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HOCKEY CO  
Form 10-Q  
May 15, 2001

=====

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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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 MARCH 31, 2001

-----

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

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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.)

C/O MASKA U.S., INC., 929 HARVEST LANE, P.O. BOX 1200, WILLISTON, VT 05495

-----

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code (802) 872-4226

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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

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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 MAY 11, 2001
-----	-----
Common Stock, \$.01 par value	6,500,549

THE HOCKEY COMPANY  
FORM 10-Q  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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THE HOCKEY COMPANY  
CONSOLIDATED BALANCE SHEETS  
(In thousands)

	Unaudited ----- Mar. 31, 2001 -----
ASSETS	
Current assets	
Cash and cash equivalents	\$ 518
Accounts receivable, net	29,261
Inventories (Note 2)	45,809
Prepaid expenses and other receivables	6,405
Income taxes receivable	1,857
	-----
Total current assets	83,850
Property, plant and equipment, net of accumulated depreciation and amortization (\$12,562 and \$12,310, respectively)	19,562
Intangible and other assets, net of accumulated amortization (Note 3)	83,353
	-----
Total assets	\$186,765 =====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities	
Short-term borrowings (Note 4)	\$ 22,259
Accounts payable and accrued liabilities	18,083
Income taxes payable	2,384
Current portion of long term debt	241
Other current liabilities	698
	-----
Total current liabilities	43,665
Long-term debt (Note 4)	86,699
Deferred income taxes	469
	-----
Total liabilities	130,833 -----
Contingencies (Note 7)	
13% Pay-In-Kind preferred stock (Note 5)	11,392
Stockholders' equity	
Common stock, par value \$0.01 per share, 20,000,000 shares authorized, 6,500,549 shares issued and outstanding at March 31, 2001 and at December 31, 2000	65
Re-organization warrants, 300,000 issued and 299,451 outstanding at March 31, 2001 and at December 31, 2000	-
Common stock purchase warrants, 699,101 issued and outstanding at March 31, 2001 and 159,127 outstanding at December 31, 2000	5,115
Additional paid-in capital	66,515
Retained earnings	(19,637)
Foreign currency translation adjustments	(7,518)
	-----

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Total stockholders' equity	44,540 -----
Total liabilities and stockholders' equity	\$ 186,765 =====

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 Mar. 31, 2001 -----	For the Three Months ended Mar. 31, 2000 -----
Net sales	\$ 34,835	\$34,406
Cost of goods sold	20,873	20,659
	-----	-----
Gross profit	\$ 13,962	\$13,747
Selling, general and administrative expenses	14,921	15,601
Amortization of excess reorganization value and goodwill	1,105	1,138
	-----	-----
Operating loss	\$ (2,064)	\$ (2,992)
Other expense, net	576	424
Interest expense	2,991	2,964
	-----	-----
Loss before following items	\$ (5,631)	\$ (6,380)
Restructuring charges	2,906	-
	-----	-----
Loss before income taxes and extraordinary item	\$ (8,537)	\$ (6,380)
Income taxes (benefit)	134	(1,185)
	-----	-----
Loss before extraordinary item	\$ (8,671)	\$ (5,195)
	-----	-----
Extraordinary item		
Loss on early extinguishment of debt (See Note 3)	1,091	-
	-----	-----
Net loss	\$ (9,762)	\$ (5,195)
	=====	=====
Preferred stock dividends	526	492
Accretion of 13% Pay-In-Kind preferred stock	59	63
	-----	-----
Net loss attributable to common shareholders	\$ (10,347)	\$ (5,750)
	=====	=====
Basic loss before extraordinary item per share (See Note 6)	\$ (1.29)	\$ (0.86)
Diluted loss before extraordinary item per share (See Note 6)	\$ (1.29)	\$ (0.86)
Basic loss per share (See Note 6)	\$ (1.44)	\$ (0.86)

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Diluted loss per share (See Note 6)

\$ (1.44)

\$ (0.86)

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

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

	For the Three Months ended Mar. 31, 2001 -----	For the Three Months ended Mar. 31, 2000 -----
Net loss	\$ (9,762)	\$ (5,195)
Foreign currency translation adjustments	(823)	(513)
	-----	-----
Net comprehensive loss	\$ (10,585) =====	\$ (5,708) =====

