

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  
 SEPTEMBER 30, 2003  
 -----

Commission File Number:  
 0-21026  
 -----

ROCKY SHOES & BOOTS, INC.  
 -----

(Exact name of registrant as specified in its charter)

OHIO  
 ----

(State of Incorporation)

31-1364046  
 -----

(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  
 --- ---

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No X  
 --- ---

4,213,050 common shares, no par value, outstanding at November 13, 2003

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>  
<CAPTION>

	September 30, 2003	December 31, 2002	September 30,
	(Unaudited)		
2002	-----	-----	-----
(Unaudited)			
-----			
ASSETS:			
CURRENT ASSETS:			
<S>	<C>	<C>	<C>
Cash and cash equivalents	\$ 1,374,062	\$ 4,276,722	\$
1,893,242			
Trade receivables - net	39,806,328	15,282,618	
29,104,380			
Other receivables	822,451	1,173,714	
1,747,279			
Inventories	42,216,415	23,181,989	
30,253,309			
Deferred income taxes	578,951	584,511	
615,609			
Prepaid expenses	1,633,904	1,267,097	
1,321,298	-----	-----	-----
---			
Total current assets	86,432,111	45,766,651	
64,935,117			
FIXED ASSETS - net	17,953,270	19,049,287	
19,212,820			
DEFERRED PENSION ASSET	1,651,222	1,651,222	
2,493,590			
DEFERRED INCOME TAXES	153,495	153,495	
295,784			
OTHER ASSETS	3,704,879	1,796,359	
2,230,565	-----	-----	-----
---			
TOTAL ASSETS	\$ 109,894,977	\$ 68,417,014	\$
89,167,876	=====	=====	
=====			

LIABILITIES AND SHAREHOLDERS' EQUITY:

CURRENT LIABILITIES:

Accounts payable	\$ 7,775,924	\$ 1,642,306	\$
4,068,998			
Current maturities - long term debt	497,005	486,161	
484,200			
Accrued taxes - other	377,883	346,168	
457,225			
Accrued salaries and wages	1,992,671	807,611	
1,029,411			
Accrued plant closing costs	210,000	210,000	
270,499			
Accrued other	2,442,185	523,118	
1,257,086			
---	-----	-----	-----
Total current liabilities	13,295,668	4,015,364	
7,567,419			

LONG TERM DEBT-less current maturities	40,780,812	10,488,388	
29,055,129			
DEFERRED LIABILITIES	1,954,277	1,520,338	
152,500			
---	-----	-----	-----

TOTAL LIABILITIES	56,030,757	16,024,090	
36,775,048			

SHAREHOLDERS' EQUITY:

Common stock, no par value;			
10,000,000 shares authorized; issued and outstanding			
September 30, 2003 - 4,126,930; December 31, 2002-			
4,492,215; September 30, 2002 - 4,505,465	32,819,489	35,289,038	
35,373,578			
Accumulated other comprehensive loss	(2,311,749)	(2,311,749)	
(831,161)			
Retained earnings	23,356,480	19,415,635	
17,850,411			
---	-----	-----	-----
Total shareholders' equity	53,864,220	52,392,924	
52,392,828			

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 109,894,977	\$ 68,417,014	\$
89,167,876	=====	=====	

</TABLE>

See notes to the interim unaudited condensed consolidated financial statements.

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

<TABLE>  
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
NET SALES	\$ 41,349,824	\$ 30,453,543	\$ 76,967,913	\$ 63,397,202
COST OF GOODS SOLD	28,264,032	21,601,185	53,681,609	47,266,558
GROSS MARGIN	13,085,792	8,852,358	23,286,304	16,130,644
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,628,958	5,119,050	16,823,883	13,535,584
INCOME FROM OPERATIONS	5,456,834	3,733,308	6,462,421	2,595,060

OTHER INCOME AND (EXPENSES):				
Interest expense	(437,241)	(422,366)	(946,859)	(1,038,434)
Other - net	(18,744)	102,168	161,359	269,197
	-----	-----	-----	-----
Total other - net	(455,985)	(320,198)	(785,500)	(769,237)
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	5,000,849	3,413,110	5,676,921	1,825,823
INCOME TAX EXPENSE	1,533,254	1,024,933	1,736,076	547,747
	-----	-----	-----	-----
NET INCOME	\$ 3,467,595	\$ 2,388,177	\$ 3,940,845	\$ 1,278,076
	=====	=====	=====	=====
NET INCOME PER SHARE				
Basic	\$ 0.84	\$ 0.53	\$ 0.94	\$ 0.28
	=====	=====	=====	=====
Diluted	\$ 0.77	\$ 0.52	\$ 0.88	\$ 0.28
	=====	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic	4,109,147	4,505,465	4,178,942	4,500,675
	=====	=====	=====	=====
Diluted	4,512,886	4,555,208	4,459,783	4,613,994
	=====	=====	=====	=====

</TABLE>

See notes to the interim unaudited condensed consolidated financial statements.

