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HOCKEY CO
Form 10-Q
November 12, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2003

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

NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

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YES _____

NO X

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 6, 2003 |
|---|---------------------------------|
| Voting Common Stock, \$.01 par value | 4,929,200 |
| Non-voting Exchangeable Common Stock, \$.01 par value | 7,040,523 |

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Unaudited Consolidated Balance Sheets at September 30, 2003 and December 31, 2002

Unaudited Consolidated Statements of Operations for the Three and Nine Months ended September 30, 2003 and for the Three and Nine Months ended September 30, 2002

Unaudited Consolidated Statements of Comprehensive Income for the Three and Nine Months ended September 30, 2003 and for the Three and Nine Months ended September 30, 2002

Unaudited Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2003 and for the Nine Months ended September 30, 2002

Notes to Unaudited Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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- Item 4. Controls and Procedures
- PART II OTHER INFORMATION
- Item 1. Legal Proceedings
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- Item 5. Other Information
- Item 6. Exhibits and Reports on Form 8-K

THE HOCKEY COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

| | | Note 1 (C) Dec. 31, 2002 | |
|---|----|-----------------------------|--|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ | 19,484 | |
| Accounts receivable, net | | 56,986 | |
| Inventories (Note 2) | | 44,354 | |
| Prepaid expenses and other receivables | | 4,802 | |
| Deferred income taxes | | 8,080 | |
| Total current assets | | 133,706 | |
| Property, plant and equipment, net of accumulated depreciation (\$20,241 and \$26,292, respectively) | | 15,318 | |
| Goodwill and excess re-organization intangible (Note 3A) | | 65,348 | |
| Intangible - Prepaid NHL Royalty (Note 3B) | | - | |
| Other assets | | 8,581 | |
| Total assets | \$ | 222,953 | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Short-term borrowings | \$ | - | |

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| | | |
|---|------------|-------|
| Accounts payable | 8,312 | |
| Accrued liabilities | 14,442 | |
| Accrued restructuring expense (Note 9) | 1,085 | |
| Income taxes payable | 4,825 | |
| Current portion of long-term debt | 288 | |
| | | ----- |
| Total current liabilities | 28,952 | |
| Long-term debt (Note 4) | 123,866 | |
| 13% Pay-In-Kind preferred stock (Note 1B) | 11,715 | |
| Accrued dividends payable (Note 1B) | 8,155 | |
| Loan payable to Parent Company | - | |
| Deferred income taxes and other long-term liabilities | 2,056 | |
| | | ----- |
| Total liabilities | 174,744 | |
| | | ----- |
| Stockholders' equity (Note 1B) | | |
| Common stock, voting, par value \$0.01 per share, 12,000,000 shares authorized, 7,040,523 and 4,929,200 shares issued and outstanding at December 31, 2002 and September 30, 2003, respectively | 70 | |
| Common Stock, non-voting, Exchangeable into Common Shares of The Hockey Company Holdings Inc., 8,000,000 shares authorized, nil and 7,040,523 shares issued and outstanding at December 31, 2002 and September 30, 2003, respectively | - | |
| Warrants for Exchangeable Shares, nil and 159,127 issued and outstanding at December 31, 2002 and September 30, 2003, respectively | - | |
| Common stock purchase warrants, 159,127 and nil issued and outstanding at December 31, 2002 and September 30, 2003, respectively | 1,665 | |
| Special Dividend Preferred Stock, par value \$0.01 per share, one share authorized, nil and 1 share issued and outstanding at December 31, 2002 and September 30, 2003, respectively | - | |
| Additional paid-in capital - Common stock | 69,965 | |
| Additional paid-in capital - Exchangeable shares | - | |
| Deficit | (20,303) | |
| Accumulated other comprehensive (loss) income (Note 11) | (3,188) | |
| | | ----- |
| Total stockholders' equity | 48,209 | |
| | | ----- |
| Total liabilities and stockholders' equity | \$ 222,953 | \$ |
| | | ----- |

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

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| | For the Three Months ended | |
|--|-------------------------------|----------------|
| | Sept. 30, 2002 | Sept. 30, 2003 |
| Net sales | \$ 72,696 | \$ 81,119 |
| Cost of goods sold | 40,769 | 45,367 |
| Gross profit | 31,927 | 35,752 |
| Selling, general and administrative expenses | 17,104 | 19,894 |
| Operating income | 14,823 | 15,858 |
| Other (income) expense, net | 269 | 53 |
| Interest expense | 4,355 | 4,336 |
| Foreign exchange loss (gain) | 2,443 | (1,296) |
| Loss on early extinguishment of debt | - | - |
| Income before income taxes | 7,756 | 12,765 |
| Income taxes (Note 3A) | 4,374 | 4,880 |
| Net Income | 3,382 | 7,885 |
| Preferred stock dividends (Note 1B) | 594 | - |
| Accretion of 13% Pay-In-Kind preferred stock (Note 1B) | 29 | - |
| Net income (loss) attributable to common stockholders | \$ 2,759 | \$ 7,885 |
| Basic earnings (loss) per share (Notes 5 & 6) | 0.38 | 0.65 |
| Diluted earnings (loss) per share (Notes 5 & 6) | 0.38 | 0.64 |

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
(UNAUDITED)
(In thousands)

For the Three
Months ended

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| | Sept. 30, 2002 | Sept. 30, 2003 | Se |
|---|----------------|----------------|----|
| Net income | \$ 3,382 | \$ 7,885 | |
| Foreign currency translation adjustments (Note 11) | (1,241) | (1,156) | |
| Net comprehensive income | \$ 2,141 | \$ 6,729 | |

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 Nine Months ended Sept. 30, 2002 | F M Se |
|---|--|--------------|
| OPERATING ACTIVITIES: | | |
| Net income | \$ 681 | |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 2,801 | |
| Amortization of deferred financing costs and debt | 1,256 | |
| Deferred income taxes | 2,477 | |
| Gain on sale of property, plant and equipment | - | |
| Loss on early extinguishment of debt | 3,265 | |
| Gain (loss) on foreign exchange | 466 | |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (30,630) | |
| Inventories | (8,365) | |
| Prepaid expenses | 2,420 | |
| Accounts payable and accrued liabilities | 8,411 | |
| Income taxes payable | 200 | |
| Net cash used in operating activities | (17,018) | |
| INVESTING ACTIVITIES: | | |
| Prepayment of intangibles - NHL Royalty | - | |

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| | |
|---|----------|
| Acquisition (Note 10) | - |
| Purchases of property, plant and equipment | (1,121) |
| Proceeds from sale of property, plant and equipment | - |
| | ----- |
| Net cash used in investing activities | (1,121) |
| | ----- |
| FINANCING ACTIVITIES: | |
| Net change in short-term borrowings | (11,490) |
| Deferred financing costs | (7,380) |
| Proceeds from long-term debt | 123,866 |
| Principal payments on debt | (86,515) |
| Loan payable to Parent Company | - |
| Increase in paid-in capital from shares issued by Parent company | - |
| Issuance of common stock | - |
| Redemption of 13% Pay-In-Kind preferred stock including accrued dividends | - |
| Issuance of warrants | 5 |
| | ----- |
| Net cash provided by financing activities | 18,486 |
| | ----- |
| Effects of foreign exchange rate changes on cash | 517 |
| | ----- |
| Decrease in cash and cash equivalents | 864 |
| Cash and cash equivalents at beginning of period | 6,503 |
| | ----- |
| Cash and cash equivalents at end of period | \$ 7,367 |
| | ----- |

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, BASIS OF PRESENTATION AND ACCOUNTING PRONOUNCEMENTS
 - A. DESCRIPTION OF BUSINESS AND CHANGE OF CORPORATE NAME

The Hockey Company was incorporated in September 1991 and reorganized in April 1997. On February 9, 1999, The Hockey Company filed an amendment to change the name of the Company from SLM International Inc. to The Hockey Company ("THC"). On June 11, 2003, The Hockey Company became a subsidiary of The Hockey Company Holdings Inc., a Canadian public corporation (See Note 1B). The consolidated financial statements include the accounts of THC and its wholly owned subsidiaries (collectively, the "Company"). The Company manufactures hockey equipment and related apparel, as well as recreational skates and other

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non-hockey products. The hockey equipment and related apparel include hockey uniforms, hockey sticks, goaltender equipment, protective equipment and hockey skates. The Company sells its products world-wide to a diverse customer base consisting of specialty retailers, sporting goods shops, mass merchandisers, teams and international distributors. The Company manufactures in-house at six highly efficient facilities, four of which are located in Canada and two in Europe. In addition, where it makes business sense, the Company outsources the manufacturing of certain products. The distribution facilities of the Company are located in North America, Finland and Sweden. An agreement was reached on a new collective bargaining agreement with the union in St-Jean, Canada retroactive to January 2003.

