Sport Maska Inc., as borrowers, Caisse, as Agent and Lender, and Montreal Trust Company, as Paying Agent (the "Amended and Restated Credit Agreement"). On the terms and subject to the conditions of the Amended and Restated Credit Agreement, Facility 1 of the Caisse Loan, which was a facility in the maximum amount of Canadian $90,000, was extended to June 30, 2004, and Facility 2 of the Caisse Loan, which is a facility in the maximum amount of Canadian $45,800, was extended to October 31, 2002. Each facility bore interest equal to the Canadian prime rate plus 5%, and Facility 2 bore additional interest of 3.5% which was capitalized and repaid on Facility 2 maturity. At December 31, 2001 Facility 2 included $654 of capitalized interest. The loan was collateralized by all of the tangible and intangible assets of the Company subject to the prior ranking claims on accounts receivable and inventories by the lenders under the Company's revolving credit facilities. The loan was guaranteed by the Company and certain of its subsidiaries. On March 8, 2002 the Company acquired an option from the lender to extend the maturity of Facility 2 plus capitalized interest to February 28, 2003.

The loan contained customary negative and affirmative covenants including those relating to capital expenditures, total indebtedness to EBITDA and minimum interest coverage and a minimum EBITDA requirement. The agreement restricted, among others, the ability to pay cash dividends on the preferred shares.

On April 3, 2002, the Company issued $125,000 11 1/4% Senior Secured Note Units (the "Units") due April 15, 2009 at a price of 98.806%, each Unit consisting of $0.5 principal amount of 11 1/4% Senior Secured Notes of the Company and $0.5 principal amount of 11 1/4% Senior Secured Note of Sport Maska Inc., a wholly owned subsidiary of the Company, through a private placement. An offer to exchange all of the outstanding Units for 11 1/4% Senior Secured Note Units due 2009 (the "Exchange Units"), which have been registered with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, pursuant to a registration statement on Form S-4 filed with the SEC on August 13, 2002, was completed on September 20, 2002. The terms of the Exchange Units (and the underlying Exchange Notes) and those of the outstanding Units (and underlying Notes) are identical, except that the transfer restrictions and registration rights relating to the Units do not apply to the Exchange Units; therefore, for purposes of this report on Form 10-Q, any reference to "Unit" refers to both Units and Exchange Units and any reference to "Note" refers to both Notes and Exchange Notes. In connection with the issuance of the Units, the Amended and Restated Credit Agreement with Caisse and any documents related thereto have been terminated and are of no further force and effect.

(In thousands, except share data)

THC has fully and unconditionally guaranteed the Sport Maska Inc. Notes on a senior secured basis. Sport Maska Inc. has fully and unconditionally guaranteed the THC Notes. Also, certain subsidiaries of THC and Sport Maska Inc., excluding the Finnish subsidiaries, have fully and unconditionally guaranteed the Notes on a senior secured basis. The Notes and guarantees are secured by substantially all the tangible and intangible assets of the Company, excluding the Finnish subsidiaries, subject to the prior ranking claims by lenders under the revolving credit facilities (see Note 4a), and by a pledge of stock of the first-tier Finnish subsidiary. The security interest in the assets of the Company's Swedish subsidiaries (other than intellectual property) is limited to $15,000.

The Notes may be redeemed at any time after April 15, 2006 at the following redemption prices (expressed as percentages of the principal amount thereof) plus accrued and unpaid interest to the date of redemption, if redeemed during the twelve-month period commencing on April 15 of the year set forth below:

Year	Percentage
2006	105.625%
2007	102.813%
2008 and thereafter	100.000%

In addition, up to one-third of the aggregate principal amount of the Notes may be redeemed with the net proceeds of certain public equity offerings at any time until April, 15, 2005 at a redemption price of 111.25% of the principal amount plus accrued and unpaid interest to the date of redemption. If the Company undergoes a change of control, the Company and

Sport Maska Inc. will be required to jointly offer to purchase the Units from the holders at 101% of principal amount plus accrued and unpaid interest to the date of repurchase.

The proceeds of $123,508 were used (i) to repay all outstanding secured loans under the Amended and Restated Credit Agreement, dated March 14, 2001, (ii) to repay a portion of the secured indebtedness under the U.S. and Canadian Credit Agreements, (iii) to pay fees and expenses of the offering and (iv) for general corporate purposes. Among other financial covenants, the indenture governing the Notes restricts the Company's ability to borrow under its revolving credit facilities to a maximum of $35,000 and limits payments of dividends or repurchases of stock.

In May 2000, Jofa AB, a subsidiary of the Company, entered into a loan agreement with Nordea Bank in Sweden to borrow SEK 10,000 ($1,100). The loan is for four years with annual principal repayments of SEK 2,500 ($269). The loan is secured by a chattel mortgage on the assets of the subsidiary and bears an interest rate of STIBOR plus 1.25%.

5. COMMON STOCK, WARRANTS AND PREFERRED STOCK

The Company has authorized 20,000,0000 shares of common stock, par value $0.01 per share, of which 7,040,523 shares are issued and outstanding.

Pursuant to the Warrant Agreement, dated as of March 14, 2001, between the Company and Caisse, the Company issued a warrant to Caisse to purchase 539,974 shares of common stock, par value $0.01 per share, of the Company, at an exercise price of $0.01 per share. Concurrent with the repayment of the Caisse loan (see Note 4b), the Caisse exercised the warrants and purchased the Company's common stock.

On April 11, 1997, in connection with a re-organization, THC's old common stock was extinguished and the holders received a total of 300,000 five-year warrants to purchase an aggregate of 300,000 shares of common stock at an exercise price of $16.92 per share. The warrants expired on April 11, 2002.

