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ESCALADE INC
Form 10-K/A
November 23, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 27, 2003
COMMISSION FILE NUMBER 0-6966

ESCALADE, INCORPORATED

(Exact name of registrant as specified in its charter)

Indiana	13-2739290
-----	-----
(State of incorporation)	(IRS EIN)

251 Wedcor Ave, Wabash, Indiana 46992

(Address of principal executive office)

(260) 569-7233

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act
NONE

Securities registered pursuant to Section 12(g) of the Act
Common Stock, No Par Value

(Title of class)

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 for 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 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 statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12 b-2 of the Act). yes no

Aggregate market value of voting stock held by nonaffiliates of the registrant as of July 12, 2003: \$70,831,571

The number of shares of Registrant's common stock (no par value) outstanding as of February 28, 2004: 6,481,866

Documents Incorporated by Reference

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Certain portions of the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 24, 2004 are incorporated by reference into Part III of this Report.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of Escalade, Incorporated (the "Company") amends the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2003, originally filed with the Securities and Exchange Commission on March 11, 2004 (the "Original Filing"). The Company is filing this Amendment No. 1 for the sole purpose of revising the Independent Auditor's Report in Item 8 to include the auditor's signature, which signature was inadvertently omitted from the report filed with the Original Filing, and to correct a cross reference in Item 8 to refer to Item 15. In addition, in connection with the filing of this Amendment No. 1 and pursuant to SEC rules, the Company is including with this Amendment No. 1 certain currently dated certifications.

Except as described above, no other changes have been made to the Original Filing. This Amendment No. 1 continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events that occurred at a date subsequent to the date of the Original Filing. The filing of this Amendment No. 1 is not a representation that any statements contained in the Company's Form 10-K are true and complete as of any date other than the date of the Original Filing.

2

ESCALADE, INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

	PAGE

PART II	
Item 8. Financial Statements and Supplementary Data	14
PART IV	
Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K	16

3

PART II

ITEM 8 -- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by Item 8 are set forth in Part IV, Item 15.

14

PART IV

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ITEM 15 -- EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) DOCUMENTS FILED AS A PART OF THIS REPORT:

(1) FINANCIAL STATEMENTS

Independent Accountants' Report

Consolidated financial statements of Escalade, Incorporated and subsidiaries:

Consolidated balance sheets--December 27, 2003 and December 28, 2002

Consolidated statements of income--fiscal years ended December 27, 2003, December 28, 2002 and December 29, 2001

Consolidated statements of stockholders' equity--fiscal years ended December 27, 2003, December 28, 2002 and December 29, 2001

Consolidated statements of cash flows--fiscal years ended December 27, 2003, December 28, 2002 and December 29, 2001

Notes to consolidated financial statements

(2) FINANCIAL STATEMENT SCHEDULES

Independent Accountants' Report on financial statement schedule
For the three-year period ended December 27, 2003:

Schedule II - Valuation and qualifying accounts

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the consolidated financial statements or notes thereto.

(3) EXHIBITS

3.1 Articles of incorporation of Escalade, Incorporated (a)

3.2 By-Laws of Escalade, Incorporated (a)

4.1 Form of Escalade, Incorporated's common stock certificate (a)

10.1 Licensing agreement between Sweden Table Tennis AB and Indian Industries, Inc. dated January 1, 1995 (d)

10.2 Amended and Restated Credit Agreement dated October 24, 2001 between Escalade, Incorporated and Bank One, Indiana, N.A. dated August 29, 2002 (g)

10.3 First Amendment to Amended and Restated Credit Agreement dated October 24, 2001 between Escalade, Incorporated and Bank One, Indiana, N.A. dated August 29, 2002 (h)

10.4 Third Amendment to amend and restate the credit agreement between Escalade, Incorporated and Bank One, N.A. The effective date is June 1, 2003 (i)

10.5 Credit Agreement dated as of September 5, 2003 by and between

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Indian-Martin, Inc. and Bank One, National Association (excluding exhibits and schedules not deemed to be material). The effective date is September 7, 2003 (j)

- 10.6 Revolving Note dated as of September 5, 2003 in principal amount of \$45,000,000, executed by Indian-Martin, Inc. in favor of Bank One, National Association (j)
- 10.7 Pledge Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (j)
- 10.8 Collateral Assignment and Security Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (j)
- 10.9 Receivables Purchase Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Indian-Martin AG (j)
- 10.10 Receivables Purchase Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Indian Industries, Inc. Substantially similar Receivables Purchase Agreements were also entered into by Indian-Martin, Inc. and each of Escalade, Incorporated's other domestic operating subsidiaries, Harvard Sports, Inc., Martin Yale Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)

16

- 10.11 Services Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Martin Yale Industries, Inc. Substantially similar Services Agreements were also entered into by Indian-Martin, Inc. and each of Escalade, Incorporated's other domestic operating subsidiaries, Harvard Sports, Inc., Indian Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)
- 10.12 Escalade Subordination Agreement dated as of September 5, 2003 between Escalade, Incorporated and Bank One, National Association (j)
- 10.13 Offset Waiver Agreement dated as of September 5, 2003 between Escalade, Incorporated, Bank One, National Association, Indian-Martin, Inc., Harvard Sports, Inc., Indian Industries, Inc., Martin Yale Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)
- 10.14 Loan Agreement dated September 1, 1998 between Martin Yale Industries, Inc. and City of Wabash, Indiana (f)
- 10.15 Trust Indenture between the City of Wabash, Indiana and Bank One Trust Company, NA as Trustee dated September 1, 1998 relating to the Adjustable Rate Economic Development Revenue Refunding Bonds, Series 1998 (Martin Yale Industries, Inc. Project) (f)
- 10.16 Real Estate Sales Contract dated September 17, 1990 between Martin Yale Industries, Inc. and Fritkin-Jones Design Group, Inc. (b)

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(4) EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

- 10.17 The Harvard Sports/Indian Industries, Inc. 401(k) Plan as amended and merged in 1993 (c)
- 10.18 Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (c)
- 10.19 Incentive Compensation Plan for Escalade, Incorporated and its subsidiaries (a)
- 10.20 Example of contributory deferred compensation agreement between Escalade, Incorporated and certain management employees allowing for deferral of compensation (a)
- 10.21 1997 Director Stock Compensation and Option Plan (e)
- 10.22 1997 Incentive Stock Option Plan (e)
- 21 Subsidiaries of the Registrant
- 23 Consent of BKD, LLP
- 99.1 Certification of Chief Executive Officer
- 99.2 Certification of Chief Financial Officer
- (a) Incorporated by reference from the Company's Form S-2 Registration Statement, File No. 33-16279, as declared effective by the Securities and Exchange Commission on September 2, 1987
- (b) Incorporated by reference from the Company's 1990 Annual Report on Form 10-K
- (c) Incorporated by reference from the Company's 1993 Annual Report on Form 10-K
- (d) Incorporated by reference from the Company's 1995 Annual Report on Form 10-K
- (e) Incorporated by reference from the Company's 1997 Proxy Statement
- (f) Incorporated by reference from the Company's 1998 Third Quarter Report on Form 10-Q
- (g) Incorporated by reference from the Company's 2001 Third Quarter Report on Form 10-Q
- (h) Incorporated by reference from the Company's 2002 Third Quarter Report on Form 10-Q
- (i) Incorporated by reference from the Company's 2003 Second Quarter Report on Form 10-Q
- (j) Incorporated by reference from the Company's 2003 Third Quarter Report on Form 10-Q

(B) REPORTS ON FORM 8-K

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- (1) On October 24, 2003, Escalade filed a report on Form 8-K relating to its financial information for the quarter ended October 4, 2003 and forward-looking statements as presented in the shareholder message and press release dated October 24, 2003.

