FORM 10-K405

ESCALADE INC - ESCA

Filed: March 20, 1998 (period: December 27, 1997)

Annual report filed under Regulation S-K Item 405 (Discontinued)

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 27, 1997
COMMISSION FILE NUMBER 0-6966

ESCALADE, INCORPORATED
(Exact name of registrant as specified in its charter)

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

817 Maxwell Avenue, Evansville, Indiana 47717
(Address of principal executive office)

(812) 467-1200
(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. X

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. X

Aggregate market value of voting stock held by nonaffiliates of the registrant as of February 27, 1998: $36,232,452

The number of shares of Registrant's common stock (no par value) outstanding as of February 27, 1998: 3,060,109

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 25, 1998 are incorporated by reference into Part III of this Report.

Index to Exhibits is found on page 14.

ESCALADE, INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

PART I

ITEM 1--BUSINESS

GENERAL

Escalade, Incorporated (Escalade or Company) is a diversified company engaged in the manufacture and sale of sporting goods and office and graphic arts products. Escalade and its predecessors have produced sporting goods for over 70 years and have produced office machines for over 40 years.

Escalade is the successor to The Williams Manufacturing Company, an Ohio-based manufacturer and retailer of women's and children's footwear formed in 1922. Through a series of acquisitions commencing in the 1970's, the Company has diversified its business. The Company currently manufactures sporting goods in Evansville, Indiana, Compton, California and Tijuana, Mexico and manufactures office and graphic arts products in Wabash, Indiana, Los Angeles, California and Tijuana, Mexico.

In 1972, the Company merged with Martin Yale Industries, Inc. (Martin Yale), an Illinois manufacturer of office and graphic arts products and leisure time items such as toys and hobby and craft items. In 1973, the Company acquired both Indian Industries, Inc. (Indian), an Indiana manufacturer of archery equipment and table tennis tables, and Harvard Table Tennis, Inc., a Massachusetts manufacturer of table tennis accessories. Escalade discontinued the Williams Manufacturing footwear operations in 1976 and sold Martin Yale's leisure time product line to an unaffiliated party in 1979. In 1980, the Company purchased Harvard Sports, Inc. (formerly Crown Recreation (West), Inc.), a California manufacturer of table tennis tables and home pool tables. In 1983, the Company closed Harvard Table Tennis, Inc. and consolidated it with Harvard Sports, Inc. (Harvard).

Escalade has diversified within both the sporting goods and office and graphic arts products industries, principally through the introduction of new product lines and acquisitions of related assets and businesses. Escalade expanded its sporting goods business in 1982 with the introduction of basketball backboards, goals and poles. In 1988, the Company acquired the business machine division assets of Swingline, Inc., further expanding the range of products offered within the office machine and equipment product lines. In 1989, the Company started limited manufacturing in Tijuana, Mexico under a shelter program known as "maquiladora". In 1990, the Company built a new manufacturing and office facility in Wabash, Indiana and consolidated the manufacturing of office and graphic arts products into the new facility. In 1992, the company established a European sales office and warehouse based in the United Kingdom under the name of Escalade International Limited. In 1994, the Company purchased certain assets of Data-Link Corporation which manufactured products to apply postage and other stamps. In 1997, the Company purchased Master Products Manufacturing Company, Inc. (Master Products), a manufacturer of paper punches and catalog rack systems.

Escalade's sporting goods products are produced by Indian and Harvard and are sold through a single consolidated sales and marketing group, Escalade Sports. Escalade's office and graphic arts products are produced by Martin Yale and Master Products and are sold through a single consolidated sales and marketing group, Martin Yale.

The following table presents the percentages contributed to Escalade's net sales by each of its business segments:

FISCAL YEAR	1997	1996	1995
Sporting goods	73%	79%	81%
Office and graphic arts products	27	21	19
Total net sales	100%	100%	100%

For additional segment information, see the notes to consolidated financial statements.

SPORTING GOODS

Escalade manufactures and sells a variety of sporting goods such as table tennis tables and accessories, archery equipment, home pool tables and accessories, combination bumper pool and card tables, game tables, basketball backboards, goals and poles, darts, dart cabinets and junior sporting goods, including Mini Ping Pong, Mini Pool(TM), Mini Court(R) basketball and Shot Clock basketball. Some of Escalade's domestic sporting goods shipments are made from Harvard, which primarily services the Company's U. S. Western marketing region, but most of such shipments are made from Indian, which primarily serves the rest of the United States. The majority of foreign shipments are made through Escalade FSC Inc., a foreign sales corporation established by the Company in 1994.

Escalade produces and sells sporting goods under various brand names in addition to its Indian and Harvard brand names. Beginning in 1985, Indian and Harvard entered into an agreement with Spalding and Evenflo Companies, Inc. (Spalding) for the exclusive right and license to utilize the Spalding(R) trademark in conjunction with the manufacture, sale and distribution in the United States of certain sporting goods product lines. The principal product lines covered by licensing agreements with Spalding are basketball backboards, goals and poles, indoor darts, table tennis sets and pool accessories. Beginning in 1990, Indian entered into an agreement and contract with Baker Sport AB, a Swedish company, for the exclusive right and license to distribute and produce table tennis equipment under the brand name STIGA for the United States and Canada. Subsequently, Baker Sport AB filed bankruptcy under Swedish laws. A plan of reorganization was instituted and a new company was formed called Sweden Table Tennis AB and, effective February 2, 1994, Escalade purchased 37.5%, the Bandstigen Family purchased 37.5% and AB Traction purchased 25% of Sweden Table Tennis AB.

Escalade also manufactures various sporting goods under private label for Sears Roebuck & Co. (Sears) and various other customers. Many of Escalade's products are sold to Sears, Escalade's largest customer, which accounted for approximately 33% of Escalade's sporting goods item net sales in 1997. No other customer accounted for more than 10% of Escalade's sporting goods net sales in 1997.

Certain of the Company's sporting goods products are subject to the regulation of the Consumer Product Safety Commission. The Company believes that it is in compliance with such regulations.

As previously announced, in October 1997, the Company retained CIBC Oppenheimer Corp. (CIBC) to assist in exploring potential opportunities to enhance stockholder value through transactions involving the Company's sporting goods operations, including a possible sale. CIBC is at the initial stage of exploring such possibilities. No offers have been received, although several parties have expressed interest. The resulting impact of any such transaction on the value of the Company and its stock is uncertain, and there can be no assurance that any such transaction will ultimately occur.

OFFICE AND GRAPHIC ARTS PRODUCTS

Escalade's office and graphic arts products include paper trimmers, paper folding machines, paper drills, collators, decollators, bursting machines, letter openers, automated paper joggers, checksigners, stamp affixers, paper shredders, paper punches, catalog rack systems, bindery carts and related accessories. Escalade's office and graphic arts products business is conducted through Martin Yale and Master Products.

In 1986, the Company introduced a combination checksigner and bursting machine, which automatically imprints facsimile signatures on payroll checks and then separates each check for distribution. The Company also further diversified its office equipment product lines by its August 1988 purchase of the business machine division assets of Swingline, Inc. consisting primarily of a line of forms handling equipment including decollators, bursters and checksigners and a line of shredders and other products, by its 1994 purchase of certain assets of Data-Link Corporation consisting primarily of products which apply postage and other stamps and by its 1997 purchase of Master Products, a manufacturer of paper punches and catalog rack systems.

Escalade produces and sells office and graphic arts products under the Martin Yale brand name, the Premier(R) trademark and the Master Products brand name. The Company also manufactures various office and graphic arts products under private label for original equipment manufacturers.

