FORM 10-K

ESCALADE INC - ESCA

Filed: March 18, 1999 (period: December 26, 1998)

Annual report with a comprehensive overview of the company

1

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 26, 1998
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.

Aggregate market value of voting stock held by nonaffiliates of the registrant as of February 26, 1999: $37,447,614

The number of shares of Registrant's common stock (no par value) outstanding as of February 26, 1999: 3,119,825

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 24, 1999 are incorporated by reference into Part III of this Report.

Index to Exhibits is found on page 15.

2

ESCALADE, INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

Part I

Part II

Part III

PART I

ITEM 1--BUSINESS

GENERAL

Escalade, Incorporated (Escalade or Company) is a diversified company engaged in the manufacture and sale of sporting goods products and office and graphic arts products. Escalade and its predecessors have produced sporting goods products for over 70 years and have produced office and graphic arts products 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 products in Evansville, Indiana 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 products 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 distribution office and warehouse based in the United Kingdom under the name of Escalade International, Limited which was discontinued in 1998. 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	1998	1997	1996
Sporting goods	66%	72%	79%
Office and graphic arts products	34	28	21
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, poles and portables, darts, and dart cabinets. Some of Escalade's domestic sporting goods shipments are made from National City, California, which primarily services the Company's U. S. Western marketing region, but most of such shipments are made from Evansville, Indiana, 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 the Indian, Harvard, Xi, Ping Pong and Stiga brand names. 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 38% of Escalade's sporting goods item net sales in 1998. No other customer accounted for more than 10% of Escalade's sporting goods net sales in 1998.

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.

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. No transaction was completed in 1998 and the Company has abandoned plans to sell its sporting goods operations.

In December 1998, the Company adopted a plan to discontinue its distribution operations. Those operations were performed by Escalade International, Limited a foreign subsidiary located in the United Kingdom. The Company's other subsidiaries are all manufacturing operations. Accordingly, Escalade International, Limited is reported as a discontinued operation for the years ended December 26, 1998, December 27, 1997 and December 28, 1996. Net assets of the discontinued operation at December 26, 1998 consist primarily of accounts receivable, inventory and property, plant and equipment.

The estimated loss on the disposal of Escalade International, Limited is $1,222,279 including a provision of $250,000 for operating losses during phaseout. The divestiture period is expected to run into the fourth quarter of 1999.

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, paper joggers, checksigners, stamp affixers, paper shredders, paper punches, paper cutters, catalog rack systems, bindery carts, business card slitters, thermography machines 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, by its 1997 purchase of Master Products, a manufacturer of paper punches and catalog rack systems and by its 1998 purchase of certain assets of Steele Industries consisting primarily of its line of business card slitters and thermography machines.

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

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 25% in 1998 and 24% in both 1997 and 1996 of Escalade's consolidated sales. 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 13 years and in 20 of the last 26 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 changing 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 $1,500,000 in 1998, $1,400,000 in 1997, and $2,300,000 in 1996 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 has an agreement and contract with Sweden Table Tennis AB for the exclusive right and license to distribute and produce table tennis equipment under the brand name STIGA for the United States and Canada.

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) registered trademark for its office and graphic arts products, in addition to manufacturing such products under the Martin Yale, Master Products and Steele/Hurricane brand names.

SEASONALITY

The backlog of unshipped orders by industry segment is shown below at the Company's 1998, 1997, and 1996 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 26, DECEMBER 27 and DECEMBER 28	1998	1997	1996
Orders received but not shipped			
Sporting goods	$1,266,400	$4,375,600	$2,592,800
Office and graphic arts products	438,000	570,100	419,300

EMPLOYEES

The Company employs between 550 and 725 employees, consisting of between 200 and 325 people at Indian's Evansville, Indiana facilities, between 100 and 150 at Harvard's National City, 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.

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.

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TEM 2--PROPERTIES

The Company operates the following facilities:

LOCATION	SIZE	LEASED OR OWNED
Evansville, Indiana (1)	346,000 sq. ft.	Owned
National City, California (1)	34,039 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 National City, California facilities at a rate of $11,573 per month. The Company has a five-year option to extend the lease. The lease rate ranges from $11,920 per month in year one to $13,025 per month in year five of the extension period. The Company also shares in common area expenses not to exceed 8(cent) per sq. ft. per month. The lease expires March 31, 2003.

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 rents additional space in Tijuana, Mexico for its sporting goods operations for $2,010 per month.

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
1998		
First quarter ended March 21, 1998	$19.88	$14.00
Second quarter ended July 11, 1998	25.25	19.38
Third quarter ended October 3, 1998	25.50	18.50
Fourth quarter ended December 26, 1998	22.13	16.00
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

The closing market price on February 26, 1999 was $18.00 per share.

In the fourth quarter of 1998, on December 21, 1998, the Company announced that Escalade's Board of Directors declared a special cash dividend of $1.00 per share to shareholders of record January 8, 1999, payable January 22, 1999. The dividend was declared at Escalade's Regular Board Meeting, December 19, 1998.

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.