ESCALADE, INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

The following consolidated financial statements of the Registrant and its subsidiaries and Independent Accountants' Report are submitted herewith:

Table with 2 columns: Description and Page. Includes entries for Independent Accountants' Report (19), Consolidated financial statements of Escalade, Incorporated and subsidiaries (20-24).

[BKD LLP LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors
Escalade, Incorporated
Evansville, Indiana

We have audited the accompanying consolidated balance sheets of Escalade, Incorporated and subsidiaries as of December 27, 2003 and December 28, 2002 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 27, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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

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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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Escalade, Incorporated and subsidiaries at December 27, 2003 and December 28, 2002 and the results of their operations and their cash flows for each of the three years in the period ended December 27, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5, in 2002 the Company changed its method of accounting for goodwill and other intangible assets.

/s/ BKD LLP

BKD LLP
Evansville, Indiana
February 3, 2004

19

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

All Amounts in Thousands Except Share Information -----	DECEMBER 27, 2003 -----	Dec -----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 648	\$
Receivables, less allowances of \$1,991 and \$550	45,073	
Inventories	29,853	
Prepaid expenses	1,611	
Deferred income tax benefit	2,434	

Total current assets	79,619	
Property, plant and equipment	17,537	
Intangible assets	9,026	
Goodwill	18,777	
Other assets	9,478	

	\$134,437	\$
	=====	=
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable--bank	\$ 21,568	\$
Current portion of long-term debt	354	
Trade accounts payable	8,139	
Accrued liabilities	23,321	
Income tax payable	1,580	

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Total current liabilities	54,962
Other liabilities	
Long-term debt	15,729
Deferred compensation	1,408
Interest Rate Swap	1,055
	18,192
Stockholders' equity	
Preferred stock	
Authorized--1,000,000 shares, no par value, none issued	
Common stock	
Authorized--10,000,000 shares, no par value	
Issued and outstanding--2003--6,427,081 shares, 2002--6,508,856 shares	6,427
Retained earnings	52,609
Additional paid-in capital	--
Accumulated other comprehensive income (loss)	2,247
	61,283
	\$134,437

See notes to consolidated financial statements.

20

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

All Amounts in Thousands Except Per Share Data	Years Ended		
	DECEMBER 27, 2003	December 28, 2002	December 29, 2001
Net Sales	\$ 221,728	\$ 155,455	\$ 148,853
Costs, Expenses and Other Income			
Cost of products sold	154,365	111,164	106,921
Selling, administrative and general expenses	46,367	26,328	21,850
Amortization of goodwill	--	--	862
Interest	2,282	951	1,359
Other expense (income)	(2,509)	69	430
	200,505	138,513	131,423
Income Before Income Taxes	21,223	16,943	17,430
Provision for Income Taxes	6,373	5,804	6,292

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NET INCOME	\$ 14,850	\$ 11,138	\$ 11,139
	=====	=====	=====
Per Share Data			
Basic earnings per share	\$ 2.29	\$ 1.72	\$ 1.73
	=====	=====	=====
Diluted earnings per share	\$ 2.25	\$ 1.66	\$ 1.68
	=====	=====	=====

See notes to consolidated financial statements.

21

ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

All Amounts in Thousands -----	COMMON STOCK		RETAINED EARNINGS	ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT		
-----	-----	-----	-----	-----
BALANCES AT DECEMBER 30, 2000	2,166	\$ 2,166	\$ 21,492	\$ 105
Comprehensive income				
Net income			11,139	
Unrealized losses on securities, net of tax				
Exercise of stock options	32	32		434
Stock issued under the Director Stock Option Plan	6	6		102
Purchase of stock	(63)	(63)	(777)	(365)
Stock split	4,283			
Restatement of common stock to \$1 per share		4,283	(4,283)	
	-----	-----	-----	-----
BALANCES AT DECEMBER 29, 2001	6,424	6,424	27,571	276
Comprehensive income				
Net income			11,138	
Unrealized losses on securities, net of tax				
Exercise of stock options	96	96		441
Stock issued under the Director Stock Option Plan	12	12		68
Purchase of stock	(23)	(23)		(104)
	-----	-----	-----	-----
BALANCES AT DECEMBER 28, 2002	6,509	6,509	38,709	681
Comprehensive income				

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Net income				14,850
Unrealized Gain on securities, net of tax				
Foreign Currency Translation Adjustment				
Unrealized Loss on Interest Rate Swap Agreement, net of tax				
Exercise of stock options	60	60		290
Stock issued under the Director Stock Option Plan	2	2		49
Purchase of stock	(144)	(144)	(950)	(1,020)
	-----	-----	-----	-----
BALANCES AT DECEMBER 27, 2003	6,427	\$ 6,427	\$ 52,609	\$ --
	=====	=====	=====	=====

See notes to consolidated financial statements.

22

ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All Amounts in Thousands)

YEARS ENDED DECEMBER 27, DECEMBER 28 AND DECEMBER 29	2003	2002	2001
-----	----	----	----
OPERATING ACTIVITIES			
Net income	\$ 14,850	\$ 11,138	\$ 11,138
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	5,301	3,798	3,500
Provision for doubtful accounts	131	101	(300)
Deferred income taxes	(1,042)	(14)	(300)
Provision for deferred compensation	121	117	100
Deferred compensation paid	(50)	(55)	(100)
(Gain) loss on disposals of assets	(25)	(304)	100
Changes in			
Accounts receivable	3,077	(6,974)	(500)
Inventories	5,959	(1,004)	800
Prepays	262	(378)	(100)
Other assets	(1,024)	(500)	(100)
Income tax payable	(264)	(493)	(200)
Accounts payable and accrued expenses	(770)	(1,557)	4,900
	-----	-----	-----
Net cash provided by operating activities	26,526	3,875	19,600
	-----	-----	-----
INVESTING ACTIVITIES			
Premiums paid for life insurance	(32)	(32)	(100)
Change in cash surrender value, net of loans and premiums	(121)	47	(100)
Purchase of property and equipment	(2,564)	(3,085)	(2,700)
Purchase of long-term investments	(846)	(15)	(100)
Purchase of Bear Archery assets	(9,855)	--	(100)
Purchase of certain additional Mead Hatcher assets	--	(600)	(100)