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

<TABLE>

<CAPTION>

	Nine Months Ended September 30, 2003	September 30, 2002
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,940,845	\$ 1,278,076
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,674,593	3,073,782
Deferred income taxes and liabilities	439,499	(1,791,524)
Loss on sale of fixed assets	8,743	9,583
Change in assets and liabilities:		
Receivables	(24,172,447)	(13,535,061)
Inventories	(16,994,356)	(2,539,645)
Prepaid expenses	(366,807)	(268,106)
Other assets	136,614	(109,325)
Accounts payable	5,364,170	2,495,946
Accrued and other liabilities	3,135,842	(344,295)
	-----	-----
Net cash used in operating activities	(25,833,304)	(11,730,569)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,444,034)	(1,509,457)
Acquisition of business	(3,510,070)	
Proceeds from sale of fixed assets	51,029	12,750
	-----	-----
Net cash used in investing activities	(4,903,075)	(1,496,707)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	86,558,753	64,882,869
Payments on long term debt	(56,255,485)	(52,788,705)
Purchase of treasury stock	(3,106,156)	
Proceeds from exercise of stock options	636,607	71,419
	-----	-----
Net cash provided by financing activities	27,833,719	12,165,583
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(2,902,660)	(1,061,693)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,276,722	2,954,935
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,374,062	\$ 1,893,242
	=====	=====

</TABLE>

See notes to the interim unaudited condensed consolidated financial statements.

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ROCKY SHOES & BOOTS, INC.  
AND SUBSIDIARIES

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2003 AND 2002

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 interim unaudited condensed consolidated financial statements are considered to be of a normal and recurring nature. The results of the operations for the nine-month periods ended September 30, 2003 and 2002 are not necessarily indicative of the results to be expected for the whole year. Accordingly, these interim unaudited condensed 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 the year ended December 31, 2002.

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

The Company accounts for its stock option plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees", under which no compensation cost has been recognized. Had compensation cost for all stock option plans been determined consistent with the SFAS No. 123, "Accounting for Stock Based Compensation," the Company's net income and income per share would have resulted in the amounts as reported below.

<TABLE>

<CAPTION>

	Three Months Ended 2003	September 30, 2002	Nine Months Ended 2003	September 30, 2002
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net income as reported	\$ 3,467,595	\$ 2,388,177	\$ 3,940,845	\$ 1,278,076
Deduct: Stock based employee compensation expense determined under fair value based method for all awards, net			333,640	405,853
	-----	-----	-----	-----
Pro forma net income	\$ 3,467,595	\$ 2,388,177	\$ 3,607,205	\$ 872,223
	=====	=====	=====	=====
Earnings per share:				
Basic - as reported	\$ 0.84	\$ 0.53	\$ 0.94	\$ 0.28
Basic - pro forma	\$ 0.84	\$ 0.53	\$ 0.86	\$ 0.19
Diluted - as reported	\$ 0.77	\$ 0.52	\$ 0.88	\$ 0.28
Diluted - pro forma	\$ 0.77	\$ 0.52	\$ 0.82	\$ 0.19

</TABLE>

The pro forma amounts are not representative of the effects on reported net income for future years.

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2. INVENTORIES

Inventories are comprised of the following:

<TABLE>

<CAPTION>

	September 30, 2003	December 31, 2002	September 30, 2002
<S>	<C>	<C>	<C>
Raw materials	\$ 5,424,458	\$ 3,535,884	\$ 4,855,657
Work-in-Process	949,095	436,435	2,299,573
Finished goods	34,486,579	18,301,351	21,527,293
Factory outlet finished goods	1,728,283	1,080,319	1,731,786
Reserve for obsolescence or lower of cost or market	(372,000)	(172,000)	(161,000)
Total	\$ 42,216,415	\$ 23,181,989	\$ 30,253,309

</TABLE>

### 3. SUPPLEMENTAL CASH FLOW INFORMATION

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

<TABLE>  
<CAPTION>

	Nine Months Ended September 30,	
	2003	2002
<S>	<C>	<C>
Interest	\$ 937,343	\$ 1,015,141
Federal, state and local income taxes - net	\$ 90,000	\$ 75,000

</TABLE>

Accounts payable at September 30, 2003 and December 31, 2002 include a total of \$177,276 and \$34,198, respectively, relating to the purchase of fixed assets and \$594,865 and \$0, respectively, related to the additional goodwill accrued in the Gates(R) asset acquisition.

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### 4. PER SHARE INFORMATION

Basic earnings per share (EPS) is computed by dividing net income 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.