On November 19, 1998, the Company issued 100,000 shares of 13% Pay-In-Kind redeemable preferred stock, $0.01 par value per share, together with warrants to purchase 159,127 common shares of the Company at a purchase price of $0.01 per share, for cash consideration of $12,500 (par value). The fair value of the warrants was determined to be $1,665 and has been recorded in stockholders' equity as common stock purchase warrants. The balance of the proceeds, $10,835, has been recorded as 13% Pay-In-Kind preferred stock. The difference between the redemption value of the preferred stock and the recorded amount is being accreted over the term of the Notes, by a charge to retained earnings.

Dividends, which are payable semi-annually from November 19, 1998, may be paid in cash or in shares of the 13% Pay-In-Kind preferred stock, at the Company's option. The preferred stock is non-voting. If the Company fails to redeem the preferred stock on or before the mandatory redemption date and for a sixty day period or more after being notified of its failure to redeem the preferred stock, then the preferred stockholders, as a class of stockholders, have the option to elect one director to our Board of Directors with the provision that the preferred stockholders are to elect 28% of the Company's directors. In connection with the issuance of the Notes as described in Note 4b, the holder agreed to extend the redemption of the preferred stock to October 15, 2009, a date six months beyond the maturity of the Notes. At September 30, 2002 unpaid dividends of $7,561 (December 31, 2001 -$5,779) have been accrued on the preferred stock and are included as long-term liabilities. The preferred stock is redeemable. However, under the terms of the Company's debt covenants, the preferred stock may not be redeemed while its debt is outstanding.

The preferred stock must be redeemed by the Company upon a change of control or by the mandatory redemption date.

6. EARNINGS PER SHARE

Income (losses) per share for the three and nine month periods are as follows:

	For the Three Months ended September 30, 2001		For the Nine Months ended September 30, 2001		For the T ended Sep 2
	Basic	Diluted	Basic	Diluted	Basic
Net income (loss) before extraordinary item attributable to common stockholders	$3,310	$3,310	$(8,227)	$(8,227)	$2,759
Net income (loss) attributable to common stockholders	$3,310	$3,310	$(9,318)	$(9,318)	$2,759
Weighted average common and common equivalent shares outstanding:					
Common stock	6,500,549	6,500,549	6,500,549	6,500,549	7,040,523
Common equivalent shares (a)	698,114	698,114	548,333	548,333	158,891
Total weighted average common and common equivalent shares outstanding	7,198,663	7,198,663	7,048,882	7,048,882	7,199,414
Net income (loss) before extraordinary item per common share (b)	$0.46	$0.46	$(1.17)	$(1.17)	$0.38
Net income (loss) per common share (b)	$0.46	$0.46	$(1.32)	$(1.32)	$0.38

(a) Common equivalent shares include warrants and stock options issuable for little or no cash consideration.

(b) Other warrants and stock options are considered in diluted earnings per share when dilutive. The Company used the average book value of its common stock in calculating the common equivalent shares as required by statement of Financial Accounting Standards No. 128 due to the fact that the Company's stock had extremely limited trading volume during the period.

(c) Options to purchase 1,322,222 shares of common stock were outstanding but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average book value of the common stock.

7. CONTINGENCIES

The Company is currently undergoing an audit by the Canada Customs and Revenue Agency for its 1996-2000 taxation years. It is not possible at this time to determine the amount of the liability that may arise as a result of this audit.

Other than certain legal proceedings arising from the ordinary course of business, which the Company believes will not have a material adverse effect, either individually or collectively, on its financial position, results of operations or cash flows, there is no other litigation pending or threatened against the Company.

8. SEGMENT INFORMATION

REPORTABLE SEGMENTS

The Company has two reportable segments: Equipment and Apparel. The Equipment segment derives its revenue from the sale of skates, including ice hockey, roller hockey and figure skates, as well as protective hockey equipment and sticks for both players and goaltenders. The Apparel segment derives its revenue from the sale of hockey apparel, such as licensed authentic and replica hockey jerseys, team uniforms and socks as well as a high quality line of baseball style caps, jackets and other casual apparel using its own designs and graphics.

MEASUREMENT OF SEGMENT PROFIT OR LOSS AND SEGMENT ASSETS

The accounting policies of the segment are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on gross profit.

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

INFORMATION ABOUT SEGMENT PROFIT OR LOSS AND SEGMENT ASSETS

2001	Equipment		Apparel		
	For the Three Months ended Sept. 30	For the Nine Months ended Sept. 30	For the Three Months ended Sept. 30	For the Nine Months ended Sept. 30	For Mo
Net sales	$ 49,635	$ 105,326	$ 16,264	$ 37,660	
Gross profit before restructuring	20,075	43,219	7,345	15,836	
Inventories	27,316	27,316	18,248	18,248	
Goodwill and excess re-organizational intangible	62,564	62,564	9,349	9,349	

2002	Equipment		Apparel		
	For the Three Months ended Sept. 30	For the Nine Months ended Sept. 30	For the Three Months ended Sept. 30	For the Nine Months ended Sept. 30	For Mo
Net sales	$ 49,166	$ 105,439	$ 23,530	$ 45,985	
Gross profit before restructuring	19,882	44,183	11,926	22,607	
Inventories	31,190	31,190	21,043	21,043	
Goodwill and excess					

re-organizational intangible	58,891	58,891	7,674	7,674

THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

RECONCILIATION OF SEGMENT PROFIT OR LOSS

	For the Three Months ended Sept. 30, 2001	For the Nine Months ended Sept. 30, 2001
Segment gross profit before restructuring	$27,420	$59,055
Restructuring and unusual charges	286	1,187
Gross Profit	27,134	57,868
Unallocated amounts:		
Selling, general and administrative expenses	15,446	44,294
Restructuring and unusual charges	810	2,815
Amortization of excess re-organization value and goodwill	1,098	3,303
Other expense, net	889	2,304
Interest expense	3,622	10,335
Foreign exchange loss (gain)	(4)	(315)
Income (loss) before income taxes and extraordinary item	$ 5,273	$(4,868)

9. RESTRUCTURING AND UNUSUAL CHARGES

In 2001, the Company embarked on a plan to rationalize its operations and consolidate its facilities. This rationalization involved the elimination of certain redundancies, both in terms of personnel and operations, as well as the consolidation of facilities including the closure of the Mount Forest, Ontario plant, the Paris, France sales office, and the consolidation of North American distribution into Canada. Approximately 380 employees were affected, of which 240 were from the apparel segment. Accordingly, the Company set up reserves of approximately $5,700 in 2001 for the expected cost of the restructuring. Of this amount, approximately $4,300 was to cover the cost of severance packages to affected employees, with the remainder representing other closure costs. Of these amounts, approximately $366 remained unpaid at September 30, 2002 (December 31, 2001 - $1,900).