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Purchase of Accudart	--	--	(1,9
Purchase of U. S. Weight	--	--	(5,8
Purchase of certain assets of Murrey and Sons	--	(2,489)	
Purchase of certain assets of Steve Mizerak, Inc.	--	(1,229)	
Purchase of all assets relating to The Step product line	(875)	(4,840)	
Proceeds from sale of property and equipment	207	1,699	
Equity investment in Schleicher & Co. International AG	(9,886)	(2,557)	
	-----	-----	-----
Net cash used by investing activities	(23,972)	(13,101)	(10,6
	-----	-----	-----
FINANCING ACTIVITIES			
Net increase (decrease) in notes payable--bank	(2,270)	1,453	(3,4
Proceeds from exercise of stock options	350	617	5
Reduction of long-term debt	(1,848)	(5,167)	(5,9
Purchase of stock	(2,114)	(127)	(1,2
Proceeds from long-term debt	--	14,900	8
	-----	-----	-----
Net cash provided (used) by financing activities	(5,882)	11,676	(9,1
	-----	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	606	--	
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,722)	2,450	(2
	-----	-----	-----
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,370	920	1,1
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 648	\$ 3,370	\$ 9
	=====	=====	=====
SUPPLEMENTAL CASH FLOWS INFORMATION			
Interest paid	\$ 2,285	\$ 952	\$ 1,4
Income taxes paid, net	7,207	6,831	7,1
Fixed assets in accounts payable	--	68	

See notes to consolidated financial statements.

ESCALADE, INCORPORATED

Notes to Consolidated Financial Statements

NOTE 1 -- NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Escalade, Incorporated and its wholly owned subsidiaries (the "Company") are engaged in the manufacture and sale of sporting goods and office products. The Company is headquartered in Wabash, Indiana and has manufacturing facilities in the United States of America, Mexico, Germany and China. The Company sells products to customers throughout the world.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Escalade, Incorporated and its wholly-owned subsidiaries, Indian Industries, Inc., Martin Yale Industries, Inc., Indian-Martin, Inc., Indian-Martin, AG, EIM Company, Inc., and SOP Services, Inc. All material intercompany accounts and transactions have been eliminated.

BASIS OF PRESENTATION

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The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company's fiscal year is a 52 or 53 week period ending on the last Saturday in December. Fiscal 2003, 2002, and 2001 were each 52 weeks long ending on December 27, 2003, December 28, 2002, and December 29, 2001, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

CASH AND CASH EQUIVALENTS

Highly liquid financial instruments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents.

INVENTORIES

Inventories are valued at the lower of cost or market. Cost is based on the first-in, first-out (FIFO) method.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount billed to customers. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are reserved or written off based on individual credit evaluation and specific circumstances of the customer.

24

ESCALADE, INCORPORATED

Notes to Consolidated Financial Statements

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed for financial reporting purposes principally using the straight-line method over the following estimated useful lives: buildings, 20-30 years; leasehold improvements, 4-8 years; machinery and equipment, 5-15 years; and tooling, dies and molds, 2-4 years.

INVESTMENTS

Available for sale. Included in other assets on the consolidated balance sheet are marketable equity securities recorded at fair value with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income.

Non-Marketable Equity Securities and Other Investments. Also included in other assets are non-marketable minority equity investments in companies strategically related to the company's business. These investments are recorded at historical cost or, if the company has significant influence over the investee, using the equity method of accounting. The company's proportionate share of income or losses from investments accounted for under the equity method are recorded in

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other expense (income) on the consolidated statement of income.

FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of cash equivalents approximate cost due to the short period of time to maturity. Fair values of long-term investments, non-marketable debt investments, short-term debt, long-term debt and swaps, are based on quoted market prices or pricing models using current market rates. For the company's portfolio of non-marketable equity securities, management believes that the carrying value of the portfolio approximates the fair value at December 27, 2003. All of the estimated fair values are management's estimates; however, there is no readily available market and the estimated fair value may not necessarily represent the amounts that could be realized in a current transaction, and these fair values could change significantly.

EMPLOYEE STOCK OPTION PLAN

The Company has two stock-based compensation plans, which are described more fully in Note 8. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock issued to Employees, and related interpretations. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

(In Thousands Except Per Share Amounts)	2003	2002	2001
-----	----	----	----
Net income, as reported	\$ 14,850	\$ 11,138	\$ 10,138
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(440)	(404)	(380)
	-----	-----	-----
Pro forma net income	\$ 14,410	\$ 10,734	\$ 9,758
	=====	=====	=====
Earnings per share			
Basic--as reported	\$ 2.29	\$ 1.72	\$ 1.66
	=====	=====	=====
Basic--pro forma	\$ 2.22	\$ 1.65	\$ 1.59
	=====	=====	=====
Diluted--as reported	\$ 2.25	\$ 1.66	\$ 1.60
	=====	=====	=====
Diluted--pro forma	\$ 2.18	\$ 1.59	\$ 1.53
	=====	=====	=====

25

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

EMPLOYEE BENEFITS

The Company has an employee profit-sharing salary reduction plan, pursuant to the provisions of Section 401(k) of the Internal Revenue Code, for non-union employees. It is the Company's policy to fund costs accrued on a current basis.

INCOME TAXES

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Income tax in the consolidated statement of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes.

INTANGIBLE ASSETS

The Company has various intangible assets including consulting agreements, patents, trademarks, noncompetition agreements and goodwill. Amortization is computed using the straight-line method over the following lives: consulting agreements, the life of the agreement; non-compete agreements, the lesser of the term or 5 years; and patents, 5 to 8 years. Trademarks are deemed to have indefinite useful lives and according are not amortized, but evaluated on an annual basis to determine whether any impairment in value has occurred.

PRODUCT WARRANTY

The Company provides limited warranties on certain of its products, for varying periods. Generally, the warranty periods range from 90 days to one year. However, some products carry extended warranties of seven-year, ten-year, and lifetime warranties. The Company records an accrued liability and expense for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and expense in the current year. A reconciliation of the liability is as follows:

In Thousands -----	2003 ----	2002 ----
Beginning balance	\$ 1,324	\$ 1,307
Liability assumed through acquisition	45	--
Changes in liability for product warranties issued	1,122	981
Changes in estimated liability for warranties issued in prior years	280	245
Payments made under warranties	(1,137)	(1,209)
Ending balance	\$ 1,634 =====	\$ 1,324 =====

RESEARCH AND DEVELOPMENT

Research and development costs are charged to expense as incurred. Research and development costs incurred during 2003, 2002 and 2001 were approximately \$2,947 thousand, \$1,520 thousand, and \$2,150 thousand, respectively.