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 Three Months ended Mar. 31, 2001 -----	For the Three Months ended Mar. 31, 2000 -----
<b>OPERATING ACTIVITIES:</b>		
Net loss before extraordinary item	\$ (8,671)	\$ (5,195)
Adjustments to reconcile net loss to net cash used in operating activities:		
Restructuring charges	2,906	-
Depreciation and amortization	3,290	2,778
Provisions for inventory, doubtful accounts and other deductions	1,227	1,134
Deferred Income Taxes	121	(1,074)
Gain on disposal of fixed assets	(6)	-

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Gain on foreign exchange	(488)	(103)
Change in operating assets and liabilities:		
Accounts receivable	8,034	9,686
Inventories	(5,866)	(6,490)
Prepaid expenses and other assets	(502)	(900)
Accounts payable and accrued liabilities	(9,058)	(6,712)
Income taxes payable	(935)	(553)
	-----	-----
Net cash used in operating activities	\$ (9,948)	\$ (7,429)
	-----	-----
INVESTING ACTIVITIES:		
Deferred expense	268	-
Purchases of fixed assets	(543)	(485)
Proceeds from sales of fixed assets	8	19
	-----	-----
Net cash used in investing activities	\$ (267)	\$ (466)
	-----	-----
FINANCING ACTIVITIES:		
Net change in short-term borrowings	10,468	4,330
Deferred financing costs	(5,937)	-
Principal payments on debt	(63)	-
Issuance of warrants	3,450	-
	-----	-----
Net cash provided by financing activities	\$ 7,918	\$ 4,330
	-----	-----
Effects of foreign exchange rate changes on cash	392	(62)
	-----	-----
Decrease in cash	\$ (1,905)	\$ (3,627)
Cash and cash equivalents at beginning of period	2,423	3,517
	-----	-----
Cash and cash equivalents at end of period	\$ 518	\$ (110)
	=====	=====

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

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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, CHANGE OF CORPORATE NAME AND PRINCIPLES OF CONSOLIDATION

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

On January 31, 1999, the Board of Directors and stockholders of THC adopted an amendment to the Company's Certificate of Incorporation to change the name of THC from SLM International, Inc. to The Hockey Company.

The consolidated financial statements include the accounts of THC and its

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wholly-owned subsidiaries. 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, goaltender equipment, protective equipment, hockey, figure and inline skates as well as street hockey products. These are marketed under the CCM(R), JOFA (R), KOHO (R), HEATON (R), TITAN(R) AND CANADIAN tm brand names, and private LABEL brands and licensed sports apparel under the CCM(R) and #1 APPAREL tm brand names. THC sells its products world-wide to a diverse customer base consisting of mass merchandisers, retailers, wholesalers, sporting goods shops and international distributors. THC 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 on a basis consistent with the annual financial statements of THC and its subsidiaries.

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 Loss and Statements of Cash Flows for the 2001 and 2000 periods, have been included. These unaudited interim consolidated financial statements do not include all of the information and footnotes required by 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. 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, 2000. Certain prior period amounts have been reclassified to conform to the current period presentation.

### C. ACCOUNTING PRONOUNCEMENTS

The Company has adopted SFAS 133 and no significant transition adjustment resulted from its adoption.

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

### 2. INVENTORIES

Net inventories consist of:

	March 31, 2001 -----	December 31, 2000 -----
Finished products	\$33,508	\$29,745
Work in process	3,206	2,727
Raw materials and supplies	9,095	9,638

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-----	-----
\$45,809	\$42,110
=====	=====

### 3. INTANGIBLE AND OTHER ASSETS

Net intangible and other assets consist of:

	March 31, 2001	December 31, 2000
	-----	-----
Goodwill	\$44,632	\$46,643
Excess Reorganization intangible	29,382	30,052
Deferred Financing Costs	5,881	2,084
Other	3,458	3,775
	-----	-----
	\$83,353	\$82,554
	=====	=====

Amortization expense for intangible assets was \$2,090 for the three months ended March 31, 2001 and \$6,569 for the twelve months ended December 31, 2000. A write-off of \$1,091 of deferred financing costs was booked as an extraordinary item as a result of the Company's substantive modifications of the terms of its credit agreements. (See Note 4b).

### 4. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

#### A) SHORT-TERM BORROWINGS

i) 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 General Electric Capital Canada Inc., as Agent and Lender. The Credit Agreements are collateralized by eligible accounts receivable and inventories of the borrowers and are further collateralized by a guarantee of the Company and its other North American subsidiaries.