B. INITIAL PUBLIC OFFERING - THE HOCKEY COMPANY HOLDINGS INC.

On June 11, 2003, The Hockey Company Holdings Inc. ("THC Holdings " or the "Parent Company") completed an initial public offering (the "Offering") and issued 4,500,000 common shares for proceeds of approximately \$47,200 (Cdn\$64,140), net of issue fees and expenses of approximately \$5,800 (Cdn\$7,800). As a result, the Company issued 4,500,000 shares of voting common stock, par value \$0.01 per share, to THC Holdings for proceeds of \$37,075 (Cdn\$50,381). On July 11, 2003, THC Holdings closed on the exercise by the underwriters of their over-allotment option in connection with the initial public offering. The underwriters purchased an additional 429,200 common shares for proceeds of \$4,691 (Cdn\$6,387), net of issue fees and expenses of approximately \$352 (Cdn\$481). As a result, the Company also issued 429,200 shares of voting common stock of the Company to THC Holdings for proceeds of \$4691 (Cdn\$6387).

THC Holdings' common shares are listed on the Toronto Stock Exchange under the symbol "HCY".

On closing of the Offering, the Company entered into a corporate reorganization whereby:

(i) THC Holdings incorporated Hockey Merger Co. ("Subco") on February 24, 2003, and Subco entered into a merger agreement on April 2, 2003 with the Company. Under the terms of the merger agreement, Subco and the Company merged, and THC Holdings, through Subco, received all of the outstanding voting common stock of the Company, and each existing holder of common stock of the Company received one share of non-voting exchangeable common stock of the Company (the "Exchangeable Shares") for each share of common stock held. Each holder of an Exchangeable Share has the right to exchange one Exchangeable Share for one Common Share of THC Holdings, subject to certain adjustments in the event, among others things, of stock splits or similar events. The delivery of the Common Shares upon exercise of the Put Right is subject to applicable U.S. securities laws and the Common Shares may not be delivered to a U.S. holder until either a registration statement is filed by THC Holdings with the SEC and declared effective by the SEC in order to register the Common Shares or a private placement by THC Holdings is completed in accordance with U.S. securities laws. The merger has been accounted for as a continuity of interest of the Company as a transaction between related parties; and

(ii) THC Holdings has the right to require the exchange of each outstanding Exchangeable Share for one Common Share, subject to certain adjustments in the event, among other things, of stock splits or similar events, at any time after the earlier of the fifth anniversary date of the closing of the Offering or the date on which 80% of the Exchangeable Shares outstanding on the date of the closing of the Offering have been exchanged; and

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE DATA)

(iii) THC Holdings has issued one special voting share for each Exchangeable Share outstanding. Pursuant to a voting and exchange trust agreement, a trustee holds all of the outstanding special voting shares in trust for the benefit of the holders of the Exchangeable Shares. Each holder of an Exchangeable Share is entitled to direct the trustee how to vote one special voting share of THC Holdings. Unless instructed, the trustee may not vote. A special voting share does not carry the right to receive dividends or any other distributions from THC Holdings; and

(iv) as part of the reorganization referred to above, THC Holdings entered into an agreement with certain principal shareholders pursuant to which certain actions of THC Holdings will require approval of such shareholders. This agreement terminated on September 4, 2003; and

(v) the existing stock options and common stock purchase warrants outstanding and exercisable for common stock of the Company have been converted to be exercisable for Exchangeable Shares; and

(vi) after the merger, the authorized capital of the Company is as follows:

VOTING COMMON STOCK

After the reorganization, all voting common stock, par value \$0.01 per share, of the Company is held by THC Holdings.

NON-VOTING EXCHANGEABLE COMMON STOCK

Exchangeable Shares, par value \$0.01 per share, rank PARI PASSU with the voting common stock of the Company with respect to dividend rights and have the right to economically equivalent distributions as the voting common stock on liquidation, winding-up or dissolution but rank junior to any series of preferred stock established by the board of directors of the Company. The Exchangeable Shares are non-transferable, except to certain permitted transferees and to THC Holdings in exchange for its Common Shares. The holders of the Exchangeable Shares have the right, at any time, to require THC Holdings to purchase any or all of the Exchangeable Shares registered in the name of such holder (the "Put Right") in exchange for Common Shares, on a one-for-one basis, for each Exchangeable Share presented for purchase, subject to certain adjustments in the event, among other things, of stock splits or similar events. The delivery of the Common Shares upon exercise of the Put Right is subject to applicable U.S. securities laws and the Common Shares may not be delivered until either a registration statement is filed by THC Holdings with the SEC and declared effective by the SEC in order to register the Common Shares or a private placement by THC Holdings is completed in accordance with U.S. securities laws. The holder, upon exercise of the Put Right, will also receive any declared and unpaid dividends on the Exchangeable Shares presented for purchase. The Exchangeable Shares are also subject to a call right (the "Call Right") of THC Holdings at the option of THC Holdings which shall be, no earlier than the fifth anniversary date of the closing of the Offering, unless there are fewer than 20% of the Exchangeable Shares issued as of the date of closing of the Offering outstanding (other than Exchangeable Shares held by the Corporation or any of its affiliates). The Exchangeable Shares have no voting rights other than those rights received under the Voting and Exchange Trust Agreement.

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SPECIAL DIVIDEND PREFERRED STOCK

Special dividend preferred stock, par value \$0.01 per share, ranks PARI PASSU with the voting common stock of the Company and the Exchangeable Shares and ranks junior to all other series of preferred stock of the Company. The Special Dividend Preferred Stock carries a dividend entitlement equal to the amount of withholding and income taxes paid by the Corporation in respect of any dividend declared on the voting common stock of the Company (plus a gross-up to cover the withholding and income taxes levied on the dividend paid on the Special Dividend Preferred Stock). The Special Dividend Preferred Stock shall be automatically cancelled by the Company on a date when there are no longer any Exchangeable Shares or any other securities convertible into Exchangeable Shares outstanding.

PREFERRED STOCK

The board of directors has the authority to issue the preferred stock in one or more series and to fix the designations, rights, privileges, restrictions and conditions attaching to the series, including dividend rights, conversion rights, voting rights,

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THE HOCKEY COMPANY NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS, EXCEPT SHARE DATA)

terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series, without further vote or action by the stockholders.

13.0% PAY-IN-KIND PREFERRED STOCK

On November 19, 1998, the Company issued 100,000 shares of 13% Pay-in-Kind redeemable preferred stock, \$0.01 par value per share, cumulative preferred stock, together with warrants to purchase 159,127 common shares at a purchase price of \$0.01 per share, for cash consideration of \$12,500. The fair value of the warrants was determined to be \$1,665 and has been recorded in stockholder's equity. On June 11, 2003, all of the outstanding 13% Pay-in-Kind Preferred Stock was repurchased by the Company for cancellation, together with all accrued dividends totaling \$9,366 thereon paid, with a portion of the proceeds of the Offering.

C. 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 and Statements of Cash Flows for the 2002 and 2003 periods have been included. These unaudited interim consolidated financial statements do not include all of the

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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, 2002 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, 2002. Certain prior period amounts have been reclassified to conform to the current period presentation which includes the reclassification of amortization of deferred financing costs to interest expense on the Consolidated Statement of Operations.

D ACCOUNTING PRONOUNCEMENTS

On April 30, 2002, FASB issued Statement of Financial Accounting Standard ("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 SFAS No. 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 has to 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 has adopted this Statement on January 1, 2003 upon which the loss on early extinguishment of debt incurred in the quarter ended June 30, 2002 has been reclassified in accordance with the issued SFAS No. 145.