REVENUE RECOGNITION

Revenue from the sale of the Company's products is recognized as products are shipped to customers.

SELF INSURANCE

The Company has elected to act as a self-insurer for certain costs related to

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employee health and accident benefit programs. Costs resulting from non-insured losses are charged to income when incurred. The Company has purchased insurance which limits its exposure for individual claims and which limits its aggregate exposure to \$1,400,000.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 financial statement presentation. These reclassifications had no effect on net earnings.

NEW ACCOUNTING PRONOUNCEMENTS

In January of 2003, the FASB issued Interpretation No. 46, (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51, and in December 2003 the FASB deferred certain effective dates of Interpretation No. 46. For all variable interest entities other than special purpose entities, the revised Interpretation is effective for periods ending after March 15, 2004. For variable interest entities meeting the definition of special purpose entities under earlier accounting rules, the Interpretation remains effective for periods ending after December 31, 2003. The Interpretation requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by an enterprise when it has a controlling interest through ownership of a majority voting interest in the entity. The Company has determined that it has no such instruments.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures in its balance sheet certain financial instruments with characteristics of both liabilities and equity. The objective of this Statement is to require issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of a nonpublic company. For these instruments, this Statement is effective for existing or new contracts for fiscal periods beginning after December 15, 2003. Adoption of this Standard is not expected to have a material effect on the Company.

In November 2002, the FASB issued Interpretation No. 45, (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, which elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements in this Interpretation are effective for periods ending after December 15, 2002. The Company has product warranties that fall under the scope of FIN 45 and has adopted the requirements of FIN 45.

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NOTE 2 -- INVENTORIES

Inventories consist of the following:

In Thousands -----	2003 ----	2002 ----
Finished products	\$ 17,420	\$ 10,263
Work in process	5,133	4,536
Raw materials and supplies	7,300	5,750
	-----	-----
	\$ 29,853	\$ 20,549
	=====	=====

NOTE 3 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

In Thousands -----	2003 ----	2002 ----
Land	\$ 1,773	\$ 300
Buildings and leasehold improvements	15,596	10,071
Machinery and equipment	31,475	24,886
	-----	-----
Total cost	48,844	35,257
Accumulated depreciation and amortization	(31,307)	(26,198)
	-----	-----
	\$ 17,537	\$ 9,059
	=====	=====

28

ESCALADE, INCORPORATED

Notes to Consolidated Financial Statements

NOTE 4 -- INVESTMENTS

Marketable equity securities available for sale were included in other assets as follows:

In Thousands -----	2003 ----	2002 ----
Cost Basis	\$ 1,413	\$ 1,242
Unrealized Gain (Loss)	133	(40)
	-----	-----
Approximate Fair Market Value	\$ 1,546	\$ 1,202
	=====	=====

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NOTE 5 -- ACQUIRED INTANGIBLE ASSETS AND GOODWILL

The carrying basis and accumulated amortization of recognized intangible assets were:

	2003		2002	
In Thousands	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Patents	\$ 6,078	\$ 1,334	\$ 4,720	\$ 585
Consulting agreements	810	710	810	660
Non-compete agreements	1,700	1,180	1,700	880
Trademarks	3,783	121	1,509	121
	\$12,371	\$ 3,345	\$ 8,739	\$ 2,247
	=====	=====	=====	=====

Amortization expense was \$1,098 thousand for 2003, \$1,112 thousand for 2002 and \$361 thousand for 2001.

Estimated amortization expense for each reporting segment for each of the following five years is:

In Thousands	2004	2005	2006	2007
Sporting Goods	\$1,154	\$1,114	\$824	\$824
Office/Graphic Arts	--	--	--	--
	\$1,154	\$1,114	\$824	\$824
	=====	=====	=====	=====

The changes in the carrying amount of goodwill were:

In Thousands	Sporting Goods	Office Products	Total
Balance at December 29, 2001	\$ 6,561	\$ 6,200	\$12,761
Acquired	590	--	590
	7,151	6,200	13,351
Balance at December 28, 2002	7,151	6,200	13,351
Acquired	--	4,566	4,566
Foreign Currency Translation Adjustment	--	860	860
	\$ 7,151	\$11,626	\$18,777
	=====	=====	=====

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Notes to Consolidated Financial Statements

Financial Accounting Standards Board Statement No. 142, Goodwill and Other Intangibles, requires transitional disclosures regarding the change in amortization and other treatment of goodwill and intangible assets for the year ended December 29, 2001 as follows:

In Thousands -----	2001 -----
Reported net income	\$ 11,139
Add back: Goodwill amortization, net of tax	827

Pro-Forma net income	\$ 11,966
	=====

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, Business Combinations, which requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001. SFAS No. 141 specifies that certain acquired intangible assets in a business combination be recognized as assets separately from goodwill. Additionally, it requires the Company to evaluate its existing intangible assets and goodwill and to make any necessary reclassifications in order to conform to the new separation requirements at the date of adoption. Goodwill and intangible assets determined to have indefinite useful lives that are acquired in a business combination completed after June 30, 2001 will not be amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized until December 29, 2001. The Company adopted the provisions of SFAS No. 141 on December 30, 2001.

In July 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 requires that goodwill no longer be amortized but instead be tested for impairment at least annually, and that intangible assets other than goodwill should be amortized over their useful lives. The Company adopted the provisions on December 30, 2001. The Company did not have any impairment of goodwill or intangibles assets during 2003, 2002 or 2001.

NOTE 6 -- ACCRUED LIABILITIES

Accrued liabilities consist of the following:

In Thousands -----	2003 -----	2002 -----
Employee compensation	\$ 10,443	\$ 6,134
Customer Allowances	9,748	8,144
Other accrued items	3,130	2,726
	-----	-----
	\$ 23,321	\$ 17,004
	=====	=====

NOTE 7 -- BORROWINGS

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SHORT-TERM DEBT

Short-term debt at fiscal year-ends was as follows:

In Thousands -----	2003 ----	2002 ----
Bank One Revolving line of credit	\$ 17,660	\$ 11,223
Deutsche Bank Revolving credit line	2,623	--

30

ESCALADE, INCORPORATED

Notes to Consolidated Financial Statements

Unsecured demand note	790	--
Other short-term debt	495	--
	-----	-----
	\$ 21,568	\$ 11,223
	=====	=====

The Company's directly owned subsidiary, Indian-Martin, Inc., has a revolving line of credit under which it can borrow funds from time to time to purchase eligible accounts receivable from the company's operating subsidiaries which accounts are and will be pledged to secure those borrowings. At December 27, 2003, this line of credit aggregated \$40 million, of which \$17,660 thousand was borrowed. At the company's option, borrowings can be made under the bank's prime interest rate minus 1.25% or LIBOR plus 1.38%. At December 27, 2003, all borrowings under this revolving line of credit were under the prime interest rate option at an effective rate of 2.75%.