10. SUPPLEMENTAL CONDENSED CONSOLIDATED FINANCIAL INFORMATION

THC's and Sport Maska Inc.'s payment obligations under the Notes (see Note 4b) are guaranteed by certain subsidiaries of the Company and Sport Maska Inc.'s wholly owned subsidiaries (the Other Guarantors), excluding the Finnish subsidiaries and a pledge of the stock of the first-tier Finnish subsidiary. Such guarantees are full, unconditional and joint and several. The security interest in the assets of the Company's Swedish subsidiaries (other than intellectual property) is limited to $15,000. Under the Company's revolving credit facilities, both Sport Maska Inc., and Maska U.S. Inc., a guarantor subsidiary, are restricted from paying dividends or providing loans or advances to the Company. The following supplemental financial information sets forth, on an unconsolidated basis, balance sheets, statements of operations and statements of cash flows information for THC, Sport Maska Inc., Other Guarantors and for the Company's other subsidiaries (the Non-Guarantor Subsidiaries), which have been included in the elimination column. The supplemental financial information reflects the investments of THC, Sport Maska Inc., and the Other Guarantors in the Other Guarantor and Non-Guarantor Subsidiaries using the equity method of accounting. The supplemental financial information also reflects pushdown of the Company's loan with the Caisse (see Note 4b).

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

As at September 30, 2002	The Hockey Company	Sport Maska Inc.	Guarantors
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ -	$ 95
Accounts receivable, net	-	31,380	47,183
Inventories	-	39,078	13,491
Prepaid expenses	806	1,536	812
Income taxes and other receivables	420	581	111
Intercompany accounts	79,696	31,833	22,161
Total current assets	80,922	104,408	83,853
Property, plant and equipment, net of accumulated depreciation	-	11,398	2,032
Intangible and other assets	2,140	27,414	45,042
Investments in subsidiaries	41,343	-	45,923
Intercompany accounts	11,092	-	25,000
Total assets	$ 135,497	$ 143,220	$ 201,850
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Short-term borrowings	$ -	$ 8,203	$ 8,410
Accounts payable and accrued liabilities	4,042	15,882	9,574
Income taxes payable	-	1,777	1,055
Current portion of long term debt	-	-	269
Intercompany accounts	1,565	25,712	82,780
Total current liabilities	5,607	51,574	102,088
Long-term debt	36,807	61,807	25,269
Deferred income taxes and other long-term liabilities	7,561	1,951	677
Intercompany accounts	25,000	-	43,930
Total liabilities	74,975	115,332	171,964
13% Pay-in-Kind preferred stock	11,688	-	-

Stockholders' equity			
Common stock, par value $0.01 per share	70	29,558	4,889
Common stock purchase warrants	1,665	-	-
Additional paid-in capital	69,965	-	19,344
Retained earnings (Deficit)	(23,308)	(976)	5,648
Accumulated other comprehensive income (loss)	442	(694)	5
Total stockholders' equity	48,834	27,888	29,886
Total liabilities and stockholders' equity	$ 135,497	$ 143,220	$ 201,850

THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

As at December 31, 2001	The Hockey Company	Sport Maska Inc.	Guarantors
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 6	$ 2,002
Accounts receivable, net	-	17,615	32,268
Inventories	-	27,539	15,726
Prepaid expenses	790	2,438	1,581
Income taxes and other receivable	420	1,187	111
Intercompany accounts	66,325	35,262	33,492
Total current assets	67,535	84,047	85,180
Property, plant and equipment, net of accumulated depreciation	-	12,579	2,199
Intangible and other assets	1,119	25,781	48,606
Investments in subsidiaries	36,769	-	43,470
Intercompany accounts	11,092	-	24,058
Total assets	$ 116,515	$ 122,407	$ 203,513
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Short-term borrowings	$ -	$ 12,769	$ 15,023
Accounts payable and accrued liabilities	933	10,961	8,744
Income taxes payable	-	2,046	1,265
Current portion of long term debt	-	-	243
Intercompany accounts	1,534	27,309	84,437
Total current liabilities	2,467	53,085	109,712
Long-term debt	22,586	39,279	24,485
Deferred income taxes and other long-term liabilities	5,779	2,135	1,122
Intercompany accounts	24,058	-	43,930
Total liabilities	54,890	94,499	179,249

13% Pay-in-Kind preferred stock	11,571	-	-
Stockholders' equity			
Common stock, par value $0.01 per share,	65	29,281	4,770
Common stock purchase warrants,	5,115	-	-
Additional paid-in capital	66,515	-	19,344
Retained earnings (Deficit)	(22,089)	(668)	799
Accumulated other comprehensive income (loss)	448	(705)	(649)
Total stockholders' equity	50,054	27,908	24,264
Total liabilities and stockholders' equity	$ 116,515	$ 122,407	$ 203,513

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

Nine months ended September 30, 2002	The Hockey Company	Sport Maska Inc.	Guarantors
Net sales	$ -	$ 80,529	$ 92,869
Cost of goods sold	-	54,013	57,923
Gross profit	-	26,516	34,946
Selling, general and administrative expenses	29	19,446	24,564
Operating income (loss)	(29)	7,070	10,382
Other expense, net [1]	(7,356)	480	(1,911)
Interest expense	2,662	5,060	2,551
Foreign exchange loss	-	171	-
Income (loss) before income taxes and extraordinary item	4,665	1,359	9,742
Income taxes	-	181	3,769
Income (loss) before extraordinary item	4,665	1,178	5,973
Extraordinary item - loss on early extinguishment of debt, net of taxes	861	1,486	918
Net income (loss)	$ 3,804	$ (308)	$ 5,055

[1] Other expense, net for The Hockey Company and Other Guarantors includes equity in net income of subsidiaries of $4,547 and $2,453 respectively.