The Company announced in October 1994 that it intended to distribute 100% of the Martin Yale stock to Escalade's stockholders in a tax-free spin-off following the satisfaction of certain contingencies. The Company's management believed that the spin-off would be in the best interests of the Company and its stockholders, although in February 1995 the proposed distribution was delayed until the Company made satisfactory progress in improving Escalade's overall profitability. However, in 1997, this was deemed infeasible due to uncertain tax consequences to the Company and its stockholders and the possible resulting limitations on future business operations.

RELATIONSHIP WITH SEARS

The Company has supplied sporting goods to Sears for over 30 years beginning with sales of archery equipment by Indian to Sears. Sears currently purchases for resale a wide variety of Escalade's sporting goods. Sales to Sears accounted for approximately 24% of Escalade's consolidated sales in 1997 and for approximately 24% and 23% of consolidated sales in 1996 and 1995. Even though the Company has no long-term contracts with Sears, the Company believes that sales to Sears will continue and that relations with Sears are good.

Escalade has been recognized by Sears for its outstanding service in ten of the last 12 years and in 20 of the last 25 years. Sears has awarded Escalade the Sears "Partners in Progress Award" during those years based upon quality, service and product innovation. Sears makes this award to less than 80 suppliers each year. During this period, Sears had more than 10,000 suppliers. In 1987, Sears further recognized the Company by awarding Escalade the Sears 1986 "Source of the Year Award" in the recreation-automotive group.

MARKETING AND PRODUCT DEVELOPMENT

Escalade has developed its existing product lines to adapt to changed conditions. Escalade believes that it is prepared to react to changing market and economic developments primarily by continuing the quality/price structure of the Company's product lines and by conducting ongoing research and development of new products. Escalade is committed to being customer focused.

For many of its sporting goods products, Escalade offers its customers a choice, based on quality and price, of its line of "good, better and best" items. Such products are priced in relation to their quality which enables the Company to sell its goods through a variety of department stores, mass merchandisers, wholesale clubs, catalog showrooms, discount houses, general sporting goods stores, specialty sporting goods stores and hardware chains. As a result of such quality/price structure, Escalade is able to meet the quality/price objectives of the consumers served by such retail channels.

Escalade sells its office and graphic arts products through office machine dealers, office supply houses and office product catalogs. Certain of Escalade's office products, such as paper trimmers and paper folders, are marketed in a quality/price range designed to accommodate customer needs. Lower cost items are generally intended for light duty office applications, whereas higher cost items are more rugged or more sophisticated, and are intended for use in heavy duty or commercial applications.

Escalade conducts much of its marketing efforts through a network of independent sales representatives in the office and graphic arts industries. Marketing efforts in the sporting goods business are coordinated through a marketing department as well as through a network of Company and independent sales representatives.

The Company engaged in ongoing research and development activities for new products in each of its business segments. Escalade spent approximately $1,400,000 in 1997, $2,300,000 in 1996 and $1,700,000 in 1995 for research and development activities.

COMPETITION

Escalade is subject to competition with various manufacturers of each product line produced or sold by Escalade. The Company is not aware of any other single company that is engaged in both the same industries as Escalade or that produces the same range of products as Escalade within such industries. Nonetheless, competition exists for many Escalade products within both the sporting goods and office and graphic arts industries and some competitors are larger and have substantially greater resources than the Company. Escalade believes that its long-term success depends on its ability to strengthen its relationship with existing customers, to attract new customers and to develop new products that satisfy the quality and price requirements of sporting goods and office and graphic arts customers.

LICENSES, TRADEMARKS AND BRAND NAMES

Escalade Sports is licensed to use the Spalding(R) trademark pursuant to licensing agreements entered into with Spalding in 1985. The Company pays royalties to Spalding for the use of the Spalding trademark in accordance with certain schedules set forth in the agreements. The licensing agreements further require that the Company pay Spalding certain minimum annual royalties from sales of Spalding(R) branded goods and that the Company provide Spalding with periodic reports and maintain quality standards acceptable to Spalding. In 1997, royalties paid by the Company to Spalding were less than 1% of net sales. The Company believes that it currently satisfies all material terms of its agreements with Spalding. The licensing agreements with Spalding expire on September 30, 1999.

Escalade is the owner of several registered trademarks and brand names. For its sporting goods, the Company holds the Ping-Pong(R), and Harvard(R) registered trademarks and utilizes the Indian, Indian Archery and Indian Xi brand names. The Company permits limited uses of the Ping-Pong(R) trademark by other manufacturers pursuant to various licensing agreements. The Company also owns the Premier(R) and Sandmar(R) registered trademarks for its office and graphic arts products, in addition to manufacturing such products under the Martin Yale and Master Products brand names.

SEASONALITY

The backlog of unshipped orders by industry segment is shown below at the Company's 1997, 1996, and 1995 fiscal year end. All orders in backlog at year end are generally shipped during the following year. The backlog includes all orders received but not shipped. Escalade's sporting goods business is seasonal and, therefore, the backlog is subject to fluctuations.

YEARS ENDED DECEMBER 27, DECEMBER 28 AND DECEMBER 30	1997	1996	1995
Orders received but not shipped			
Sporting goods	$4,375,600	$2,592,800	$3,128,200
Office and graphic arts products	570,100	419,300	392,300

EMPLOYEES

The Company employs between 625 and 825 employees, consisting of between 275 and 425 people at Indian's Evansville, Indiana facilities, between 100 and 150 at Harvard's Compton, California and Tijuana, Mexico facilities, approximately 125 employees at Martin Yale's Wabash, Indiana facilities and approximately 125 at Master Products' Los Angeles, California and Tijuana, Mexico facilities. All hourly rated employees at Evansville are represented by the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers AFL-CIO, whose contract expires April 30, 2000. All hourly rated employees at Compton, California are represented by the International Brotherhood of Teamsters whose contract expires on March 31, 1998, by which time the Company will have ceased operations at its Compton, California facility and will have moved those operations to a new location in San Diego, California.

Escalade believes that its employee relations are satisfactory.

SOURCES OF SUPPLIES

Raw materials for Escalade's various product lines consist of wood, particle board, slate, standard grades of steel, steel tubing, plastic vinyl, steel cables, fiberglass and packaging. Escalade relies upon European suppliers 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.

The Company believes that these sources will continue to provide adequate supplies as needed. All other materials needed for the Company's various operations are available in adequate quantities from a variety of domestic and foreign sources.

YEAR 2000 COMPLIANCE

The Company's sporting goods and office and graphic arts machines and equipment subsidiaries have both initiated programs to prepare their computer systems and applications for the Year 2000 and to identify all systems and applications affected by Year 2000 compliance issues. They expect to incur internal staff costs as well as consulting and other expenses to test and convert system applications in the amount of approximately $250,000 over the next one and a half years. Any necessary modifications to the Company's systems are expected to be approximately 90% complete by the end of 1998 and completely finished in 1999. The Company does not expect that Year 2000 compliance issues and related expenses will have a material adverse impact on the Company's operations, cash flows or financial conditions in future periods.

ITEM 2--PROPERTIES

The Company operates the following facilities:

LOCATION	SIZE	LEASED OR OWNED
Evansville, Indiana (1)	346,000 sq. ft.	Owned
Compton, California (1)	102,000 sq. ft.	Leased
Tijuana, Mexico (1)	50,000 sq. ft.	Owned
Swansea, United Kingdom (1)	13,500 sq. ft.	Owned
Wabash, Indiana (2)	141,000 sq. ft.	Owned
Los Angeles, California (2)	72,312 sq. ft.	Owned
Tijuana, Mexico (2)	15,000 sq. ft.	Leased

(1) Sporting goods facilities
(2) Office products facilities

The Company leases its Compton, California manufacturing facilities at a rate of $29,600 per month through March 31, 1998. When the lease expires, the Company will commence leasing other space in the San Diego, California area and the Company will conduct the operations formerly performed in Compton, California, except for manufacturing, at this location.

