FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

For Quarter Ended	Commission File Number:
MARCH 31, 2002	0-21026

ROCKY SHOES & BOOTS, INC.
(Exact name of registrant as specified in its charter)

OHIO	31-1364046
(State of Incorporation)	(IRS Employer Identification Number)

39 E. CANAL STREET
NELSONVILLE, OHIO 45764
(Address of principal executive offices)

(740) 753-1951
(Registrant's telephone number, including area code)

(Former name, former address, and former Fiscal year if changed since last report.)

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 twelve (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 ninety (90) days.

Yes X No

4,498,965 common shares, no par value, outstanding at May 8, 2002

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES

FORM 10-Q

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PART 1 - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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<S>	March 31, 2002 Unaudited <C>	December 31, 2001 <C>	March 31, 2001 Unaudited <C>
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	$ 1,117,729	$ 2,954,935	$ 1,116,851
Trade receivables - net	11,005,564	15,091,100	11,372,760
Other receivables	2,525,586	2,225,498	3,411,050
Inventories	29,713,341	27,713,664	38,422,375
Deferred income taxes	615,609	615,609	502,722
Prepaid expenses	1,539,910	1,053,192	4,084,974
Total current assets	46,517,739	49,653,998	58,910,732
FIXED ASSETS - net	20,471,642	20,766,094	23,440,166
DEFERRED PENSION ASSET	2,169,021	1,802,922	2,526,603
DEFERRED INCOME TAXES	295,784	295,784	
OTHER ASSETS	2,537,800	2,141,016	2,217,387
TOTAL ASSETS	$ 71,991,986	$ 74,659,814	$ 87,094,888
LIABILITIES AND SHAREHOLDERS' EQUITY:			
CURRENT LIABILITIES:			
Accounts payable	$ 3,629,340	$ 1,559,444	$ 6,262,617
Current maturities - long term debt	474,315	469,143	553,081
Accrued taxes - other	609,655	991,295	841,070
Accrued salaries and wages	704,559	985,992	657,481
Accrued plant closing costs	851,175	903,291	
Accrued other	275,248	477,938	596,986
Total current liabilities	6,544,292	5,387,103	8,911,235
LONG TERM DEBT-less current maturities	15,419,643	16,976,023	26,335,962
DEFERRED LIABILITIES	173,750	1,253,355	2,428,113

TOTAL LIABILITIES	22,137,685	23,616,481	37,675,310
SHAREHOLDERS' EQUITY:			
Common stock, no par value; 10,000,000 shares authorized; issued and outstanding March 31, 2002 - 4,498,965; December 31, 2001 - 4,492,215 - March 31, 2001 - 4,489,215	35,340,315	35,302,159	35,284,159
Accumulated other comprehensive loss	(831,161)	(831,161)	
Retained earnings	15,345,147	16,572,335	14,135,419
Total shareholders' equity	49,854,301	51,043,333	49,419,578
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 71,991,986	$ 74,659,814	$ 87,094,888

</TABLE>

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
<S>	<C>	<C>
NET SALES	$ 13,749,588	$ 16,063,895
COST OF GOODS SOLD	11,408,935	12,896,821
GROSS MARGIN	2,340,653	3,167,074
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,899,501	4,008,499
LOSS FROM OPERATIONS	(1,558,848)	(841,425)
OTHER INCOME AND (EXPENSES):		
Interest expense	(283,109)	(579,097)
Other - net	88,831	132,986
Total other - net	(194,278)	(446,111)
LOSS BEFORE INCOME TAX BENEFIT	(1,753,126)	(1,287,536)
INCOME TAX BENEFIT	(525,938)	(381,442)
NET LOSS	$ (1,227,188)	$ (906,094)
NET LOSS PER SHARE		
Basic	($ 0.27)	($ 0.20)
Diluted	($ 0.27)	($ 0.20)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	4,493,823	4,489,215
Diluted	4,493,823	4,489,215