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE DATA)

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

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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 has adopted SFAS No. 146 and will apply these rules on exit and disposal activities initiated after December 31, 2002. There were no exit or disposal activities initiated during the nine months ended September 30, 2003.

In November 2002, FASB issued Interpretation No. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS "FIN 45" which requires certain guarantees to be recorded at fair value and increases the disclosure requirements for guarantees even if the likelihood of making any payments under the guarantee is remote. The increased disclosure requirements are effective for fiscal years ending after December 15, 2002 and have been adopted by the Company in the consolidated financial statements for the year ended December 31, 2002. The provision of FIN 45 relating to initial recognition and measurement are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company adopted these provisions of FIN 45 for guarantees issued or modified after December 31, 2002 on January 1, 2003 and no significant transition adjustment resulted from its adoption.

On April 30, 2003, FASB issued SFAS No. 149, AMENDMENT OF SFAS 133 ON DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This statement is intended to result in more consistent reporting of contracts as either freestanding derivative instrument subject to SFAS No. 144 in its entirety or as hybrid instruments with debt host contracts and embedded derivative features. SFAS No. 149 is effective for contracts entered into or modified after September 30, 2003 and hedging relationships designated after September 30, 2003. However, the provisions of SFAS No. 149 that merely represent the codification of previous Derivatives Implementation Group decisions are already effective and should continue to be applied in accordance with their prior respective effective dates. The Company will apply the recommendation of SFAS No. 149 for future contracts and hedging relationships, if any, and believes the impact of this statement will not significantly affect its financial position and results of operations.

On May 15, 2003, FASB issued SFAS No. 150, ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY. This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 represents a significant change in practice in the accounting for a number of financial instruments, including mandatorily redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. SFAS No. 150 is effective for all financial instruments created or modified after May 31, 2003 and to other instruments at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the recommendations of SFAS No. 150 for the quarter ending September 30, 2003, and as a result has reclassified the 13% Pay-In-Kind Preferred Stock as liabilities as at December 31, 2002.

PRODUCT WARRANTY PROVISION

The Company offers warranty for some of its products. The specific terms and conditions of those warranties vary depending upon the product sold and country in which the Company does business. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time product revenue is recognized. The Company periodically assesses the adequacy of its recorded warranty liabilities and

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adjusts the amounts as necessary.

Changes in the Company's product liability reserve during the period are as follows:

| | 2002 | 2003 |
|--|----------|----------|
| | ----- | ----- |
| Balance, at January 1..... | \$ 941 | \$ 1,180 |
| Warranties accrued during the period.... | 1,873 | 1,375 |
| Settlements made during the period..... | (831) | (1,505) |
| Translation adjustments..... | 7 | 90 |
| | ----- | ----- |
| Balance, at September 30..... | \$ 1,990 | \$ 1,140 |
| | ----- | ----- |
| | ----- | ----- |

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE DATA)

2. INVENTORIES

Inventories consist of:

| | December 31, 2002 | September 3 |
|----------------------------|-------------------|-------------|
| | ----- | ----- |
| Finished products | \$ 33,336 | \$ |
| Work in process | 2,188 | |
| Raw materials and supplies | 8,830 | |
| | ----- | ----- |
| | \$ 44,354 | \$ |
| | ----- | ----- |
| | ----- | ----- |

3A. GOODWILL AND EXCESS RE-ORGANIZATION INTANGIBLE

Goodwill and excess re-organization intangible consist of:

| | December 31, 2002 | September 3 |
|-----------------------------------|-------------------|-------------|
| | ----- | ----- |
| Goodwill | \$ 43,522 | \$ |
| Excess re-organization intangible | 21,826 | |
| | ----- | ----- |

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 re-organizational 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 re-organizational value in excess of amounts allocable to identifiable assets in the amount of \$1,295 has been reflected as a provision in lieu of income taxes in the Company's Consolidated Statement of Operations for the nine months ended September 30, 2003, of which \$714 was recorded in the three months ended September 30, 2003.

Realization of deferred assets is dependant on future earnings, the timing and amounts of which are uncertain. Accordingly, the non-current deferred tax assets composed of net operating loss and investment tax credit carry-forwards have been offset by a valuation allowance in the nine months ended September 30, 2002 and 2003. The valuation allowance on the current deferred tax assets decreased by approximately \$11,358 and as a result, the Company's effective tax rate has changed from 87% in the nine months ended September 30, 2002 to 36% in the nine months ended September 30, 2003.

3B. INTANGIBLE - PREPAID NHL ROYALTY

On March 28, 2003, THC Holdings, the Company and certain of its subsidiaries entered into a new ten-year License Agreement (the "New NHL License Agreement") with the NHL which became effective on the pre-payment of certain royalties in the amount of \$30,112 from the Offering (including legal expenses of \$112). In addition, THC Holdings also granted to the NHL an option to purchase 75,000 shares of the common stock of THC Holdings at \$11.77 (Cdn\$16.00) per share. The fair value of the options was determined to be approximately \$735. The prepaid NHL Royalty and the fair value of the options will be expensed over the term of the agreement based on the schedule of royalty payments.

4. LONG-TERM DEBT - NORDEA BANK

SECURED LOANS -NORDEA BANK

The peak borrowings under the GECC agreement were \$21.9 and \$12.8 million in the nine months ended September 30, 2002 and 2003, respectively.

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 (\$1,250). The loan was originally for four years with annual principal repayments of SEK 2,500 (\$311). The loan is secured by a chattel mortgage on the assets of the subsidiary and

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bears an interest rate of STIBOR plus 1.25%. The balance of \$439 was repaid on March 3, 2003.

5. EARNINGS PER SHARE

INCOME (LOSS) PER SHARE FOR THE THREE AND NINE MONTH PERIODS IS AS FOLLOWS:

| | For the Three Months ended | | | | | |
|--|----------------------------|-----------|--------------------|------------|------------|------|
| | September 30, 2002 | | September 30, 2003 | | September | |
| | Basic | Diluted | Basic | Diluted | Basic | Di |
| Net income (loss) attributable to common stockholders | \$ 2,759 | \$ 2,759 | \$ 7,885 | \$ 7,885 | \$ (1,218) | \$ (|
| Weighted average common and common equivalent shares outstanding: | | | | | | |
| Common stock, voting and non-voting | 7,040,523 | 7,040,523 | 11,918,406 | 11,918,406 | 6,860,532 | 6,8 |
| Common equivalent shares (a) | 158,891 | 158,891 | 158,998 | 380,850 | 338,616 | 3 |
| Total weighted average common and common equivalent shares outstanding | 7,199,414 | 7,199,414 | 12,077,404 | 12,299,256 | 7,199,148 | 7,1 |
| Net income (loss) per common share (b) | \$ 0.38 | \$ 0.38 | \$ 0.65 | \$ 0.64 | (0.17) | \$ |

- (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. For the three and nine months ended September 30, 2002, 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. For the three and nine months ended September 30, 2003, the Company used the average market price of its Parent Company's common stock during the period to value its common stock.
- (c) Options to purchase 376,110 Common Stock, Non Voting and 1,322,222 Common Stock, Voting were outstanding at September 30, 2003 and 2002, respectively, but were not included in the computation of diluted earnings per share because the options' and warrants' exercise price was greater than the average fair value of the common stock.

6. STOCK OPTIONS

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In 2003, prior to the corporate reorganization as described in Note 1B, 30,000 additional stock options exercisable for the Company's Common Stock, voting were granted to employees at an average exercise price of \$8.50 per share and 15,000 stock options were forfeited. Subsequent to the corporate reorganization as described in note 1B, all outstanding stock options of the Company were converted to be exercisable for the Company's Common Stock, non-voting.

Subsequent to the corporate reorganization, 15,000 stock options of the Parent Company were granted to employees of the Company at an average exercise price of \$8.50 per share. The Company applies APB Opinion No. 25 and related Interpretations in accounting for employee stock options. Accordingly, no compensation cost has been recognized.