The Company's Wabash facilities are held subject to a mortgage financed by Economic Development Revenue Bonds. The 141,000 square foot facility is a pre-engineered metal building supported by structured steel and concrete block consisting of 21,000 square feet warehousing, 6,000 square feet office and 114,000 square feet manufacturing.

The Company leases space in Tijuana, Mexico for its office products operations for $61,000 per year.

The Company believes that its facilities are in excellent condition and suitable for their respective operations. The Evansville, Wabash and Tijuana sites also contain several undeveloped acres which could be utilized for expansion.

The Company believes that all of its facilities are in compliance with applicable environment regulations and is not subject to any proceeding by any federal, state or local authorities regarding such matter. The Company provides regular maintenance and service on its plants and machinery as required.

ITEM 3--LEGAL PROCEEDINGS

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 such claims or lawsuits will have a material adverse affect on the business or financial condition of the Company.

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

None.

PART II

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

The Company's common stock is traded under the symbol "ESCA" on the Nasdaq National Market System. The following table sets forth, for the calendar periods indicated, the high and low sales prices of the Common Stock as reported by the Nasdaq National Market System:

PRICES	HIGH	LOW
1997		
First quarter ended March 22, 1997	$ 12.63	$ 8.25
Second quarter ended July 12, 1997	10.88	9.38
Third quarter ended October 4, 1997	12.25	9.50
Fourth quarter ended December 27, 1997	14.75	10.88
1996		
First quarter ended March 23, 1996	$ 5.13	$ 2.50
Second quarter ended July 13, 1996	5.50	4.75
Third quarter ended October 5, 1996	9.13	4.88
Fourth quarter ended December 28, 1996	9.25	7.75

The closing market price on February 27, 1998 was $18 per share.

In the fourth quarter of 1997, the Company announced its offer to purchase up to 1,000,000 shares of its common stock at a price of $11 to $14 per share. Pursuant to such offer, the Company purchased 117,766 shares of its common stock at $14 per share in December 1997.

In the third quarter of 1996, the Company announced its offer to purchase approximately 1,000,000 shares of its common stock at a price of $6 to $10 per share. Pursuant to such offer, the Company purchased 1,016,682 shares of its common stock at $8.875 per share in September 1996.

The Company paid no cash dividends during the last two fiscal years. The Company's existing bank indebtedness restricts the payment of cash dividends.

There were approximately 360 holders of record of the Company's Common Stock at February 27, 1998. The approximate number of stockholders, including those held by depository companies for certain beneficial owners, was 850.

ITEM 6--SELECTED FINANCIAL DATA (In thousands, except per share data)

AT AND FOR YEARS ENDED	DECEMBER 27, 1997	December 28, 1996	December 30, 1995	December 31, 1994	December 25, 1993(2)

INCOME STATEMENT DATA					
Net sales					
Sporting goods	$66,666	$74,077	$73,858	$85,318	$80,397
Office and graphic arts products	24,836	19,132	17,321	17,276	14,338
Total net sales	91,502	93,209	91,179	102,594	94,735
Net income (loss)	6,361	5,247	448	(2,403)	6,213
Weighted average shares	3,110	3,850	4,134	4,129	4,111
PER SHARE DATA (1)					
Basic earnings per share	$2.05	$1.36	$.11	$(.58)	$1.51
Cash dividends	0	0	0	0	0
BALANCE SHEET DATA					
Working capital	15,478	13,309	17,069	16,837	22,289
Total assets	66,145	54,430	57,767	75,883	66,142
Short-term debt	14,075	13,675	16,732	31,215	16,640
Long-term debt	10,700	5,500	6,266	9,148	11,563
Total stockholders' equity	23,501	19,305	23,338	22,889	25,163

(1) Basic earnings per common share are based on average shares outstanding adjusted to reflect the Company's 15% stock dividend declared on February 19, 1994.

(2) Includes a cumulative effect adjustment of $3,089,893 relating to the adoption of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

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

RESULTS OF OPERATIONS

1997 COMPARED TO 1996

In 1997, net sales decreased 1.8%, or $1,707,000 to $91,502,000 from $93,209,000 in 1996.

Sporting goods net sales decreased by $7,411,000 from $74,077,000 to $66,666,000. Of this decrease, 34% was due to discontinued product or product lines and the remaining 66% was due to a decrease in units sold. The decrease in units sold was mainly caused by excess inventory carryover from the prior year by several large customers.

Office and graphic arts machines and equipment net sales increased by $5,704,000, or 29.8%, to $24,836,000 from $19,132,000. Of this increase, 95% was due to the acquisition of Master Products and the other 5% was mainly due to increased export sales.

Cost of sales of $61,717,000 as a percentage of net sales was 67.4% in 1997 as compared to $66,703,000, or 71.6%, in 1996. This decrease in cost of sales as a percentage of net sales was in the sporting goods segment. This decrease in cost of goods sold was in factory expense, primarily in depreciation, product development, salaries and management services.

Selling, administrative and general expenses in 1997 were $17,397,000, or 19%, of net sales as compared to $16,628,000, or 17.8%, in 1996. This increase as a percentage of net sales was in the office and graphic arts machines and equipment segment. Professional services, travel, customer allowances and bad debts increased. Also, this segment's selling, general and administrative expenses are higher than sporting goods as a percentage of net sales and this segment's sales are increasing as a percentage of total sales.

Interest expense in 1997 was $1,277,000 as compared to $1,408,000 in 1996, a decrease of $131,000, or 9.3%. This decrease in interest expense was due to lower average borrowing levels in 1997 than in 1996.

The income tax provision for 1997 was $4,689,000 for an effective rate of 42%.

Net income for the year was $6,361,000 as compared to $5,247,000 in 1996. This increase in net income was from sporting goods and was primarily due to increased margins as a result of lower factory expenses.

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

RESULTS OF OPERATIONS

1996 COMPARED TO 1995

In 1996, net sales increased 2.2%, or $2,030,000, to $93,209,000 from $91,179,000 in 1995.

Sporting goods net sales increased $219,000 from $73,858,000 to $74,077,000. Lower sales in the first three quarters of 1996 were offset by a 14.8% increase in fourth quarter sales over 1995. This increase reflected improved Christmas shipments to retailers in 1996 as compared to 1995.

Office and graphic arts machines and equipment net sales increased $1,811,000, or 10.5%, to $19,132,000 from $17,321,000. Graphic arts equipment sales were up about $400,000, mainly to dealers, and office product sales were up about $1,400,000, mainly in wholesale, contract stationer and superstore sales.

Cost of sales of $66,703,000 as a percentage of net sales was 71.6% in 1996 as compared to $73,433,000, or 80.6%, in 1995. Sporting goods cost of sales as a percentage of net sales decreased 10.1% in 1996 from 1995. Material costs were down about 5%, labor costs were down about 1% and factory expense was down about 4% as a percentage of net sales. The decrease in the office and graphic arts machines and equipment cost of sales as a percentage of net sales was 2.2% and was mainly in material cost.

Selling, administrative and general expenses in 1996 were $16,628,000 as compared to $13,867,000 in 1995. As a percentage of net sales, these expenses were 17.8% in 1996 and 15.2% in 1995. This increase was in advertising, sales promotion, volume discounts, customer allowances and incentives.

Interest expense in 1996 was $1,408,000 as compared to $2,268,000 in 1995, a decrease of $860,000, or 37.9%. This decrease was due to lower short-term borrowing levels in 1996 than in 1995.

The income tax provision for 1996 was $3,513,000 for an effective rate of 40%.

