HOCKEY CO
Form 10-K
March 12, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2001 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)	(I.R.S. Employer Identification No.)

3500 BOULEVARD 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

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK,
PAR VALUE $.01

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: YES X No ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 11, 2002 has not been determined due to the extremely limited trading volume in the registrant's common stock; however, 1,060,286 shares of the voting stock were held by non-affiliates of the registrant on March 11, 2002.

As of March 11, 2002, 6,500,549 shares of the registrant's common stock, $.01 par value per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART I

ITEM 1. BUSINESS

OUR COMPANY

We are the world's largest marketer, designer and manufacturer of hockey equipment and related apparel. Our primary brands, CCM(R), Koho(R) and Jofa(R), are among the most widely recognized brands in hockey and we estimate that we have a 30% share of the worldwide ice and roller hockey equipment and related apparel market. We sell our products to a diverse customer base consisting of specialty retailers, sporting goods shops, mass merchandisers and international distributors. We manufacture at highly automated facilities, and have distribution facilities, in North America, Finland and Sweden.

We offer a complete line of ice and roller hockey equipment and related apparel. Hockey equipment represents approximately 64% of our sales, hockey related apparel 32% of our sales and non-hockey products represents the remaining 4%.

HOCKEY EQUIPMENT. Our comprehensive line of hockey equipment, including skates, protective equipment, hockey sticks and goaltender equipment, provides a wide range of choices for both recreational and professional players. Our skates and other equipment are sold at various price points and range from high performance products used by professionals in the NHL and other professional leagues, to intermediate performance products used by youth league players, among others, and to entry-level products for the beginner. As of November 2001, 98% of all NHL players used at least one piece of our equipment.

HOCKEY RELATED APPAREL. The hockey related apparel segment of our business consists of licensed hockey jerseys, team uniforms and socks and licensed or branded activewear. We have been an NHL licensee since 1967 and we are currently the exclusive supplier of hockey jerseys to every NHL team and have the exclusive worldwide right to market authentic and replica NHL jerseys. Our jerseys are worn by every player and official in the NHL. We are also the world's largest manufacturer of team uniforms and socks worn by players in hockey leagues, camps, schools and associations. Our licensed or branded activewear lines include high quality fleecewear, pants, shirts, T-shirts, golf shirts, turtlenecks, outerwear and caps embroidered with the NHL, NCAA and other team and league logos.

NON-HOCKEY PRODUCTS. In addition to our primary hockey related equipment, we also market and manufacture other equipment, including alpine skiing and equestrian helmets. In addition, in Finland and Sweden, we are the exclusive distributor of Merrell footwear, a leading outdoor footwear brand.

Please refer to the Consolidated Financial Statements and related notes included in this Form 10-K for more information on our segments.

INDUSTRY OVERVIEW

We compete in the wholesale ice and roller hockey equipment and related apparel markets. We estimate the worldwide wholesale hockey equipment and related apparel market in 2000 was approximately $660 million, and we estimate that we have a 30% share of this market. Although the worldwide hockey equipment market has remained stable overall, we anticipate several specific factors will support the future growth of the industry, including:

- increased fan interest and increased participation in hockey;
- the recent expansion of the NHL into new markets such as Nashville in 1998, Atlanta in 1999 and Columbus and Minnesota

in 2000;

- increased marketing by the NHL;
- increased construction of ice rinks; and

- favorable demographics, such as the tendency for hockey enthusiasts to be more educated and have greater disposable income than participants and fans of other traditional team sports.

The hockey equipment and hockey related apparel markets are segments of the U.S. and worldwide sporting goods industries. Several factors are expected to support the further growth of the sporting goods industry in general, including:

- the considerable leisure time and financial resources of the baby boomer population;
- heightened awareness of the importance of recreational exercise; and
- the growing overseas market for recreational products.

OUR PRODUCTS

We manufacture and market a fully integrated line of hockey equipment and apparel. Our hockey equipment product lines include:

- ice hockey, roller hockey and figure skates;
- protective equipment;
- hockey sticks; and
- goaltender equipment.

Our hockey related apparel products include:

- NHL licensed hockey jerseys;
- team uniforms and socks; and
- licensed or branded activewear.

HOCKEY EQUIPMENT PRODUCT LINES

ICE HOCKEY, ROLLER HOCKEY AND FIGURE SKATES. We manufacture and market a wide range of ice hockey skates under the CCM, Tacks(Registered Trademark), Externo(Trademark), Powerline(Registered Trademark), Jofa and Koho labels. The tradition of the flagship CCM brand of skates, first introduced to the market in 1905, is interwoven throughout the history of ice hockey and the NHL. We manufacture all of our high end ice hockey skates and outsource our entry level ice hockey, roller hockey and figure skates. We focus on marketing premium roller hockey skates targeted at high price points. In addition, we market six different models of figure skates under the CCM and Jofa labels.

PROTECTIVE EQUIPMENT

BODY PROTECTIVE EQUIPMENT AND GLOVES. We market a variety of body protective equipment, including shoulder pads, shin guards, elbow pads and gloves under the CCM, Koho and Jofa brands. CCM gloves and body protective equipment are marketed under three sub-brands, Tacks, Supra and Powerline.

HELMETS. We market our helmets under the CCM and Jofa labels, which have been two of the leading brands of helmets for over 30 years. More players in the NHL wear our helmets than any other

competitor's products. Our helmets provide a high level of protection and prominently display the CCM and Jofa brand names.

PANTS AND ACCESSORIES. We market hockey pants under the CCM, Koho and Jofa labels. CCM branded pants also carry the Supra and Powerline sub-brand names. In addition, we market several accessories, such as carry bags, athletic supporters and equipment for officials.

HOCKEY STICKS. We believe we are the premier manufacturer of hockey sticks and set the industry standards for quality, innovation and stick performance. We market a wide range of hockey sticks incorporating various materials, designs and performance characteristics. Our sticks are sold under the CCM and Koho brands. CCM and Jofa sticks are also sub-branded for greater market segmentation. CCM sub-brands include Tacks, Canadien, Supra and Powerline for our player, non-goaltender, sticks and Tacks and Heaton for goaltender sticks. Similarly, the Titan sub-brand is associated with the Jofa primary brand. We are also a leading provider of replacement blades, enabling players to re-use the shaft of their two-piece hockey sticks.

GOALTENDER EQUIPMENT. We produce a fully integrated line of goaltender equipment. We market our goaltender facemasks, catch mitts and blockers, goaltender arm and body protectors and leg pads under the Heaton sub-label of CCM and the Koho brand. We market our goaltender pants under the Supra and Heaton sub-labels of CCM and the Koho brand.

NON-HOCKEY EQUIPMENT. We also manufacture and market other equipment, including alpine skiing and equestrian helmets. These products are manufactured and assembled at our Malung, Sweden facility. In addition, in Finland and Sweden, we are the exclusive distributor of Merrell footwear, a leading outdoor footwear brand.

HOCKEY RELATED APPAREL PRODUCTS

LICENSED HOCKEY JERSEYS. We have supplied NHL teams with authentic jerseys for 35 years. Pursuant to our most recent license agreement with the NHL, we hold the exclusive right to provide authentic jerseys used "on-ice" by every team in the NHL and market authentic and replica jerseys of all 30 teams. Our exclusive agreement with the NHL expires on June 30, 2004, with our option to renew through June 30, 2005. In addition, under our license agreement with the NHL Players Association, we have the right to market these jerseys with the names and numbers of NHL players. In addition to supplying jerseys to the NHL, we also maintain agreements to provide jerseys to professional teams in other leagues as well as some major NCAA teams.

Although we generate revenue from the sale of authentic jerseys to the consumer market, replica jersey sales into the consumer market account for an

estimated 95% of our licensed jersey revenue. Replica jerseys are similar to authentic jerseys and may also display team names and crests but incorporate different fabrics and features than authentic jerseys. Our authentic jerseys incorporate Pro-Weight Air-Knit and Ultrafil fabric, high quality crests, a fighting strap and reinforced stitching on all seams and hems. Youth and adult replica jerseys feature Mid-Weight Air-Knit fabric and child/toddler jerseys feature traditional Suprafil fabric.

TEAM UNIFORMS AND SOCKS. We sell non-team identified team uniforms and socks that are primarily used by organized leagues, amateur hockey associations and schools. The majority of these jerseys is of replica quality and is sold through retail channels. We also produce hockey socks for both professional and recreational markets.