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE DATA)

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, to stock-based employee compensation, including stock options granted by the Parent Company. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 4.9%; dividend yields of 0%; volatility factors of the expected market price of the Company's common stock of 0.8; and a weighted-average expected life of the option of 8.2 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands except for earnings per share information):

| | For the Three Months ended | |
|---|----------------------------|-----------------------|
| | September 30, 2002 | September 30, 2001 |
| Net income, as reported | \$ 3,382 | \$ 7,88 |
| DEDUCT: Total stock-based employee compensation expense | | |

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determined under fair value based method for all awards, net of related tax effects

| | 85 | 8 |
|---|----------|---------|
| Pro forma net income | \$ 3,297 | \$ 7,80 |
| Pro forma net income (loss) attributable to common stockholders | \$ 2,674 | \$ 7,80 |
| Income (loss) per share: | | |
| Basic, as reported | \$ 0.38 | \$ 0.6 |
| Basic, pro forma | \$ 0.37 | \$ 0.6 |
| Diluted, as reported | \$ 0.38 | \$ 0.6 |
| Diluted, pro forma | \$ 0.37 | \$ 0.6 |

The impact of SFAS No. 123 may not be representative of the effect on income in the future years because options vest over several years and additional option grants may be made each year.

7. CONTINGENCIES

The Company is currently undergoing an audit by the Canada Customs and Revenue agency for its 1996 to 2001 taxation years, which includes transfer pricing and other matters. It is not possible at this time to determine the amount of the liability that may arise as a result of this audit and the actual assessment may differ significantly from management's current estimate.

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THE HOCKEY COMPANY NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS, EXCEPT SHARE DATA)

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

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 licensed and branded apparel, baseball style caps and jackets.

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

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performance based on gross profit. Segment assets only include inventory, goodwill and excess reorganizational value and intangible - prepaid NHL royalty.

INFORMATION ABOUT SEGMENT PROFIT OR LOSS AND SEGMENT ASSETS

2002

| | Equipment | | Apparel | |
|--|--|--|---|--|
| | For the Three Months ended Sept. 30 2002 | For the Nine Months ended Sept. 30, 2002 | For the Three Months ended Sept. 30, 2002 | For the Nine Months ended Sept. 30, 2002 |
| Net sales | \$ 49,166 | \$ 105,439 | \$ 23,530 | \$ 45,985 |
| Gross profit | 19,976 | 44,350 | 11,951 | 22,734 |
| Inventory | 31,190 | 31,190 | 21,043 | 21,043 |
| Goodwill and excess reorganizational intangible | 58,891 | 58,891 | 7,674 | 7,674 |

2003

| | Equipment | | Apparel | |
|---|--|--|---|--|
| | For the Three Months ended Sept. 30 2003 | For the Nine Months ended Sept. 30, 2003 | For the Three Months ended Sept. 30, 2003 | For the Nine Months ended Sept. 30, 2003 |
| Net sales | \$ 56,582 | \$ 125,983 | \$ 24,537 | \$ 45,244 |
| Gross profit | 23,494 | 54,323 | 12,258 | 22,559 |
| Inventory | 37,042 | 37,042 | 21,766 | 21,766 |
| Goodwill and excess re-organizational intangible | 62,237 | 62,237 | 7,086 | 7,086 |
| Intangible - Prepaid NHL Royalty | - | - | 30,882 | 30,882 |

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(IN THOUSANDS, EXCEPT SHARE DATA)

| SEGMENT ASSETS | DECEMBER 31, 2002 | SEPTEMBER 2003 |
|---|----------------------|-------------------|
| <hr/> | | |
| Total assets for reportable segments..... | \$ 109,702 | \$ 109,702 |
| Unallocated amounts: | | |
| Cash..... | 19,484 | 19,484 |
| Account receivable..... | 56,986 | 56,986 |
| Prepaid expenses and other receivables..... | 4,802 | 4,802 |
| Deferred income taxes..... | 8,080 | 8,080 |
| Property, plant and equipment, net..... | 15,318 | 15,318 |
| Other assets, net..... | 8,581 | 8,581 |
| | <hr/> | <hr/> |
| TOTAL ASSETS..... | \$ 222,953 | \$ 222,953 |
| | <hr/> | <hr/> |

RECONCILIATION OF SEGMENT PROFIT OR LOSS

| | For the Three Months ended | | |
|--|-------------------------------|----------------|--------------------|
| | Sept. 30, 2002 | Sept. 30, 2003 | September 30, 2004 |
| Gross profit | \$ 31,927 | \$ 35,752 | \$ 35,752 |
| Unallocated amounts: | | | |
| Selling, general and administrative expenses | 17,104 | 19,894 | 19,894 |
| Other (income) expense, net | 269 | 53 | 53 |
| Interest expense | 4,355 | 4,336 | 4,336 |
| Foreign exchange loss (gain) | 2,443 | (1,296) | (1,296) |
| Loss on early extinguishment of debt | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Income before income taxes | \$ 7,756 | \$ 12,765 | \$ 12,765 |
| | <hr/> | <hr/> | <hr/> |

9. RESTRUCTURING AND UNUSUAL CHARGES

In October 2002, the Company decided 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 were affected by this decision, of which approximately 50 are from the apparel segment. Accordingly, the Company set up a restructuring reserve of approximately \$2,100, of which approximately \$1,300 was to cover the cost of severance packages to affected employees, with the remainder representing other closure costs. There were no balances outstanding as at September 30, 2003

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(December 31, 2002 - \$900).

10. ACQUISITION

On August 21, 2003, the Company, through its wholly-owned subsidiary Sport Maska Inc., acquired all of the issued and outstanding shares of Roger Edwards Sport Ltd. for a cash consideration of \$1,071 (Cdn\$1,500) (of which \$71 (Cdn\$100) is included in accounts payable as at September 30, 2003) and an annual cash earn-out based on results of the division over the period of January 1, 2004 to December 31, 2006. The cumulative earn-out is not to exceed \$1,071 (Cdn\$1,500).. The acquisition was accounted for using the purchase method and the excess of purchase price over net book value as at September 30, 2003 amounted to \$800 (Cdn\$1,120). The results of Roger Edwards Sport Ltd.'s operations have been included in the Company's consolidated financial statements since that date.

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THE HOCKEY COMPANY NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS, EXCEPT SHARE DATA)

11. FOREIGN CURRENCY

The movement in the accumulated other comprehensive (loss) income of \$7,766, reported as a component of the stockholders' equity is explained by the appreciation of the Canadian Dollar ("CAD"), Swedish krona ("SEK") and Euro ("EUR") in 2003. The exchange rate was 1.355 CAD for 1 USD, 7.80 SEK for 1 USD and 0.871 EUR for 1 USD as at September 30, 2003 and 1.579 CAD for 1 USD, 8.69 SEK for 1 USD and 0.95 EUR for 1 USD as at December 31, 2002.

12. SUPPLEMENTAL CONDENSED CONSOLIDATED FINANCIAL INFORMATION

THC's and Sport Maska Inc.'s payment obligations under the \$125,000 11 1/4% Senior Secured Note Units due 2009 ("Units") issued on April 3, 2002 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. are restricted from paying dividends on the common and preferred stock. 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., the 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 Caisse and its replacement with the Units.