Three months ended September 30, 2002	The Hockey Company	Sport Maska Inc.	Guarantors

Net sales	$ -	$ 38,423	$ 44,055
Cost of goods sold	-	26,152	26,992
Gross profit	-	12,271	17,063
Selling, general and administrative expenses	4	7,387	9,039
Operating income (loss)	(4)	4,884	8,024
Other expense, net [1]	(7,573)	287	(1,079)
Interest expense	1,064	2,039	935
Foreign exchange loss	-	2,443	-
Income (loss) before income taxes	6,505	115	8,168
Income taxes	-	86	3,869
Net income (loss)	$ 6,505	$ 29	$ 4,299

[1] Other expense, net for The Hockey Company and Other Guarantors includes equity in net income of subsidiaries of $4,531 and $1,302 respectively.

THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

Nine months ended September 30, 2001	The Hockey Company	Sport Maska Inc.	Guar
Net sales	$ -	$ 91,408	$
Cost of goods sold before restructuring charges	-	66,601	
Restructuring and unusual charges	-	1,187	
Gross profit	-	23,620	
Selling, general and administrative expenses	50	19,103	
Restructuring and unusual charges	-	1,663	
Amortization of excess reorganization value and goodwill	-	949	
Operating income (loss)	(50)	1,905	
Other expense, net [1]	5,480	709	
Interest expense	2,164	4,840	
Foreign exchange loss (gain)	(419)	104	
Income (loss) before income taxes and extraordinary item	(7,275)	(3,748)	
Income taxes	-	134	
Net income (loss) before extraordinary item	(7,275)	(3,882)	
Extraordinary item - loss on early extinguishment of debt, net of taxes	288	499	
Net income (loss)	$ (7,563)	$ (4,381)	$

[1] Other expense, net for The Hockey Company and Other Guarantors includes equity in net income (loss) of subsidiaries of ($4,637) and $1,622 respectively.

Three months ended September 30, 2001	The Hockey Company	Sport Maska Inc.	Gua
Net sales	$ -	$ 38,041	$
Cost of goods sold before restructuring charges	-	26,651	
Restructuring and unusual charges	-	286	
Gross profit	-	11,104	
Selling, general and administrative expenses	39	7,023	
Restructuring and unusual charges	-	269	
Amortization of excess reorganization value and goodwill	-	314	
Operating income (loss)	(39)	3,498	
Other expense, net [1]	(4,226)	34	
Interest expense	711	1,712	
Foreign exchange loss (gain)	(419)	415	
Income (loss) before income taxes	3,895	1,337	
Income taxes	-	45	
Net income (loss)	$ 3,895	$ 1,292	$

[1] Other expense, net for The Hockey Company and Other Guarantors includes equity in net income of subsidiaries of $5,554 and $1,156 respectively.

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

Nine months ended September 30, 2002	The Hockey Company	Sport Maska Inc.	Guar
OPERATING ACTIVITIES:			
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (12,931)	$ (13,350)	$
INVESTING ACTIVITIES:			
Purchases of property, plant & equipment	-	(706)	
NET CASH USED FOR INVESTING ACTIVITIES	-	(706)	
FINANCING ACTIVITIES:			
Net change in short-term borrowings	-	(4,401)	
Proceeds from long term debt	36,963	61,898	

Principal payments on debt	(21,853)	(39,471)	(
Issuance of warrants	5	-	
Deferred financing costs	(2,184)	(3,668)	
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	12,931	14,358	
Effects of foreign exchange rate changes on cash	-	-	
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	302	
Cash & cash equivalents at beginning of period	-	(302)	
Cash & cash equivalents at end of period	$ -	$ -	$

Nine months ended September 30, 2001	The Hockey Company	Sport Maska Inc.	Guar
OPERATING ACTIVITIES:			
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 3	$(16,111)	$(
INVESTING ACTIVITIES:			
Purchases of property, plant & equipment	-	(874)	
Proceeds from disposal of property, plant and equipment	-	330	
NET CASH USED FOR INVESTING ACTIVITIES	-	(544)	
FINANCING ACTIVITIES:			
Net change in short-term borrowings	-	18,335	
Proceeds from long term debt	229	191	
Principal payments on debt	-	-	
Issuance of warrants	3,450	-	
Deferred financing costs	(3,682)	(2,787)	
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(3)	15,739	
Effects of foreign exchange rate changes on cash	-	(9)	
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	(925)	
Cash & cash equivalents at beginning of period	-	925	
Cash & cash equivalents at end of period	$ -	$ -	$

THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)

11. SUBSEQUENT EVENT

In October 2002 the Company announced its decision to close three of its North American manufacturing units effective December 2002 in order to reduce excess capacity and achieve greater operating efficiencies. Approximately 160 employees are affected by this decision, of which approximately 50 are from the apparel segment. Accordingly, the Company expects to incur a restructuring charge of approximately $2,500 in the fourth quarter of the year, of which approximately $1,500 is to cover the cost of severance packages to affected employees, with the remainder representing other closure costs.