LICENSED OR BRANDED ACTIVEWEAR. We offer a high quality line of fleecewear, pants, shirts, T-shirts, golf shirts, turtlenecks, outerwear and caps embroidered with the NHL, NCAA and other team and league logos. We market these products pursuant to several license agreements with a variety of organizations, including the NHL, major colleges and universities, the NCAA and the American Hockey League. We outsource the production of all of our activewear products. In addition to sports apparel and accessories displaying professional and collegiate team logos and designs, we also sell our line of caps, T-shirts, and fleecewear to corporations and other organizations. Our products include custom embroidered and screen printed T-shirts and polo shirts bearing corporate and organizational logos.

SALES AND MARKETING

NORTH AMERICAN SALES. In Canada, our equipment sales organization is comprised of a group of independent representatives that sell CCM branded equipment and another group of independent representatives dedicated to selling Koho and Jofa equipment. In the U.S., independent representatives carry all brands. Sales representatives are charged primarily with selling equipment, products and jerseys to our smaller hockey specialty accounts. Regional managers, in both Canada and the U.S., are charged with overseeing the sales representative organization and also maintaining our larger accounts across all brands.

We have a separate sales force for apparel, comprised of a vice president of sales, a key account manager and independent representative organizations. Our apparel sales team possesses extensive industry experience. Our sales representatives are responsible for selling apparel, including licensed jerseys, and licensed or branded activewear, to large sporting goods and department stores in the U.S.

INTERNATIONAL SALES. In Sweden, Finland and Norway, we sell our equipment and apparel directly to retailers and teams, through our in-house sales team in Scandinavia. Outside of those countries, we sell our products through distributors located in over 40 countries in Europe, South America, Central America, Africa, Australia and the Far East. These distributors, in turn, sell our products to teams and retailers. Our European sales activities, as well as sales activities in South America, Central America, and Pacific Rim countries, are controlled through our European General Manager based in Sweden.

NHL AGREEMENTS

NHL MARKETING LICENSES. Our license agreement with NHL Enterprises, LP,

the marketing affiliate of the NHL, extends through June 30, 2004 with our option to renew through June 30, 2005, and gives us the exclusive right to supply authentic game jerseys used "on-ice" by the 30 NHL teams, including playoff and all-star jerseys. Authentic game jerseys are supplied under the CCM and Koho brand names, while authentic practice jerseys are supplied under the Jofa brand name. We are also the exclusive supplier of "on-ice" jerseys and pants for NHL officials under the Jofa brand name. Our brand names are placed, pursuant to the agreement, on the outside rear neck of the jersey, to provide brand name exposure. We also have the right to use the names, logos, and other indicia of the NHL and the NHL member teams on an exclusive basis in connection with the manufacture, supply and sale of replica game and practice jerseys of the 30 NHL teams. Pursuant to a separate agreement with the National Hockey League Players Association, we are entitled to market authentic and replica game and practice jerseys identified with the names and numbers of NHL players. Since the beginning of the 2000/2001 NHL season, the CCM logo appears above each player's name on every "home" NHL jersey, the Koho logo appears above each player's name on every "away" and "third" NHL jersey and the Jofa label is on uniforms for all NHL officials. The agreement also grants us the exclusive right to market T-shirts, golf shirts, workout wear, outerwear and activewear bearing NHL logos, names and designs under the NHL's Center-Ice-Registered(Trademark) trademark, which are worn by the trainers of all NHL teams during games. We also have the non-exclusive right to use the NHL team logos on headwear. We market all of the foregoing products to North American retailers for resale as well as to European and Asian distributors.

Pursuant to the license agreement we are required to pay a license fee and royalties to the NHL based on our net sales, with minimum royalty amounts guaranteed to be paid by us each license year. In addition to these costs, we have agreed to purchase a fixed dollar amount of marketing from the NHL and from each of the NHL teams.

We license the use of NHL trademarks for our Jofa hockey protective equipment. The premium products in the protective equipment line (shoulder, shin and elbow pads) are co-branded with the Center-Ice trademark, also referred to as "the official equipment worn by the NHL." The NHL reserves this mark for products with overwhelming usage by NHL players. Other Jofa products are co-branded with the NHL shield.

NHL ON-ICE EQUIPMENT LICENSE. Our brands are permitted to appear on equipment used by NHL players "on-ice" pursuant to a separate On-Ice Equipment License with the NHL. The extensive use of our products by NHL players significantly promotes the high visibility of our brands among consumers. All of our products

prominently display their respective brand and sub-brand logos, resulting in significant and cost-effective exposure in arenas, on television and in newspapers, magazines and other printed media. Our market research indicates that NHL use of a particular brand of equipment is among the key factors in a consumer's purchase decision. Our products enjoy widespread usage among NHL players without paid endorsement. We do, however, have endorsement agreements with several high visibility players including, among others, Martin Brodeur (CCM Heaton) of the New Jersey Devils, Mark Recchi (CCM) of the Philadelphia Flyers, Patrick Roy (Koho) of the Colorado Avalanche, Daniel Sedin (Jofa) and Henrik Sedin (Jofa) of the Vancouver Canucks, Mats Sundin (CCM) of the Toronto Maple Leafs and Joe Thornton (CCM) of the Boston Bruins.

MEDIA PROMOTION. In addition to our "on-ice" exposure, we have purchased time slots during both locally and nationally televised hockey games

in Canada and the U.S. Our media plan includes radio spots. As a result of the increased coverage of the NHL by ABC and ESPN, we have increased our television and radio promotion. Reinforcing the television campaign are full-page color advertisements placed in game programs, trade and consumer hockey publications distributed throughout North America, such as The Hockey News(R), New England Hockey Journal and Hockey Business News(R).

CUSTOMERS AND DISTRIBUTION CHANNELS

We maintain a diversified and broad universe of over 4,000 customers worldwide and are not dependent on any single customer. Sales in the U.S. accounted for approximately 45% of our total 2001 revenue, sales in Canada accounted for approximately 32% of our total 2001 revenue and sales in Europe and the rest of the world accounted for approximately 23% of our total 2001 revenue. Our customer base consists of independently owned hockey specialty retail stores, large sporting goods retailers, department stores and other retailers. In fiscal 2001, no customer accounted for more than 10% of our sales.

We sell our hockey related apparel, including jerseys and licensed or branded activewear, through the same channels as our equipment products, in addition to generating revenue from sales to "in-stadium" concession stores. Jerseys are sold mainly through specialty retail and "in-stadium" concession stores. Our new license agreement with the NHL provides us with better access to "in-stadium" concession stores to market our licensed jerseys and licensed or branded activewear. We believe "in-stadium" concession stores which purchase authentic licensed jerseys from us will increase their orders for our licensed or branded activewear products due to purchasing efficiencies. We have established a separate U.S. sales force who will market our new line of hockey related licensed or branded activewear through new channels. We expect this sales force to generate sales from large retailers, department stores and other retailers.

RESEARCH AND DEVELOPMENT

We believe we are the industry's leader in product innovation and have dedicated significant resources to ensure our future technological leadership. The majority of our products are developed and commercialized in our three research and development centers located in St. Jean, Quebec, Tammela, Finland and Malung, Sweden. These facilities employ designers, engineers and model makers and feature comprehensive testing equipment, woodworking, spray painting, molding and sculpting capabilities and have creative services departments which are responsible for packaging, catalogue design and development.

Our research and development teams work closely with each of our product business units to enhance the quality and performance of existing products and to introduce new products into the marketplace. The majority of our products are developed internally through our research efforts and continued feedback from professional and recreational players, as well as from retail customers. In addition, we have developed an alliance with a major Canadian university. Our university affiliation will support our efforts to develop equipment performance benchmarks, as well as new materials and equipment designs.

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MANUFACTURING

EQUIPMENT MANUFACTURING PROCESSES. We believe we have developed the industry's most advanced hockey equipment manufacturing processes, with

proprietary technologies and extensive automation. We believe that we operate the industry's most automated hockey stick production facility at our Cowansville, Quebec facility. We outsource the production of the majority of our ice and roller skates and protective equipment line to high quality facilities primarily in Asia and the Czech Republic, except for our high-end ice skates, custom products and helmets which are produced in-house.

HOCKEY RELATED APPAREL MANUFACTURING PROCESSES. We are a vertically integrated manufacturer of hockey jerseys and socks and make extensive use of automation. In order to maintain our high quality standards, we knit our own jersey fabric and hockey socks and cut and assemble the components for our jerseys. In addition, we have developed sophisticated sewing equipment that facilitates the labor-intensive finishing process of jersey production. We have recently implemented several initiatives that have dramatically increased throughput and the overall efficiency of our jersey manufacturing lines. We have outsourced a small portion of our jersey production to meet demand. For our activewear line, we source blank jackets, fleecewear and other apparel from third parties and, in turn, have them embellished by other third parties with team crests and logos and our brand names.