Net income for the year of $5,247,000 compares to net income of $448,000 in 1995. This is an increase of $4,799,000. Sporting goods net income increased about $4,700,000 and office and graphic arts machines and equipment net income increased about $500,000 with the difference being in corporate expenses.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

The Company's net cash provided by operating activities was $8,784,231, $15,266,154 and $18,666,358 in 1997, 1996 and 1995. Inventory management provided cash of $272,909, $3,699,263 and $8,244,785 in 1997, 1996 and 1995. Accounts receivable used cash of $2,113,236 and $2,439,220 in 1997 and 1996 and provided cash of $6,411,341 in 1995. The increase in year-end receivables in

1997 was due to higher fourth quarter sales.

INVESTING ACTIVITIES
The Company's net cash used by investing activities was $10,651,115, $1,891,594 and $1,051,136 in 1997, 1996 and 1995. The Company used $1,597,055, $1,902,127 and $1,144,922 in 1997, 1996 and 1995 to purchase property and equipment. In 1997, the Company used $8,958,745 for the purchase of certain assets of Master Products, net of cash acquired.

FINANCING ACTIVITIES
Net cash provided by financing activities in 1997 was $1,793,961 and net cash used by financing activities was $13,301,909 and $17,363,055 in 1996 and 1995. In 1997, the Company borrowed an additional $11,500,000 and paid $10,300,000 on long-term debt. At year end, the short-term debt had increased $3,120,650 over last year. This is a net increase of $4,320,650 in total bank debt. The additional borrowings were used for the purchase of Master Products and Company stock and warrants.

The Company's working capital requirements are funded by cash flow from operations and a domestic short-term line of credit. The maximum amount that could be drawn under its domestic line of credit at year end was $12,000,000, of which $8,275,000 was used. The domestic line of credit has been paid down to zero as of January 26, 1998. The Company expects to pay $4,000,000 of the $13,500,000 term loan from cash flow in the first quarter of 1997. This payment is in advance of the schedule payback and has been classified as current on the balance sheet.

EFFECT OF INFLATION
The Company cannot accurately determine the precise effects of inflation; however, there were some increases in sales and costs due to inflation in 1997. The Company attempts to pass on increased costs and expenses through price increases when necessary. The Company is working on reducing expense levels, improving manufacturing technologies and redesigning products to keep these costs under control.

ITEM 7. A.--QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8--FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by Item 8 are set forth in Part IV, Item 14.

ITEM 9--CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10--DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required under this item with respect to Directors and Executive Officers is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 25, 1998 under the captions "Certain Beneficial Owners" and "Election of Directors" and is incorporated herein by reference.

ITEM 11--EXECUTIVE COMPENSATION

Information required under this item is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 25, 1998 under the caption "Executive Compensation" and is incorporated herein by reference, except that the information required by Items 402(k) and (l) of Regulation S-K which appear within such caption under the sub-headings "Compensation and Stock Option Committees" and "Financial Performance" are specifically not incorporated by reference into this Form 10-K or into any other filing by the registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934.

ITEM 12--SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required under this item is contained in the Registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 25, 1998 under the caption "Certain Beneficial Owners" and is incorporated herein by reference.

ITEM 13--CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14--EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) Documents filed as a part of this report:

(1) FINANCIAL STATEMENTS
- Independent Auditor's Report
- Consolidated financial statements of Escalade, Incorporated and subsidiaries: Consolidated balance sheet--December 27, 1997 and December 28, 1996 Consolidated statement of income--fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995
  - Consolidated statement of stockholders' equity--fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995
  - Consolidated statement of cash flows--fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995
  - Notes to consolidated financial statements

(2) FINANCIAL STATEMENT SCHEDULES
- Independent Auditor's Report on financial statement schedule
- For the three-year period ended December 27, 1997:
  - 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 Spalding and Evenflo Companies, Inc. and Indian Industries, Inc. dated October 1, 1992 and extension letter dated May 25, 1995 (e)
- 10.3 Licensing agreement between Sweden Table Tennis AB and Indian Industries, Inc. dated January 1, 1995 (h)
- 10.4 Amendment to lease agreement dated April 1, 1983 among Irving J. Karp, Trustee of the Karp 1977 Trust, Irving J. Karp, Trustee of the Feldman 1976 Trust and Harvard Sports, Inc. dated September 8, 1992 (e)
- 10.8 Federal trademark registration 283,766 for Ping-Pong(R)

bats and rackets (a)

10.9 Federal trademark registration 283,767 for Ping-Pong(R) balls (a)

10.10 Federal trademark registration 294,408 for Ping-Pong(R) tables and parts (a)

10.11 Federal trademark registration 520,270 for Ping-Pong(R) game (a)

10.12 Federal trademark registration 1,003,289 for Mr. Table Tennis(R)table tennis equipment (a)

10.13 Federal trademark registration 1,187,832 for Harvard(R) table tennis equipment (a)

10.14 Federal trademark registration 1,442,274 for Mini Court(R)(a)

10.15 Federal trademark registration 1,292,167 for Premier(R) table tennis tables and accessories (a)

10.16 Federal trademark registration 1,456,647 for Mini Pool(R)(a)

(3) EXHIBITS (continued)

10.17 Trademark Assignment--Federal trademark registration 1,348,890 for Sandmar(R) office machines (b)

10.18 Agreement dated April 28, 1997 between Indian Industries, Inc. and International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, AFL-CIO Local No. 848 (j)

10.19 Amendment to agreement dated April 1, 1991 between Harvard Sports, Inc. and Food, Industrial and Beverage Warehouse, Driver and Clerical Employees, Local 630 dated January 16, 1995 (g)

10.21 Amendment to credit agreement dated May 31, 1996 between Escalade, Incorporated and Bank One, Indianapolis, National Association dated May 31, 1997 (j)

10.32 Mortgage, security agreement, collateral assignment of rents and fixture, filing dated June 4, 1990 between Martin Yale Industries, Inc. and Bank One, Indianapolis, National Association (c)

10.33 Trust Indenture between the City of Wabash, Indiana and The Citizens National Bank of Evansville as Trustee dated May 1, 1990 relating to the Economic Development Revenue Bonds, Series 1990 (Martin Yale Industries, Inc. Project) (c)

10.34 Real Estate Sales Contract dated September 17, 1990 between Martin Yale Industries, Inc. and Fritkin-Jones Design Group, Inc. (c)

10.35 Stock and Warrant Exchange Agreement dated June 30, 1991 between Escalade, Incorporated and the minority stockholders of Marcy (d)

10.36 Stock purchase agreement dated June 17, 1997 between Martin Yale Industries, Inc. and James Crean International, G.V. regarding the purchase of Master Products Manufacturing Company, Inc. (j)

21 Subsidiaries of the Registrant

23 Consent of Geo. S. Olive & Co. LLC

27 Financial Data Schedule

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

10.24 The Harvard Sports/Indian Industries, Inc. 401(k) Plan as amended and merged in 1993 (h)

10.26 Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (h)

10.27 Incentive Compensation Plan for Escalade, Incorporated and its subsidiaries (a)

10.28 Escalade, Incorporated 1984 Incentive Stock Option Plan (a)

10.29 Example of contributory deferred compensation agreement between Escalade, Incorporated and certain management

employees allowing for deferral of compensation (a)
10.30 1997 Director Stock Compensation and Option Plan (k)
10.31 1997 Incentive Stock Option Plan (k)

(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 1988 Annual Report on Form 10-K

(c) Incorporated by reference from the Company's 1990 Annual Report on Form 10-K

(d) Incorporated by reference from the Company's 1991 Second Quarter Report on Form 10-Q

(e) Incorporated by reference from the Company's 1991 Annual Report on Form 10-K

(f) Incorporated by reference from the Company's 1992 Annual Report on Form 10-K

(g) Incorporated by reference from the Company's 1994 Annual Report on Form 10-K

(h) Incorporated by reference from the Company's 1995 Annual Report on Form 10-K

(i) Incorporated by reference from the Company's 1996 Third Quarter Report on Form 10-Q

(j) Incorporated by reference from the Company's 1997 Second Quarter Report on Form 10-Q

(k) Incorporated by reference from the Company's 1997 Proxy Statement

(B) No reports on Form 8-K for the fourth quarter ended December 27, 1997 were required to be filed.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated balance sheet of Escalade, Incorporated and subsidiaries as of December 27, 1997 and December 28, 1996 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 27, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Escalade, Incorporated and subsidiaries at December 27, 1997 and December 28, 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 27, 1997 in conformity with generally accepted accounting principles.