On March 14, 2001, (i) the Second Amendment to the U.S. GECC Credit Agreement was entered into by Maska U.S., as borrower, the Credit Parties, the U.S. Lenders and General Electric Capital Corporation, as Agent and Lender, and (ii) the second Amendment to the Canadian GECC Credit Agreement was entered into by Sport Maska, as borrower, the Credit Parties, the Canadian Lenders and General Electric Capital Canada Inc., as Agent and Lender. On terms and subject to the conditions of each of the Second Amendments, the GECC Credit Agreements were amended to reflect the Amended and Restated Credit Agreement. The maximum amount of loans and letters of credit that may be outstanding under the two credit agreements is \$60,000. Total borrowings outstanding under the Credit Agreements at March 31, 2001 and December 31, 2000 were \$18,258 and \$12,282, respectively (excluding outstanding letters of credit). The Credit Agreements were for a period of two



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years with a possible extension of one year by the Company.

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Borrowings under the U.S. Credit Agreements 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 borrower's Operating Cash Flow Ratio, as defined in the agreement. Borrowings under the Canadian Credit Agreement bear interest at rates of either the Canadian prime rate plus 0.75%-1.50% or LIBOR plus 1.75%-2.75% depending on the borrower'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, total indebtedness to EBITDA, minimum interest coverage and fixed charges coverage ratio.

- ii) Effective March 18, 1999, Jofa AB ("Jofa"), a Swedish subsidiary of the Company, entered into a credit agreement with MeritaNordbanken in Sweden. The maximum amount of loans and letters of credit that may be outstanding under the agreement is SEK 50,000 (\$6,000). The facility is collateralized by the assets of Jofa, excluding intellectual property, bears interest at a rate of STIBOR plus 0.65% and is renewable annually. Total borrowings at March 31, 2001 and December 31, 2000 were SEK 7,338 (\$707) and nil, respectively.

Effective July 14, 1999, KHF Sports Oy ("KHF"), a Finnish subsidiary of the Company, entered into a credit agreement with MeritaNordbanken in Finland. The maximum amount of loans and letters of credit that may be outstanding under the agreement is FIM 30,000 (\$5,300). The facility is collateralized by the assets of KHF, bears interest at a rate of EURIBOR plus 2.0% and is renewable annually. Total borrowings as at March 31, 2001 and December 31, 2000 were nil, respectively.

### 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 for a period of two years, renewable on November 19, 2000 at the Company's option.

On March 14, 2001, an Amended and Restated Credit Agreement was entered into by the Company and Sport Maska, as borrowers, Caisse de depot et placement du Quebec ("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 is 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. A repayment of Facility 1 in the minimum amount of Canadian \$5,000 is due on January 31, 2004. Facility 1 and Facility 2 have been fully utilized and no new advances are expected to be

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made under the Amended and Restated Credit Agreement. Each facility bears interest equal to the Canadian Banker's Acceptance Rate plus 6% and Facility 2 bears additional interest of 3.5% which is to be capitalized and repaid on facility 2 maturity.

The loan is 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 contains customary negative and affirmative covenants including those relating to capital expenditures, total indebtedness to EBITDA and minimum interest coverage.

In May 2000, Jofa AB, a subsidiary of the Company, entered into a loan agreement with MeritaNordBanken Sweden to borrow SEK 10,000 (\$1,100). The loan is for 4 years with annual principal repayments of SEK 2,500 (\$275). The loan is secured by a chattel mortgage on the assets of the subsidiary and bears an interest rate of STIBOR plus 1.25%.

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### 5. COMMON STOCK, WARRANTS AND PREFERRED STOCK

The Company has authorized 20,000,000 shares of common stock of which of 6,500,549 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 \$.01 per share, of the Company, representing approximately 7.5% of the outstanding common stock, on a fully diluted basis, at an exercise price of \$.01 per share. The number of shares issuable upon exercise of the warrants are subject to certain adjustments as provided in the Warrant Agreement and, pursuant to the Warrant Agreement, if by May 14, 2001, a fully financed firm offer is received by the Company which would be sufficient to repay Facility 2 and if Facility 2 is so repaid in full as a result of such offer no later than June 13, 2001, warrants issued which represent the right to 179,991 common shares shall be cancelled. The fair value of the warrants was determined to be \$3,450 and has been recorded in shareholders' equity as stock purchase warrants. In addition, the Company also issued warrants to Caisse to acquire 993,408 shares of common stock, par value \$.01 per share, which are only exercisable by Caisse if a minimum EBITDA required is not met and if Facility 2 is not repaid in cash on or prior to certain dates.