SUPPLIERS

We have a diverse network of suppliers. No single supplier accounted for more than 10% of our consolidated purchases during the year ended December 31, 2001.

COMPETITION

Our principal competitor in the hockey equipment market is Bauer Nike Hockey Inc., a subsidiary of Nike, Inc. In addition to Bauer Nike, we compete with several smaller companies that typically do not offer full product lines, including Easton Sports, Inc., Mission Hockey Company, Sherwood Drolet Ltd. and ITECH Sport Products Inc. Although we and Bauer Nike together account for a significant portion of the worldwide hockey equipment market, the remaining market is highly fragmented. We compete on the basis of brand image, technology, quality and performance of our products, method of distribution, price, style and intellectual property protection.

Within the hockey apparel segment, our competitors for licensed jerseys have included Bauer Nike, Starter Corporation and Pro Player, Inc. These companies have exited the market for licensed NHL jerseys over the last few years. In the team uniform market, our competitors include Bauer Nike, Athletic Knit, SP and Kobe. Although the licensed or branded activewear market is highly fragmented, we compete with companies such as Lee Company, Logo Athletic, Antigua Sportswear, Spotlight Apparel and Pro Player.

PATENTS AND TRADEMARKS

PATENTS. We currently hold patents and industrial designs in multiple countries. The patents encompass various product innovations and designs. Many of our patents represent what have become industry standards in performance and quality. Examples include the F-I-T System Thermo-forming process that is featured in our hockey skate line and Hyper X Locking Mechanism and Joint Discharge Principle that are featured in our protective equipment product line.

TRADEMARKS. We own a substantial number of trademarks including Jofa, Koho, Tacks, Heaton, Titan, Canadien and Externo. All of our trademarks are owned by us except for the CCM trademark which is owned by CCM Holdings (1983) Inc., which in turn is 50% owned by us through our subsidiaries. The remaining 50% of CCM Holdings is owned by an unaffiliated Canadian bicycle company. We have the exclusive and perpetual right to use the CCM trademark royalty free in connection with skates, hockey equipment and hockey related apparel.

EMPLOYEES

As of December 31, 2001, we employed 1,587 persons, of which 1,367 are employed in Canada, 30 are employed in the United States and the balance are employed in Europe. None of our employees in the United States are unionized, while 390 of our employees at our St. Jean, Quebec facility, 100 of our employees at our Malung, Sweden facility, 91 of our employees at our Tammela, Finland facility, 54 employees at our Drummondville, Quebec facility and 47 of our employees at our Harrow, Ontario facility are unionized. The collective bargaining agreement with the union expired in December 2001 for Drummondville and negotiations for its renewal are in the early stages. With the agreement of the union, we continue to operate under the prior agreement. The collective bargaining agreements with the unions expire in 2002 and 2003, respectively, for St. Jean and Harrow, and in 2004 and 2003, respectively, for Malung, Sweden and Tammela, Finland.

ITEM 2. PROPERTIES

Our primary executive offices of our operations are located in Montreal, Canada and we conduct our operations through 21 facilities: 3 in the U.S., 10 in Canada, and 8 in Europe. We believe that our existing manufacturing and distribution facilities have sufficient capacity to support our business without the need for significant additional or upgraded equipment or capital expenditures. The following table summarizes each of our principal facilities for its operations.

FACILITY LOCATION	USE	APPROXIMATE SQUARE FEET	LEASE
UNITED STATES			
Bradford, Vermont	U.S. apparel distribution	85,000	Own
Branford, Connecticut	U.S. apparel offices	3,726	Lease
Stowe, Vermont	U.S. sales office	1,600	Lease
CANADA			
Cap de la Madeleine, Quebec	Hockey apparel sewing	12,000	Lease
Cowansville, Quebec	Hockey stick manufacturing	45,500	Own
Drummondville, Quebec	Hockey stick manufacturing	63,000	Own
Granby, Quebec	North American apparel distribution center	53,200	Lease
Harrow, Ontario	Goaltender equipment manufacturing	15,000	Lease
Montreal, Quebec	Executive and administrative offices	50,000	Lease
Richmond, Quebec	Hockey apparel sewing	11,500	Lease
St. Hyacinthe, Quebec	Hockey apparel cutting and sewing	78,000	Lease
St. Hyacinthe, Quebec	North American equipment distribution center	180,000	Lease
St. Jean, Quebec	Hockey equipment and skate manufacturing	138,000	Lease
EUROPE			
Fredrikstad, Norway	Sales office	14,500 *	Lease
Goteburg, Sweden	Sales office	1,227	Lease
Helsingborg, Sweden	Sales office	400	Lease

Helsinki, Finland	Sales office	1,500	Lease
Johannesh, Sweden	Sales office	1,600	Lease
Jyvaskyla, Finland	Sales representative office	380	Lease
Malung, Sweden	Protective equipment factory, warehouse and offices	123,000	Lease
Tammela, Finland	Hockey stick factory, warehouse and offices	50,000	Lease (la

* A majority of the Fredrikstad facility is sublet to a third party.

ITEM 3. LEGAL PROCEEDINGS

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

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. PRICE RANGE OF COMMON STOCK

On April 11, 1997, the effective date of our Plan of Reorganization, our old common stock ("Old Common Stock") was extinguished and the holders of our Old Common Stock received a total of 300,000 five-year warrants to purchase an aggregate of 300,000 shares of common stock at an exercise price of $16.92 per share (subject to adjustments for stock splits, stock dividends, recapitalizations and similar transactions). Each holder of 67 shares of Old Common Stock received one warrant to purchase, for cash, one share of common stock, with no fractional warrants issued. Also on that date, we issued an aggregate of 6,500,000 shares of common stock, $0.01 par value (as adjusted to take account of fractional interests). Common stock and warrants are quoted on the OTC Bulletin Board under the trade symbols "THCX" and "THCXW", respectively. The range of closing prices of the common stock is not provided, as there has been a limited amount of trading activity in our common stock.

B. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

The approximate number of record holders of our common stock as of March 11, 2002 was 304. There are also 297 warrant holders who are eligible to convert those warrants into common stock under certain conditions. We did not pay dividends on our common stock and we have no current plans to pay cash dividends in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table contains selected consolidated historical financial data derived from our audited consolidated financial statements for the five fiscal years ended December 31, 1997, 1998, 1999, 2000 and 2001. This selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes contained elsewhere in this Form 10-K. The fiscal year ended December 31, 1998 is shown pro forma for the acquisition of Sports Holdings Corp. as if the acquisition had taken place on January 1, 1998.

	FISCAL YEAR ENDED DECEMBER 3			
	1997(1)	1998	PRO FORMA 1998(2)	1999
	(DOLLARS IN THOUSANDS, EXCEPT SHAR			
INCOME STATEMENT DATA:				
Net sales	$ 123,754	$ 110,817	$183,158	$ 190,603
Cost of goods sold before restructuring charges	73,775	65,026	108,637	109,778
Restructuring and unusual charges	--	--	--	--
Gross profit	49,979	45,791	74,521	80,825
Selling, general and administrative expenses before restructuring charges	38,237	35,272	58,484	58,990
Restructuring and unusual charges	6,315	1,900	--	--
Amortization of excess reorganization value and goodwill	1,712	2,606	4,452	4,572
Operating income	3,715	6,013	11,585	17,263
Other (income) expense, net	1,955	(4,588)	(657)	1,736
Interest expense	3,922	4,108	11,400	12,025
Income (loss) before income taxes and extraordinary items	(2,162)	6,493	842	3,502
Income taxes	4,665	4,603	2,875	5,276
Net income (loss) before extraordinary items	(6,827)	1,890	(2,033)	(1,774)
Extraordinary items -- Gain (loss) on early extinguishment of debt, net of income taxes	58,726	--	--	--
Net income (loss)	51,899	1,890	(2,033)	(1,774)
Preferred stock dividends	--	190	1,625	1,625
Accretion of 13% Pay-in-Kind preferred stock	--	35	237	226
Net income (loss) attributable to common stockholders	$ 51,899	$ 1,665	$ (3,895)	$ (3,625)
Basic earnings (loss) per share before extraordinary items	N/A	$ .25	$ (0.58)	$ (0.54)
Diluted earnings (loss) per share before extraordinary items	N/A	$ .25	$ (0.58)	$ (0.54)

Basic earnings (loss) per share..............	N/A	$ .25	$ (0.58)	$ (0.54)
Diluted earnings (loss) per share............	N/A	$ .25	$ (0.58)	$ (0.54)