THE HOCKEY COMPANY
PART I
FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

We can trace our origins to September 1899, when the Canada Cycle and Motor Company (CCM) was formed as a manufacturer of bicycles and motorcars. In 1905, CCM began marketing ice hockey skates for a sport barely 30 years old at that time and, in 1937, acquired the Tackaberry (later Tacks) trade name. In 1983, CCM was amalgamated with Sport Maska Inc., a manufacturer of hockey jerseys for the NHL since 1967. In November 1998, we acquired Sports Holdings Corp., Europe's largest manufacturer of ice, roller and street hockey equipment and their Jofa, Koho, Canadien, Heaton and Titan brands. As a result, we are now the world's largest marketer, designer and manufacturer of hockey equipment and related apparel.

Our business is seasonal. The seasonality of our business affects net sales and borrowings under our credit agreements. Traditional quarterly fluctuations in our business may vary in the future depending upon, among other things, changes in order cycles and product mix.

SELECTED FINANCIAL DATA

The following discussion provides an assessment of our results of continuing operations, financial condition and liquidity and capital resources, and should be read in conjunction with the Unaudited Consolidated Financial Statements of the Company and Notes thereto included elsewhere herein. (All references to "Note(s)" refer to the Notes to Unaudited Consolidated Financial Statements.)

EBITDA is defined as the earnings (net income) before interest, income and capital taxes, and depreciation and amortization. EBITDA includes restructuring charges and other unusual or non-recurring items, if any. EBITDA is not a measure of performance or financial condition under generally accepted accounting principles, but is presented because it is a widely accepted indicator of a company's ability to source and incur debt. EBITDA should not be considered as an alternative to net income, as an indicator of our operating performance or as an alternative to cash flows as a measure of liquidity. In addition, since companies calculate EBITDA differently, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. EBITDA is calculated as follows:

	For the Three Months ended Sept. 30, 2001	For the Nine Months ended Sept. 30, 2001	For the Three Months ended Sept. 30, 2002

Operating income	$ 9,780	$ 7,456	$ 14,823
Depreciation & amortization	2,128	6,601	946
Capital taxes	151	447	80
Other expenses, net	(162)	268	(268)
EBITDA	$ 11,897	$ 14,772	$ 15,581

THE HOCKEY COMPANY
PART I
FINANCIAL INFORMATION

Under the terms of the indenture governing the Notes as defined below, for the purposes of calculating the Consolidated Fixed Charge Coverage Ratio, restructuring charges and other unusual or non-recurring items would be added back to Consolidated EBITDA. Under the U.S. and Canadian Credit Agreements, restructuring charges and other unusual or non-recurring items would be added back to consolidated EBITDA.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

2002 COMPARED TO 2001

Net sales increased 5.9% to $151.4 million in the nine months ended September 30, 2002, as compared to $143.0 million in the nine months ended September 30, 2001. For the three months ended September 30, 2002 net sales increased $6.8 million to $72.7 million. The increases were attributable to improved sales of apparel due in part to our strategy of increasing our on-hand inventory levels which allowed us to ship orders for the start of the NHL season.

Gross profit for the nine months ended September 30, 2002 was $66.8 million, compared to $57.9 million in 2001, an increase of 15.4%, attributable to a strong product mix, as well as improved product costs resulting from the restructuring and outsourcing initiatives. Measured as a percentage of net sales, gross profit margins increased to 44.1% from 40.5% in the same period in 2001. Gross profit for the three months ended September 30, 2002 was $31.8 million, an increase of $4.7 million over the third quarter of 2001.

In the nine months ended September 30, 2002, selling, general and administrative expenses decreased marginally as a percentage of sales to 30.6% from 31% in 2001. In absolute dollar terms, there was a 4.5% increase to $46.3 million in the first nine months of 2002 from $44.3 million in the same period of 2001. For the three months ended September 30, 2002, selling, general and administrative expenses increased to $17.0 million from $15.4 million. The year over year increase is mainly related to a contractual increase in NHL related expenses.

EBITDA was $23 million for the nine months ended September 30, 2002, compared to $14.8 million for the nine months ended September 30, 2001. The three months ended September 30, 2002 EBITDA was $15.6 million compared to $11.9 million in the third quarter of 2001.

Interest expense of $10.3 million for the nine months ended September 30, 2002 was consistent versus the same nine months of 2001. For the three months ended September 30, 2002, interest expense was $4.0 million compared to $3.6 million in the third quarter of 2001.

Included in foreign exchange loss (gain) is a foreign exchange gain of $0.6 million for the 9 months ended September 30, 2002 which resulted from the translation of our US dollar denominated long term debt, 50% of which is held by our Canadian operating Company. The foreign exchange loss for the three month period ended September 30, 2002 was $2.3 million. No such gain or loss existed in the three and nine months ended September 30, 2001.

Our income before extraordinary items for the nine months ended September 30, 2002 was $3.9 million, compared to a loss before extraordinary items of $6.5 million for the nine months ended September 30, 2001. In the three months ended September 30, 2002 we had income before extraordinary item of $3.4 million compared to $3.9 million in the third quarter of 2001.

As a result of the extinguishment of the Caisse loan, we wrote off $3.3 million of deferred financing costs which is recorded as an extraordinary item. See Liquidity and Capital Resources.

Our net income for the nine months ended September 30, 2002, was $0.7 million compared to a net loss of $7.6 million for the nine months ended September 30, 2001. In the three months ended September 30, 2002 we had a net income of $3.4 million compared to a net income in the third quarter of 2001 of $3.9 million.

Our net loss attributable to common shareholders for the nine months ended September 30, 2002 was $1.2 million compared to $9.3 million for the same nine months in 2001. For the three months ended September 30, 2002, net income attributable to common shareholders was $2.8 million compared to $3.3 million in the third quarter of 2001. The difference between the redemption value of the preferred stock and the recorded amount is now being accreted over the term of the Notes (as described below) by a charge to retained earnings.