</TABLE>

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
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	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,227,188)	$ (906,094)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,033,333	1,164,455
Deferred liabilities - net	(1,445,704)	(22,475)
Gain on sale of fixed assets	(7,802)	
Change in assets and liabilities:		
Receivables	3,785,448	6,228,971
Inventories	(1,999,677)	(6,387,138)
Prepaid expenses	(486,718)	(2,789,687)
Other assets	(408,363)	(29,492)
Accounts payable	2,041,008	2,753,104
Accrued and other liabilities	(917,879)	(128,139)
Net cash provided by (used in) operating activities	366,458	(116,495)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(699,572)	(258,041)
Proceeds from sale of fixed assets	8,960	
Net cash used in investing activities	(690,612)	(258,041)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	19,887,761	21,980,847
Payments on long term debt	(21,438,969)	(22,607,454)
Proceeds from exercise of stock options	38,156	
Net cash used in financing activities	(1,513,052)	(626,607)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,837,206)	(1,001,143)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,954,935	2,117,994
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,117,729	$ 1,116,851

</TABLE>

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM FINANCIAL REPORTING

In the opinion of management, the accompanying interim unaudited condensed consolidated financial statements reflect all adjustments which are necessary for a fair presentation of the financial results. All such adjustments reflected in the unaudited interim consolidated financial statements are considered to be of a normal and recurring nature. The results of the operations for the three month periods ended March 31, 2002 and 2001 are not necessarily indicative of the results to be expected for the whole year. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report to the Shareholders on Form 10-K for year ended December 31, 2001.

Certain reclassifications have been made to the prior year amounts in order to conform to the current year presentation.

2. CLOSURE OF MANUFACTURING OPERATIONS

In September 2001, the Board of Directors approved a restructuring plan to consolidate and realign the Company's footwear manufacturing operations. Under this plan, the Company moved the footwear manufacturing operations at its Nelsonville, Ohio factory to the Company's factory in Puerto Rico. The restructuring plan was completed in fourth quarter 2001.

The execution of this plan, which started in September 2001, resulted in the elimination of 67 employees at the Company's Nelsonville, Ohio facility, and a transfer of a significant amount of machinery and equipment located at the Nelsonville facility to the Moca, Puerto Rico facility.

A reconciliation of the plant closing costs and accrual for the quarter ended March 31, 2002 is as follows:

	2001 TOTAL EXPENSES	ACCRUED BALANCE DEC. 31, 2001	FIRST QUARTER 2002 PAYMENTS	ACCRUED BALANCE MARCH 31, 2002
Severance				
Non-union	$ 71,668	$ 71,668	$ 20,483	$ 51,185
Union	292,653			
Curtailment of pension plan benefits	690,000	690,000		690,000
Employee benefits	34,223	33,000	6,808	26,192
Factory lease	90,000	85,000	13,000	72,000
Equipment and relocation costs	260,626	5,000		5,000
Legal and other costs	60,830	18,623	11,825	6,798
Total	$ 1,500,000	$ 903,291	$ 52,116	$ 851,175

3. INVENTORIES

Inventories are comprised of the following:

	March 31, 2002	December 31, 2001	March 31, 2001
Raw materials	$ 6,439,302	$ 4,537,865	$ 8,534,197
Work-in Process	1,981,243	1,578,107	2,570,437
Finished good	20,072,913	20,077,999	24,656,004
Factory outlet finished goods	1,380,883	1,680,693	3,015,737
Reserve for obsolescence or lower of cost or market	(161,000)	(161,000)	(354,000)
Total	$ 29,713,341	$ 27,713,664	$ 38,422,375

4. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and Federal, state and local income taxes was as follows:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Interest	$308,759	$660,247
Federal, state and local income taxes	$ 25,000	$ 52,348

Accounts payable at March 31, 2002 and December 31, 2001 include a total of $34,198 and $5,310, respectively, relating to the purchase of fixed assets.

5. PER SHARE INFORMATION

Basic earnings/(loss) per share (EPS) is computed by dividing net loss applicable to common shareholders by the basic weighted average number of common shares outstanding during each period. The diluted earnings per share computation includes common share equivalents, when dilutive. There are no adjustments to net income necessary in the calculation of basic and diluted earnings per share.

6. RECENTLY ADOPTED FINANCIAL ACCOUNTING STANDARDS

Effective January 1, 2002, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The adoption of this statement did not have a material impact on its consolidated financial statements. SFAS No. 142 changes the accounting for goodwill and certain other intangible assets from an amortization method to an impairment only approach. The Company has no goodwill recorded. However, the total net book value of infinite-lived

intangible assets at March 31, 2002 was $413,869. Infinite-lived intangible assets represent the cost of acquiring the licensing rights to ROCKY(R) Kids from Philip's Kids, LLC. These rights have previously been determined to have an indefinite useful life and accordingly are not subject to amortization. In addition, the Company has intangible assets consisting of patents and trademarks totaling approximately $500,000 at March 31, 2002 that are being amortized over 15 years. Amortization expense related to these intangible assets in the first quarter of fiscal 2001 and 2002 was $9,044 and $11,579 respectively.