There were approximately 325 holders of record of the Company's Common Stock at February 26, 1999. 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 26, 1998	December 27, 1997	December 28, 1996	December 30, 1995	December 31, 1994
INCOME STATEMENT DATA (2)					
Net sales					
Sporting goods	$60,184	$63,699	$70,651	$71,219	$83,221
Office and graphic arts products	30,486	24,836	19,132	17,321	17,276
Total net sales	90,670	88,535	89,783	88,540	100,497
Income from continuing operations	7,778	7,449	5,736	856	(2,178)
Net income (loss)	6,136	6,361	5,247	448	(2,403)
Weighted average shares	3,095	3,110	3,850	4,134	4,129
PER SHARE DATA (1)					
Basic earnings per share from continuing operations	$2.51	$2.40	$1.49	$.21	$(.53)
Basic earnings per share	1.98	2.05	1.36	.11	(.58)
Cash dividends	1.00	0	0	0	0
BALANCE SHEET DATA					
Working capital	15,763	15,478	13,309	17,069	16,837
Total assets	63,489	66,145	54,430	57,767	75,883
Short-term debt	10,100	14,075	13,675	16,732	31,215
Long-term debt	6,400	10,700	5,500	6,266	9,148
Total stockholders' equity	26,702	23,501	19,305	23,338	22,889

(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) Restated for discontinued operations.

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

RESULTS OF OPERATIONS

1998 COMPARED to 1997

In 1998, net sales increased 2.4%, or $2,135,000 to $90,670,000 from $88,535,000 in 1997.

Sporting goods net sales decreased by $3,515,000 from $63,699,000 to $60,184,000. This decrease was mainly in game parlor which includes table tennis, pool and game tables and accessories and was due to a decrease in units sold.

Office and graphic arts machines and equipment net sales increased by $5,650,000 or 22.7%, to $30,486,000 from $24,836,000. Most of this increase was due to the acquisition of Master Products.

Cost of sales of $60,526,000 as a percentage of net sales was 66.8% in 1998 as compared to $59,168,000, or 66.9% in 1997.

Selling, administrative and general expenses in 1998 were $15,834,000, or 17.5%, of net sales as compared to $16,103,000, or 18.2%, in 1997. This decrease as a percentage of net sales was mainly in the office and graphic arts machines and equipment segment. Consolidation of some sales, marketing and administrative functions was the reason for the decrease in these expenses as a percentage of net sales.

Interest expense in 1998 was $1,118,000 as compared to $1,065,000 in 1997, an increase of $53,000, or 5.0%. This increase in interest expense was due to slightly higher borrowing levels in 1998.

The Company incurred expenses totaling $427,315 relating to the potential sale of Escalade Sports. The Company terminated its plans to sell Escalade Sports.

The income tax provision for 1998 was $4,791,000 for an effective rate of 38.1%.

In December 1998, the Company adopted a plan to discontinue its distribution operations. Those operations were performed by Escalade International, Limited, a foreign subsidiary located in the United Kingdom. The Company's other subsidiaries are all manufacturing operations. Accordingly, Escalade International, Limited is reported as a discontinued operation for the years ended December 26, 1998, December 27, 1997 and December 28, 1996. Net assets of the discontinued operation at December 26, 1998 consist primarily of accounts receivable, inventory and property, plant and equipment. The estimated loss on the disposal of Escalade International, Limited is $1,222,279 including a provision of $250,000 for operating losses during phaseout. The divestiture period is expected to run into the fourth quarter of 1999.

The income for the year was $6,136,000 as compared to $6,361,000 in 1997. This decrease in net income was primarily due to the loss on disposal of Escalade International, Limited of $1,222,279.

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 1.4%, or $1,248,000 to $88,535,000 from $89,783,000 in 1996.

Sporting goods net sales decreased by $6,952,000 from $70,651,000 to $63,699,000. Of this decrease, 36% was due to discontinued product or product lines and the remaining 64% 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 $59,168,000 as a percentage of net sales was 66.9% in 1997 as compared to $64,089,000, or 71.4%, 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 $16,103,000, or 18.2%, of net sales as compared to $15,496,000, or 17.3%, 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 $1,065,000 as compared to $1,239,000 in 1996, a decrease of $174,000, or 14.0%. 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 38.6%.

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.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES
The Company's net cash provided by operating activities was $8,605,551, $8,784,231, and $15,266,154 in 1998, 1997 and 1996. Inventory management provided (used) cash of $(10,009), $272,909 and $3,699,263 in 1998, 1997 and 1996. Accounts receivable used cash of $561,035, $2,113,236 and $2,439,220 in 1998, 1997 and 1996.

INVESTING ACTIVITIES
The Company's net cash used by investing activities was $1,429,546, $10,651,115 and $1,891,594 in 1998, 1997 and 1996. The Company used $1,067,546, $1,597,055 and $1,902,127 in 1998, 1997 and 1996 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 (used) by financing activities in 1998, 1997 and 1996 was $(8,082,003), $1,793,961 and $(13,301,909). In 1998, the Company paid $7,800,000 on long-term debt. At year end, the short-term debt had decreased $475,000 from last year.

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 $7,800,000 was used. The domestic line of credit has been paid down to zero as of February 4, 1999.

The Company paid no cash dividends during the two fiscal years ended 1997. In the fourth quarter of 1998, on December 21, 1998, the Company announced that Escalade's Board of Directors declared a special cash dividend of $1.00 per share to shareholders of record January 8, 1999, payable January 22, 1999. The dividend was declared at Escalade's Regular Board Meeting, December 19, 1998.

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 1998. 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.

YEAR 2000 COMPLIANCE
The Company's sporting goods division, Escalade Sports, has completed the evaluation, conversion and testing of its critical business systems to determine whether such systems will be able to properly process data for the year 2000. Escalade Sports employees first reviewed the underlying software codes for year 2000 compatibility, and then converted the codes where necessary to allow years to be read using four digits rather than two digits. Escalade Sports employees then tested the converted code to determine whether the affected business system would operate without interruption when data using the year 2000 was input. Based on these processes, the Company believes that Escalade Sports' internal software systems are currently year 2000 compliant and have so notified the customers of Escalade Sports where appropriate.