LIQUIDITY AND CAPITAL RESOURCES

Our anticipated financing requirements for short-term working capital requirements and long-term growth, future capital expenditures and debt service are expected to be met through cash generated from our operations and borrowings under our credit facilities. Effective November 19, 1998, one of our U.S. subsidiaries, Maska U.S., Inc., as the borrower, and the credit parties named therein entered into a credit agreement with the lenders referred to therein and with General Electric Capital Corporation, as Agent and Lender. Simultaneously, one of our Canadian subsidiaries, Sport Maska Inc., as the borrower, and the credit parties named therein entered into a credit agreement with the lenders referred to therein and General Electric Capital Canada Inc., as Agent and Lender (together with General Electric Capital Corporation, "GECC"). The credit agreements are collateralized by all accounts receivable, inventories and related assets of the borrowers and our other North American subsidiaries, and are further collateralized by a second lien on all of our and our North American subsidiaries' other tangible and intangible assets. The credit agreements were amended in connection with the issuance of the Notes (as described below) to reflect the repayment of the Caisse term loans.

The maximum amount of loans and letters of credit that may be outstanding under the two credit agreements is $60.0 million. However under the terms of the Notes, our indebtedness cannot exceed $35 million and must be repaid in full at least once a year. Total borrowings outstanding under the credit agreements were $11.5 million as at September 30, 2002 ($27.8 million at December 31, 2001), excluding $6.0 million of letters of credit outstanding. The maturity date of the GECC credit agreements was October 17, 2002, and they were renewed for a further three year term on terms substantially the same as the prior agreements.

As at September 30, 2002 borrowings under the U.S. credit agreement bear interest at rates between U.S. prime plus 0.50% to 1.25% or LIBOR plus 1.75% to 2.75% depending on THC's Operating Cash Flow Ratio, as defined in the agreement. Borrowings under the Canadian credit agreement bear interest at rates between the Canadian prime rate plus 0.75% to 1.50%, the U.S. prime rate plus 0.50% to 1.25% and the Canadian Bankers' Acceptance rate or LIBOR plus 1.75% to 2.75% depending on THC's Operating Cash Flow Ratio, as defined in the agreement. In addition, we are charged a GECC monthly commitment fee at an annual rate of 3/8 of 1% on the unused portion of the revolving credit facilities under the credit agreements and certain other fees.

The credit agreements contain customary negative and affirmative covenants including those relating to capital expenditures, minimum interest coverage and fixed charges coverage ratio. The credit agreements restrict, among other things, the ability to pay cash dividends on the preferred shares.

On November 19, 1998, in connection with the acquisition of Sports Holdings Corp., we entered into a credit agreement with Caisse de depot et placement du Quebec ("Caisse") to borrow Canadian $135.8 million. The loan, initially for a period of two years, was extended and matured on March 14, 2001, on which date we entered into an Amended and Restated Credit Agreement. This renewed Caisse loan was made up of 2 facilities (Facility 1--Canadian $90 million and Facility 2--Canadian $45.8 million). Each facility bore interest equal to the Canadian prime rate plus 5% and Facility 2 bore additional interest of 3.5% which was to be capitalized and repaid on the maturity of Facility 2. On March 8, 2002 we acquired an option from the lender to extend the maturity of Facility 2 plus capitalized interest to February 28, 2003. The Amended and Restated Credit Agreement was terminated in connection with the issuance of the Units (as described below).

The Amended and Restated Credit Agreement contained customary negative and affirmative covenants including those relating to capital expenditures, total indebtedness to EBITDA, minimum interest coverage and a minimum EBITDA requirement.

On April 3, 2002, we completed a private offering of $125 million aggregate principal amount of 11 1/4% Senior Secured Note Units due April 15, 2009 (the "Units"), at a price of 98.806%, each such Unit consisting of $500 principal amount of 11 1/4% Senior Secured Notes due April 15, 2009 of the Company and $500 principal amount of 11 1/4% Senior Secured Notes due April 15, 2009 of Sport Maska Inc., our wholly-owned subsidiary. An offer to exchange all of the outstanding Units for 11 1/4% Senior Secured Note Units due 2009 (the "Exchange Units"), which have been registered with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, pursuant to a registration statement on Form S-4 filed with the SEC on August 13, 2002, was completed on September 20, 2002. The terms of the Exchange Units (and the underlying Exchange Notes) and those of the outstanding Units (and underlying Notes) are identical, except that the transfer restrictions and registration rights relating to the Units do not apply to the Exchange Units; therefore, for purposes of this report on Form 10-Q, any reference to "Unit" refers to both Units and Exchange Units and any reference to "Note" refers to both Notes and Exchange Notes.

The Notes are fully and unconditionally guaranteed by all of our restricted subsidiaries, excluding the Finnish subsidiaries. The stock of the first-tier Finnish subsidiary was pledged and the security interest in the assets of our Swedish subsidiaries is limited to $15 million. Among the financial covenants in the indenture, our ability to borrow under the

revolving credit facilities is restricted to a maximum of $35 million and the payments of dividends or repurchases of stock are limited.

The proceeds of $123.5 million from the sale of the Units were used by us (i) to repay all outstanding secured loans under the Amended and Restated Credit Agreement with Caisse, dated March 14, 2001, (ii) to pay down secured indebtedness under the U.S. and Canadian credit agreements with GECC, (iii) to pay fees and expenses for the offering and (iv) for general corporate purposes. The Amended and Restated Credit Agreement with Caisse and any documents related thereto have been terminated and are of no further force and effect. In connection with the issuance of the Units, the terms of the GECC credit agreements were amended by each of the Fourth Amendment to Canadian Credit Agreement, among the respective parties thereto, and the Third Amendment to U.S. Credit Agreement, among the respective parties thereto and have been further amended in connection with their renewal.