GEO. S. OLIVE & CO. LLC

Evansville, Indiana
January 30, 1998

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 27 AND DECEMBER 28	1997	1996
ASSETS		
Current assets		
Cash	$ 1,246,396	$ 1,319,319
Receivables, less allowances of $893,434 and $681,606	30,602,245	27,296,584
Inventories	12,637,345	11,452,433
Prepaid expenses	236,500	221,850
Deferred income tax benefit	1,205,196	1,560,814
Total current assets	45,927,682	41,851,000
Property, plant and equipment	11,638,686	10,208,548
Other assets	2,422,066	1,851,511
Deferred income tax benefit		518,653
Goodwill	6,157,350	
	$66,145,784	$54,429,712
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable--bank	$ 8,275,000	$ 3,875,000
Current portion of long-term debt	5,800,000	9,800,000
Trade accounts payable	2,696,478	2,393,980
Accrued liabilities	12,128,256	11,374,159
Federal income tax payable	1,550,000	1,099,072
Total current liabilities	30,449,734	28,542,211
Other liabilities		
Long-term debt	10,700,000	5,500,000
Deferred compensation	1,065,973	1,082,790
Deferred income tax liability	429,412	
	12,195,385	6,582,790
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--3,050,691 and 3,084,449 shares	5,879,827	8,291,516
Retained earnings	17,373,846	11,013,195
Net unrealized gain on securities available for sale	246,992	

	23,500,665	19,304,711
	$66,145,784	$54,429,712

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 27, DECEMBER 28 AND DECEMBER 30	1997	1996	1995
Net Sales	$91,501,865	$93,209,331	$91,178,757
Costs, Expenses and Other Income			
Cost of products sold	61,716,502	66,703,061	73,443,333
Selling, administrative and general expenses	17,397,633	16,628,415	13,867,421
Restructuring charge			1,040,000
Amortization of goodwill	217,223		
Interest	1,276,883	1,408,070	2,267,620
(Gain) loss on disposal of assets	319,066	(60,146)	(23,293)
Other income	(475,580)	(230,520)	(251,190)
	80,451,727	84,448,880	90,343,891
Income Before Income Taxes	11,050,138	8,760,451	834,866
Provision for Income Taxes	4,689,487	3,513,334	387,133
NET INCOME	$ 6,360,651	$ 5,247,117	$ 447,733
Per Share Data			
Basic earnings per share	$2.05	$1.36	$.11
Diluted earnings per share	$2.02	$1.35	$.11

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK			NET UNREALIZED GAIN ON SECURITIES AVAILABLE
	SHARES	AMOUNT	RETAINED EARNINGS	FOR SALE
BALANCES AT JANUARY 1, 1995	4,133,361	$17,570,452	$ 5,318,345	
Exercise of stock options	593	1,945		
Net income			447,733	
BALANCES AT DECEMBER 30, 1995	4,133,954	17,572,397	5,766,078	
Exercise of stock options	11,786	38,766		
Net income			5,247,117	
Purchase of stock	(1,061,291)	(9,319,647)		

BALANCES AT DECEMBER 28, 1996	3,084,449	8,291,516	11,013,195	
Exercise of stock options	84,808	433,808		
Net income			6,360,651	
Purchase of stock	(118,566)	(1,656,368)		
Put option to retire warrants		(1,189,129)		
Net change in unrealized gain on securities available for sale				$246,992
BALANCES AT DECEMBER 27, 1997	3,050,691	$5,879,827	$17,373,846	$246,992

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 27, DECEMBER 28 AND DECEMBER 30	1997	1996	1995
OPERATING ACTIVITIES			
Net income	$ 6,360,651	$ 5,247,117	$ 447,733
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	2,381,201	3,026,541	3,626,696
Provision for losses on accounts receivable	474,050	427,650	175,559
Provision for deferred income tax	1,303,683	411,348	(140,855)
Provision for deferred compensation	98,183	101,955	98,101
Provision for restructuring charges			1,040,000
(Gain) loss on disposals of equipment	319,066	(60,146)	(23,293)
Change in cash surrender value, net of loans and premiums	(36,000)	(47,734)	(39,407)
Changes in			
Accounts receivable	(2,113,236)	(2,439,220)	6,411,341
Income tax refundable		275,000	123,909
Inventories	272,909	3,699,263	8,244,785
Prepaids	96,969	44,920	(8,308)
Other assets	(89,397)	81,149	9,289
Income tax payable	450,928	770,000	329,072
Accounts payable and accrued expenses	(734,776)	3,728,311	(1,628,264)
Net cash provided by operating activities	8,784,231	15,266,154	18,666,358
INVESTING ACTIVITIES			
Premiums paid for life insurance		(65,800)	(131,600)
Purchase of property and equipment	(1,597,055)	(1,902,127)	(1,144,922)
Proceeds from sale of property and equipment		76,333	34,425
Purchase of long-term investments	(95,315)		(99,256)
Purchase of certain Master Products assets, net of cash acquired	(8,958,745)		
Proceeds from sale of long-term investments			290,217
Net cash used by investing activities	(10,651,115)	(1,891,594)	(1,051,136)
FINANCING ACTIVITIES			
Net increase (decrease) in notes payable--bank	3,120,650	(10,475,000)	(14,887,500)
Proceeds from exercise of stock options	433,808	38,766	1,945
Reduction of long-term debt	(10,300,000)	(7,248,000)	(2,477,500)
Purchase of stock and warrants	(2,845,497)	(9,319,647)	
Proceeds from long-term debt	11,500,000	13,900,000	
Deferred compensation paid	(115,000)	(198,028)	
Net cash provided (used) by financing activities	1,793,961	(13,301,909)	(17,363,055)
INCREASE (DECREASE) IN CASH	(72,923)	72,651	252,167
CASH, BEGINNING OF YEAR	1,319,319	1,246,668	994,501
CASH, END OF YEAR	$ 1,246,396	$ 1,319,319	$ 1,246,668
SUPPLEMENTAL CASH FLOWS INFORMATION			
Interest paid	$ 1,302,577	$ 1,379,847	$ 2,332,038
Income taxes paid (refunded), net	3,819,632	2,286,986	(413,773)
Fixed assets in accounts payable	35,253	126,884	10,000

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Escalade, Incorporated (Company) is primarily engaged in the manufacture and sale of sporting goods and office and graphic arts products. The Company is located in Evansville, Indiana and has six manufacturing facilities, one in Evansville, Indiana; Compton, California; Wabash, Indiana and Los Angeles, California and two in Tijuana, Mexico. The Company sells products to customers throughout the United States and provides foreign shipments of sporting goods through a foreign sales corporation. The consolidated financial statements include the accounts of all significant subsidiaries. Intercompany transactions have been eliminated.

The preparation of financial statements in conformity with 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.