Escalade Sports has also substantially completed the evaluation, conversion and testing of its business and manufacturing equipment to prepare for the year 2000. The Company believes that such process will be completed in its entirety by the end of the first quarter of 1999. Escalade Sports has also requested year

2000 compliance assurances from its customers, vendors and other third parties such as utility companies. Responses from these third parties have been slow to date. Escalade is uncertain whether it will receive responses from all such parties and whether all such responses will be satisfactory.

Martin Yale completed the evaluation phase for year 2000 compatibility on January 18, 1999 and conversion of software codes commenced on January 25, 1999. Martin Yale expects that all necessary conversion and testing should be completed in the fourth quarter of 1999. Outside third parties are anticipated to work with Martin Yale employees in preparing for the year 2000. Martin Yale will also seek year 2000 compliance assurances from its customers, vendors and other third parties, such as utility companies.

As of the end of its fourth quarter of 1998, the Company had incurred approximately $100,000 in connection with preparing for the year 2000. The Company expects to incur approximately another $150,000 of year 2000 expenses by the end of 1999. The Company estimates that its actual and future expenditures in this area are 75% attributable to internal costs and external fees for conversion of systems. The remaining 25% of year 2000 expenses are attributable to new software and equipment. The Company is funding these expenses from working capital. To the extent that the Company has utilized internal resources to remedy potential year 2000 problems, the Company has foregone evaluating and upgrading its systems that it otherwise would have undertaken in the ordinary course of business. The Company does not believe that such reallocation of its internal resources has had or will have a material adverse effect on it.

The Company believes that all of its operations, including those of Escalade Sports and Martin Yale, will timely meet all requirements necessary to be year 2000 compliant. As indicated above, the Company's subsidiaries are continuing to implement their year 2000 plans but have not yet completed those actions. In addition, the Company and its subsidiaries will continue to request compliance assurances from its major customers, vendors and other third parties. At this time, the Company cannot provide any assurances that it will be fully year 2000 compliant, although the Company does not believe it will be materially adversely affected by year 2000 issues.

The most likely year 2000 problems that the Company may face appear to arise from the possible noncompliance of third parties. Possible difficulties could arise in interfacing with major customers and/or in receiving raw materials from suppliers. The Company is continuing to work with its customers to ensure that no material data transmission problems will arise. The Company also has, and is continuing to develop, back up sources for material vendors. Accordingly, the Company does not anticipate that any such third party problems should have a material adverse effect on the Company. However, in the event that the year 2000 would cause the widespread loss of power, telecommunications and other utilities in the areas where the Company operates, the disruption to the Company's business may be material depending upon the length of time it would take such suppliers to restore service to normal levels.

At this time, the Company has not developed specific contingency plans in preparation for the year 2000 other than for identifying back up sources for its material vendors. As the Company continues to complete its evaluation, conversion and testing, the Company will assess whether there are any specific areas where a contingency plan could help alleviate possible adverse effects from the year 2000. If so, the Company will develop contingency plans in those areas prior to the end of 1999.

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

None.

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 24, 1999 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 24, 1999 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 24, 1999 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 26, 1998 and December 27, 1997

Consolidated statement of income--fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996

Consolidated statement of stockholders' equity--fiscal years ended December 26,1998, December 27, 1997 and December 28, 1996

Consolidated statement of cash flows--fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996

Notes to consolidated financial statements

(2) FINANCIAL STATEMENT SCHEDULES

Independent Auditor's Report on financial statement schedule

For the three-year period ended December 26, 1998:

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)
10.3 Licensing agreement between Sweden Table Tennis AB and Indian Industries, Inc. dated January 1, 1995 (d)
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(e)
10.21 Amendment to credit agreement dated May 31, 1996 between Escalade, Incorporated and Bank One, Indianapolis, National Association dated September 30, 1998(g)
10.32 Loan agreement dated September 1, 1998 between Martin Yale Industries, Inc. and City of Wabash, Indiana(g)
10.33 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)(g)
10.34 Real Estate Sales Contract dated September 17, 1990 between Martin Yale Industries, Inc. and Fritkin-Jones Design Group, Inc.(c)
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.(e)
10.37 Asset Purchase Agreement dated June 26, 1998 by and among Jen Sports, Inc., Sportcraft, Ltd. and Escalade, Incorporated to sell substantially all of the assets of Escalade Sports.(h)
10.38 Termination Agreement dated November 25, 1998 by and among Jen Sports, Inc., Sportcraft, Ltd. and Escalade, Incorporated to sell substantially all of the assets of Escalade Sports. (i)
21 Subsidiaries of the Registrant
23 Consent of Olive LLP
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 (d)
10.26 Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (d)
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 (f)
10.31 1997 Incentive Stock Option Plan (f)

(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 1995 Annual Report on Form 10-K

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

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

(g) Incorporated by reference from the Company's 1998 Third Quarter Report on Form 10-Q

(h) Incorporated by reference from the Company's 1998 Form 8-K filed July 8, 1998

(i) Incorporated by reference from the Company's 1998 Amended Form 8-K filed December 1, 1998

(B) Reports on Form 8-K--There was a report on Form 8-K filed on July 8, 1998 reporting that on June 26, 1998 Escalade announced the signing of a definitive agreement providing for the Sporting Goods Asset Sale. This Form 8-K has subsequently been amended on August 25, 1998, September 23, 1998, October 2, 1998, November 4, 1998, and December 1, 1998 to reflect ongoing developments pending to the termination of the Asset Sale and the cancellation of the special meeting of stockholders relating thereto.