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THE HOCKEY COMPANY
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 (IN THOUSANDS, EXCEPT SHARE DATA)

AS AT SEPTEMBER 30, 2003

| | The Hockey Company | Sport Maska Inc. | Guarantors |
|---|-----------------------|------------------|------------|
| <hr style="border-top: 1px dashed black;"/> | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1 | \$ - | \$ 2,925 |
| Accounts receivable, net | - | 39,776 | 46,989 |
| Inventories | - | 43,509 | 14,854 |
| Prepaid expenses and other receivables | - | 2,178 | 1,345 |
| Deferred Income taxes | 420 | 541 | 6,704 |
| Intercompany accounts | 93,236 | 27,664 | 1,979 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total current assets | 93,657 | 113,668 | 74,796 |
| Property, plant and equipment, net of accumulated depreciation | - | 11,256 | 1,860 |
| Intangible and other assets | - | 29,892 | 21,253 |
| Intangible - Prepaid NHL Royalty | - | 9,256 | 21,626 |
| Other assets | 2,096 | 2,093 | 20,643 |
| Investments in subsidiaries | 66,445 | - | 41,123 |
| Intercompany accounts | 11,092 | - | 25,000 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total assets | \$ 173,290 | \$ 166,165 | \$ 206,301 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Short term borrowings | \$ - | \$ 1,680 | \$ 4,678 |
| Accounts payable and accrued liabilities | 3,241 | 15,690 | 9,927 |
| Income taxes payable | - | 6,102 | 1,169 |
| Intercompany accounts | 1,123 | 12,728 | 115,221 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total current liabilities | 4,364 | 36,200 | 130,995 |
| Long-term debt | 36,913 | 61,913 | 25,061 |
| Loan payable to Parent company | - | 10,000 | - |
| Deferred income taxes and other long-term liabilities | - | 4,005 | 1,617 |
| Intercompany accounts | 25,000 | - | 11,092 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total liabilities | 66,277 | 112,118 | 168,765 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Stockholders' equity | | | |
| Common stock, par value \$0.01 per share | 45 | 39,190 | 5,129 |
| Common stock, non voting | 70 | - | - |
| Common stock purchase warrants | 1,665 | - | - |
| Additional paid in cap-common stock | 69,965 | - | 19,344 |
| Additional paid in cap - exchangeable shares | 42,456 | - | 15,209 |
| Retained earnings (Deficit) | (7,630) | 14,439 | (4,120) |
| Accumulated other comprehensive income | 442 | 418 | 1,974 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total stockholders' equity | 107,013 | 54,047 | 37,536 |

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| | | | |
|--|------------|------------|------------|
| Total liabilities and stockholders' equity | \$ 173,290 | \$ 166,165 | \$ 206,301 |
|--|------------|------------|------------|

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE DATA)

| | The Hockey Company | Sport Maska Inc. | Guarantors |
|--|--------------------|------------------|------------|
| AS AT DECEMBER 31, 2002 | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 4,002 | \$ 7,066 |
| Accounts receivable, net | - | 20,320 | 35,661 |
| Inventories | - | 32,972 | 9,341 |
| Prepaid expenses and other receivables | 811 | 2,113 | 1,676 |
| Income taxes receivables | 420 | 464 | 7,196 |
| Intercompany accounts | 78,377 | 18,534 | 7,799 |
| Total current assets | 79,608 | 78,405 | 68,739 |
| Property, plant and equipment, net of accumulated depreciation | - | 11,338 | 2,009 |
| Intangible and other assets | 2,056 | 27,285 | 43,617 |
| Investments in subsidiaries | 43,905 | - | 38,334 |
| Intercompany accounts | 11,092 | - | 25,000 |
| Total assets | \$ 136,661 | \$ 117,028 | \$ 177,699 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | | |
|---|----------|-----------|----------|
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 2,191 | \$ 11,423 | \$ 8,873 |
| Income taxes payable | - | 3,234 | 1,217 |
| Current portion of long term debt | - | - | 288 |
| Intercompany accounts | 932 | 9,421 | 97,619 |
| Total current liabilities | 3,123 | 24,078 | 107,997 |
| Long-term debt and 13% Pay-in-Kind Preferred Stock | 48,548 | 61,833 | 25,200 |
| Deferred income taxes and other long-term liabilities | 8,155 | 2,130 | 1,508 |
| Intercompany accounts | 25,000 | - | 11,092 |
| Total liabilities | 84,826 | 88,041 | 145,797 |

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| | | | |
|---|------------|------------|------------|
| Stockholders' equity | | | |
| Common stock, par value \$0.01 per share | 70 | 29,522 | 4,976 |
| Common stock purchase warrants | 1,665 | - | - |
| Additional paid-in capital | 69,965 | - | 19,344 |
| Retained earnings (Deficit) | (20,303) | 135 | 6,912 |
| Accumulated other comprehensive income (loss) | 438 | (670) | 670 |
| | | | |
| Total stockholders' equity | 51,835 | 28,987 | 31,902 |
| | | | |
| Total liabilities and stockholders' equity | \$ 136,661 | \$ 117,028 | \$ 177,699 |

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THE HOCKEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE DATA)

| FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 | The Hockey Company | Sport Maska Inc. | Guarantors |
|---|-----------------------|------------------|------------|
| Net sales | \$ - | \$ 103,059 | \$ 98,208 |
| Cost of goods sold | - | 64,984 | 64,911 |
| Gross profit | - | 38,075 | 33,297 |
| Selling, general and administrative expenses | 19 | 22,871 | 27,038 |
| Operating income (loss) | (19) | 15,204 | 6,259 |
| Other (income) expense, net [1] | (16,406) | (773) | (3,687) |
| Interest expense | 1,561 | 6,610 | 4,536 |
| Foreign exchange (gain) loss | 160 | (9,928) | 58 |
| Income (loss) before income taxes | 14,666 | 19,295 | 5,352 |
| Income taxes | - | 4,993 | 2,582 |
| Net income (loss) | \$ 14,666 | \$ 14,302 | \$ 2,770 |

[1] Other (income) expense, net for The Hockey Company and Other Guarantors includes equity in net income of subsidiaries of \$15,734 and \$3,585, respectively.

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| FOR THE 3 MONTHS ENDED SEPTEMBER 30, 2003 | The Hockey Company | Sport Maska Inc. | Guarantors |
|--|-----------------------|------------------|------------|
| Net sales | \$ - | \$ 47,755 | \$ 45,877 |
| Cost of goods sold | - | 29,542 | 31,607 |
| Gross profit | - | 18,213 | 14,270 |
| Selling, general and administrative expenses | 4 | 8,029 | 10,840 |
| Operating income (loss) | (4) | 10,184 | 3,430 |
| Other (income) expense, net [1] | (8,498) | 3 | (1,897) |
| Interest expense | 467 | 2,403 | 1,584 |
| Foreign exchange (gain) loss | 142 | (1,438) | - |
| Income (loss) before income taxes | 7,885 | 9,216 | 3,743 |
| Income taxes | - | 2,593 | 1,698 |
| Net income (loss) | \$ 7,885 | \$ 6,623 | \$ 2,045 |

[1] Other (income) expense, net for The Hockey Company and Other Guarantors includes equity in net income of subsidiaries of \$10,746 and \$1,945, 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. | Guarantors | Other Eliminat |
|---|-----------------------|------------------|------------|-------------------|
| Net sales | \$ - | \$ 80,529 | \$ 92,869 | \$ (|
| Cost of goods | - | 53,937 | 57,705 | (|
| Gross profit | - | 26,592 | 35,164 | |
| Selling, general and administrative expenses | 29 | 19,522 | 24,782 | |
| Operating income (loss) | (29) | 7,070 | 10,382 | |
| Other (income) expense, net [1] | (4,546) | (56) | (2,225) | |
| Interest expense | 2,975 | 5,596 | 2,865 | |
| Foreign exchange gain | - | 171 | - | |
| Loss on early extinguishment of debt | 861 | 1,486 | 918 | |
| Income (loss) before income taxes | 681 | (127) | 8,824 | |
| Income taxes | - | 181 | 3,769 | |

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| | | | | |
|-------------------|--------|----------|----------|----|
| Net income (loss) | \$ 681 | \$ (308) | \$ 5,055 | \$ |
|-------------------|--------|----------|----------|----|

[1] Other expense, net for The Hockey Company and Other Guarantors includes equity in net income of subsidiaries of \$4547 and \$2,453 respectively.

| THREE MONTHS ENDED SEPTEMBER 30, 2002 | The Hockey Company | Sport Maska Inc. | Guarantors | Other Eliminat |
|---|-----------------------|------------------|------------|-------------------|
| Net sales | \$ - | \$ 38,423 | \$ 44,055 | \$ |
| Cost of goods | - | 26,118 | 26,907 | (|
| Gross profit | - | 12,305 | 17,148 | |
| Selling, general and administrative expenses | 4 | 7,421 | 9,124 | |
| Operating income (loss) | (4) | 4,884 | 8,024 | |
| Other (income) expense, net [1] | (4,533) | 148 | (1,179) | |
| Interest expense | 1,147 | 2,180 | 1,035 | |
| Foreign exchange gain | - | 2,441 | - | |
| Loss on early extinguishment of debt | - | - | - | |
| Income before income taxes | 3,382 | 115 | 8,168 | |
| Income taxes | - | 86 | 3,869 | |
| Net income (loss) | \$ 3,382 | \$ 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)