On November 19, 1998, the Company issued 100,000 shares of 13% Pay-In-Kind redeemable, \$.01 par value per share, cumulative preferred stock together with warrants to purchase 159,127 common shares of the Company at a purchase price of \$.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 Stockholder's 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 on a straight-line basis over the seven-year period ending November 19, 2005, 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

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redeem the preferred stock on or before November 19, 2005 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 the Company's Board of Directors with the provision that the preferred stockholders are to elect 28% of the Company's directors. At December 31, 2001 unpaid dividends totalled \$3,676.

The preferred stock is redeemable, at any time after November 19, 2000, in whole or in part, at the option of the Company, at a redemption price (together with all accumulated and unpaid dividends) as follows:

Year	Percentage of par value
2001	104.333%
2002	102.166%
2003 and thereafter	100.000%

The preferred stock must be redeemed by the Company at the earlier of a change of control or by November 19, 2005.

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### 6. EARNINGS PER SHARE

LOSS PER SHARE FOR THE THREE MONTH PERIODS ARE AS FOLLOWS:

	For the Three Months ended March 31, 2001		For the Three Mo March 31,
	Basic -----	Diluted -----	Basic -----
Net loss before extraordinary item attributable to common stockholders	\$ ( 9,256)	\$ ( 9,256)	\$ (5,750)
Net loss attributable to common stockholders	\$ (10,347)	\$ (10,347)	\$ (5,750)
Weighted average common and common equivalent shares outstanding:			
Common stock	6,500,549	6,500,549	6,500,549
Common equivalent shares (a)	698,289	698,289	158,977
Total weighted average common and common equivalent shares outstanding	7,198,838	7,198,838	6,659,526
Net loss before extraordinary item per common share (b)	\$ (1.29)	\$ (1.29)	\$ (0.86)
Net loss per common share (b)	\$ (1.44)	\$ (1.44)	\$ (0.86)

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- (a) Common equivalent shares include warrants and stock options. 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.
- (b) Common equivalent shares include warrants and stock options 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 Company's stock had extremely limited trading volume during the period.

### 7. CONTINGENCIES AND LITIGATION

#### A. ENVIRONMENTAL LITIGATION

In 1992, T. Copeland & Sons, Inc. (" Copeland "), the owner of a property adjacent to Maska's former manufacturing facility in Bradford, Vermont (now used as a US apparel distribution centre), filed an action in Vermont Superior Court alleging that its property had been contaminated as a result of the Company's manufacturing activities and seeking compensatory and punitive damages under the Vermont Groundwater Protection Law and various common law theories. In June 1995, Maska settled this action for \$1,000 cash, paid in July 1995, and a \$6,000 promissory note. Subsequently, Copeland received a distribution of shares of THC's Common Stock to satisfy the note. Copeland asserted the right to recover from the Company as a secured claim, the difference between the aggregate value of the Common Stock and the amount of the promissory note. In October 1998, Copeland's claim in the Bankruptcy Court to recover this difference was disallowed without an evidentiary hearing. Copeland filed an appeal of this decision. On May 1, 2000, the District Court overruled the Bankruptcy Court's decision and remanded the claim to the Bankruptcy Court for an evidentiary hearing. In February, 2001, the Company reached an agreement with Copeland, subject to Bankruptcy Court approval, to settle this claim for \$1 million in cash.

#### B. PRODUCT LIABILITY LITIGATION

The Company is unaware of any personal injury claims for which there is inadequate insurance coverage.

#### C. OTHER LITIGATION

On October 16, 1997, ZMD Sports Investments Inc. and 2938201 Canada Inc., landlords of the Company's properties located in St. Jean, Quebec and St. Hyacinthe, Quebec, brought motions against the Company which would require the

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Company to undertake certain repairs to the properties for an estimated \$630. The Company believes these motions to be without merit.

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

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### 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 authentic and replica hockey jerseys, 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

Segment assets only include inventory.