In August 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." While this statement supercedes SFAS No. 121, "Accounting for Impairment of Long-Lived Assets to Be Disposed Of," it retains the fundamental provisions of SFAS No. 121 for recognition and impairments of assets to be held and used, and assets to be disposed of by sale. The adoption of this statement, as of January 1, 2002, did not have a material impact on its consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This Statement also rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers." This statement amends SFAS No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This statements also amends other authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. This statement is effective for the first quarter in the year ended December 31, 2003. The Company does not believe the adoption of SFAS No. 145 will have a significant impact on its consolidated financial statements.

PART 1 - FINANCIAL INFORMATION
ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, information derived from the Company's Interim Unaudited Condensed Consolidated Financial Statements, expressed as a percentage of net sales. The discussion that follows the table should be read in conjunction with the Interim Unaudited Condensed Consolidated Financial Statements of the Company.

	PERCENTAGE OF NET SALES	
	Three Months Ended March 31,	
	2002	2001
Net Sales	100.0%	100.0%
Cost of Goods Sold	83.0%	80.3%
Gross Margin	17.0%	19.7%
Selling, General and Administrative Expenses	28.3%	25.0%
Loss from Operations	(11.3%)	(5.3%)

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

Net Sales

Net Sales declined $2,314,307, or 14.4%, to $13,749,588 for the quarter ended March 31, 2002 compared to $16,063,895 for the same period a year ago. This is a result of reduced sales within the rugged outdoor, occupational and casual footwear categories. Offsetting these decreases were sales of military footwear. The Company began shipping military footwear in second quarter 2001 pursuant to a contract with the U.S. Government. The Company attributes the decline in sales to the general softness within the economy and milder than normal weather conditions during its peak selling season which adversely impacted sales for the Company's retail customers and orders during first quarter 2002.

Gross Margin

Gross margin decreased $826,421, or 26.1%, to $2,340,653 for the quarter ended March 31, 2002 compared to $3,167,074 for the same period in 2001. As a percentage of net sales, gross margin was 17.0% this year compared to 19.7% a year ago. In addition to the sales shortfall, this decline was due to the mix of products in net sales. Rugged outdoor, occupational and casual footwear represented a lower percentage of net sales in first quarter 2002 than in the prior year, while military boots represented a higher percentage. Military boots are produced at lower gross

margin than footwear in the Company's other categories.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") decreased $108,998, or 2.7%, to $3,899,501 for the quarter ended March 31, 2002 compared to $4,008,499 for the same period a year ago. As a percentage of net sales, SG&A increased to 28.4% of net sales versus 25.0% a year ago principally due to the reduction in net sales compared to a year ago.

Interest Expense

Interest expense decreased $295,988, or 51%, to $283,109 in the quarter ended March 31, 2002 compared to $579,097 the prior year. The decrease in interest expense is a result of lower outstanding balances and rates under the Company's revolving line of credit. The Company's funded debt decreased 40.9% to $15,893,958 at March 31, 2002 versus $26,889,043 a year ago, particularly benefiting from reductions in inventory. Improved forecasting and production control systems combined with fewer footwear styles contributed to the 22.7% decrease in inventory for the year-over-year period.

Income Taxes

Income tax benefit for the three months ended March 31, 2002 increased to $525,938 compared to $381,442 for the same period a year ago. The Company's effective tax benefit rate of 30.0% for the three months ended March 31, 2002 reflects primarily the lower tax rates in Puerto Rico and compares to 29.6% for first quarter 2001.

Liquidity and Capital Resources

The Company has principally funded working capital requirements and capital expenditures through borrowings under its line of credit and other indebtedness. Working capital is primarily used to support changes in accounts receivable and inventory as a result of the Company's seasonal business cycle and business expansion. These requirements are generally lowest in the months of January through March of each year and highest during the months of May through October. In addition, the Company requires financing to support additions to machinery, equipment and facilities as well as the introduction of new styles of footwear. At March 31, 2002, the Company had working capital of $39,973,447 versus $44,266,895, at December 31, 2001.