	FISCAL YEAR ENDED DECEMBER 3			
	1997(1)	1998	PRO FORMA 1998(2)	1999
			(DOLLARS IN THOUSANDS)	
BALANCE SHEET DATA (AS OF YEAR-END):				
Cash and cash equivalents....................	$ 8,051	$ 2,593		$ 3,519
Working capital, net(3)......................	38,100	57,128		70,952
Property, plant and equipment, net of accumulated depreciation...................	9,508	22,063		22,860
Total assets.................................	118,780	207,178		209,611
Total debt...................................	33,030	97,140		108,226
Accrued dividends payable....................	--	190		1,815
Deferred income taxes and other long-term liabilities................................	1,480	182		66
13% Pay-in-Kind redeemable preferred stock(4)..................................	--	10,870		11,096
Cash dividends declared per common share......	--	--		--
Total stockholders' equity...................	68,882	69,238		63,637
OTHER FINANCIAL DATA:				
EBITDA(5)....................................	$ 14,316	$ 15,893	$ 23,474	$ 27,319
EBITDA margin(5).............................	11.6%	14.3%	12.8%	14.3%
NET CASH PROVIDED BY (USED IN):				
Operating activities.........................	$ 18,258	$ 19,118		$ 876
Investing activities.........................	422	(66,267)		(4,649)
Financing activities.........................	(46,010)	41,775		4,696
Capital expenditures.........................	2,017	3,480	$ 5,126	4,821

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(1) Earnings per share data is not presented for 1997 because it is not meaningful, and 1997 pre and post re-organization results have been combined.

(2) Effective November 19, 1998, we acquired all of the issued and outstanding share capital of Sports Holdings Corp. The results of operations related to the acquisition have been included as if the acquisition had taken place on January 1, 1998.

(3) Working capital, net, is current assets excluding cash and cash equivalents less current liabilities excluding short-term debt and the current portion of long-term debt. It should be noted that companies calculate working capital, net, differently and, therefore, working capital, net, as presented for us may not be comparable to working capital, net, reported by other companies.

(4) The 13.0% Pay-in-Kind preferred stock is subject to mandatory redemption six months after the maturity of the Notes.

(5) EBITDA is a measure of the cash generated from operations and has been included in the selected historical financial and operating data because management believes that it would be a useful indicator for investors. EBITDA is defined as earnings (net income) before interest, income and capital taxes, depreciation and amortization, restructuring charges and other unusual or non-recurring items. EBITDA is not a measure of performance or financial condition under generally accepted accounting principles, but is presented because it is a widely accepted indicator of a company's ability to source and incur debt. EBITDA is defined in accordance with our existing North American seasonal working capital facilities. 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 margin is EBITDA divided by net sales.

(6) EBITDA in 2000 was negatively affected by three events that management expects to be non-recurring: (i) the liquidation of a large amount of excess and discontinued product at below normal prices by a competitor, resulting in decreased demand of our products during the fourth quarter and first half of 2001, (ii) first year expenses related to being the exclusive licensee of NHL licensed jerseys and (iii) the discontinuation of our line of recreational in-line skates.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPANY BACKGROUND AND INTRODUCTION

We can trace our origins to September 1899, when the Canada Cycle and Motor Company (CCM) was formed as a manufacturer of bicycles and motorcars. In 1905, CCM began marketing ice hockey skates for a sport barely 30 years old at that time and, in 1937, acquired the Tackaberry (later Tacks) trade name. In 1983, CCM was amalgamated with Sport Maska Inc., a manufacturer of hockey jerseys for the NHL since 1967. Prior to 1994, the Company consisted of the hockey products business and the toy and fitness products business marketed under the Buddy L name. While the Company was economically sound, the subsidiaries that operated the toy and fitness products business were not financially stable and filed for Chapter 11 bankruptcy protection in March 1995. Although the Company continued to operate and service its trade debt on a timely basis, it defaulted on its credit agreement as a result of the losses at the toy and fitness products business. This ultimately resulted in the Company filing for relief under Chapter 11 of the U.S. Bankruptcy Code in October 1995. WS Acquisition LLC, an affiliate of Wellspring Capital Management LLC, acquired a controlling interest in us in April 1997 as part of our emergence from bankruptcy. 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.

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 our Consolidated Financial Statements and Notes thereto included elsewhere herein. (All references to "Note(s)" refer to the

Notes to the Consolidated Financial Statements.) The information presented below should be read in conjunction with the consolidated financial statements included elsewhere in this Form 10-K.

RESULTS OF OPERATIONS

Our results of operations as a percentage of net sales for the periods indicated were as follows:

	1999	2000	2001
		%	
Net sales	100.0	100.0	100.0
Cost of goods sold before restructuring	57.6	60.3	59.5
Restructuring and unusual charges	--	--	0.6
Gross profit	42.4	39.7	39.9
Selling, general and administrative expenses before restructuring charges	30.9	33.5	30.9
Restructuring and unusual charges	--	--	2.3
Amortization of excess reorganization value and goodwill	2.4	2.3	2.2
Operating income	9.1	3.9	4.6
Other expense, net	0.9	0.4	0.7
Interest expense	6.3	7.0	6.9
Income (loss) before income taxes and extraordinary item	1.8	(3.5)	(3.0)
Income taxes	2.8	0.7	1.7
Net loss before extraordinary item	(0.9)	(4.2)	(4.7)
Extraordinary item--Loss on early extinguishment of debt	--	--	0.6
Net loss	(0.9)	(4.2)	(5.3)
EBITDA	14.3	9.4	12.8

2001 COMPARED TO 2000

Net sales grew by 1.9% in 2001 to $198.2 million, from $194.5 million in 2000. The increase is due to higher apparel sales offset by reduced hockey equipment sales, primarily inline skates and sticks. Revenues from our non-US operations were adversely affected by currency translation adjustments due to the depreciation of their currencies against the U.S. dollar. Equipment sales were most affected by the foreign exchange impact as they represent over 75% of our revenues from Canada, Sweden and Finland. Equipment sales were also negatively affected in the first half of the year by the continued market saturation resulting from an unusually high level of close-out goods liquidated by a competitor in the fourth quarter of fiscal 2000.

Apparel sales were again strong with an increase of 18.1% ($9.7 million) over 2000, due to our exclusivity in the licensed jersey market and the strong market acceptance of our new licensed or branded activewear line.

Despite the negative effect of the depreciation of the Swedish Krona (SEK) and Finnish Markka (FIM), we experienced continued growth of our non-hockey product line due to improved sales of Merrell footwear that is distributed by us in Sweden and especially Finland. Measured in the domestic currencies of those countries, sales of Merrell footwear is up over 20% over last year.

Gross profit was $79.1 million in 2001 compared to $77.2 million in 2000, an increase of 2.4%. Measured as a percentage of net sales, gross margin increased to 39.9% in 2001 from 39.7% in 2000. The increase is attributable to a different mix of products sold in the periods as well as the implementation of initiatives to reduce manufacturing expenses, offset by $1.2 million of restructuring charges (see Restructuring Reserves) as well as the effect of currency fluctuations. The gross profit before these restructuring charges was 40.5% in 2001.

Selling, general & administrative expenses before restructuring charges decreased as a percentage of sales to 30.9% of 2001 sales, from 33.5% of total 2000 sales. In dollar terms, there was a decrease to $61.1 million in 2001 from $65.1 in 2000. This decrease is attributed to the significant rationalization of operations and consolidation of facilities in 2001 (see Restructuring Reserves), offset in part by the additional royalties paid to National Hockey League Enterprises, LP and additional NHL team marketing expenses related to having the right to produce and market authentic team jerseys for all 30 NHL teams.

Operating income for the year ended December 31, 2001 was $9.0 million compared to $7.7 million in the year ended December 31, 2000.

Other expense consists primarily of amortization of deferred financing costs, offset in part by currency exchange gains.

EBITDA increased by 38.6% to $25.3 million for 2001 compared to $18.2 million 2000.

Interest expense was $13.6 million for 2001 and 2000.

Net loss before income taxes and extraordinary items was $6.0 million in 2001 versus net loss before income taxes of $6.8 million for 2000.

As a result of the substantive modification to the terms of our long term debt in early 2001, we wrote-off $1.1 million of deferred financing costs which is recorded as an extraordinary item.

Our net loss for the year ended December 31, 2001 was $10.5 million compared to an $8.1 million loss for the year ended December 31, 2000.