#### INFORMATION ABOUT SEGMENT PROFIT OR LOSS AND SEGMENT ASSETS

	Equipment		Apparel	
	For the Three Months ended Mar. 31, 2001	For the Three Months ended Mar. 31, 2000	For the Three Months ended Mar. 31, 2001	For the Three Months ended Mar. 31, 2000
Net sales to external customers	\$21,319	\$24,653	\$13,516	\$ 9,753
Gross profit	7,895	9,817	6,067	3,930
Depreciation of property, plant and equipment	743	709	155	139
Inventories	32,185	40,459	13,624	14,480

#### RECONCILIATION OF SEGMENT PROFIT OR LOSS

	For the Three Months ended Mar. 31, 2001	For the Three Months ended Mar. 31, 2000
Segment Gross Profit	\$13,962	\$13,747
Unallocated amounts:		
Selling general and administrative expenses	14,921	15,601
Amortization of excess reorganizational value and goodwill	1,105	1,138
Other expense, net	576	424
Interest expense	2,991	2,964
Loss before income taxes	\$ (5,631)	\$ (6,380)

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## THE HOCKEY COMPANY MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### ITEM 2.

#### INTRODUCTION

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

On January 31, 1999, the Board of Directors and stockholders of The Hockey Company adopted an amendment to THC's Certificate of Incorporation to change the name of THC from SLM International, Inc. to The Hockey Company. The amendment was filed with the Secretary of State of the State of Delaware on February 9, 1999.

The operations of The Hockey Company and its subsidiaries include the design, development, manufacturing and marketing of hockey and hockey related products, including hockey uniforms, hockey sticks, protective equipment, hockey, figure and inline skates and street hockey products, marketed under the CCM(R), JOFA (R), KOHO (R), HEATON (R), TITAN(R) AND CANADIAN TM brand names, and private label brands and licensed hockey apparel under the CCM(R),, and #1 APPAREL TM names. The Company sells its products worldwide to a diverse customer base consisting of mass merchandisers, sporting goods chains, independent retailers and international distributors. The Company manufactures and distributes most of its products at facilities in North America, Finland and Sweden and sources products internationally.

The Company's business is seasonal. The seasonality of the Company's business affects net sales and borrowings under the Company's credit agreements. Traditional quarterly fluctuations in the Company's 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 the Company's 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 a measure of the cash generated from operations and has been included in the selected income statement highlights, because management believes that it would be a useful indicator for readers. EBITDA is defined as the earnings (net income) before interest, income and capital taxes, depreciation and amortization, and unusual items. 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 the company's operating performance or as an alternative to cash flows as a measure of liquidity.

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RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2001

2001 COMPARED TO 2000

Net sales increased 1.1% to \$34.8 million in the three months ended March 31, 2001, as compared to \$34.4 million in the three months ended March 31, 2000. The increase was attributable to higher sales of apparel, as well as strong sales of non-hockey products in Scandinavia, offset by slightly lower equipment sales.

Gross profit for the three months ended March 31, 2001 was \$14.0 million compared to \$13.7 million in 2000, an increase of 1.6%, attributable to the strong apparel sales in the period. Measured as a percentage of net sales, gross profit margins remained steady at 40.0% versus the same period in 2000.

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### THE HOCKEY COMPANY MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the three months ended March 31, 2001, selling, general and administrative expenses decreased as a percentage of sales to 42.8% from 45.3% in 2000. In absolute dollar terms there was a 4.4% decrease to \$14.9 million in the first quarter of 2001 from \$15.6 million in the same period of 2000. The decrease in the selling, general and administrative expenses is a result of first quarter restructuring activities, offset by increased NHL commitments.

The amortization of excess reorganization value and goodwill remained virtually constant at \$1.1 million. The operating loss for the three month period ended March 31, 2001 was \$2.1 million, compared to a \$3.0 million loss for the three month period ending March 31, 2000.

Other expense of \$0.5 million consists primarily of amortization of deferred financing costs.

Earnings before interest, taxes, depreciation and amortization (EBITDA), which is a measure of cash generated from operations, was \$0.4 million for the three months ended March 31, 2001 compared to \$(0.5 million) for the three months ended March 31, 2000.

Interest expense of \$3.0 million for the three months ended March 31, 2001 was consistent with the same three months of 2000.

As a result of a business restructuring at the beginning of the year, the Company incurred costs related to severance and facility closures (restructuring charges - see Restructuring Reserves). Accordingly, the Company's net loss for the three months ended March 31, 2001 was \$9.8 million compared to a net loss of \$5.2 million for the three months ended March 31, 2000.