OLIVE

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Escalade, Incorporated and subsidiaries as of December 26, 1998 and December 27, 1997 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 26, 1998. 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 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 26, 1998 and December 27, 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 26, 1998 in conformity with generally accepted accounting principles.

OLIVE LLP

Evansville, Indiana

January 29, 1999

(F-1)

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 26 AND DECEMBER 27	1998	1997
ASSETS		
Current assets		
Cash	$ 340,398	$ 1,246,396
Receivables, less allowances of $581,830 and $893,434	30,791,608	30,602,245
Inventories	12,647,354	12,637,345
Prepaid expenses	129,735	236,500
Deferred income tax benefit	1,002,064	1,205,196
Total current assets	44,911,159	45,927,682
Property, plant and equipment	10,103,690	11,638,686
Other assets	2,844,111	2,422,066
Goodwill	5,630,066	6,157,350
	$63,489,026	$66,145,784
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable--bank	$ 7,800,000	$ 8,275,000
Current portion of long-term debt	2,300,000	5,800,000
Trade accounts payable	2,959,282	2,696,478
Accrued liabilities	11,642,828	12,128,256
Federal income tax payable	1,324,416	1,550,000
Dividends payable	3,121,718	
Total current liabilities	29,148,244	30,449,734
Other liabilities		
Long-term debt	6,400,000	10,700,000
Deferred compensation	1,165,969	1,065,973
Deferred income tax liability	72,647	429,412
	7,638,616	12,195,385
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--3,097,357 and 3,050,691 shares	6,072,824	5,879,827
Retained earnings	20,387,917	17,373,846
Accumulated other comprehensive income	241,425	246,992
	26,702,166	23,500,665
	$63,489,026	$66,145,784

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 26, DECEMBER 27 AND DECEMBER 28	1998	1997	1996
Net Sales	$90,670,040	$88,535,483	$89,783,574
Costs, Expenses and Other Income			
Cost of products sold	60,525,642	59,168,410	64,089,276
Selling, administrative and general expenses	15,834,259	16,103,281	15,495,934
Loss on terminated sporting goods sale	427,315		
Amortization of goodwill	398,286	217,223	
Interest	1,117,851	1,064,721	1,239,162
(Gain) loss on disposal of assets	207,687	319,066	(60,146)
Other income	(410,252)	(475,580)	(230,520)
	78,100,788	76,397,121	80,533,706
Income From Continuing Operations Before Income Taxes	12,569,252	12,138,362	9,249,868
Provision for Income Taxes	4,791,463	4,689,487	3,513,334
INCOME FROM CONTINUING OPERATIONS	7,777,789	7,448,875	5,736,534
Loss from discontinued operations	(419,721)	(1,088,224)	(489,417)
Loss from disposal of Escalade International, Limited including provision of $250,000 for operating losses during phaseout	(1,222,279)		
NET INCOME	$ 6,135,789	$ 6,360,651	$ 5,247,117
Per Share Data			
Basic earnings per share from continuing operations	$2.51	$2.40	$1.49
Diluted earnings per share from continuing operations	$2.50	$2.37	$1.48
Basic earnings per share	$1.98	$2.05	$1.36
Diluted earnings per share	$1.97	$2.02	$1.35

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK				ACCUMULATED OTHER	
	SHARES	AMOUNT	COMPREHENSIVE INCOME	RETAINED EARNINGS	COMPREHENSIVE INCOME	TOTAL
BALANCES AT JANUARY 1, 1996	4,133,954	$17,572,397		$ 5,766,078		$23,338,475
Comprehensive income						
Net income			$5,247,117	5,247,117		5,247,117
Comprehensive income			$5,247,117			
Exercise of stock options	11,786	38,766				38,766
Purchase of stock	(1,061,291)	(9,319,647)				(9,319,647)
BALANCES AT DECEMBER 28, 1996	3,084,449	8,291,516		11,013,195		19,304,711

Comprehensive income						
Net income			$6,360,651	6,360,651		6,360,651
Unrealized gains on securities, net of tax			246,992		$246,992	246,992
Comprehensive income			$6,607,643			
Exercise of stock options	84,808	433,808				433,808
Purchase of stock	(118,566)	(1,656,368)				(1,656,368)
Put option to retire warrants		(1,189,129)				(1,189,129)
BALANCES AT DECEMBER 27, 1997	3,050,691	5,879,827		17,373,846	246,992	23,500,665
Comprehensive income						
Net income			$6,135,789	6,135,789		6,135,789
Unrealized losses on securities, net of tax			(5,567)		(5,567)	(5,567)
Comprehensive income			$6,130,222			
Stock issued under the Director Stock Option Plan	6,638	65,550				65,550
Exercise of stock options	51,279	341,216				341,216
Purchase of stock	(11,251)	(213,769)				(213,769)
Payment of dividend				(3,121,718)		(3,121,718)
BALANCES AT DECEMBER 26, 1998	3,097,357	$ 6,072,824		$20,387,917	$241,425	$26,702,166