2000 COMPARED TO 1999

Net sales grew by 2.0% in 2000 to $194.5 million, from $190.6 million in 1999. The increase is due to higher apparel sales offset by reduced hockey equipment sales, primarily inline skates, protective equipment and sticks. Equipment sales, especially protective equipment, were significantly lower in the fourth quarter as the market was saturated with an unusually high level of closeout goods liquidated by a key competitor. Revenues from our Nordic operations were adversely affected by currency translation adjustments due to the depreciation of their currencies (the Swedish Krona and Finnish Markka) against the U.S. dollar. Equipment sales were most affected by the foreign exchange impact as they represent over 70% of our revenues from Sweden and Finland.

Apparel sales were especially strong with an increase of 24.8% ($10.6 million) over 1999, due to the strong market acceptance of our new licensed or branded activewear line and the exit of our only remaining competitor from the licensed jersey market. Notwithstanding our current exclusivity in the jersey market, sales have been hampered to some degree by the liquidation of our previous competitors' remaining inventory into the marketplace.

Despite the negative effect of the depreciation of the Swedish Krona and Finnish Markka, we experienced strong growth of our non-hockey product line due to improved sales of Merrell footwear that is distributed by us in Sweden and Finland. Measured in the domestic currencies of those countries, sales of Merrell footwear is up almost 55% over last year.

Gross profit was $77.2 million in 2000 compared to $80.8 million in 1999, a decrease of 4.5%. Measured as a percentage of net sales, gross margin decreased to 39.7% in 2000 from 42.4% in 1999. The decrease is attributable to a higher proportion of sales to key customers with corresponding increases in discounts offered and a different mix of products sold in the periods.

Gross profit from our Nordic operations was also adversely affected by currency translation. Finally, efforts to reduce overall inventory levels at year-end had an adverse effect on our gross profit.

Selling, general & administrative expenses increased as a percentage of sales to 33.5% of 2000 sales, from 30.9% of total 1999 sales. In dollar terms, there was an increase to $65.1 million in 2000 from $59.0 in 1999. This increase is attributed to (i) the continued investment in the promotion of our principal brands, (ii) the additional royalties paid to National Hockey League Enterprises, LP pursuant to a new license agreement beginning in July 2000 and (iii) additional NHL team marketing expenses related to having the right to produce and market authentic team jerseys for all 30 NHL teams compared to just 15 teams in the same period of 1999. These additional marketing expenses have been incurred with a lower than anticipated sales increase due to the inventory liquidation of our previous competitors mentioned above, and to the continued presence in 2000 of hockey jerseys liquidated by both Pro Player and Starter.

Operating income for the year ended December 31, 2000 was $7.7 million compared to $17.3 million in the year ended December 1999.

Interest expense was $13.6 million and $12.0 million for 2000 and 1999, respectively.

Net loss before taxes was $6.8 million in 2000 versus net income before taxes of $3.5 million for 1999.

Our net loss for the year ended December 31, 2000 was $8.1 million compared to a $1.8 million loss for the year ended December 31, 1999.

INCOME TAXES

Our income tax provision is comprised of both United States and foreign tax components. Due to changes in the relative contribution of income or loss by country, differences in the effective tax rates

between countries (principally the U.S. and Canada) and permanent differences in effective tax rates between income for financial statement purposes and tax

purposes, the consolidated effective tax rates may vary significantly from period to period. We and our U.S. subsidiaries consolidate their income for U.S. federal income tax purposes. However, gains and losses of certain subsidiaries may not be available to other subsidiaries for tax purposes.

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Fresh-start reporting requires us to report a provision in lieu of income taxes when there is a book taxable income and utilization of a pre-reorganization net operating loss carry-forward. This requirement applies despite the fact that our pre-reorganization net operating loss carry-forward and other deferred tax assets would substantially reduce the related federal income tax payable. The current and future year tax benefit related to the carry-forward is recorded as a reduction of reorganization 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 that has been used to reduce the reorganizational value in excess of amounts allocable to identifiable assets is reflected as a provision in lieu of income taxes in our Consolidated Statements of Operations.

LIQUIDITY AND CAPITAL RESOURCES

Our anticipated financing requirements for long-term growth, future capital expenditures and debt service are expected to be met through cash generated from our operations and borrowings under our credit facilities. Effective November 19, 1998, one of our U.S. subsidiaries, Maska U.S., Inc., as the borrower, and the credit parties named therein entered into a credit agreement with the lenders referred to therein and with General Electric Capital Corporation, as Agent and Lender. Simultaneously, one of our Canadian subsidiaries Sport Maska Inc., as the borrower, and the credit parties named therein entered into a credit agreement with the lenders referred to therein and General Electric Capital Canada Inc., as Agent and Lender (together with General Electric Capital Corporation, "GECC"). The credit agreements are collateralized by all accounts receivable, inventories and related assets of the borrowers and our other North American subsidiaries, and are further collateralized by a second lien on all of our and our North American subsidiaries' other tangible and intangible assets. The credit agreements were amended on March 14, 2001 to reflect the amended Caisse term loans. The maximum amount of loans and letters of credit that may be outstanding under the two credit agreements is $60.0 million. Total borrowings outstanding under the credit agreements were $27.8 million at December 30, 2001, excluding $5.7 million of letters of credit outstanding. The maturity date of the GECC credit agreements is October 17, 2002. Management believes the GECC credit agreements can be renewed or refinanced upon maturity.

Borrowings under the U.S. credit agreement bear interest at rates between U.S. prime plus 0.50% to 1.25% or LIBOR plus 1.75% to 2.75% depending on 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 0.75% to 1.50%, the U.S. prime rate plus 0.50% to 1.25% and the Canadian Bankers' Acceptance rate or LIBOR plus 1.75% to 2.75% depending on The Hockey Company's Operating Cash Flow Ratio, as defined in the agreement. In addition, we are charged a GECC monthly commitment fee at an annual rate of 3/8 of 1% on the unused portion of the revolving credit facilities under the credit agreements and certain other fees. The credit agreements contain customary negative and affirmative covenants including those relating to capital expenditures, minimum interest coverage and fixed charge

coverage. The credit agreements restrict, among other things, the ability to pay cash dividends on the preferred shares.

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

On March 8, 2002, we acquired an option from Caisse to extend the maturity of Facility 2 plus capitalized interest to February 28, 2003 in exchange for a nominal fee. This unconditional and irrevocable option maintains all the terms of the Amended and Restated Credit Agreement and expires on April 30, 2002. As a result, Facility 2 plus capitalized interest has been classified as a non-current liability in the consolidated Balance Sheet at December 31, 2001. We will use part of the proceeds of a debt offering being pursued by us to repay Facility 1 and Facility 2 plus capitalized interest entirely. If this debt offering does not close, upon maturity of Facility 2 on February 28, 2003, we will have to seek alternative financing sources with a third party or will be dependent on Caisse to extend the maturity of Facility 2 or to convert the debt into common stock.

The Caisse loan is collateralized by all of our tangible and intangible assets, subject to the prior ranking claims on accounts receivable, inventories and related assets by GECC under the GECC U.S. and Canadian credit agreements. The loan is guaranteed by us and certain of our subsidiaries.

The Amended and Restated Credit Agreement contains customary negative and affirmative covenants including those relating to capital expenditures, total indebtedness to EBITDA, minimum interest coverage and a minimum EBITDA requirement which was met in 2001.

Effective March 18, 1999, Jofa AB, our Swedish subsidiary, 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 50 million ($4.9 million). The facility is collateralized by the assets of Jofa AB, excluding intellectual property, bears interest at a rate of STIBOR plus 0.65% and is renewable annually. Total borrowings as at December 31, 2000 and 2001 were nil. Effective 2002, the credit agreement was amended to increase the maximum amount of loans and letters of credit to SEK 90 million ($8.8 million). In addition, in May 2000, Jofa AB entered into a separate credit agreement with Nordea Bank to borrow SEK 10 million, or approximately $1.0 million. The loan has a term of four years with annual principal repayments of SEK 2.5 million, or approximately $0.2 million. The loan is secured by a chattel mortgage on the assets of Jofa AB and bears an interest rate of STIBOR plus 1.25%.

Effective July 10, 2001, KHF Finland Oy, our Finnish subsidiary, entered into a credit agreement with Nordea Bank in Finland, replacing the former credit facility for FIM 30 million ($4.6 million) which was terminated in 2001. The maximum amount of loans and letters of credit that may be outstanding under the agreement is EUR 2.4 million ($2.1 million). The facility is valid until further notice and is collateralized by the assets of KHF Finland Oy and bears interest at a rate of EURIBOR plus 0.9%. Total borrowings as at December 31, 2000 and

2001 were nil.

During the year ended December 31, 2001, our operations used $9.1 million of cash compared to providing $5.2 million in 2000. We had a net loss of $9.4 million in 2001, compared to $8.1 million in 2000. EBITDA, was $25.3 million for the year ended December 31, 2001 compared to $18.2 million for the previous year.