The Company's European subsidiaries have revolving credit line agreements with Deutsche Bank that are secured by the Company's real estate holdings in Germany. The combined amount available under these credit lines is 2.5 million Euros (approximately \$3.1 million US Dollars at December 27, 2003), of which 2.1 million Euros (\$2.6 million US Dollars) was used at December 27, 2003. Borrowings under these credit lines bear interest at 6.0%.

The liabilities of Schleicher & Co. International, AG (Schleicher), acquired in 2003, included a note payable to the founder of Schleicher in the amount of \$790 thousand. This note is due on demand and bears interest at bank prime, 4% at December 27, 2003. Interest is payable quarterly.

During 2003, the Company negotiated and executed a debt reduction plan with two European banks wherein the banks agreed to forgive 1.2 million Euro (approximately 1.4 million US Dollars) in debt, in exchange for early settlement of the outstanding debt. The gain associated with this extinguishment of debt was recorded in other income. This transaction was not considered an element of the Schleicher acquisition because it was not contemplated until after the acquisition was completed and it was not part of the acquisition decision criteria.

LONG-TERM DEBT

Long-term debt at fiscal year-ends was as follows:

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In Thousands

 Revolving term loan of \$35,000, the amount available under this revolving term loan is reduced by \$7,000 annually starting March 31, 2004, balance due March 31, 2008. At December 27, 2003, \$2,320 of this revolving term loan had an interest rate of prime minus .75% or 3.25% and \$10,000 had an interest rate of London Interbank Offered Rate (LIBOR) plus 1.00% or 2.62%, unsecured
 Mortgage payable (Wabash, Indiana Adjustable Rate Economic Development Revenue Refunding Bonds), annual installments are optional, interest varies with short-term rates and is adjustable weekly based on market conditions, maximum rate is 10.00%, current rate is 1.55%, due September 2028, secured

2003

12,3

31

ESCALADE, INCORPORATED
 Notes to Consolidated Financial Statements

by plant facility, machinery and equipment, and stand-by letter of credit

2,

Contract payable for Accudart acquisition, due \$167 annually beginning February 1, 2002 through February 1, 2006, non-interest bearing, secured by a stand-by letter of credit

\$

Contract Payable for acquisition of equity interest in Sweden Table Tennis, AB, unsecured and non-interest bearing. Annual payments of \$187 due March of each year.

16,

Portion classified as current

(

\$ 15,

=====

Maturities of long-term debt outstanding at December 27, 2003 are as follows: \$354 thousand in 2004; \$354 thousand in 2005; \$355 thousand in 2006; \$5,320 thousand in 2007; \$7,000 thousand in 2008; and \$2,700 thousand thereafter.

The mortgages payable and term loan agreements contain certain restrictive covenants, of which the more significant include maintenance of specified net worth and maintenance of specified ranges of debt service and leverage ratios.

INTEREST RATE SWAP AGREEMENT

In May 2003, the Company entered into an interest rate swap agreement having a notional amount of \$10 million and a maturity date of May 19, 2008. This swap agreement is designated as a cash flow hedge, and effectively converts a portion of the Company's variable rate debt to fixed rate debt with a weighted average interest rate of 5.08%. The Company entered into this interest rate swap agreement to manage interest costs and cash flows associated with variable interest rates, primarily short-term changes in LIBOR; changes in the cash flows of the interest rate swap offset changes in the interest payments on the covered

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portion of the Company's revolving debt. In connection with this interest rate swap agreement the Company recorded an after tax charge of \$685 thousand in Other Comprehensive Income (OCI). There was no impact on net income due to ineffectiveness. The Company's exposure to credit loss on its interest rate swap agreement in the event of non-performance by the counterparty is believed to be remote due to the Company's requirement that the counterparty have a strong credit rating.

NOTE 8 -- STOCK OPTIONS

At the Company's 1997 annual meeting, the stockholders approved two Stock Option Plans reserving 900,000 common shares for issuance under an Incentive Stock Option Plan (ISO) and 300,000 common shares for issuance under a Director Stock Option Plan (DSO). The following table summarizes the option activity under the two plans:

32

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

	Incentive Stock		Director Stock	
	Granted -----	Outstanding -----	Granted -----	Outstanding -----
2003	87,400	303,400	1,189	16,295
2002	77,100	280,200	5,713	18,175
2001	83,700	310,762	6,207	18,585

Under the Company's ISO, which is accounted for in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, the Company grants selected executives and other key employees' stock option awards, which vest over four years of continued employment. The exercise price of each option, which has a five-year life, was equal to the market price of the Company's stock on the date of grant; therefore, no compensation expense was recognized. Options are exercisable commencing one year from the date of issuance to the extent vested.

Although the Company has elected to follow APB Opinion No. 25, Statement of Financial Accounting Standards (SFAS) No. 123 requires pro forma disclosures of net income and earnings per share as if the Company had accounted for its employee stock options under that statement. The fair value of each option grant was estimated

33

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

on the grant date using an option-pricing model with the following assumptions:

	2003 ----	2002 ----
Risk-free interest rates	2.90%	4.65%

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Dividend yields	0%	0%
Volatility factors of expected market price of common stock	46%	38%
Weighted average expected life of the options	5 YEARS	5 years

Stock option transactions are summarized as follows:

	2003		2002	
	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	298,375	\$4.83 to 18.06	329,347	\$3.29 to 7.19
Issued during year	88,589	\$13.97 to 21.35	82,813	\$7.59 to 18.06
Canceled or expired	(6,950)		(6,375)	
Exercised during year	(60,319)	\$4.83 to 18.06	(107,410)	\$3.29 to 7.19
Outstanding at end of year	319,695	\$4.83 to 21.35	298,375	\$4.83 to 18.06
Exercisable at end of year	128,031		112,737	
Weighted-average fair value of options granted during the year	\$ 14.07		\$ 6.98	

The following table summarizes information about fixed stock options outstanding at December 27, 2003:

Range of Exercise Prices	Options Outstanding			Number of Shares
	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	
\$ 4.83 - \$7.59	156,681	1.0 years	\$ 6.28	109,206
\$13.97 - \$18.06	161,825	3.7 years	\$15.88	18,825
\$21.35	1,189	4.3 years	\$21.35	--
	319,695			128,031

Incentive stock options are exercisable at the rate of 25% over each of the four years following the date of grant.

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34

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

During fiscal year 2003, 1,189 Director Stock Options were issued at an option price of \$21.35 and can be exercised after April 28, 2004 with an expiration date of April 27, 2008.