### LIQUIDITY AND CAPITAL RESOURCES

Management expects to finance the Company's working capital and capital expenditures requirements through cash generated by its operations and through its new credit facilities established on November 19, 1998 and amended and restated on March 14, 2001.

Effective November 19, 1998, two of the Company's subsidiaries, Maska U.S. Inc. and SHC Hockey Inc., entered into a credit agreement (the "U.S. Credit

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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 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 (collectively, the "Credit Agreements") is \$60.0 million.

The Credit Agreements were for a period of two years with a possible extension of one year by the Company, and were amended and restated on March 14, 2001. Total borrowings outstanding under the Credit Agreements were \$18.3 million on March 31, 2000 (excluding \$5.9 million of letters of credit outstanding). Total borrowing as at December 31, 2000 under the New Credit Agreements were \$12.3 million (excluding \$0.9 million of letters of credit outstanding).

In addition, on March 14, 2001, an Amended and Restated Credit Agreement was entered into by the Company and Sport Maska, as borrowers, Caisse de depot et placement du Quebec ("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 is a facility in the maximum amount of Canadian \$90 million, was extended to June 30, 2004, and Facility 2 of the Caisse Loan, which is a facility in the maximum amount of Canadian \$45.8 million, was extended to October 31, 2002. A repayment of Facility 1 in the minimum amount of Canadian \$5 million is due on January 31, 2004. Facility 1 and Facility 2 have been fully utilized and no new advances are expected to be made under the Amended and Restated Credit Agreement.

The Company's financing requirements for long-term growth, future capital expenditures and debt service are expected to be met through its operations as well as cash borrowed under its Credit Agreements. During the three months ended March 31,

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### THE HOCKEY COMPANY MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2001, the Company's operations used \$9.9 million of cash from its operations as compared to \$7.4 million of cash used in the same three months of 2000.

Cash used in investing activities during the three months ended March 31, 2001 and the three months ended March 31, 2000 were \$0.3 million and \$0.5 million, respectively.

During the three month period ended March 31, 2001, financing activities provided \$7.9 million and \$4.3 million for the same period last year.

The Company follows the customary practice in the sporting goods industry of offering extended payment terms to credit-worthy customers on qualified orders. The Company's working capital requirements generally peak in the third and fourth quarters as it builds inventory and make shipments under these extended payment terms.

EURO CONVERSION



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On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing sovereign currencies and the Euro. The participating countries agreed to adopt the Euro as their common legal currency on that date. Fixed conversion rates between these participating countries' existing currencies (the legacy currencies) and the Euro were established as of that date. The legacy currencies are scheduled to remain legal tender as denominations of the Euro until at least January 1, 2002 (but not later than July 1, 2002.) During this transition period, parties may settle transactions using either the Euro or a participating country's legacy currency.

Management currently believes that the introduction of the Euro will not have a material impact related to pricing or foreign currency exposures. Finland is one of the countries adopting the Euro however Sweden has not yet chosen to adopt the new currency. The Finnish subsidiaries' base currency is now the Euro, Sweden has yet to decide on adopting the new currency. The Company foresees no adverse impact resulting from the Euro conversion, including competitive implications related to pricing and foreign currency considerations. However, uncertainty exists as to the effects the Euro will have on the marketplace.

### RESTRUCTURING RESERVES

Effective January 24, 2001, the Company embarked on a plan to rationalize its operations. 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. Accordingly, the Company has set up a reserve of 2.9 million.

The Company has estimated that the restructuring charges capitalized as part of the restructuring would total \$2.9 million as follows:

An amount of \$2.4 million has been accrued for severance packages in Canada and the U.S., including the closure of the Mount Forest, Ontario plant. To date \$0.7 million has been spent.

An amount of \$0.5 million has been accrued to cover the cost of facility consolidations. To date no amount has yet been spent.

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### 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. None.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES. Not applicable.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. None.

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ITEM 5. OTHER INFORMATION  
None.

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

(a) Exhibits:

27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

On March 26, 2001 the Company filed a Current Report on Form 8-K with respect to the renewal of the credit loans to the Company and Sport Maska furnished by the Caisse de depot et placement du Quebec and General Electric Capital Corporation. This report was filed in compliance with Item 5 of Form 8-K.

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THE HOCKEY COMPANY

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/ MATTHEW H. O'TOOLE

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Name: Matthew H. O'Toole  
Title: President  
(Principal Executive Officer)

Date: May 14, 2001