Cash used in investing activities during the year ended December 31, 2001 was $1.1 million compared to $4.8 million in 2000.

Cash provided by financing activities during 2001 was $14.4 million compared to $1.3 million used in 2000.

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

RESTRUCTURING RESERVES

In 2001, we embarked on a plan to rationalize our operations and consolidate our facilities. This rationalization involved the elimination of certain redundancies, both in terms of personnel and operations as well as the consolidation of facilities including the closure of its Mount Forest, Ontario plant, and our Paris, France sales office, and the consolidation of North American distribution into Canada. Accordingly, we have set up reserves of approximately $5.7 million for the expected cost of the restructuring. Of this amount, approximately $4.3 million is to cover the cost of severance packages to affected employees, with the remainder representing other closure costs. Of these amounts, approximately $1.9 million remained unpaid at year-end.

INTANGIBLE ASSETS

We have a significant amount of intangible assets on our balance sheet. As at December 31, 2001 we had $76.1 million (2000-$82.6 million) representing 38.1% (2000-42.2%) of total assets. This goodwill is comprised of several components. Upon the acquisition of Sports Holdings Corp., we recognized $53.1 million of goodwill. This amount, being the difference between the purchase price and the amount of tangible net assets acquired, represents the value to us of the brands acquired. Jofa, Koho, Canadien, Titan and Heaton are world class hockey brands and management believes that there is significant long-term earning potential to be realized from the brands. Accordingly, the amortization of this goodwill was over 25 years.

In connection with a re-organization and fresh-start accounting, we recognized $49.0 million of excess reorganization value, which is another component of goodwill. This amount arose primarily as debt forgiveness in the reorganization. It is included in goodwill because it represents among other things the value of its CCM brand. Again management believes that significant long-term earning potential exists and was amortizing the excess reorganization value over 20 years.

Also included in intangible assets are the financing costs related to the Caisse debt and the fair value of warrants issued to Caisse in 2001 to purchase 539,974 shares at $0.01 per share, which is being amortized over the life of the debt.

SIGNIFICANT ACCOUNTING POLICIES

In the application of accounting policies, management relies on the use of assumptions and estimates and prudent judgment. Should actual events differ substantially from these estimates or judgments then results may also materially differ from those reported. Apart from the policies identified above other significant policies include:

VALUATION OF ACCOUNTS RECEIVABLE. Approximately 43% of accounts receivable are denominated in currencies other than the US Dollar. The value of these accounts is subject to gains and losses from exchange rate fluctuations. Also in valuing these accounts management uses estimates as to potential default rates. Should the default estimates change gains or losses would occur. Management believes that it has adequate reserves in place.

VALUATION OF INVENTORY. The value of inventory is based partly on management estimates regarding potential write-downs of excess or slow-moving inventory and the estimated realizable value thereafter. Management believes that the reserves in place for excess or slow moving inventory are adequate.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, BUSINESS COMBINATIONS, and No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. Under the new rules, goodwill and intangible assets with indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their estimated useful lives.

We will apply the new rules on accounting for goodwill beginning the first quarter of 2002. We will test goodwill annually for impairment using a two-step process prescribed in Statement 142. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. We expect to complete the required testing of indefinite lived assets as of January 1, 2002 in the first half of 2002.

In August 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 144, IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. Under the new rules, assets held for sale would be recorded at the lower of the assets' carrying amounts and fair values and would cease to be depreciated. We believe the impact of this statement will not significantly affect our financial position or results of operations.

EURO CONVERSION

Management currently believes that the introduction of the Euro will not have a material impact related to pricing or foreign currency exposures. Finland is one of the countries adopting the Euro but Sweden has not adopted the new currency. The subsidiaries' transactions and debt are denominated in their local currencies. We do not foresee any adverse impact resulting from the Euro conversion, including competitive, operational or strategic implications.

SEASONALITY AND SELECTED QUARTERLY DATA

Sales of hockey equipment products are generally highly seasonal and in many instances are dependent on weather conditions. This seasonality causes our 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 our business requires that in anticipation of the peak selling season for our products, we make relatively large investments in inventory. Relatively large investments in receivables consequently exist during and after such season.

(UNAUDITED)

	2000				200	
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER
	(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)					
Net sales	$34,406	$44,614	$68,024	$47,419	$34,835	$42,252
Gross profit	13,747	18,968	27,566	16,961	13,962	17,673
EBITDA	(457)	5,317	11,735	1,653	396	5,390
Income (loss) before extraordinary item	(5,195)	(1,324)	3,720	(5,292)	(8,671)	(1,696)
Net income (loss)	(5,195)	(1,324)	3,720	(5,292)	(9,762)	(1,696)
Basic and diluted earnings (loss) per share	(0.86)	(0.28)	0.48	(0.80)	(1.44)*	(0.32)

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* Loss per share before extraordinary item was $1.29 (basic and diluted)

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Our European and Canadian subsidiaries each have operating credit facilities denominated in their respective local currencies; these debt facilities are hedged by the operating revenues generated in the local currencies of the subsidiaries. Our long-term debt is denominated in Canadian dollars (Canadian $135.8 million). Our equity investment in our Canadian subsidiary is effectively hedged by the Canadian dollar denominated debt up to our investment in our Canadian subsidiary. Similarly, as we hold either long-term or operating debt facilities denominated in the currencies of our European subsidiaries, our equity investments in those entities are hedged against foreign currency fluctuations. We do not engage in speculative derivative activities.

We are exposed to changes in interest rates primarily as a result of our long-term debt and 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 debts have variable interest rates and thus a 1% variation in the interest rate will cause approximately $1.1 million

increase or decrease in interest expense.

We are also exposed to foreign exchange fluctuations due to our significant sales and costs in Canada, Sweden and Finland. If the average exchange rate of the Canadian Dollar, Swedish Krona and Finnish Markka were to vary by 1% versus the U.S. Dollar, the effect on sales for 2001 would have been $0.7 million, $0.2 million and $0.2 million, respectively. We also have operating expenses in each of these currencies which would mitigate the impact of such foreign exchange variation on cash flows from operations.

ITEMS 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
THE HOCKEY COMPANY

We have audited the accompanying consolidated balance sheets of THE HOCKEY COMPANY as of December 31, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity, comprehensive loss and cash flows for each year in the three year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit

also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Hockey Company at December 31, 2000 and 2001, and the consolidated results of its operations and its cash flows for each year of the three year period ended December 31, 2001, in conformity with United States generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Montreal, Canada, /S/ ERNST & YOUNG LLP
March 8, 2002 Chartered Accountants

THE HOCKEY COMPANY

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	DECEMBER 31, 2000	DECEMBER 31, 2001
ASSETS (NOTE 7)		
Current Assets		
Cash and cash equivalents	$ 2,423	$ 6,503
Accounts receivable, net (See Notes 3)	39,376	50,551
Inventories (See Note 4)	42,110	42,865
Prepaid expenses	3,931	4,891
Income taxes and other receivables	4,043	1,718
Total current assets	91,883	106,528
Property, plant and equipment, net of accumulated depreciation (See Note 5)	21,142	16,834
Intangible and other assets, net of accumulated amortization (See Note 6)	82,554	76,061
Total assets	$195,579	$199,423
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Short-term debt (See Note 7)	$ 12,282	$ 27,792
Accounts payable	7,607	7,301
Accrued liabilities	12,600	11,683
Accrued restructuring expenses (See Note 9)	488	1,886
Current portion of long-term debt (See Note 7)	264	243
Income taxes payable	3,322	3,470
Total current liabilities	36,563	52,375

Long-term debt (See Note 7)	91,252	86,350
Accrued dividends payable (see Note 8)	3,676	5,779
Deferred income taxes and other long-term liabilities (See Note 13)	495	1,128
Total liabilities	131,986	145,632
Commitments and Contingencies (See Notes 7, 11, 12 and 16)		
13% Pay-in-Kind redeemable preferred stock (See Note 8)	11,333	11,571
Stockholders' equity:		
Common stock, par value $0.01 per share, 20,000,000 shares authorized, 6,500,549 shares issued and outstanding	65	65
Re-organization warrants, 300,000 issued and 299,451 outstanding (See Note 8)	--	--
Common stock purchase warrants, 699,101 issued and outstanding (See Note 8)	1,665	5,115
Additional paid-in capital	66,515	66,515
Deficit	(9,290)	(22,090)
Accumulated other comprehensive loss	(6,695)	(7,385)
Total stockholders' equity	52,260	42,220
Total liabilities and stockholders' equity	$195,579	$199,423

The accompanying notes from an integral part of the financial statements.