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2003

The Hockey Company Sport Maska Inc. G

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OPERATING ACTIVITIES:

NET CASH PROVIDED BY (USED FOR) OPERATING
ACTIVITIES

\$ (32,670) \$ (9,508)

INVESTING ACTIVITIES:

| | | |
|--|---|----------|
| Prepayment of intangibles-NHL Royalty | - | (10,136) |
| Purchases of property, plant & equipment | - | (1,317) |
| Proceeds from disposal of property, plant and equipment and deferred expenses | - | 1,565 |

NET CASH USED FOR INVESTING ACTIVITIES

- (9,888)

FINANCING ACTIVITIES:

| | | |
|---|---------|--------|
| Deferred financing costs | (327) | 174 |
| Net change in short-term borrowings | - | 1,285 |
| Principal payments on debt | - | - |
| Proceeds from long-term debt | - | - |
| Loan payable to Parent Company | - | 10,000 |
| Increase in paid-in capital from the parent company | 41,721 | - |
| Issuance of common stock | 45 | 4,691 |
| Redemption of PIK including accrued dividends | (8,768) | - |

NET CASH PROVIDED BY (USED FOR) FINANCING
ACTIVITIES

32,671 16,150

Effects of foreign exchange rate changes on cash

- (754)

NET CHANGE IN CASH AND CASH EQUIVALENTS

1 (4,000)

Cash & cash equivalents at beginning of period

- 4,000

Cash & cash equivalents at end of period

\$ 1 \$ -

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2002

The Hockey Company Sport Maska Inc. G

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 & equipment | - | 330 |

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| | | |
|--|---------|---------|
| NET CASH USED FOR INVESTING ACTIVITIES | - | (544) |
| FINANCING ACTIVITIES: | | |
| Deferred financing costs | (3,682) | (2,787) |
| Net change in short-term borrowings | - | 18,335 |
| Principal payments on debt | - | - |
| Proceeds from long-term debt | 229 | 191 |
| Issuance of warrants | 3,450 | - |
| 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 | \$ - | \$ - |

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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) were 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 April 1997, WS Acquisition LLC, an affiliate of Wellspring Capital Management LLC, acquired a controlling interest. 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. On June 11, 2003 we became a subsidiary of The Hockey Company Holdings Inc., a Canadian public corporation. 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

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references to "Note(s)" refer to the Notes to the Unaudited Consolidated Financial Statements.)

EBITDA is defined as earnings (net income) before interest, income and capital taxes and depreciation and amortization. EBITDA includes restructuring charges, and other unusual items if it is reasonably likely that they will recur within two years. EBITDA is not a measure of performance or financial condition under generally accepted accounting principles, but is presented because it is frequently used by securities analysts and others in evaluating companies. 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, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. EBITDA is calculated as follows:

| | (in thousand) | | |
|--|-------------------------------|-----------------------|----------------|
| | For the Three Months ended | | |
| | September 30, 2002 | September 30, 2003 | Septem 2003 |
| Operating income | \$ 14,823 | \$ 15,858 | |
| Depreciation and amortization | 946 | 1,034 | |
| Capital taxes | 80 | 176 | |
| Other income (expenses), net | (269) | (45) | |
| Gain (loss) on sales of property, plant and equipment | - | (8) | |
| Foreign exchange gain (loss) | (2,443) | 1,296 | |
| EBITDA | \$ 13,137 | \$ 18,311 | |

Under the terms of The Hockey Company's short and long-term debt agreements, restructuring and other unusual or non-recurring items would be added back to EBITDA.

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RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003

2003 COMPARED TO 2002

Net sales for the nine months ended September 30, 2003 were \$171.2 million, an increase of 13.1%, or \$19.8 million, as compared to \$151.4 million in the nine months ended September 30, 2002. For the three months ended September 30, 2003, net sales increased 11.6% or \$8.4 million to \$81.1 million, as compared to \$72.7 million for the same period last year. Management is very pleased with the reaction in 2003 to the Company's new product offerings and in particular with the success of its new Pro Tacks ice skates and Vector one-piece composite hockey sticks. These, as well as the overall selection of products,

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are enabling the Company to maintain its overall leadership position in the industry and improve market share in specific categories. The trends evident in the first half of the year continued into the third quarter, with growth in the equipment business of 15% being the main revenue driver. Apparel sales in the third quarter grew about 4% compared with a year ago, and on a year to date basis are at about the same level as the prior year, having been impacted in the first half of the year by the small market teams making the playoffs and negatively affecting sales of replica jerseys. Geographically, Canada and Europe continue to demonstrate strength while the United States economy provides greater challenge. Foreign exchange rate fluctuations play a part in the reported results. Sales for nine months have been positively impacted by approximately \$14 million compared with a year ago on a constant dollar basis. Similarly, operating and other expenses are negatively impacted, mitigating the overall impact on the Company's reported earnings. While the Company reports in U.S. dollars, it has significant exposure to the Canadian dollar, the Euro and the Swedish krona.

Gross profit for the nine months ended September 30, 2003 grew by \$9.8 million or 14.6% to \$76.9 million or 44.9% of sales compared with \$67.1 million or 44.3% of sales for the nine months ended September 30, 2002. Gross profit for the three months ended September 30, 2003 grew by \$3.9 million or 12.2% to \$35.8 million or 44.1% of sales compared with \$31.9 million or 43.9% of sales in the third quarter of 2002.

In the nine months ended September 30, 2003, selling, general and administrative expenses were constant as a percentage of sales with 2002. In dollar terms, there was a 13.5% or \$6.3 million increase to \$52.9 million in 2003 from \$46.6 million in 2002. For the three months ended September 30, 2003, selling, general and administrative expenses increased by \$2.8 million or 16.4% to \$19.9 million compared to \$17.1 million for the same period last year. The principle reason for the increase in the third quarter and year to date, other than direct variable expenses, is movement in exchange rates.

Operating income for the nine months ended September 30, 2003 grew by \$3.5 million or 17.1% to \$24.0 million compared to \$20.5 million in the nine months ended September 30, 2002. For the three months ended September 30, 2003, operating income grew approximately 7% to \$15.9 million compared to \$14.8 million in the third quarter of 2002.

Other income of \$1.6 million consists primarily of \$0.5 million related to the gain on sale of our Drummondville manufacturing facility which had become redundant and closed in December 2002 and \$0.7 million related to a reversal of an excess provision set up in prior years for Chapter 11 costs.

As a result of the above, EBITDA for the nine months ended September 30, 2003 increased by \$15.6 million to \$38.9 million compared to \$23.3 million in the first nine months of 2002. Included in the increase was \$9.7 million resulting from the foreign exchange translation of the 50% portion of U.S. dollar denominated long-term debt held by our Canadian subsidiary. For the three months ended September 30, 2003, EBITDA grew by \$5.2 million to \$18.3 million compared to \$13.1 million in the third quarter of 2002. Of the increase in the third quarter, \$2.5 million resulted from the foreign exchange translation of the 50% portion of U.S. dollar denominated long-term debt held by our Canadian subsidiary. The actual gain on exchange relating to the long-term debt recorded for the three months ended September 30, 2003 was \$0.2 million compared with a \$2.3 million loss for the same period in 2002.

Interest expense including amortization of deferred financing costs (\$1.0 million and \$1.2 million in the nine months ended September 30, 2003 and 2002, respectively) increased to \$12.5 million in the nine months ended September 30, 2003

compared to \$11.4 million in the first nine months of 2002. For the three months ended September 30, 2003 interest expense including amortization of deferred financing costs (\$0.3 million in each of the three months ended September 30, 2003 and 2002) remained constant at \$4.3 million compared to \$4.4 million in the same period of 2002.

The loss on early extinguishment of debt of \$3.3 million in 2002 consists of the write-off of deferred financing costs as a result of the extinguishment of the Caisse de depot et placement du Quebec ("Caisse") loan in April 2002.

Income before income taxes was \$22.8 million in the nine months ended September 30, 2003 compared to \$5.4 million for the first nine months of 2002. For the three months ended September 30, 2003, income before income taxes was \$12.8 million compared to \$7.8 million in the third quarter of 2002.