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 26, DECEMBER 27 AND DECEMBER 28	1998	1997	1996
OPERATING ACTIVITIES			
Net income	$6,135,789	$ 6,360,651	$ 5,247,117
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	2,796,004	2,381,201	3,026,541
Provision for doubtful accounts	371,672	474,050	427,650
Deferred income taxes	(153,633)	1,303,683	411,348
Provision for deferred compensation	99,996	98,183	101,955
(Gain) loss on disposals of assets	207,637	319,066	(60,146)
Change in cash surrender value, net of loans and premiums		(36,000)	(47,734)
Changes in			
Accounts receivable	(561,035)	(2,113,236)	(2,439,220)
Income tax refundable			275,000
Inventories	(10,009)	272,909	3,699,263
Prepaids	106,765	96,969	44,920
Other assets	33,362	(89,397)	81,149
Income tax payable	(225,584)	450,928	770,000
Accounts payable and accrued expenses	(225,923)	(734,776)	3,728,311
Net cash provided by operating activities	8,575,041	8,784,231	15,266,154
INVESTING ACTIVITIES			
Premiums paid for life insurance	(266,490)		(65,800)
Purchase of property and equipment	(1,067,546)	(1,597,055)	(1,902,127)
Proceeds from sale of property and equipment			76,333
Purchase of long-term investments	(65,000)	(95,315)	
Purchase of certain Master Products assets, net of cash acquired		(8,958,745)	
Net cash used by investing activities	(1,399,036)	(10,651,115)	(1,891,594)
FINANCING ACTIVITIES			
Net increase (decrease) in notes payable--bank	(475,000)	3,120,650	(10,475,000)
Proceeds from exercise of stock options	406,766	433,808	38,766
Reduction of long-term debt	(7,800,000)	(10,300,000)	(7,248,000)
Purchase of stock and warrants	(213,769)	(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	(8,082,003)	1,793,961	(13,301,909)
INCREASE (DECREASE) IN CASH	(905,998)	(72,923)	72,651
CASH, BEGINNING OF YEAR	1,246,396	1,319,319	1,246,668
CASH, END OF YEAR	$ 340,398	$ 1,246,396	$ 1,319,319
SUPPLEMENTAL CASH FLOWS INFORMATION			
Interest paid	$1,120,229	$ 1,302,577	$ 1,379,847
Income taxes paid, net	4,775,283	3,819,632	2,286,986
Fixed assets in accounts payable	31,954	35,253	126,884
Dividends payable	3,121,718		

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NATURE OF OPERATIONS
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 five manufacturing facilities, one in Evansville, Indiana; 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
Inventories are valued at the lower of cost or market. Cost is based on the first-in, first-out method.

INVESTMENTS
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 with unrealized gains and losses reported, net of tax, in accumulated other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are recorded at cost. 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

The cost of maintenance and repairs are charged to income as incurred;

significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and the resulting gains or losses are recognized in income for the period.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

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

EARNINGS PER SHARE
Basic earnings per common share information is based on average shares outstanding during each year.

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

BAD DEBTS
The Company uses the reserve method of accounting for bad debts on receivables.

PRODUCT WARRANTY
The Company provides for the estimated cost of its warranty obligations at the time of the sale.

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
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.

RESEARCH AND DEVELOPMENT
Research and development costs are charged to income as incurred. The research and development costs incurred during 1998, 1997 and 1996 were approximately $1,500,000, $1,400,000 and $2,300,000.

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 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.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 2--INVENTORIES

Inventories consist of the following:

DECEMBER 26 AND DECEMBER 27	1998	1997
Finished products	$ 5,717,096	$ 5,665,390
Work in process	3,442,410	3,412,443
Raw materials and supplies	3,487,848	3,559,512
	$12,647,354	$12,637,345

NOTE 3--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

DECEMBER 26 AND DECEMBER 27	1998	1997
Land	$ 757,210	$ 757,210
Buildings and leasehold improvements	10,733,231	10,649,336
Machinery and equipment	23,952,194	23,588,382
Total cost	35,442,635	34,994,928
Accumulated depreciation and amortization	(25,338,945)	(23,356,242)
	$10,103,690	$11,638,686

NOTE 4--LINE OF CREDIT

The Company has 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 26, 1998, the line of credit for short-term borrowings aggregated $12,000,000, of which $7,800,000 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. At December 31, 1998, $1,300,000 of this line of credit was at a prime rate of 7.75% and $6,500,000 was at a LIBOR option rate of 6.28%. This line of credit is subject to the same restrictive covenants as the long-term debt as discussed in Note 5.

NOTE 5--LONG-TERM DEBT

DECEMBER 26 AND DECEMBER 27	1998	1997
Mortgage payable, due in annual installments varying from $300,000 in 1998 to $500,000 in 2005, interest currently is 5.64%, due 2005, secured by plant facility, machinery and equipment, and letter of credit	$2,700,000	$ 3,000,000
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	6,000,000	13,500,000
	8,700,000	16,500,000
Portion classified as current	(2,300,000)	(5,800,000)
	$6,400,000	$10,700,000

Maturities of long-term indebtedness for the ensuing five years are: 1999, $2,300,000; 2000, $2,300,000; 2001, $2,400,000; 2002, $400,000; 2003, $400,000 and thereafter, $900,000.

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.

NOTE 6--INVESTMENTS

	AMORTIZED COST	GROSS UNREALIZED GAINS	APPROXIMATE MARKET VALUE
DECEMBER 26, 1998			
Available for sale			
Marketable equity securities (included in other assets)	$755,486	$402,375	$1,157,861
DECEMBER 27, 1997			
Available for sale			
Marketable equity securities (included in other assets)	$730,196	$411,653	$1,141,849

NOTE 7--STOCK OPTIONS AND WARRANTS

A total of 24,707 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). During 1998, there were 19,250 options granted under the ISO and there were 42,424 options outstanding at year end under this plan. During 1998, there were 3,319 options granted and outstanding 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 1998, the Company authorized the grant of options for up to 22,569 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:

	1998	1997
Risk-free interest rates	4.75%	6%
Dividend yields	0%	0%
Volatility factors of expected market price of common stock	51%	49%
Weighted average expected life of the options	5 YEARS	5 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:

		1998	1997
Net income	As reported	$6,135,789	$6,360,651
	Pro forma	6,076,755	6,363,257
Basic earnings per share	As reported	1.98	2.05
	Pro forma	1.96	2.04
Diluted earnings per share	As reported	1.97	2.02
	Pro forma	1.95	2.02

Stock option transactions are summarized as follows:

	1998		1997		1996	
	SHARES	OPTION PRICE	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	101,821	$6.30 TO 9.88	168,311	$3.26 to 7.25	196,581	$3.26 to 7.25
Issued during year	22,569	$9.88 TO 18.75	25,000	9.88		
Canceled or expired	(2,661)		(6,682)		(16,485)	
Exercised during year	(51,279)	$3.26 TO 9.88	(84,808)	$3.26 to 7.25	(11,785)	$3.26
Outstanding at end of year	70,450	$5.50 TO 18.75	101,821	$6.30 to 9.88	168,311	$3.26 to 7.25
Exercisable at end of year	30,297		63,113		120,699	
Weighted-average fair value of options granted during the year	$9.83		$4.99			

The following table summarizes information about fixed stock options outstanding at December 26, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/26/98	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/26/98	WEIGHTED-AVERAGE EXERCISE PRICE
$5.50	1,000	1.0 years	$5.50	1,000	$5.50
7.25	23,707	1.0	7.25	23,707	7.25
9.88	26,493	3.4	9.88	5,590	9.88

18.75	19,250	4.2	18.75		18.75
$5.50 to 18.75	70,450	2.8	11.36	30,297	7.68

The incentive stock options granted in 1998 and 1997 are exercisable at the rate of 25% over each of the four years beginning in 1999 and 1998.

3,319 Director Stock Options were issued during the year 1998 at an option price of $9.88 and can be exercised after July 1, 1999 with an expiration date of June 30, 2002.

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.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 8--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 two fiscal years ended 1997. In the fourth quarter of 1998, on December 21, 1998, the Company announced that Escalade's Board of Directors declared a special cash dividend of $1.00 per share to shareholders of record January 8, 1999, payable January 22, 1999. The dividend was declared at Escalade's Regular Board Meeting, December 19, 1998.

NOTE 9--EARNINGS PER SHARE

Earnings per share (EPS) were computed as follows:

YEAR ENDED DECEMBER 26, 1998	INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT
Net Income	$6,135,789		
Basic Earnings per Share			
Income available to common stockholders	6,135,789	3,094,638	$1.98
Effect of Dilutive Securities			
Stock options		18,741	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	$6,135,789	3,113,379	$1.97
YEAR ENDED DECEMBER 27, 1997			
Net Income	$6,360,651		
Basic Earnings per Share			
Income available to common stockholders	6,360,651	3,109,514	$2.05
Effect of Dilutive Securities			
Stock options			
Diluted Earnings Per Share		35,328	
Income available to common stockholders and assumed conversions	$6,360,651	3,144,842	$2.02
YEAR ENDED DECEMBER 28, 1996			
Net Income	$5,247,117		
Basic Earnings per Share			
Income available to common stockholders	5,247,117	3,849,783	$1.36
Effect of Dilutive Securities			
Stock options		43,822	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	$5,247,117	3,893,605	$1.35

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

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.

Net loss per share from discontinuing operations:

	1998	1997	1996
Basic	$.53	$.35	$.13
Diluted	$.53	$.35	$.13

NOTE 10--OPERATING LEASES

The Company leases warehousing and office space at its National City, California facilities for $11,573 per month through March 31, 1999. The Company has a five-year option to extend the lease. The lease rate ranges from $11,920 per month in year one to $13,025 per month in year five of the extension period. The Company also shares in common area expenses not to exceed 8(cent) per sq. ft. per month. The lease expires March 31, 2003.

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

At December 26, 1998, the minimum rental payments under noncancelable leases with terms of more than one year are as follows:

YEARS ENDING	AMOUNT
1999	$212,989
2000	146,264
2001	150,652
2002	155,171
2003	39,077
	$704,153

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

	1998	1997	1996
Rentals	$469,650	$611,405	$656,082

NOTE 11--INCOME TAXES

Provision for income taxes consists of the following:

YEARS ENDED DECEMBER 26, DECEMBER 27 AND DECEMBER 28	1998	1997	1996
Current			
Federal	$3,888,985	$3,435,532	$2,670,000
State	1,056,111	803,547	431,986
	4,945,096	4,239,079	3,101,986
Deferred			
Federal	(121,668)	365,830	401,443
State	(31,965)	84,578	9,905
	(153,633)	450,408	411,348
	$4,791,463	$4,689,487	$3,513,334

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 26, DECEMBER 27 AND DECEMBER 28	1998	1997	1996
Income tax at statutory rate	$4,273,546	$4,127,043	$3,144,955
Increase (decrease) in income tax resulting from			
Recurring permanent differences (goodwill amortization, dividend exclusion, and non-deductible officers' life insurance expense)	(76,770)	25,893	(24,279
State tax expense, net of federal effect	675,936	586,163	291,648
Other	(81,249)	(49,612)	101,010
Provision for income taxes recorded	$4,791,463	$4,689,487	$3,513,334

At December 26, 1998, a cumulative deferred tax asset of $929,417 is included in current assets and other liabilities. At December 27, 1997, a cumulative deferred tax asset of $775,784 is included in current and other assets.

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

DECEMBER 26 AND DECEMBER 27	1998	1997
ASSETS		

	1998	1997
Employee benefits	$ 429,186	$ 413,588
Valuation reserves	527,677	724,095
Goodwill	94,869	115,320
Deferred compensation	395,800	399,593
Lease expense		67,513
Total assets	1,447,532	1,720,109
LIABILITIES		
Depreciation	(357,165)	(779,664)
Unrealized gain on securities available for sale	(160,950)	(164,661)
Total liabilities	(518,115)	(944,325)
	$ 929,417	$ 775,784

NOTE 12--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 $316,155, $339,931 and $311,701 for 1998, 1997 and 1996.