The Company's line of credit provides for advances based on a percentage of eligible accounts receivable and inventory with maximum borrowings under the line of credit of $50,000,000. As of March 31, 2002, the Company had borrowed $9,564,957 and $575,400 against its revolving line of credit and term loan agreements, respectively, and against its available borrowings of $16,780,656. The line of credit expires in September 2003.

The Company generated cash from operations of $366,458 in first quarter 2002 compared to cash used in operations of $116,495 for the same period of the prior year. The primary source of the increase in cash generated from operations is due to collections of accounts receivable, offset by the payment of contributions to the Company's pension plan.

The principal use of cash flows in investing activities for the first quarters of 2002 and 2001 was for investment in property, plant,

and equipment. In the first quarter of 2002, property, plant, and equipment expenditures were $699,572 versus $258,041 for the same period in 2001. The increase resulted from investments in the Company's Puerto Rico subsidiary to enable it to absorb manufacturing capabilities of the Nelsonville, Ohio facility, which closed during the realignment of the Company's footwear manufacturing in November 2001. Additionally, the Company made investments in software to upgrade sales and customer support during first quarter 2002.

Capital expenditures for 2002 are expected to be similar to Fiscal 2001, which were $1.2 million. The Company believes it will be able to finance such additions and meet operating expenditure requirements in 2002 through available cash on hand, additional long-term borrowings and operating cash flows.

Inflation

The Company cannot determine the precise effects of inflation; however, inflation continues to have an influence on the cost of materials, salaries, and employee benefits. The Company attempts to offset the effects of inflation through increased selling prices, productivity improvements, and reduction of costs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to accounts receivable, inventories, pension benefits, income taxes, and restructuring costs. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Accounts receivable allowances

Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Management also records estimates for customer returns and discounts offered to customers. Should a greater proportion of customers return goods and take advantage of discounts than estimated by the Company, additional allowances may be required.

Inventories

Management identifies slow moving or obsolete inventories and estimates appropriate loss provisions related to these inventories. Historically, these loss provisions have not been significant as the vast majority of the Company's inventories are considered saleable and the Company has been able to liquidate any slow moving or obsolete inventories through the Company's factory clearance center or through various discounts to customers. Should management encounter difficulties liquidating slow moving or obsolete inventories, additional provisions may be required.

Pension benefits

Management records an accrual for pension costs associated with the Company sponsored noncontributory defined benefit pension plans covering the union and non-union workers of the Company's operations. Future adverse changes in market conditions or poor operating results of underlying plan assets could result in losses or a higher accrual.

Income taxes

Currently, management has not recorded a valuation allowance to reduce its deferred tax assets to the amount that it believes is more likely than not to be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, however in the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should the Company determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.

Restructuring costs

As disclosed in Note 2 of Notes to the Interim Unaudited Consolidated Financial Statements, in 2001 management established an accrual for estimated restructuring and realignment costs associated with the closing of its Nelsonville manufacturing facility. The Company expects no additional restructuring and realignment costs associated with this plan, however should the Company incur additional costs related to the closing of the manufacturing facility, additional accruals may be required.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding intent, beliefs, expectations, projections, forecasts, and plans of the Company and its management, and include any statements regarding capital expenditures (paragraph 11). Investors are cautioned that such statements involve risks and uncertainties, including, but not limited to, changes in consumer demand, seasonality, impact of weather, competition, reliance on suppliers, changing retailing trends, reliance on foreign manufacturing, changes in tax rates, limited protection of proprietary technology, and other risks, uncertainties and factors described in the Company's most recent

Annual Report on Form 10-K and other filings from time to time with the

Securities and Exchange Commission. One or more of these factors have affected, and in the future could affect the Company's business and financial results and cause actual results to differ materially from plans and projections. Although the Company and its management believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements contained herein, the inclusion of such information should not be regarded as a representation by the Company, its management or any other person that the Company's objectives and plans will be achieved. All forward-looking statements made herein are based on information presently available to the management of the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

PART 1 - FINANCIAL INFORMATION
ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes since December 31, 2001.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits. None.

(b) Reports on Form 8-K. None.

SIGNATURES

Pursuant to the requirements 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.

ROCKY SHOES & BOOTS, INC.

Date: May 14, 2002

/s/ James E. McDonald

James E. McDonald, Vice President and Chief Financial Officer*

* In his capacity as Vice President and Chief Financial Officer, Mr. McDonald is duly authorized to sign this report on behalf of the Registrant.