As a result of the above, net income for the nine months ended September 30, 2003 increased by \$14.0 million to \$14.7 million compared to \$0.7 million for the nine months ended September 30, 2002. For the three months ended September 30, 2003, net income was \$7.9 million compared to \$3.4 million in the third quarter in 2002.

Net income attributable to common stockholders for the nine months ended September 30, 2003 was \$12.7 million compared to a net loss of \$1.2 million for the corresponding period in 2002. For the three months ended September 30, 2003, net income attributable to common stockholders was \$7.9 million compared to \$2.8 million for the corresponding period in 2002.

LIQUIDITY AND CAPITAL RESOURCES

On June 11, 2003, The Hockey Company Holdings Inc. (the "Corporation") completed its initial public offering for the issue of 4,500,000 common shares (the "Offering") for proceeds of \$47.2 million (Cdn\$64.1 million), net of issue fees and expenses of approximately \$5.8 million (Cdn\$7.8 million). On July 11, 2003, the underwriters exercised their over-allotment option, which resulted in the issuance of an additional 429,200 common shares for proceeds of \$4.6 million (Cdn\$6.4 million), net of issue fees and expenses of \$0.4 million (Cdn\$0.5 million). The Corporation participated in a reorganization with us whereby the Corporation, which had incorporated Hockey Merger Co. ("Subco") on February 24, 2003, and Subco entered into a merger agreement on April 2, 2003 with us and whereby Subco merged into us and the Corporation received all of our outstanding voting common stock. Each existing holder of common stock received one share of our non-voting exchangeable common stock (the "Exchangeable Shares") for each share of common stock held. Each holder of an Exchangeable Share has the right to exchange one Exchangeable Share for one common share of the Corporation, subject to certain adjustments in the event, among others things, of stock splits or similar events. The delivery of the common shares upon exercise of the Put Right shall be subject to applicable U.S. securities laws and the common shares may not be delivered to a U.S. holder until either a registration statement is filed by the Corporation with the SEC and declared effective by the SEC in order to register the common shares or a private placement by the Corporation is completed in accordance with U.S. securities laws. We have accounted for the merger as a continuity of The Hockey Company as a transaction

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between related parties and, accordingly, the consolidated financial statements of the Corporation will be prepared using the historical cost basis as though both the Corporation and The Hockey Company had been combined since inception.

On March 28, 2003, we, the Corporation and certain of our subsidiaries entered into a new ten-year license agreement ("New NHL License Agreement") with the NHL, which became effective upon pre-payment of certain royalties in the amount of \$30.0 million from the Offering. In addition, the Corporation granted to the NHL an option to purchase 75,000 shares at \$11.77 per share (Cdn\$16.00 per share). Under the term of the New NHL License Agreement, the prepaid NHL royalty and the fair value of the options will be expensed over the terms of the agreement based on the schedule of royalty payments.

In addition to the above, our anticipated financing requirements for short-term working capital 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 for a period of three years. 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 for a period of three years (together

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with General Electric Capital Corporation, "GECC"). The GECC 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 GECC credit agreements were further extended and amended on October 17, 2002 for a period of three years in connection with the issuance of the Units (as described below) to reflect the repayment of the Caisse term loans and to maximize the amount of loans and letters of credit under the two credit agreements to \$35.0 million and \$7.0 million, respectively. Under the terms of the Notes such indebtedness cannot exceed \$35.0 million and must be repaid in full at least once a year. Total borrowings under the GECC credit agreements as at December 31, 2002 and September 30, 2003 were nil and \$5.6 million, respectively, including borrowings under our Jofa facility (as described below) (excluding \$5.3 million and \$6.5 million of letters of credit outstanding, respectively). We have met the requirement for the annual repayment in full for 2003. The peak borrowings under the GECC credit agreement were \$21.9 and \$12.8 million in the nine months ended September 30, 2002 and 2003, respectively.

As at September 30, 2003, borrowings under the U.S. credit agreement bear interest at rates between U.S. prime plus 0.25% to 1.00% or LIBOR plus 1.50% to 2.50% depending on The Hockey 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 0.50% to 1.25%, the U.S. prime rate plus 0.25% to 1.00% and the Canadian Bankers' Acceptance rate or LIBOR plus 1.50% to 2.50% depending on The Hockey Company's Operating Cash Flow Ratio, as defined in the agreement. In addition, we are charged a monthly commitment fee at an annual rate of 1/4 to 3/8 of 1% on the unused portion of the revolving credit facilities and certain other fees under the credit agreements.

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

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 for a period of two years. The loan was further extended and amended into two facilities on March 14, 2001 (Facility 1--Canadian \$90 million due September 30, 2004 and Facility 2--Canadian \$45.8 million due 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 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 credit agreement was terminated in connection with the issuance of the Units (as described below).

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 Masko 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 Company may repurchase the Notes in the open market from time to time.

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.

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Jofa AB, our Swedish subsidiary, has 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 (approximately \$11.5 million). The facility is collateralized by the assets of Jofa AB, bears interest at a rate of STIBOR (currently 2.85 %) plus 0.90%, matures on December 31, 2003 and is renewable annually. Total borrowings were nil as at December 31, 2002 and \$5.6 million as at September 30, 2003 (excluding \$1.6 million and nil letters of credit outstanding, 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, Jofa AB entered into a separate credit agreement with Nordea Bank in May, 2000 to borrow SEK 10 million, or approximately \$1.2 million. The loan had a term of four years with annual principal repayments of SEK 2.5 million, or approximately \$0.3 million. The loan was secured by a chattel mortgage on the assets of Jofa AB and bore an interest rate of STIBOR plus 1.25%. The balance of this loan was repaid on March 3, 2003.

Effective July 10, 2001, KHF Finland Oy, our Finnish subsidiary, entered into a credit agreement with Nordea Bank in Finland. The maximum amount of loans and letters of credit that may be outstanding under the agreement is EUR 2.4 million (approximately \$2.7 million). The facility bears interest at a rate of EURIBOR (2.11% at September 30, 2003) plus 0.9%. Total borrowings as at December 31, 2002 and September 30, 2003 were nil. Management believes that the credit agreement will be renewed or refinanced upon maturity.

Cash used in operating activities during the nine months ended September 30, 2003 was \$14.7 million compared to \$17.0 million in the first nine months of 2002. Net income was \$14.7 million in the nine months ended September 30, 2003 compared to \$0.7 million in the first nine months of 2002. EBITDA was \$38.9 million for the nine months ended September 30, 2003 compared to \$23.3 million in the first nine months of 2002. Inventory increased by \$14.5 million from December 31, 2002 to September 30, 2003. The build-up is in line with the seasonal nature of our business and allows us to provide timely service to our customers in the fourth quarter. Accounts receivable were higher by \$34.5 million from December 31, 2002 consistent with the normal peak in the third quarter. Accounts payable and accrued liabilities are higher mainly due to accrued semi-annual interest on the Units which is payable October 15, 2003. Furthermore, receivables, inventories and payables are all higher compared with December 31, 2002 as a result of foreign exchange rates. Cash used in investing activities during the nine months ended September 30, 2003 was \$31.1 million compared to \$1.1 million used in the first nine months of 2002, primarily due to the \$30.0 million royalty pre-payment under the New ten year NHL License Agreement.

Cash provided by financing activities during the nine months ended September 30, 2003 was \$34.9 million compared to \$18.5 million in the first nine months of 2002. In 2003, proceeds from the initial public offering were partially used to finance the repurchase of the 13% Pay-In-Kind Preferred Stock, whereas, in 2002 proceeds of the units offering were partially used to refinance other long-term debt

We follow the customary practice in the sporting goods industry of offering extended payment terms to credit worthy 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 facilities 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

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guaranteed minimum payments over the royalty term. We also pay the NHL, CHL, and certain professional players and teams, an endorsement fee in exchange for the 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 the repayment of our Secured Notes in 2009:

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(In thousands)

| | |
|--------------|-----------|
| 2003 | \$ 16,687 |
| 2004 | 15,620 |
| 2005 | 7,165 |
| 2006 to 2008 | 2,525 |
| 2009 | 125,000 |
| | ----- |
| | \$166,997 |
| | ----- |
| | ----- |

The above reflects the Current NHL License Agreement expiring in 2005. With the implementation of the New License Agreement following the pre-payment of royalties of \$30.0 million from the proceeds of the Offering (as described below) the 2004 commitments for the New NHL License Agreement would decrease by approximately \$1.5 million, the 2005 commitments would increase by approximately \$3.5 million, and commitments for each of the next eight years would be approximately \$10.0 million.