THE HOCKEY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31
(IN THOUSANDS, EXCEPT SHARE DATA)

	1999	2000	2001
Net Sales	$190,603	$194,463	$198,187
Cost of goods sold before restructuring charges	109,778	117,221	117,916
Restructuring and unusual charges (See Note 9)	--	--	1,198
Gross profit	80,825	77,242	79,073
Selling, general and administrative expenses	58,990	65,080	61,148
Restructuring and unusual charges (See Note 9)	--	--	4,495
Amortization of excess reorganization value and goodwill	4,572	4,500	4,390
Operating income	17,263	7,662	9,040
Other expense, net	1,736	861	1,390
Interest expense	12,025	13,599	13,643

Income (loss) before income taxes and extraordinary item....	3,502	(6,798)	(5,993)
Income taxes (See Note 13)................................	5,276	1,293	3,375
Net loss before extraordinary item........................	(1,774)	(8,091)	(9,368)
Extraordinary item--Loss on early extinguishment of debt, net of income taxes....................................	--	--	1,091
Net loss..	(1,774)	(8,091)	(10,459)
Preferred stock dividends.................................	1,625	1,861	2,103
Accretion of 13% Pay-in-Kind preferred stock...............	226	237	238
Net loss attributable to common stockholders...............	$ (3,625)	$(10,189)	$(12,800)
Basic loss per share before extraordinary item (See Note 14)...	$ (0.54)	$ (1.53)	$ (1.65)
Diluted loss per share before extraordinary item (See Note 14)...	$ (0.54)	$ (1.53)	$ (1.65)
Basic loss per share (See Note 14).........................	$ (0.54)	$ (1.53)	$ (1.81)
Diluted loss per share (See Note 14).......................	$ (0.54)	$ (1.53)	$ (1.81)

The accompanying notes form an integral part of the financial statements.

THE HOCKEY COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK		COMMON STOCK PURCHASE WARRANTS	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	ACC COMP
	# OF STOCK	AMOUNT				
Balance at December 31, 1998...	6,501	$65	$1,665	$66,515	$ 4,524	$
Net loss......................					(1,774)	
Dividend on preferred stock (See Note 8).................					(1,625)	
Accretion of 13% Pay-in-Kind preferred stock.............					(226)	
Foreign currency translation adjustment..................						
Balance at December 31, 1999...	6,501	65	1,665	66,515	899	
Net loss......................					(8,091)	
Dividend on preferred stock (See Note 8).................					(1,861)	
Accretion of 13% Pay-in-Kind preferred stock.............					(237)	
Foreign currency translation adjustment..................						

Balance at December 31, 2000...	6,501	65	1,665	66,515	(9,290)	
Net loss.......................					(10,459)	
Dividend on preferred stock (See Note 8).................					(2,103)	
Accretion of 13% Pay-In-Kind preferred stock..............					(238)	
Issuance of Warrants (See Note 8).........................			3,450			
Foreign currency translation adjustment..................						
Balance at December 31, 2001...	6,501	$65	$5,115	$66,515	$(22,090)	$

The accompanying notes form an integral part of the financial statements.

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THE HOCKEY COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

YEARS ENDED DECEMBER 31
(IN THOUSANDS)

	1999	2000	2001
Net loss..	$(1,774)	$(8,091)	$(10,459)
Foreign currency translation adjustments...................	(1,976)	(1,188)	(690)
Comprehensive loss for the year...........................	$(3,750)	$(9,279)	$(11,149)

The accompanying notes form an integral part of the financial statements.

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THE HOCKEY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31
(IN THOUSANDS)

	1999	2000	2001
OPERATING ACTIVITIES:			
Net loss before extraordinary items........................	$ (1,774)	$ (8,091)	$ (9,368)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Restructuring charges...................................	--	--	5,693

Depreciation and amortization	10,664	11,070	11,522
Change in provisions for inventory, doubtful accounts and other	6,352	7,815	8,427
Deferred income taxes	(245)	274	20
Provision in lieu of taxes	3,519	--	1,360
(Gain) loss on disposal of property, plant & equipment	24	(17)	(23)
(Gain) loss on foreign exchange	1,475	(297)	(1,598)
Change in operating assets and liabilities:			
Accounts receivable	(10,899)	(3,036)	(18,921)
Inventories	(7,087)	2,843	(4,533)
Prepaid expenses	916	(466)	2,036
Income taxes receivable	249	(973)	--
Other receivables	1,191	4	--
Accounts payable and accrued liabilities	(2,893)	(4,617)	(4,070)
Interest payable	(699)	404	--
Income taxes payable	174	328	333
Other	(91)	--	--
Net cash provided by (used in) operating activities	876	5,241	(9,122)
INVESTING ACTIVITIES:			
Deferred expenses	--	(1,271)	--
Purchases of property, plant & equipment	(4,821)	(3,558)	(1,478)
Proceeds from disposal of property, plant & equipment	172	30	341
Net cash used in investing activities	(4,649)	(4,799)	(1,137)
FINANCING ACTIVITIES:			
Net change in short-term borrowings	5,428	(1,404)	16,060
Principal payments on debt	(300)	(138)	(245)
Proceeds from long-term debt	--	1,139	677
Issuance of warrants	--	--	3,450
Deferred financing costs	--	(866)	(5,545)
Liabilities subject to compromise	(432)	--	--
Net cash provided by (used in) financing activities	4,696	(1,269)	14,397
Effect of foreign exchange rate on cash	3	(269)	(58)
Net change in cash and cash equivalents	926	(1,096)	4,080
Cash and cash equivalents at beginning of year	2,593	3,519	2,423
Cash and cash equivalents at end of year	$ 3,519	$ 2,423	$ 6,503
SUPPLEMENTAL INFORMATION:			
Income taxes paid	$ 2,714	$ 2,050	$ 2,640
Interest paid	$ 12,153	$ 11,168	$ 12,167

The accompanying notes form an integral part of the financial statements.

THE HOCKEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE DATA)

1. DESCRIPTION OF BUSINESS

Description of Business, Change of Corporate Name and Principles Of Consolidation:

The Hockey Company was incorporated in September 1991 and reorganized in April 1997.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION:

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain of the preceding years figures have been reclassified to conform to the presentation adopted in the current year.

B. CASH EQUIVALENTS:

Cash equivalents consist of highly liquid short-term investments with original maturities of three months or less. The Company invests excess funds in bank term deposits, Canadian Government promissory notes and in U.S. Treasury bills. At December 31, 2000 and 2001, the Company had no investments in bank term deposits.

C. CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of temporary cash investments and accounts receivable. The Company restricts its cash investments to temporary investments in institutions with high credit standing and to short-term securities backed by the full faith and credit of the United States and Canadian and Quebec Governments. The Company sells its products principally to retailers and distributors and, in accordance with industry practice, grants extended payment terms to qualified customers. Concentration of accounts receivable credit risk is mitigated due to the performance of credit reviews that are considered in determining credit policies and allowances for doubtful accounts. The Company provides allowances for expected sales returns, net of related inventory cost recoveries, discounts, rebates and

THE HOCKEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT SHARE DATA)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cooperative advertising. The Company does not collateralize its receivables, except with respect to its debt agreements as described in Note 7 in the Notes to Consolidated Financial Statements. As at December 31, 2000 and 2001, no single account receivable represented more than 10% of the Company's consolidated accounts receivable and no single customer accounted for more than 10% of the Company's consolidated net sales for each of the years in the three year period ended December 31, 2001.

D. REVENUE RECOGNITION:

Revenue is recognized when products are shipped to customers. The Company follows the guidance of Accounting Principles Board ("APB") Opinion no. 29, "Accounting for non-monetary transactions." This APB provides guidance on accounting for transactions that involve primarily an exchange of non-monetary assets, liabilities or services. Revenues include transactions which represent an exchange by the Company of hockey equipment and related apparel for advertising. Revenues and expenses from these transactions are recorded at the lower of estimated fair value of the services or the goods delivered. Revenue and expenses recognized from the transactions were $690 in 2000 and $1,551 in 2001.

E. INVENTORIES:

Inventories are stated at the lower of cost or net realizable value for finished products and work in process, and replacement cost for raw materials and supplies. Cost is determined using the first-in, first-out method. The Company provides allowances for excess, obsolete and slow moving inventories.

F. RESEARCH & DEVELOPMENT EXPENSES:

Costs for new product research and development as well as changes to existing products are expensed as incurred and totaled $2,289, $2,259 and $1,545 for the years ended December 31, 1999, 2000, and 2001, respectively.