35

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

NOTE 9 -- EARNINGS PER SHARE

The shares used in the computation of the company's basic and diluted earnings per common share are as follows:

In Thousands -----	2003 ----	2002 ----	2001 ----
Weighted average common shares outstanding.	6,484	6,486	6,447
Dilutive effect of Stock options	124	231	171
	-----	-----	-----
Weighted average common shares outstanding, assuming dilution	6,608 =====	6,717 =====	6,618 =====

Weighted average common shares outstanding, assuming dilution, includes the incremental shares that would be issued upon the assumed exercise of stock options outstanding.

NOTE 10 -- OPERATING LEASES

The Company leases warehouse and office space under non-cancelable operating leases that expire at various dates through 2011. Terms of the leases, including renewals, taxes, utilities, and maintenance, vary by lease. Total rental expense included in the results of operations relating to non-cancelable leases with terms of more than one year were \$2,232 thousand, \$1,133 thousand, and \$715 thousand in 2003, 2002, and 2001, respectively.

At December 27, 2003, minimum rental payments under noncancelable leases with terms of more than one year were as follows:

In Thousands -----	AMOUNT -----
2004	\$ 1,611
2005	997
2006	575
2007	547
2008	418
2009 and beyond	429

	\$ 4,577

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36

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

NOTE 11 -- PROVISION FOR TAXES

Income before taxes and the provision for taxes consisted of the following:

In Thousands -----	2003 ----	2002 ----	2001 ----
Income before taxes:			
United States of America (USA)	\$ 19,720	\$ 16,943	\$ 17,430
Non USA	1,503	--	--
	-----	-----	-----
	\$ 21,223	\$ 16,943	\$ 17,430
	=====	=====	=====
Provision for taxes:			
Current			
Federal	\$ 5,802	\$ 4,678	\$ 5,384
State	1,073	459	549
International	539	681	673
	-----	-----	-----
	7,414	5,818	6,606
	-----	-----	-----
Deferred			
Federal	(845)	(10,862)	(250)
State	(196)	(3,558)	(64)
	-----	-----	-----
	(1,041)	(14,420)	(314)
	-----	-----	-----
	\$ 6,373	\$ 5,804	\$ 6,292
	=====	=====	=====

The Company has not provided for USA deferred taxes or foreign withholding taxes on undistributed earnings for non-USA subsidiaries. The company intends to reinvest these earnings indefinitely in operations outside the USA.

The provision for income taxes was computed based on financial statement income. A reconciliation of the provision for income taxes to the amount computed using the statutory rate follows:

In Thousands -----	2003 ----	2002 ----
Income tax at statutory rate	\$ 7,216	\$ 5,760
Increase (decrease) in income tax resulting from		
Recurring permanent differences (dividend exclusion, non-deductible officers' life insurance expense and foreign income)	(6)	(56)
State tax expense, net of federal effect	578	301
Effect of lower international tax rates	(804)	--

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Research credit	(111)	(102)
Foreign net operating loss carryforwards	(101)	--
Other	(399)	(98)
	-----	-----
Provision for income taxes recorded	\$ 6,373	\$ 5,804
	=====	=====

37

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

The components of the net deferred tax asset are as follows:

In Thousands	2003	2002
-----	----	----
Assets		
Employee benefits	\$ 791	\$ 852
Valuation reserves	2,070	536
Goodwill and intangible assets	--	65
Deferred compensation	525	497
Depreciation	200	316
Unrealized loss on securities available for sale	--	16
Unrealized loss on interest rate swap agreement	370	--
	-----	-----
Net operating loss carry forward	579	--
	-----	-----
Total assets	4,535	2,282
Liabilities		
Unrealized gain on sale of securities available-for-sale	(53)	--
Goodwill and intangible assets	(69)	--
	-----	-----
Total assets	(122)	--
	-----	-----
	\$ 4,413	\$ 2,282
	=====	=====

Deferred tax assets are included in the consolidation balance sheet as follows:

In Thousands	2003	2002
-----	----	----
Current-Deferred income tax benefit	\$ 2,434	\$ 815
Long-Term-included in other assets	1,979	1,467
	-----	-----
	\$ 4,413	\$ 2,282
	=====	=====

The Company has federal and state net operating loss carryforwards of approximately \$800 thousand that expire in various amounts through 2018.

NOTE 12 -- EMPLOYEE BENEFIT PLANS

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The Company has an employee profit-sharing salary reduction plan, pursuant to the provisions of Section 401(k) of the Internal Revenue Code, for non-union employees. The Company's contribution is a matching percentage of the employee contribution as determined by the Board of Directors annually. The Company's expense for the plan was \$487 thousand, \$461 thousand, and \$376 thousand for 2003, 2002 and 2001, respectively.

NOTE 13 -- VOLUNTARY EMPLOYEE BENEFITS ASSOCIATION TRUST (VEBA)

The Company established a VEBA as a tax-exempt organization to provide life, medical, disability and other similar welfare benefits permitted pursuant to Internal Revenue Code Section 501(c)(9) for its employees.

38

ESCALADE, INCORPORATED

Notes to Consolidated Financial Statements

NOTE 14 -- OPERATING SEGMENT AND GEOGRAPHIC INFORMATION

The Company manufactures and sells products in two industries: sporting goods and office products. Customers include retailers and wholesalers located throughout the United States and Europe. The sporting goods operating segment's products include: pool tables and accessories; table tennis tables and accessories; soccer and hockey tables; archery equipment and accessories; basketball goals; and fitness, arcade and darting products. The office/graphic arts operating segment's products include: data shredders; folding machines; paper trimmers and cutters; and other products used in the office environment.

In Thousands -----	2003 ----	2002 ----	2001 ----
Sales to unaffiliated customers			
Sporting goods	\$ 139,285	\$ 126,745	\$ 118,867
Office Products	82,443	28,710	29,986
	-----	-----	-----
Total consolidated	\$ 221,728	\$ 155,455	\$ 148,853
	=====	=====	=====
Segment profit			
Sporting goods	\$ 9,720	\$ 8,400	\$ 6,721
Office Products	4,223	3,029	3,534
Corporate	907	(291)	884
	-----	-----	-----
Total consolidated	\$ 14,850	\$ 11,138	\$ 11,139
	=====	=====	=====
Interest expense			
Sporting goods	\$ 906	\$ 881	\$ 1,078
Office Products	1,433	95	84
Corporate	(57)	(25)	197
	-----	-----	-----
Total consolidated	\$ 2,282	\$ 951	\$ 1,359
	=====	=====	=====
Gain (loss) on disposal of assets			
Sporting goods	\$ (56)	\$ (128)	\$ (135)
Office Products	81	432	--
	-----	-----	-----
Total consolidated	\$ 25	\$ 304	\$ (135)
	=====	=====	=====

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Identifiable assets			
Sporting goods	\$ 64,627	\$ 65,282	\$ 47,762
Office Products	60,168	25,653	22,793
Corporate	9,642	5,853	5,556
	-----	-----	-----
Total assets	\$ 134,437	\$ 96,788	\$ 76,111
	=====	=====	=====
Depreciation and amortization			
Sporting goods	\$ 3,314	\$ 2,746	\$ 2,115
Office Products	1,987	1,052	1,477
	-----	-----	-----
Total consolidated	\$ 5,301	\$ 3,798	\$ 3,592
	=====	=====	=====
Capital expenditures			
Sporting goods	\$ 1,363	\$ 2,450	\$ 1,132
Office Products	1,201	635	1,607
	-----	-----	-----
	\$ 2,564	\$ 3,085	\$ 2,739
	=====	=====	=====

39

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

Identifiable assets are principally those assets used in each industry. Corporate assets are principally cash and cash equivalents; deferred tax assets; marketable equity securities; investments; and the cash surrender value of life insurance.