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

The Company has long-term marketable equity securities, which are included in other assets on the consolidated balance sheet and are recorded at fair value.

Land, buildings and equipment are recorded at cost. Contracts under which certain facilities are leased have been treated as purchases. Provisions for depreciation and amortization are computed by the straight-line and double declining balance methods.

The estimated useful lives used in computing depreciation are as follows:

	YEARS
Buildings	20-30
Leasehold improvements	4-8
Machinery and equipment	5-15
Tooling, dies and molds	2-4

Maintenance and repairs are expensed and major renewals and improvements are capitalized. The costs of assets sold or otherwise disposed of, and the related allowances for depreciation, are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in operations.

The carrying values of all of the Company's financial instruments approximate their fair values.

Basic earnings per common share information is based on average shares outstanding adjusted for stock dividends.

The Company's fiscal year ends on the Saturday nearest December 31, within the calendar year.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

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.

Deferred federal income taxes applicable to the difference between financial statement income and taxable income and the bases of assets and liabilities for financial statement and tax purposes are provided in the financial statements.

Research and development costs are charged to income as incurred. The research and development costs incurred during 1997, 1996 and 1995 were approximately $1,400,000, $2,300,000 and $1,700,000.

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

The Company has elected to act as a self-insurer for certain costs related to 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 $1,100,000.

INVENTORIES

DECEMBER 27 AND DECEMBER 28	1997	1996
Finished products	$ 5,665,390	$ 5,082,134
Work in process	3,412,443	2,709,752
Raw materials and supplies	3,559,512	3,660,547
	$12,637,345	$11,452,433

PROPERTY, PLANT AND EQUIPMENT

DECEMBER 27 AND DECEMBER 28	1997	1996
Land	$ 757,210	$ 345,210
Buildings and leasehold improvements	10,649,336	9,562,524
Machinery and equipment	23,588,382	21,909,966
	34,994,928	31,817,700
Accumulated depreciation and amortization	(23,356,242)	(21,609,152)
	$11,638,686	$10,208,548

LONG-TERM DEBT

DECEMBER 27 AND DECEMBER 28	1997	1996
Mortgage payable, due in annual installments varying from $300,000 in 1998 to $500,000 in 2005, interest varies from 7.65% to 7.95%, due 2005, secured by plant facility, machinery and equipment, and letter of credit	$ 3,000,000	$ 3,300,000

Term loan, due in quarterly installments of $500,000, interest varies from prime to London Interbank Offered Rate (LIBOR) plus 1.75%, secured by equipment, inventory, accounts receivable, general intangibles and securities	13,500,000	12,000,000
	16,500,000	15,300,000
Portion classified as current	(5,800,000)	(9,800,000)
	$10,700,000	$ 5,500,000

Maturities of long-term indebtedness for the ensuing five years are: 1998, $5,800,000; 1999, $2,300,000; 2000, $2,300,000; 2001, $2,400,000; 2002, $2,400,000 and thereafter, $1,300,000.

The Company expects to pay $4,000,000 of the $13,500,000 term loan from cash flow in the first quarter of 1998. This payment is in excess of the scheduled payback and therefore has been classified as current on the balance sheet.

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

INVESTMENTS

	AMORTIZED COST	GROSS UNREALIZED GAINS	APPROXIMATE MARKET VALUE
DECEMBER 27, 1997			
Available for sale			
Marketable equity securities (included in other assets)	$730,196	$411,653	$1,141,849
DECEMBER 28, 1996			
Available for sale			
Marketable equity securities (included in other assets)	$576,883		$ 576,883

STOCK OPTIONS AND WARRANTS

A total of 76,821 options were outstanding at year end from the 1984 Stock Option Plan (Plan). The date for granting options under this Plan expired on October 26,1994 and the date for exercising options expires on September 26, 1999. At the Company's 1997 annual meeting, the stockholders approved two new Stock Option Plans reserving 300,000 common shares for issuance under an Incentive Stock Option Plan (ISO) and 100,000 common shares for issuance under a Director Stock Option Plan (DSO). Total options granted during 1997 and outstanding at year end under the ISO were 25,000. No options were granted under the DSO.

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. During 1997, the Company authorized the grant of options for up to 25,000 shares of the Company's common stock. 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 on the grant date using an option pricing model with the following assumptions:

	1997
Risk-free interest rates	6%
Dividend yields	0%
Volatility factors of expected market price of common stock	49.1%
Weighted average expected life of the options	4 years

Under SFAS No. 123, compensation cost is recognized in the amount of the estimated fair value of the options and amortized to expense over the options' vesting period. The pro forma effect on net income and earnings per share of this statement is as follows:

		1997
Net income	As reported	$6,360,651
	Pro forma	6,353,257
Basic earnings per share	As reported	2.05
	Pro forma	2.04
Diluted earnings per share	As reported	2.02
	Pro forma	2.02

Stock option transactions are summarized as follows:

	1997		1996		1995	
	SHARES	OPTION PRICE	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	168,311	$3.26 TO 7.25	196,581	$3.26 to 7.25	204,211	$3.26 to 7.25
Issued during year	25,000	$9.88				
Canceled or expired	(6,682)		(16,485)		(7,037)	
Exercised during year	(84,808)	$3.26 TO 7.25	(11,785)	$3.26	(593)	$3.26
Outstanding at end of year	101,821	$6.30 TO 9.88	168,311	$3.26 to 7.25	196,581	$3.26 to 7.25
Exercisable at end of year	63,113		120,699		92,925	

The options granted in 1997 are exercisable at the rate of 25% over each of the four years beginning in 1998.

In connection with the Company's 1987 public offering of its common stock, the Company sold to Oppenheimer & Co., the representative of the underwriters for such offering, warrants to purchase 75,900 shares of common stock for $.85 per warrant, or an aggregate of $65,000. Each warrant gives the holder the right to buy one share of the Company's common stock at a price equal to $12.33. Each warrant became exercisable on September 2, 1988 and the initial termination date of September 1, 1992 was extended by three years to September 1, 1995. These warrants expired during 1995.

To acquire all of the common stock of Marcy Fitness Products, Inc., the Company exchanged 272,112 Escalade warrants with an exercise price of $9.13 per share. The warrants were exercisable until August 19, 1999. During 1997, these warrants were put to the Company and retired at $13.50 per share for a total cost of $1,189,129.

STOCKHOLDERS' EQUITY TRANSACTIONS

During 1997, the Company conducted a Dutch Auction self-tender offer whereby it purchased 117,766 shares of its common stock at $14.00 per share. The Company also conducted a Dutch Auction self-tender offer in 1996 whereby it purchased approximately 1,000,000 shares of its common stock at a price of $8.875 per share.

The Company paid no cash dividends during the last three fiscal years. The Company's existing bank indebtedness restricts the payment of cash dividends.

EARNINGS PER SHARE

Earnings per share (EPS) were computed as follows:

YEARS ENDED DECEMBER 27 AND DECEMBER 28	1997 INCOME	1997 WEIGHTED AVERAGE SHARES	1997 PER SHARE AMOUNT	1996 Income	1996 Weighted Average Shares	1996 Per Share Amount
NET INCOME	$6,360,651			$5,247,117		
BASIC EARNINGS PER SHARE						
Income available to common stockholders	6,360,651	3,109,514	$2.05	5,247,117	3,849,783	$1.36
EFFECT OF DILUTIVE SECURITIES						
Stock options		35,328			43,822	
DILUTED EARNINGS PER SHARE						
Income available to common stockholders and assumed conversions	$6,360,651	3,144,842	$2.02	$5,247,117	3,893,605	$1.35

Warrants to purchase 272,112 shares of common stock at $9.13 per share were outstanding at December 28, 1996 and during a portion of the year ended December 27, 1997 but were not included in the computation of diluted EPS because the warrants' exercise price was greater than the average market price of the common shares.