Effective March 18, 1999, Jofa AB, a Swedish subsidiary of the Company, entered into a credit agreement with Nordea Bank in Sweden. The maximum amount of loans and letters of credit that may be outstanding under the agreement is SEK 90 million ($9.7 million)(SEK 80 million in 2001 ($7.7 million)). The facility is collateralized by the assets of Jofa AB, excluding intellectual property, bears interest at a rate of STIBOR (4.5% at September 30, 2002) plus 0.90%, matures on December 31, 2002 and is renewable annually. Total borrowings as at December 31, 2001 and September 30, 2002 were nil and SEK 25,610 million (approximately $2.8 million), respectively. Management believes that the credit agreement can be renewed or refinanced upon maturity. If this agreement cannot be renewed or financed with Nordea Bank, the Company will seek alternate sources of financing to replace this agreement. In addition, in May 2000, Jofa AB entered into a separate credit agreement with Nordea Bank to borrow SEK 10 million, or approximately $1.1 million. The loan has a term of four years with annual principal repayments of SEK 2.5 million, or approximately $0.3 million. The loan is secured by a chattel mortgage on the assets of Jofa AB and bears an interest rate of STIBOR plus 1.25%.

Effective July 10, 2001, KHF Finland Oy, our Finnish subsidiary, entered into a credit agreement with Nordea Bank in Finland, replacing the former credit facility for FIM 30 million (approximately $4.6 million) which was terminated in 2001. The maximum amount of loans and letters of credit that may be outstanding under the agreement is EUR 2.4 million (approximately $2.3 million). The facility is renewable annually and is collateralized by the assets of KHF Finland Oy and bears interest at a rate of EURIBOR (3.4% at September 30, 2002) plus 0.9%. Total borrowings as at December 31, 2001 and September 30, 2002 were nil.

During the nine months ended September 30, 2002, our operations used $17.0 million of cash compared to $33.2 million in the first nine months of

2001. We had net income of $0.7 million in the first nine months of 2002 compared to a net loss of $7.6 million in 2001. EBITDA was $23.0 million for the nine months ended September 30, 2002 compared to $14.8 million for the nine months ended 2001. Inventory increased by $9.4 million from December 31, 2001 to September 30, 2002. The build-up is in line with the seasonal nature of our business and is also due to the earlier arrival of our inventories, allowing us to be able to provide timelier service to our customers in the fourth quarter. Accounts receivable were up $31.7 million from December 31, 2001, consistent with the normal peak in the third quarter. Accounts payable and accrued liabilities are higher due to the accrual of the interest expense related to the issuance of the Units and extended terms from our overseas suppliers on the purchase of inventory.

Cash used in investing activities during the period ended September 30, 2002, was $1.1 million compared to $0.6 million provided in 2001. The variance is caused by $0.3 million from the proceeds of the sales of equipment in 2001.

Cash provided by financing activities during the nine months ended September 30, 2002, was $18.5 million compared to $34.7 million in 2001. The variance is mainly due to the issuance of the Units of approximately $123.9 million and the resulting repayment of the Caisse debt of $86.4 million, as well as the pay-down of the entire GECC balances approximately $17.2 million outstanding at that time.

During the quarter ended September 30, 2002 we had a foreign exchange translation loss of $1.2 million which was as a result of the weakening Canadian dollar against the US dollar. This loss offset the gain we had in the first six months of 2002 resulting in a cumulative gain of $2.1 million in the nine months ended September 30, 2002. During the quarter ended September 30, 2001 we had a foreign exchange translation gain of $1.4 million which was primarily a result of the strengthening Canadian dollar against the US dollar. This gain offset the loss we had in the first six months of 2001 resulting in a cumulative loss of $0.4 million in the nine months ended September 30, 2001.

We follow the customary practice in the sporting goods industry of offering extended payment terms to creditworthy customers on qualified orders. Our working capital requirements generally peak in the second and third quarters as we build inventory and make shipments under these extended payment terms.

Certain of our subsidiaries lease office and warehouse space and equipment under operating lease agreements. Certain of our subsidiaries have also entered into agreements that call for royalty payments generally based on net sales of certain products and product lines. Certain agreements require guaranteed minimum payments over the royalty term. We also pay certain professional players and teams an endorsement fee in exchange for promotion of our brands. Furthermore, we have repayment obligations on our long-term debt. The following is a schedule of future minimum payments and annual obligations under these commitments, as well as repayment of the Notes in 2009:

2002	$ 16,161
2003	14,787
2004	14,188

2005	6,422
2006 to 2008	1,332
2009	125,000
	$177,890

RESTRUCTURING RESERVES

In 2001, we embarked on a plan to rationalize our operations and consolidate our facilities. This rationalization involved the elimination of certain redundancies, both in terms of personnel and operations as well as the consolidation of facilities including the closure of its Mount Forest, Ontario plant, and our Paris, France sales office, and the consolidation of North American distribution into Canada. Accordingly, we set up reserves of approximately $5.7 million for the expected cost of the restructuring. Of this amount, approximately $4.3 million was to cover the cost of severance packages to affected employees, with the remainder representing other closure costs. Of these amounts, approximately $0.4 million remained unpaid as at September 30, 2002. In October 2002 the Company announced its decision to close three of its North American manufacturing units effective December 2002 in order to reduce excess capacity and achieve greater operating efficiencies. Approximately 160 employees are affected by this decision, of which approximately 50 are from the apparel segment. Accordingly, the Company expects to incur a restructuring charge of approximately $2.5 million in the fourth quarter of the year, of which approximately $1.5 million is to cover the cost of severance packages to affected employees, with the remainder representing other closure costs.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141, BUSINESS COMBINATIONS, and No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. Under the new rules, goodwill and intangible assets with indefinite lives will no longer be amortized but will be subject to annual impairment tests using a two-step process. The first step is to screen for potential impairment, while the second step measures the amount of impairment, if any. Other intangible assets will continue to be amortized over their estimated useful lives.