The company has one customer in the sporting goods segment who accounted for 24%, 38% and 37% of consolidated total revenues in 2003, 2002 and 2001, respectively. Within the sporting goods segment this customer accounted for 38%, 47% and 46% of total revenues.

As of December 27, 2003, approximately 120 employees of the Company's labor force were covered by a collective bargaining agreement that expires in April 27, 2006. Management acknowledges that differences between Company offers and union demands during negotiations can occur, but has no reason to expect such differences to result in protracted conflicts.

Raw materials for Escalade's various product lines consist of wood, particleboard, slate, standard grades of steel, steel tubing, plastic, vinyl, steel cables, fiberglass and packaging. Escalade relies upon suppliers in Europe and Brazil for its requirement of billiard balls and slate utilized in the production of home pool tables and upon various Asian manufacturers for certain of its table tennis needs and other items. Escalade sources some of its game table product line in China.

Revenues by geographic region/country were as follows:

In Thousands	2003	2002	2001
-----	----	----	----
United States of America	\$187,021	\$155,455	\$148,853
Europe	28,719	--	--
Other	5,988	--	--
	-----	-----	-----

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\$221,728	\$155,455	\$148,853
=====	=====	=====

Revenues are attributed to country based on location of customer and are for continuing operations.

Identified assets by geographic region/country were as follows:

In Thousands	2003	2002
-----	----	----
United States of America	\$ 99,881	\$ 92,088
Europe	32,995	--
Other	1,561	4,700
	-----	-----
	\$134,437	\$ 96,788
	=====	=====

40

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

NOTE 15 -- CERTAIN SIGNIFICANT ESTIMATES

Management's estimates that influence the financial statements are normally based on knowledge and experience about past and current events and assumptions about future events. The following estimates affecting the financial statements are particularly sensitive because of their significance, and it is at least reasonably possible that a change in these estimates will occur in the near term:

Product warranty reserves--based on an analysis of customers' product return histories, current status, sales volume and management's expectations from new products introduced into the market.

Customer allowance reserves--based on agreements for customer purchase rebates and shared advertising, and prior year's shipments.

Inventory valuation reserves--based on estimates of costs of inventory amounts overstocked or obsolete in excess of realizable value.

NOTE 16 -- DEFERRED COMPENSATION PLAN

In October 1985, the Board of Directors approved the adoption of a Contributory Deferred Compensation Plan pursuant to which some recipients of incentive compensation could elect to defer receipt thereof. For each dollar of deferred compensation, the Company provided a 75% matching amount. Amounts deferred earn interest at the rate of 9%. Such amounts are not intended to be recognized for tax purposes until receipt. All deferrals allowed under this plan have been made. Participants have no vested rights in deferred amounts credited to their accounts and are general creditors of the Company until such amounts are actually paid.

NOTE 17 -- COMMITMENTS AND CONTINGENCIES

At December 27, 2003, the Company had standby letters of credit issued by a bank

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in the amount of \$500,001.

Additionally, the Company has obtained a letter of credit for the benefit of certain mortgage holders. At December 27, 2003, the balance of the letter of credit was \$2,733,750. It is to be used in the event of a default in either interest or principal payments.

The Company is involved in litigation arising in the normal course of its business. The Company does not believe that the disposition or ultimate resolution of existing claims or lawsuits will have a material adverse effect on the business or financial condition of the Company.

The Company has entered into various agreements whereby it is required to make royalty payments. At December 27, 2003, the Company had estimated minimum royalty payments for each of the following five years as follows:

41

ESCALADE, INCORPORATED Notes to Consolidated Financial Statements

In Thousands	Amount
2004	\$ 315
2005	350
2006	350
2007	350
2008	350
Thereafter	100
	\$ 1,815

NOTE 18 -- SUMMARY OF QUARTERLY RESULTS

In thousands, except per share data (unaudited)	March 22	July 12	October 4	December 27
2003				
Net sales	\$ 29,103	\$ 49,837	\$ 73,660	\$ 69,128
Gross profit	10,444	18,677	20,108	18,134
Net income	7	2,254	6,125	6,464
Basic earnings per share	\$ 0.00	\$ 0.35	\$ 0.95	\$ 1.01
2002				
Net sales	\$ 17,505	\$ 32,202	\$ 51,859	\$ 53,889
Gross profit	5,171	10,623	15,173	13,324
Net income	(68)	2,603	4,149	4,454
Basic earnings per share	\$ (0.01)	\$ 0.40	\$ 0.64	\$ 0.68

NOTE 19 -- ACQUISITIONS

All of the Company's acquisitions have been accounted for using the purchase method of accounting.

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2003

On December 30, 2002 the Company increased its ownership interest to 51.2% of the outstanding shares of Schleicher & Co. International, AG ("Schleicher"), a manufacturer and distributor of data shredding equipment headquartered in Germany and publicly traded on the German Stock Exchange. Escalade then initiated and successfully completed in April 2003, a tender offer for all the remaining shares culminating in 100% ownership. The acquisition of Schleicher increases the Company's product offering in the office product industry and expands the Company's presence into Europe.

The value assigned to the Schleicher acquisition is the sum of the per share amount paid to shareholders and amounts expended that directly relate to the tender offer agreement. The per share price was based on the market price of the Schleicher shares on the German stock exchange and valuation studies ordered by the German securities regulators. The total price paid exceeded the fair market value of Schleicher's net assets, resulting in goodwill of \$4,566 thousand. No portion of the recorded goodwill is deductible for income tax purposes.

42

ESCALADE, INCORPORATED Notes to Consolidated Financial Statements

The estimated fair values of the assets acquired and liabilities assumed as of December 30, 2002 are as follows:

In thousands	Amount
Current assets (net of cash acquired)	\$ 21,211
Property, plant and equipment	5,679
Other assets	2,043
Goodwill	4,566
Investments	262

Total assets acquired	33,761
 Current liabilities	 (20,856)
Long-term debt	(424)

Total liabilities assumed	(21,280)

Net assets acquired	\$ 12,481
	=====

In June 2003 the company acquired substantially all of the assets of North American Archery Group, LLC (NAAG), a manufacturer and distributor of archery equipment and accessories located in Gainesville, Florida. NAAG had been operating under bankruptcy court protection since April 2002. This acquisition increased the Company's distribution network for archery products, provided access to significant brand names such as Fred Bear(R) and instantly added archery production capability.