Year Ended December 30	1995 Income	1995 Weighted Average Shares	1995 Per Share Amount
NET INCOME	$447,733		
BASIC EARNINGS PER SHARE			
Income available to common stockholders	447,733	4,133,566	$.11
EFFECT OF DILUTIVE SECURITIES			

Stock options		10,056	
DILUTED EARNINGS PER SHARE			
Income available to common stockholders and assumed conversions	$447,733	4,143,622	$.11

Options to purchase 55,293 shares of common stock from $5.50 to $7.25 per share were outstanding at December 30, 1995 but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

Warrants to purchase 272,112 shares of common stock at $9.13 per share were outstanding at December 30, 1995 but were not included in the computation of diluted EPS because the warrants' exercise price was greater than the average market price of the common shares.

OPERATING LEASES

The Company leases manufacturing, warehousing and office space at its Compton, California facilities for $29,600 per month from October 1, 1990 through March 31, 1998. The Company has a five-year option to extend the lease. The Company does not intend to extend the lease but expects to relocate to the San Diego, California area by March 31, 1998.

The Company also leases warehousing space next to its Evansville facility for $17,317 per month, expiring on October 31, 1998. The Company has four two-year renewal options followed by two five-year renewal options.

At December 27, 1997, the minimum rental payments under noncancelable leases with terms of more than one year are as follows:

YEARS ENDING	AMOUNT
1998	$61,000
1999	35,582
	$96,582

The following schedule shows the composition of total rental expense for operating leases except those with terms of a month or less:

	1997	1996	1995
Rentals	$611,405	$656,082	$638,670

INCOME TAXES

Provision for income taxes consists of the following:

YEARS ENDED DECEMBER 27, DECEMBER 28 AND DECEMBER 30	1997	1996	1995
Current			
Federal	$3,435,532	$2,670,000	$329,072
State	803,547	431,986	198,916
	4,239,079	3,101,986	527,988
Deferred			
Federal	365,830	401,443	(85,548)
State	84,578	9,905	(55,307)
	450,408	411,348	(140,855)
	$4,689,487	$3,513,334	$387,133

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:

YEARS ENDED DECEMBER 27, DECEMBER 28 AND DECEMBER 30	1997	1996	1995
Income tax at statutory rate	$3,757,047	$2,978,553	$283,854
Increase (decrease) in income tax resulting from			
Recurring permanent differences (goodwill amortization, dividend exclusion, and non-deductible officers' life insurance expense)	25,893	(24,279)	(5,522)
State tax expense, net of federal effect	586,163	291,648	94,782
Benefit of foreign subsidiary loss not recognized	369,996	166,402	138,846
Other	(49,612)	101,010	(124,827)
Provision for income taxes recorded	$4,689,487	$3,513,334	$387,133

The $11,050,138 income before income taxes for the year ended December 27, 1997 was comprised of $1,088,224 foreign losses and $12,138,362 domestic income.

The $8,760,451 income before income taxes for the year ended December 28, 1996 was comprised of $489,417 foreign losses and $9,249,868 domestic income.

The $834,866 income before income taxes for the year ended December 30, 1995 was comprised of $408,370 foreign losses and $1,243,236 domestic income.

At December 27, 1997, a cumulative deferred tax asset of $775,784 is included in current assets and other liabilities. At December 28, 1996, a cumulative deferred tax asset of $2,079,467 is included in current and other assets.

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

DECEMBER 27 AND DECEMBER 28	1997	1996

ASSETS		
Deferred compensation	$ 413,588	$ 341,825
Valuation reserves	724,095	1,014,582
Royalties		88,390
Goodwill	115,320	125,382
Employee benefits	399,593	406,205
Lease expense	67,513	116,017
Total assets	1,720,109	2,092,401
LIABILITIES		
Depreciation	(779,664)	(12,934)
Unrealized gain on securities available for sale	(164,661)	
Total liabilities	(944,325)	(12,934)
	$ 775,784	$2,079,467

EMPLOYEE BENEFIT PLANS

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 $339,931, $311,701 and $60,940 for 1997, 1996 and 1995.

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.

SEGMENT INFORMATION AND CONCENTRATIONS

YEARS ENDED DECEMBER 27, DECEMBER 28 AND DECEMBER 30	1997	1996	1995
		(In Thousands)	
Sales to unaffiliated customers			
Sporting goods	$66,666	$74,077	$73,858
Office and graphic arts products	24,836	19,132	17,321
Total consolidated	$91,502	$93,209	$91,179
Operating profit			
Sporting goods	$ 7,435	$ 6,156	$ (262)
Office and graphic arts products	5,244	4,103	3,363
Corporate	(291)	(381)	(273)
Total consolidated	12,388	9,878	2,828
Consolidated other income	475	230	251
	12,863	10,228	3,125
Consolidated interest expense	1,277	1,408	2,267
Consolidated (gain) loss on disposal of assets	319	(60)	(23)
Consolidated amortization of goodwill	217		
Consolidated income from operations before income taxes	$11,050	$ 8,760	$ 835
Identifiable assets			
Sporting goods	$40,904	$40,543	$43,122
Office and graphic arts products	21,815	10,199	10,317
Corporate	3,427	3,688	4,328
Total assets	$66,146	$54,430	$57,767
Depreciation and amortization charged to operations			
Sporting goods	$ 1,214	$ 2,123	$ 2,886

Office and graphic arts products	1,167	904	741
Total consolidated	$ 2,381	$ 3,027	$ 3,627
Capital expenditures			
Sporting goods	$ 582	$ 1,262	$ 617
Office and graphic arts products	923	757	526
	$ 1,505	$ 2,019	$ 1,143

The Company operates principally in two industries, sporting goods and office and graphic arts products. The Company sells its products primarily to retailers located throughout the United States. Operations in the sporting goods industry consist of production and sale of table tennis tables and accessories, archery equipment, home pool tables and accessories, combination bumper pool and card tables, game tables, basketball backboards, goals and poles, darts, dart cabinets, junior sporting goods including Mini Ping Pong, Mini Pool(TM), Mini Court(R) basketball and Shot Clock basketball. The Company has a licensing agreement with Spalding to manufacture and distribute basketball backboards, goals and poles, indoor darts, table tennis sets and pool accessories under the Spalding brand name. Operations in the office and graphic arts products industry consist of production and sale of paper trimmers, paper folding machines, paper drills, collators, decollators, bursting machines, letter openers, paper joggers, electric staplers, checksigners, stamp affixers, paper shredders, paper punches, catalog rack systems, bindery carts and related accessories.

Operating profit is total revenue less operating expenses. In computing operating profit neither interest expense nor income taxes have been deducted.

Identifiable assets are principally those assets used in each industry. Corporate assets are principally deferred taxes, marketable equity securities and the cash surrender value of life insurance.

In 1997, approximately 33% of the sporting goods were sold to Sears, Roebuck & Co. (24% of consolidated sales). In 1996 and 1995, the percentages were 31% (24% consolidated) and 29% (23% consolidated). At December 27, 1997 and December 28, 1996, accounts receivable included $12,609,120 and $10,613,368 due from Sears, Roebuck & Co.

Approximately 34% of the Company's labor force is covered by collective bargaining agreements. Management acknowledges that there usually will be differences between Company offers and union demands during negotiations. However, management has no reason to expect such differences to result in protracted conflict. The current contracts expire in 1998 and 2000.

Consolidated assets include approximately $3.7 million of assets located in the United Kingdom and Mexico.

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.