In accordance with the transition provisions of the SFAS No. 142, we have completed the first step of the transitional goodwill impairment test for all of our reporting units of the Company. The results of that test have indicated that no impairment in the value of goodwill and excess re-organizational intangible exists.

In August 2001, FASB issued SFAS No. 144, IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. Under the new rules, assets held for sale would be recorded at the lower of the assets' carrying amounts and fair values and would cease to be depreciated. We adopted the Statement as of January 1, 2002 and no significant transition adjustment resulted from its adoption.

On April 30, 2002, FASB Issued SFAS No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. SFAS No. 145 rescinds Statement 4, which required all gains and losses from extinguishment of debt to be classified as an extraordinary item, net of related income tax effect, if material in the aggregate. Due to the rescission of SFAS No. 4, the criteria in Opinion 30 will now be used to classify those gains and losses.

The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria for classification as an extraordinary item will be reclassified. The provisions of SFAS No. 145 related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of this Statement shall be effective for financial statements issued on or after May 15, 2002. We will adopt this Statement on

January 1, 2003 upon which the extraordinary item - loss on early extinguishment of debt, net of income taxes will be reclassified.

In July 2002, FASB issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES, which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3 "LIABILITY RECOGNITION FOR CERTAIN EMPLOYEE TERMINATION BENEFITS AND OTHER COSTS TO EXIT AN ACTIVITY (INCLUDING CERTAIN COSTS INCURRED IN A RESTRUCTURING)". SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at the time when the liability is incurred. SFAS No. 146 eliminates the definition and requirement for recognition of exit costs at the data of an entity's commitment to an exit plan in Issue 94-3. SFAS No. 146 will be effective for exit and disposal activities initiated after December 31, 2002 and had no impact on our financial statements, but will impact the accounting treatment of future exit and disposal activities should they occur.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We, in the normal course of doing business, are exposed to market risk from changes in foreign currency exchange rates and interest rates. Our principal currency exposures relate to the Canadian dollar and to certain European currencies. Management's objective, regarding foreign currency risk, is to protect cash flows resulting from sales, purchases and other costs from the adverse impact of exchange rate movements.

Our European and Canadian subsidiaries each have operating credit facilities denominated in their respective local currencies; these debt facilities are hedged by the operating revenues generated in the local currencies of the subsidiaries. Our long-term debt is denominated in U.S. dollars but 50% is held by the Canadian operating company and we are exposed to the fluctuations in United States dollars. As we hold either long-term or operating debt facilities denominated in the currencies of our European subsidiaries, our equity investments in those entities are hedged against foreign currency fluctuations. We do not engage in speculative derivative activities.

We are exposed to changes in interest rates primarily as a result of our operating credit facilities used to maintain liquidity and fund capital expenditures. Management's objective, regarding interest rate risk, is to limit the impact of interest rate changes on earnings and cash flows and to reduce overall borrowing costs. To achieve these objectives, we maintain the ability to borrow funds in different markets, thereby mitigating the effect of large changes in any one market. Our operating lines have variable interest rates and thus a 1% variation in the interest rate will cause approximately $0.4 million increase or decrease in interest expense if we were to borrow at the peak for the entire year.

We are also exposed to foreign exchange fluctuations due to our significant sales and costs in Canada, Sweden and Finland. If the average exchange rate of the Canadian Dollar, Swedish Krona and Euro were to vary by 1% versus the U.S. Dollar, the effect on sales for the first nine months of 2002 would have been $0.5 million, $0.2 million and $0.2 million, respectively. We also have operating expenses in each of these currencies which would mitigate the impact of such foreign exchange variation on cash flows from operations. Further, a 1% variation in Canadian Dollar versus the U.S, Dollar would have an effect of less than $0.1 million on interest expense for the entire year given that 50% of the debt is held by the Canadian operating company.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures that we have in place with respect to the accumulation and communication of information to management and the recording, processing, summarizing and recording thereof for the purpose of preparing and filing this quarterly report on Form 10-Q as of a date within 90 days before the filing date of this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our current disclosure controls and procedures are an effective means for timely communication of material information relating to us required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended.

CHANGES IN INTERNAL CONTROLS.

There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date that they carried out their evaluation.

THE HOCKEY COMPANY
PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to Note 7 of the Notes to Unaudited Consolidated Financial Statements included in Part I of this report.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

99.1 Certification Pursuant to 18 U.S.C 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

(b) Reports on Form 8-K.

None.

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SIGNATURES

Pursuant to the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE HOCKEY COMPANY
(REGISTRANT)

By: /s/ Robert A. Desrosiers

Name: Robert A. Desrosiers
Title: Chief Financial Officer and Vice President, Finance and Administration

Date: November 14, 2002

CERTIFICATIONS PURSUANT TO 18 U.S.C 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Each of Matthew H. O'Toole, Chief Executive Officer, and Robert A. Desrosiers, Chief Financial Officer, of The Hockey Company, a Delaware corporation (the "Company"), hereby certify that:

(1) He has reviewed this quarterly report;

(2) Based on his knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such

statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on his knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

(4) He and the other certifying officers are responsible for establishing and maintaining disclosure controls and procedures for the Company and have:

(i) Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared;

(ii) Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(iii) Presented in this quarterly report their conclusions about the effectiveness of the disclosure controls and procedures based on their evaluation as of the Evaluation Date;

(5) He and the other certifying officers have disclosed, based on their most recent evaluation, to the Company's auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function):

(i) All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

(ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

(6) He and the other certifying officers have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

* * *

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER
/s/ Matthew H. O'Toole	/s/ Robert A. Desrosiers
Matthew H. O'Toole	Robert A. Desrosiers
Date: 14 November, 2002	Date: 14 November, 2002