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.

NOTE 14--SEGMENT INFORMATION AND CONCENTRATIONS

YEARS ENDED DECEMBER 26, DECEMBER 27 AND DECEMBER 28	1998	1997	1996
		(In Thousands)	
Sales to unaffiliated customers			
Sporting goods	$ 60,184	$ 63,699	$70,651
Office and graphic arts products	30,486	24,836	19,132
Total consolidated	$ 90,670	$ 88,535	$89,783
Operating profit			
Sporting goods	$ 7,295	$ 8,311	$ 6,476
Office and graphic arts products	7,442	5,244	4,103
Corporate	(427)	(291)	(381)
Total consolidated	14,310	13,264	10,198
Consolidated other income	410	475	231
	14,720	13,739	10,429
Consolidated interest expense	1,118	1,065	1,239
Consolidated (gain) loss on disposal of assets	208	319	(60)
Consolidated amortization of goodwill	398	217	
Consolidated loss on terminated sporting goods sale	427		
Consolidated income from operations before income taxes	$ 12,569	$ 12,138	$ 9,250

Identifiable assets			
Sporting goods	$ 39,819	$ 40,904	$40,543
Office and graphic arts products	20,770	21,815	10,199
Corporate	2,900	3,427	3,688
Total assets	$63,489	$ 66,146	$54,430
Depreciation and amortization charged to operations			
Sporting goods	$ 1,207	$ 1,214	$ 2,123
Office and graphic arts products	1,589	1,167	904
Total consolidated	$ 2,796	$ 2,381	$ 3,027
Capital expenditures			
Sporting goods	$ 699	$ 582	$ 1,262
Office and graphic arts products	372	923	757
	$ 1,071	$ 1,505	$ 2,019

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, poles and portables, darts and dart cabinets. 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, checksigners, stamp affixers, paper shredders, paper punches, paper cutters, catalog rack systems, bindery carts, business card slitters, thermography machines 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 1998, 1997 and 1996, approximately 38% (25% of consolidated sales), 33% (24% of consolidated sales) and 31% (24% of consolidated sales) of the sporting goods were sold to Sears, Roebuck & Co. At December 26, 1998 and December 27, 1997, accounts receivable included $16,328,252 and $12,609,120 due from Sears, Roebuck & Co.

Approximately 31% of the Company's labor force is covered by a collective bargaining agreement. 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 contract expires in 2000.

Consolidated assets include approximately $4.0 million of assets located in the United Kingdom and Mexico.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO 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--ADDITIONAL INFORMATION

DECEMBER 26 AND DECEMBER 27	1998	1997
Accrued Liabilities		
Employees' compensation	$ 3,758,290	$ 4,217,671
Payroll taxes and taxes withheld from employees' compensation	257,331	298,214
Taxes other than taxes on income	646,692	378,805
Accrued interest	111,484	130,714
Customer volume discounts payable	4,059,848	3,914,060
Other accrued items	2,809,183	3,188,792
	$11,642,828	$12,128,256

NOTE 17--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.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 18--COMMITMENTS AND CONTINGENCIES

At December 26, 1998, standby letters of credit aggregated $189,800 of which the Company was obligated in the amount of $39,800 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 26, 1998, 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.

NOTE 19--DISCONTINUED OPERATIONS

In December 1998, the Company adopted a plan to discontinue its distribution operations. Those operations were performed by Escalade International, Limited, a foreign subsidiary located in the United Kingdom. The Company's other subsidiaries are all manufacturing operations. Accordingly, Escalade International, Limited is reported as a discontinued operation for the years ended December 26, 1998, December 27, 1997 and December 28, 1996. Net assets of the discontinued operation at December 26, 1998 consist primarily of accounts receivable, inventory and property, plant and equipment.

The estimated loss on the disposal of Escalade International, Limited is $1,222,279 including a provision of $250,000 for operating losses during phaseout. The divestiture period is expected to run into the fourth quarter of 1999. Summarized results of Escalade International, Limited are as follows (dollars in thousands):

	1998	1997	1996
Net sales	$ 2,888	$ 2,966	$3,426
Loss from operations	(420)	(1,088)	(489)
Loss from disposal	(1,222)		
Total loss on discontinued operations	$(1,642)	$(1,088)	$ (489)

The loss from discontinued operations was not tax effected because the foreign losses were not tax deductible.

NOTE 20--SUMMARY OF QUARTERLY RESULTS

	(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)			
	MARCH 21	JULY 11	OCTOBER 3	DECEMBER 26
1998				
Net sales	$15,266	$18,334	$21,452	$35,618
Gross profit	4,751	5,066	7,534	12,793
Net income	585	338	2,072	3,141
Basic earnings per share	.19	.11	.67	1.01
1997				
Net sales	$11,887	$17,050	$21,983	$37,615
Gross profit	3,395	4,755	7,755	13,462
Net income	151	104	1,793	4,313
Basic earnings per share	.05	.03	.57	1.38

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.