ADDITIONAL INFORMATION

DECEMBER 27 AND DECEMBER 28	1997	1996
Accrued Liabilities		
Employees' compensation	$ 4,217,671	$ 2,972,848
Payroll taxes and taxes withheld from employees' compensation	298,214	257,251
Taxes other than taxes on income	378,805	412,505
Accrued interest	130,714	156,408
Customer volume discounts payable	3,914,060	3,204,500
Other accrued items	3,188,792	4,370,647
	$12,128,256	$11,374,159

LINE OF CREDIT

The Company has available an unsecured line of credit for short-term borrowings. The line-of-credit arrangement is based upon a written agreement and can be withdrawn at the banks' option. At December 27, 1997, the line of credit for short-term borrowings aggregated $12,000,000, of which $8,275,000 was borrowed. The interest rate on the line of credit is at the Bank One Indianapolis, N.A. prime rate. A LIBOR option is also available to use for the interest rate. This line of credit is subject to the same restrictive covenants that are as discussed in the long-term debt footnote to the consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

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.

COMMITMENTS AND CONTINGENCIES

At December 27, 1997, standby letters of credit aggregated $301,709 of which the Company was obligated in the amount of $151,709 relating to the purchase of certain raw materials and finished goods from suppliers.

Additionally, the Company has obtained a letter of credit for the benefit of the mortgage holders. At December 27, 1997, the balance of the letter of credit was

$3,441,877. 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.

SUMMARY OF QUARTERLY RESULTS

	(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED) MARCH 22	JULY 12	OCTOBER 4	DECEMBER 27
1997				
Net sales	$12,702	$17,765	$22,716	$38,319
Gross profit	3,597	5,021	7,871	13,296
Net income	151	104	1,793	4,313
Basic earnings per share	.05	.03	.57	1.38
1996				
Net sales	$15,381	$19,574	$23,142	$35,112
Gross profit	4,253	5,758	7,251	9,244
Net income	232	688	1,517	2,810
Basic earnings per share	.06	.16	.38	.91

In December 1997, the Company completed a Dutch Auction self-tender offer and purchased 117,766 shares. Since this transaction occurred late in the fourth quarter, it caused the fourth quarter earnings per share to be less than the first three quarters proportionately. Consequently, if the four quarters earnings per share are added together, they are less than the actual earnings per weighted average share for the year.

In 1996, a reduction in outstanding shares of approximately 1,000,000 shares, as a result of the completion of a Dutch Auction self-tender offer in September, caused the fourth quarter earnings per share to be greater than the first three quarters proportionately. Consequently, if the four quarters earnings per share are added together, they are greater than the actual earnings per weighted average share for the year.

ACQUISITIONS

ACQUISITION OF MASTER PRODUCTS MANUFACTURING COMPANY, INC.
On June 17, 1997, the Company's wholly-owned subsidiary, Martin Yale Industries, Inc., acquired 100% of the stock of Master Products, a California corporation, for a net cost of $9,951,813, which includes assumed liabilities of $833,813. Master Products manufactures paper punches and catalog rack systems.

The acquisition was accounted for as a purchase and the excess of cost over the fair value of net assets acquired was $6,374,573, which is being amortized over 15 years on the straight-line method. The Company's consolidated results of operations include Master Products from June 17, 1997.

The following unaudited pro forma information shows the results of the Company's operations as though the purchase of Master Products had been made at January 1, 1996. The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the purchase actually been made at January 1, 1996, or the results which may occur in the future.

DECEMBER 27 AND DECEMBER 28	1997	1996
	(In Thousands, Except per Share Data)	
Net Sales	$95,885	$103,429
Net Income	6,535	5,956
Basic Earnings per Share	$2.10	$1.55

INDEPENDENT AUDITOR'S REPORT

Stockholders and Board of Directors
Escalade, Incorporated
Evansville, Indiana

We have audited the consolidated financial statements of Escalade, Incorporated as of December 27, 1997 and December 28, 1996 and for each of the three years in the period ended December 27, 1997 and have issued our report thereon dated January 30, 1998; 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 14. 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.

GEO. S. OLIVE & CO. LLC

Evansville, Indiana
January 30, 1998

ESCALADE, INCORPORATED AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS-- DESCRIBE	DEDUCTIONS-- DESCRIBE (2)	BALANCE AT END OF PERIOD
Allowance for doubtful accounts and discounts (1)					
Fiscal year ended December 27, 1997	$681,606	$474,050		$262,222	$893,434
Fiscal year ended December 28, 1996	726,352	427,650		472,396	681,606
Fiscal year ended December 30, 1995	777,195	175,559		226,402	726,352

(1) Deducted from related assets
(2) Accounts charged off, less recoveries

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 March 13, 1998

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/S/ ROBERT E. GRIFFIN Robert E. Griffin	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 13, 1998
/S/ JOHN R. WILSON John R. Wilson	Secretary and Treasurer (Principal Financial and Accounting Officer)	March 13, 1998
/S/ BLAINE E. MATTHEWS, JR. Blaine E. Matthews, Jr.	Director	March 13, 1998
/S/ A. GRAVES WILLIAMS, JR. A. Graves Williams, Jr.	Director	March 13, 1998
/S/ GERALD J. FOX Gerald J. Fox	Director	March 13, 1998
/S/ KEITH P. WILLIAMS Keith P. Williams	Director	March 13, 1998
/S/ YALE BLANC Yale Blanc	Director	March 13, 1998
/S/ ROBERT D. ORR Robert D. Orr	Director	March 13, 1998
/S/ C. W. "BILL" REED C. W. "Bill" Reed	Director	March 13, 1998

(S-3)

Exhibit 21

ESCALADE, INCORPORATED AND SUBSIDIARIES

LIST OF SUBSIDIARIES AT DECEMBER 27, 1997

PARENT	STATE OF OTHER JURISDICTION OF INCORPORATION	PERCENT OF VOTING SECURITIES OWNED BY PARENT
Escalade, Incorporated	Indiana	
Subsidiaries		
Indian Industries, Inc. (1)	Indiana	100%
Martin Yale Industries, Inc. (1)	Indiana	100%
Harvard Sports, Inc. (1)	California	100%
Escalade, International Limited (1)	United Kingdom	100%
Master Products Manufacturing Company, Inc. (1)	California	100%

(1) Each subsidiary company so designated has been included in Consolidated Financial Statements for all periods following its acquisition. See Notes to Consolidated Financial Statements.

Exhibit 23

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-16279 of Escalade, Incorporated (the "Company") on Form S-8 of our report dated January 30, 1998 on the consolidated financial statements of the Company appearing in this Annual Report on Form 10-K for the year ended December 27, 1997.

Evansville, Indiana
March 16, 1998

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	YEAR	
<FISCAL-YEAR-END>		DEC-27-1997
<PERIOD-END>		DEC-27-1997
<CASH>		1,264
<SECURITIES>		0
<RECEIVABLES>		34,495
<ALLOWANCES>		893
<INVENTORY>		12,637
<CURRENT-ASSETS>		45,928
<PP&E>		34,995
<DEPRECIATION>		23,356
<TOTAL-ASSETS>		66,146
<CURRENT-LIABILITIES>		30,450
<BONDS>		10,700
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		5,880
<OTHER-SE>		17,621
<TOTAL-LIABILITY-AND-EQUITY>		66,146
<SALES>		91,502
<TOTAL-REVENUES>		91,502
<CGS>		61,717
<TOTAL-COSTS>		79,114
<OTHER-EXPENSES>		61
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		1,277
<INCOME-PRETAX>		11,050
<INCOME-TAX>		4,689
<INCOME-CONTINUING>		6,361
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		6,361
<EPS-PRIMARY>		2.05
<EPS-DILUTED>		2.02