The estimated fair values of the assets acquired and liabilities assumed as of June 19, 2003 are as follows:

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In thousands -----	Amount -----
Current assets (net of cash acquired)	\$ 7,427
Property, plant and equipment	3,500
Other assets	484

Total assets acquired	11,411
Current liabilities	(1,556)

Net assets acquired	\$ 9,855
	=====

The results of operations from the NAAG acquisition have been included in the consolidated operating results for 2003 subsequent to the date of acquisition.

The following unaudited pro forma financial information presents results as if the two acquisitions described above had occurred at the beginning of the respective periods:

Unaudited; in thousands except per share amounts -----	2003 ----	2002 ----
Net revenue	\$ 225,211	\$ 211,724
Net income	13,829	15,435
Earnings per share - basic	2.13	2.38
Earnings per share - diluted	\$ 2.09	\$ 2.30

43

ESCALADE, INCORPORATED
Notes to Consolidated Financial Statements

These pro forma results have been prepared for comparative purposes only and include certain adjustments such as additional depreciation and amortization expenses as a result of identifiable tangible and intangible assets arising from the acquisition. The pro forma results are not necessarily indicative either of the results of operations that actually would have resulted had the acquisition been in effect at the beginning the respective periods or of future results.

2002

On January 25, 2002, Escalade acquired substantially all of the assets relating to The Step(R) product line from Bollinger Industries for cash. The Step(R) is America's original aerobic step fitness system and is widely used by individuals and at over 18,000 health clubs. The purchase price was \$4,840,000. The assets acquired include \$120,000 of equipment and \$4,720,000 of patents. The patents are being amortized over an 8-year period.

On March 26, 2002, Escalade Sports acquired substantially all of the assets of Steve Mizerak, Inc. The acquisition includes an exclusive line of billiard equipment and intellectual property. The cost of the purchase was \$1,229,000. The assets acquired include inventory of \$129,000, trademarks of \$1,085,000 and

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equipment of \$15,000.

On May 28, 2002, Escalade Sports acquired certain assets and assumed certain liabilities related to the manufacture and distribution of Murrey's exclusive line of premium indoor and outdoor billiard and soccer tables marketed under the Murrey brand name. The cost of the purchase was \$2,489,000. The assets acquired included inventory of \$1.2 million, machinery of \$837,000, non-compete agreement of \$400,000, other assets of \$127,000 and assumed liabilities of \$75,000. The non-compete agreement is being amortized over a 5-year period.

2001

On February 5, 2001, Escalade Sports acquired substantially all of the assets of Accudart Corporation for cash. The purchased assets, included inventory, equipment and intellectual property. Accudart is a leading name in darts. The cost of the purchase was \$1,966,341. Winmau(R), a leading name in dartboards, will be distributed in the U.S.A. exclusively by Escalade Sports as part of the purchase agreement.

On September 18, 2001, Escalade Sports acquired substantially all of the assets of U. S. Weight, Inc., the only U. S. manufacturer of filled vinyl weights and weight sets. The assets purchased were accounts receivable, inventory and machinery and equipment. The cost of the purchase was \$5,889,194. The acquisition was accounted for as a purchase and the excess of cost over the fair value of net assets acquired was \$2,723,720.

The results of operations from the business combinations occurring in 2002 and 2001 have been included in the results of operations of the Company subsequent to the date of the acquisitions and did not have a material effect on the Company's financial statements.

NOTE 20 -- OTHER COMPREHENSIVE INCOME

The components of other comprehensive income and related tax effects were as follows:

44

ESCALADE, INCORPORATED Notes to Consolidated Financial Statements

In Thousands -----	2003 ----	2002 ----
Change in net unrealized value of available-from-sale investments net of tax of \$69, \$(99), and \$(48), in 2003, 2002 and 2001, respectively.	\$ 103	\$ (149)
Change in foreign currency translation adjustment	2,853	--
Change in unrealized loss on interest rate swap agreement net of \$(370) in tax	(685)	--
	-----	-----
	\$ 2,271	\$ (149)
	=====	=====

The components of accumulated other comprehensive income, net of tax, were as follows:

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In Thousands -----	2003 ----	2002 ----	2001 ----
Accumulated gain (loss) on available for sale investments	\$ 79	\$ (24)	\$ (125)
Foreign currency translation adjustment	2,853	--	--
Unrealized loss on interest rate swap agreement	(685)	--	--
	-----	-----	-----
	\$ 2,247	\$ (24)	\$ (125)
	=====	=====	=====

NOTE 21 -- SUBSEQUENT EVENT

On February 18, 2004, The Company announced the payment of an annual dividend of \$0.24 per share to all shareholders of record on March 5, 2004, payable on March 12, 2004.

45

[BKD LLP LOGO]

INDEPENDENT ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors
Escalade, Incorporated
Evansville, Indiana

We have audited the consolidated financial statements of Escalade, Incorporated as of December 27, 2003 and December 28, 2002 and for each of the three years in the period ended December 27, 2003 and have issued our report thereon dated February 3, 2004; such consolidated financial statements and report are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules of Escalade, Incorporated listed in Item 15. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, 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.

/s/ BKD LLP

BKD, LLP
Evansville, Indiana
February 3, 2004

46

ESCALADE, INCORPORATED AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(All Amounts in Thousands)

COL. A

COL. B

COL. C

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DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS - DESCRIBE (3)
Allowance for doubtful accounts and discounts (1)			
Fiscal year ended December 27, 2003	\$ 550	\$ 374	\$ 1,822
Fiscal year ended December 28, 2002	514	101	
Fiscal year ended December 29, 2001	611	41	
Product warranty reserves			
Fiscal year ended December 27, 2003	1,324	1,402	45
Fiscal year ended December 28, 2002	1,307	1,227	
Fiscal year ended December 29, 2001	1,705	1,473	
Customer allowance reserves			
Fiscal year ended December 27, 2003	7,059	11,708	309
Fiscal year ended December 28, 2002	7,174	12,816	
Fiscal year ended December 29, 2001	6,250	9,725	
Inventory valuation reserves			
Fiscal year ended December 27, 2003	1,182	2,574	2,955
Fiscal year ended December 28, 2002	1,120	685	
Fiscal year ended December 29, 2001	800	1,941	

- (1) Deducted from related assets
- (2) Accounts charged off, less recoveries
- (3) Amounts acquired through acquisitions

47

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of 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.

ESCALADE, INCORPORATED

By:

/s/ C.W. Bill Reed

November 23, 2004

C.W. "Bill" Reed
President and Chief Executive Officer

48