NOTE 21--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	$92,919	$100,013
Net Income	6,535	5,956
Basic Earnings per Share	$2.10	$1.55

NOTE 22--YEAR 2000 COMPLIANCE

The Company's sporting goods division, Escalade Sports, has completed the evaluation, conversion and testing of its critical business systems to determine whether such systems will be able to properly process data for the year 2000. Escalade Sports employees first reviewed the underlying software codes for year 2000 compatibility, and then converted the codes where necessary to allow years to be read using four digits rather than two digits. Escalade Sports employees then tested the converted code to determine whether the affected business system would operate without interruption when data using the year 2000 was input. Based on these processes, the Company believes that Escalade Sports' internal software systems are currently year 2000 compliant and have so notified the customers of Escalade Sports where appropriate.

Escalade Sports has also substantially completed the evaluation, conversion and testing of its business and manufacturing equipment to prepare for the year 2000. The Company believes that such process will be completed in its entirety by the end of the first quarter of 1999. Escalade Sports has also requested year 2000 compliance assurances from its customers, vendors and other third parties such as utility companies. Responses from these third parties have been slow to date. Escalade is uncertain whether it will receive responses from all such parties and whether all such responses will be satisfactory.

Martin Yale completed the evaluation phase for year 2000 compatibility on January 18, 1999 and conversion of software codes commenced on January 25, 1999. Martin Yale expects that all necessary conversion and testing should be completed in the fourth quarter of 1999. Outside third parties are anticipated to work with Martin Yale employees in preparing for the year 2000. Martin Yale will also seek year 2000 compliance assurances from its customers, vendors and other third parties, such as utility companies.

As of the end of its fourth quarter of 1998, the Company had incurred approximately $100,000 in connection with preparing for the year 2000. The Company expects to incur approximately another $150,000 of year 2000 expenses by the end of 1999. The Company estimates that its actual and future expenditures in this area are 75% attributable to internal costs and external fees for conversion of systems. The remaining 25% of year 2000 expenses are attributable to new software and equipment. The Company is funding these expenses from working capital. To the extent that the Company has utilized internal resources to remedy potential year 2000 problems, the Company has foregone evaluating and upgrading its systems that it otherwise would have undertaken in the ordinary course of business. The Company does not believe that such reallocation of its internal resources has had or will have a material adverse effect on it.

The Company believes that all of its operations, including those of Escalade Sports and Martin Yale, will timely meet all requirements necessary to be year 2000 compliant. As indicated above, the Company's subsidiaries are continuing to implement their year 2000 plans but have not yet completed those actions. In addition, the Company and its subsidiaries will continue to request compliance assurances from its major customers, vendors and other third parties. At this time, the Company cannot provide any assurances that it will be fully year 2000 compliant, although the Company does not believe it will be materially adversely affected by year 2000 issues.

The most likely year 2000 problems that the Company may face appear to arise from the possible noncompliance of third parties. Possible difficulties could arise in interfacing with major customers and/or in receiving raw materials from suppliers. The Company is continuing to work with its customers to ensure that no material data transmission problems will arise. The Company also has, and is continuing to develop, back up sources for material vendors. Accordingly, the Company does not anticipate that any such third party problems should have a material adverse effect on the Company. However, in the event that the year 2000 would cause the widespread loss of power, telecommunications and other utilities in the areas where the Company operates, the disruption to the Company's business may be material depending upon the length of time it would take such suppliers to restore service to normal levels.

At this time, the Company has not developed specific contingency plans in preparation for the year 2000 other than for identifying back up sources for its material vendors. As the Company continues to complete its evaluation, conversion and testing, the Company will assess whether there are any specific areas where a contingency plan could help alleviate possible adverse effects from the year 2000. If so, the Company will develop contingency plans in those areas prior to the end of 1999.

NOTE 23--OTHER COMPREHENSIVE INCOME

	1998		
YEAR ENDED DECEMBER 31	BEFORE-TAX AMOUNT	TAX BENEFIT	NET-OF-TAX AMOUNT

Unrealized holding losses arising during the year	$(9,278)	$3,711	$(5,567)

	1997		
YEAR ENDED DECEMBER 31	BEFORE-TAX AMOUNT	TAX EXPENSE	NET-OF-TAX AMOUNT
Unrealized holding gains arising during the year	$411,653	$(164,661)	$246,992

[OLIVE LOGO]

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 26, 1998 and December 27, 1997 and for each of the three years in the period ended December 26, 1998 and have issued our report thereon dated January 29, 1999; 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.

OLIVE LLP

Evansville, Indiana
January 29, 1999

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 26, 1998	$893,434	$371,672		$683,276	$581,830
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

(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 15, 1999

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 15, 1999
/s/ John R. Wilson John R. Wilson	Secretary and Treasurer (Principal Financial and Accounting Officer)	March 15, 1999
/s/ Blaine E. Matthews, Jr. Blaine E. Matthews, Jr.	Director	March 15, 1999
/s/ A. Graves Williams, Jr. A. Graves Williams, Jr.	Director	March 15, 1999
/s/ Gerald J. Fox Gerald J. Fox	Director	March 15, 1999
/s/ Keith P. Williams Keith P. Williams	Director	March 15, 1999
/s/ Yale Blanc Yale Blanc	Director	March 15, 1999
/s/ Robert D. Orr Robert D. Orr	Director	March 15, 1999
/s/ C. W. Reed C. W. Reed	Director	March 15, 1999

(S-3)

Exhibit 21

ESCALADE, INCORPORATED AND SUBSIDIARIES

LIST OF SUBSIDIARIES AT DECEMBER 26, 1998

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 Nos. 33-16279, 333-52475, and 333-52477 of Escalade, Incorporated (Company) on Form S-8 of our report dated January 29, 1999 on the consolidated financial statements of the Company appearing in this Annual Report on Form 10-K for the year ended December 26, 1998.

OLIVE LLP

Evansville, Indiana
March 15, 1999

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFOMATION EXTRACTED FROM THE 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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