G. PREPAID EXPENSES:

The Company expenses advertising and promotion costs incurred when the advertising takes place. Royalty payments are deferred to the extent that the related sales have not yet been recorded. Such costs are included in prepaid expenses.

H. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are stated at cost. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using principally the straight-line method of depreciation.

THE HOCKEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT SHARE DATA)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated service lives of the respective assets are as follows:

	YEARS
Buildings and improvements	5-40
Machinery and equipment	3-10
Tools, dies and molds	3-5
Office furniture and equipment	3-10

Accelerated methods of depreciation are used for tax reporting purposes where required. Significant additions or major improvements are capitalized, while normal maintenance and repair costs are expensed. When assets are sold, retired or otherwise disposed of, the applicable costs and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized.

The Company periodically reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such circumstances occur, the Company estimates future cash flows expected to result from the use and eventual disposition of the assets. If the expected future cash flows are less than the carrying amount, the Company recognizes an impairment loss.

I. INCOME TAXES:

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense consists of both the tax payable for the period and the change during the period in deferred tax assets and liabilities.

The Company does not provide for withholding income taxes on the undistributed earnings of its non-U.S. subsidiaries, since such earnings are not expected to be remitted to the Company in the foreseeable future. The Company has provided, in its U.S. tax provision, taxes on all of the unremitted earnings of its non-U.S. subsidiaries to December 31, 2001.

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-reorganization net operating loss carry-forward. This requirement applies despite the fact that the Company's pre-reorganization net operating loss carry-forward and other deferred tax assets would eliminate the related federal income tax payable. The current and future year tax benefit related to the carry forward is recorded as a reduction of reorganizational value in excess of

amounts allocable to identifiable assets until exhausted and then as a direct increase to paid-in capital.

J. FOREIGN CURRENCY TRANSLATION:

The balance sheets of our non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at the end of each year. Revenues, expenses and cash flows are translated at weighted average rates of exchange. Gains or losses resulting from foreign currency transactions are included in earnings, while those resulting from translation of financial statement balances are shown as a separate

component of stockholders' equity. The functional currencies of our non-U.S. subsidiaries, which are primarily located in Canada, Finland and Sweden, are the respective local currencies in each foreign country.

The Company's investment in the Canadian subsidiary is effectively hedged by the Canadian dollar denominated debt up to the investment in the Canadian subsidiary. For the year ended December 31, 2001, approximately $2,000 was credited to accumulated other comprehensive loss as a result of the hedge (2000--$1,400).

K. INTANGIBLE ASSETS:

Intangible assets are recorded at cost and are amortized on a straight-line basis over 25 years. These amounts include the excess purchase price over fair values assigned ("goodwill"), reorganizational value in excess of amounts allocable to identifiable assets ("excess reorganizational value") (see Note 6) and deferred financing costs (amortized over the life of the financing). Effective January 1, 2002 goodwill will no longer be amortized but will be tested annually for impairment.

Excess reorganizational value is amortized on a straight-line basis over twenty years and is being reduced by the realization of deferred tax assets.

L. EARNINGS PER SHARE:

Basic earnings per share is calculated using the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is computed based on the average number of shares of common stock assumed to be outstanding during each year. Common stock equivalents are included when dilutive (see Notes 8, 14 and 15).

M. PENSION LIABILITY

The Company provides a defined-benefit pension plan covering its senior executives. Pension benefits are based on age, years of service and compensation rates. Pension expense was $267 in 2001, and the unfunded liability amounted to $687 at December 31, 2001, which is included in deferred income taxes and other long-term liabilities.

3. ACCOUNTS RECEIVABLE

Net accounts receivable include:

	2000	2001
Allowance for doubtful accounts	$2,022	$2,837
Allowance for returns, discounts, rebates and cooperative advertising	5,607	6,947
	$7,629	$9,784

Bad debt expense for the years ended December 31, 1999, 2000, and 2001 was $480, $670, and $1,381, respectively.

THE HOCKEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT SHARE DATA)

4. INVENTORIES

Inventories consist of:

	2000	2001
Finished product	$29,745	$31,892
Work in process	2,727	2,665
Raw materials and supplies	9,638	8,308
	$42,110	$42,865

Allowances for excess, obsolete and slow moving inventories were $3,890 and $2,568 at December 31, 2000 and 2001, respectively.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

	2000	2001
Land and improvements	$ 241	$ 230
Buildings and improvements	6,901	7,149

Machinery and equipment	17,487	16,044
Tools, dies and molds	3,178	3,275
Office furniture and equipment	5,645	5,692
	33,452	32,390
Less: accumulated depreciation and amortization	12,310	15,556
	$21,142	$16,834

Depreciation and amortization expense for the years ended December 31, 1999, 2000, and 2001, was $4,330, $4,502, and $4,311, respectively.

Included above are land and building in the amount of $622 held for resale, as a result of the Company's restructuring in 2001 related to the apparel segment which approximates fair value.

6. INTANGIBLE AND OTHER ASSETS

Net intangible and other assets consist of:

	2000	2001
Goodwill	$46,643	$42,883
Excess reorganizational value	30,052	26,367
Deferred financing costs	2,084	3,817
Other	3,775	2,994
	$82,554	$76,061

Amortization expense for intangible and other assets was $6,334, $6,569 and $7,211 at December 31, 1999, 2000 and 2001, respectively.

Excess reorganizational value was reduced by $1,360 for the year ended December 31, 2001 (2000-nil) by the realization of deferred tax assets.

7. REVOLVING CREDIT FACILITIES AND LONG-TERM DEBT

A. REVOLVING CREDIT FACILITIES:

Revolving credit facilities consist of the following:

	2000	2001

Revolving credit facilities with General Electric Capital Inc.	$12,282	$27,792
	=======	=======

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

On March 14, 2001, the Second Amendment to the U.S. Credit Agreement was entered into by Maska U.S., Inc., as borrower, the Credit Parties, the U.S. Lenders and General Electric Capital Corporation, as Agent and Lender. Simultaneously, the Second Amendment to the Canadian Credit Agreement was entered into by Sport Maska Inc., as borrower, the Credit Parties, the Canadian Lenders and General Electric Capital Canada Inc., as Agent and Lender. On terms and subject to the conditions of each of the Second Amendments, the Credit Agreements were amended to reflect the Amended and Restated Credit Agreement (as hereinafter defined). The maximum amount of loans and letters of credit that may be outstanding under the two credit agreements is $60,000. Each of the Credit Agreements is subject to a minimum excess requirement of $1,750 in certain months. Total borrowings outstanding under the Credit Agreement at December 31, 2000 and December 31, 2001 were $12,282 and $27,792, respectively (excluding outstanding letters of credit of $5,732 (2000-927)). The Credit Agreements will mature on October 17, 2002. Management believes the Credit Agreements can be renewed or refinanced upon maturity.

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

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

Effective March 18, 1999, Jofa AB (Jofa), a Swedish subsidiary of the Company, entered into a credit agreement with Nordea Bank in Sweden. The maximum amount of loans and letters of credit that may be outstanding under the agreement is SEK 50,000 ($4,900). The facility is collateralized by the assets of Jofa, excluding intellectual property, bears interest at a rate of STIBOR (3.9% at

THE HOCKEY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT SHARE DATA)

7. REVOLVING CREDIT FACILITIES AND LONG-TERM DEBT (CONTINUED)

December 31, 2001) plus 0.65% and is renewable annually. Total borrowings as at December 31, 2000 and 2001 were nil. Effective 2002, this credit agreement was amended to a maximum amount of loans and letters of credit of SEK 90,000 ($8,800).

Effective July 10, 2001, KHF Finland Oy (KHF), a Finnish subsidiary of the Company, entered into a credit agreement with Nordea Bank in Finland, replacing the former credit facility for FIM 30,000 ($4,600) which was terminated during 2001. The maximum amount of loans and letters of credit that may be outstanding under the agreement is EUR 2,400 ($2,100). The facility is collateralized by the assets of KHF and bears interest at a rate of EURIBOR (3.3% at December 31, 2001) plus 0.9% and is renewable annually. Total borrowings as at December 31, 2000 and 2001 were nil.

The weighted average interest rate on short-term debt outstanding at December 31, 1999, 2000 and 2001 was 8.32%, 8.49% and 6.96%, respectively.

B. LONG-TERM DEBT

Long-term debt at December 31 was as follows:

	2000	2001
Secured loans from Caisse de depot et placement du Quebec (Canadian $135,800)......................................	$90,521	$85,923
Other long-term debt......................................	995	670
	91,516	86,593
Less: amounts contractually due within one year............	264	243