RESTRUCTURING RESERVES

In October 2002, we decided to close three of our North American manufacturing units effective December 2002 in order to reduce excess capacity and achieve greater operating efficiencies. Approximately 160 employees were affected by this decision, of which approximately 50 are from the apparel segment. Accordingly, the Company set up a restructuring reserve of approximately \$2.1 million, of which approximately \$1.3 million is to cover the cost of severance packages to affected employees, with the remainder representing other closure costs. There were no balances outstanding as at September 30, 2003 (December 31, 2002 - \$0.9 million).

ACQUISITION

On August 21, 2003 we, through our wholly-owned subsidiary Sport Maska Inc., acquired all of the issued and outstanding shares of Roger Edwards Sport Ltd. for a cash consideration of \$1,071 (Cdn\$1,500) (of which \$71 (Cdn\$100) is included in accounts payable as at September 30, 2003) and an annual cash earn-out based on results of the division over the period of January 1, 2004 to December 31, 2006. The cumulative earn-out is not to exceed \$1,071 (Cdn\$1,500). The acquisition was accounted for using the purchase method and the excess of purchase price over net book value as at September 30, 2003 amounted to \$571 (Cdn\$800). The results of Roger Edwards Sport Ltd.'s operations have been included in our consolidated financial statements since that date.

Roger Edwards, currently celebrating its 20th anniversary, has established itself as a leading vintage sports apparel brand recognized for its

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premium quality lifestyle apparel products. Led by founder and award-winning fashion designer Roger Edwards, the company has successfully launched lifestyle fashion lines of Vintage NHL, Hockey Night In Canada and Team Canada Classics apparel. Roger Edwards was recently selected by the Canadian Football League as the exclusive apparel designer for the new CFL Turf Traditions line, including vintage replica jerseys, apparel and headwear.

NEW ACCOUNTING PRONOUNCEMENTS

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 SFAS No. 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 has to 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 have adopted this Statement on January 1, 2003 upon which the loss on early extinguishment of debt incurred in the quarter ended June 30, 2002 has been reclassified in accordance with the issued SFAS No. 145.

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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. We have adopted SFAS No. 146 and will apply these rules on exit and disposal activities initiated after December 31, 2002. There were no exit or disposal activities initiated during the quarter ended September 30, 2003.

In November 2002, FASB issued Interpretation No. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS ("FIN 45"), which requires certain guarantees to be recorded at fair value and increases the disclosure requirements for guarantees even if the likelihood of making any payments under the guarantee is remote. The increased disclosure requirements are effective for fiscal years ending after December 15, 2002 and have been adopted by the Company in the consolidated financial statements for the year ended December 31, 2002. The provision of FIN 45 relating to initial recognition and measurement are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We adopted these provisions of FIN 45 for guarantees issued or modified after December 31, 2002 on January 1, 2003 and no significant transition adjustment resulted from its adoption.

On April 30, 2003, FASB issued SFAS No. 149, AMENDMENT OF SFAS 133 ON

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DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. This statement is intended to result in more consistent reporting of contracts as either freestanding derivative instrument subject to SFAS No. 144 in its entirety or as hybrid instruments with debt host contracts and embedded derivative features. SFAS No. 149 is effective for contracts entered into or modified after September 30, 2003 and hedging relationships designated after September 30, 2003. However, the provisions of SFAS No. 149 that merely represent the codification of previous Derivatives Implementation Group decisions are already effective and should continue to be applied in accordance with their prior respective effective dates. We will apply the recommendation of SFAS No. 149 for future contracts and hedging relationships, if any, and believes the impact of this statement will not significantly affect its financial position and results of operations.

On May 15, 2003, FASB issued SFAS No. 150, ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY. This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 represents a significant change in practice in the accounting for a number of financial instruments, including mandatorily redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. SFAS No. 150 is effective for all financial instruments created or modified after May 31, 2003 and to other instruments at the beginning of the first interim period beginning after June 15, 2003. We have applied the recommendations of SFAS No. 150 for the quarter ending September 30, 2003 and have reclassified the 13% Pay-In-Kind preferred stock as liabilities as at December 31, 2002.

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. However, fifty percent of the Notes debt is held by a Canadian subsidiary whose functional currency is the Canadian dollar. Included in our results is a foreign exchange gain of \$9.7 million of which \$10.2 million resulted from the translation of our U.S. dollar denominated long term debt, 50% of which is held by our Canadian Subsidiary Sport Masko Inc. Fluctuation in the Canadian dollar against the U.S. dollar can give rise to significant volatility in net income.

We are also exposed to foreign exchange fluctuations due to 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 2003 would have been \$0.6 million, \$0.4 million and less than \$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 and net income. Further, a 1% variation in the Canadian dollar

versus the U.S. dollar would have an effect of approximately \$0.7 million on translation of our long-term debt for the entire year given that 50% of the debt is held by the Canadian operating company.

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Our European and Canadian subsidiaries each have operating credit facilities denominated in their respective local currencies; the impact of foreign exchange on these debt facilities are mitigated by the impact of foreign exchange on the operating revenues generated in the local currencies of the subsidiaries. As we hold either long-term or operating debt facilities denominated in the currencies of our European subsidiaries, our equity investment 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 credit facilities have a variable interest rates and thus a 1% variation in the interest rate on our borrowing base for the year will cause approximately \$0.5 million increase or decrease in interest expense.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were designed and were functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Controls

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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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.

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ITEM 2. CHANGES IN SECURITIES.

The Company entered into a merger agreement on April 2, 2003 with Hockey Merger Co. ("Hockey Merger Co."), a Delaware corporation and wholly-owned subsidiary of The Hockey Company Holdings Inc. ("Holdings"), and Holdings pursuant to which Hockey Merger Co. agreed to merge with and into the Company, with the Company as the surviving corporation (the "Merger").

On June 11, 2003, the Merger was consummated and, pursuant to the terms of the Merger, each issued and outstanding share of voting common stock of the Company was converted into one share of non-voting exchangeable common stock of the Company, par value \$.01 per share (the "Exchangeable Shares"). The Exchangeable Shares rank PARI PASSU with the voting common stock of the Company (now held by Holdings) with respect to dividend rights and have the right to economically equivalent distributions as the voting common stock on liquidation, winding-up or dissolution but rank junior to any series of preferred stock established by the board of directors of the Company. The Exchangeable Shares are non-transferable, except to certain permitted transferees and to Holdings in exchange for common shares. The holders of the Exchangeable Shares have the right, at any time, to require Holdings to purchase any or all of the Exchangeable Shares registered in the name of such holder (the "Put Right") in exchange for common shares, on a one-for-one basis, for each Exchangeable Share presented for purchase, subject to certain adjustments in the event, among other things, of stock splits or similar events. The delivery of the common shares upon exercise of the Put Right is subject to applicable U.S. securities laws and the common shares may not be delivered until either a registration statement is filed by Holdings with the SEC and declared effective by the SEC in order to register the common shares or a private placement by Holdings is completed in accordance with U.S. securities laws. The holder, upon exercise of the Put Right, will also receive any declared and unpaid dividends on the Exchangeable Shares presented for purchase. The Exchangeable Shares are also subject to a call right of Holdings at the option of Holdings, which shall be no earlier than the fifth anniversary date of the closing of the Offering, unless there are fewer than 20% of the Exchangeable Shares issued as of the date of closing of the Offering outstanding (other than Exchangeable Shares held by Holdings or any of its affiliates). The Exchangeable Shares have no voting rights other than those rights received under the Voting and Exchange Trust Agreement, dated as of June 11, 2003, among the Company, Holdings and Computershare Trust Company of Canada.

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.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended.

THE HOCKEY COMPANY

PART II
OTHER INFORMATION

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, as amended.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, as amended.

(b) Reports on Form 8-K.

Not applicable

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 11, 2003