A reconciliation of the shares used in the basic and diluted income per common share computation for the three months and nine months ended September 30, 2003 and 2002 is as follows:

<TABLE>  
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Basic weighted average shares outstanding	4,109,147	4,505,465	4,178,942	4,500,675
Diluted securities: Stock options	403,739	49,743	280,841	113,319
Diluted weighted average shares outstanding	4,512,886	4,555,208	4,459,783	4,613,994

</TABLE>

### 5. RECENTLY ADOPTED FINANCIAL ACCOUNTING STANDARDS

In November 2002, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a guarantor to recognize a liability, at the inception of the guarantee, for the fair

value of obligations it has undertaken in issuing the guarantee and also include more detailed disclosures with respect to guarantees. FIN 45 is effective for guarantees issued or modified starting January 1, 2003 and required the additional disclosures beginning with the Company's fiscal year ended December 31, 2002. The provisions of FIN 45 have been adopted with no material impact on the Company's results of operations or financial condition.

In November 2002, the Emerging Issues Task Force reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 provides guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EITF 00-21 is effective for arrangements entered into after June 30, 2003. The adoption of EITF 00-21 did not have a material impact on the Company's results of operations or financial condition.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (see Footnote 1). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123. The transition provisions of this Statement are effective for fiscal years ending after December 15, 2002, and the disclosure requirements of the Statement are effective for interim periods beginning after December 15, 2002. The Company accounts for stock-based employee compensation arrangements in accordance with the provision of APB No. 25 and complies with the disclosure provisions of SFAS No. 123 and SFAS No. 148.

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In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities ("FIN 46"), to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. Until now, one company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 changes that by requiring a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements, none of which appear to apply to the Company at this time, are effective in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The provisions of FIN 46 have been adopted and based upon a review of such provisions it has been determined that there are no variable interest entities which would require consolidation or disclosure at this time. Many proposed FASB Staff Positions ("FSP"s) have been issued related to FIN 46 since FIN 46 was first issued in January 2003. Specifically, FSP FIN 46-6 delays the effective date to the period ending after December 15, 2003 if certain conditions are met.

In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for certain derivative instruments, and hedging activities for decisions made as part of the Derivatives Implementation Group. This Statement is generally effective for contracts entered into or modified after June 30, 2003. The Company has not completed its evaluation of SFAS No. 149, but does not believe it will have a significant impact on the Company's results of operations or financial condition.

Statement of Financial Accounting Standards No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity", was issued in May 2003 and is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The requirements of SFAS 150 apply to issuers' classification and measurement of freestanding financial instruments, including those that comprise more than one option or forward contract. SFAS 150 does not apply to features that are embedded in a financial instrument that is not a derivative in its

entirety. This statement will not have a material effect on the Company's consolidated financial statements.

6. ACQUISITION

On April 15, 2003, the Company completed the purchase of certain assets from Gates-Mills, Inc. ("Gates"). Under the terms of the purchase agreement, Rocky acquired all of the intellectual property of Gates, including ownership of the Gates(R) trademark, selected

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raw material and finished goods inventory, and certain records in connection with the Gates business in exchange for \$3,510,070 plus a deferred purchase price if sales by the Company related to the Gates product line from the date of purchase through December 31, 2003 reach certain performance targets. The Company has accrued an additional \$594,865 as additional goodwill because net sales of the product line through September 30, 2003 have exceeded the performance targets established for all of 2003. The Company has filed the financial statements and the pro-forma financial information required by the Regulation S-X Article 3.05 and Article 11.01. Final allocation of the purchase price has not been determined; however, it will be based on an independent appraisal of the fair value of the assets acquired.

7. CAPITAL STOCK

The Company is authorized to repurchase up to 500,000 shares of its outstanding common shares through December 31, 2003. The purchases may occur on the open market and/or in privately negotiated transactions as market conditions warrant. As of September 30, 2003, the Company had purchased a total of 499,933 shares at an average price of \$6.38.

For the nine months ended September 30, 2003, options for 121,398 of the Company's common stock were exercised at an average price of \$5.24.

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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.

<TABLE>  
<CAPTION>

	PERCENTAGE OF NET SALES			
	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
<S>	<C>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	68.4%	70.9%	69.7%	74.6%
Gross Margin	31.6%	29.1%	30.3%	25.4%
SG&A expenses	18.4%	16.8%	21.9%	21.4%
Income from Operations	13.2%	12.3%	8.4%	4.0%

</TABLE>

THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2002

Net Sales

Net sales increased \$10,896,281, or 35.8%, to \$41,349,824 for the quarter ended September 30, 2003 compared to \$30,453,543 for the same period a year ago. The increase reflects improved performance within each sales category. Most notable were an increase within ROCKY(R) branded footwear sales of 20.7% (approximately \$5,200,000) and \$5,415,173 net sales of the recently acquired of GATES(R) brand. Net sales of ROCKY(R) Outdoor Gear more than doubled compared to the third



quarter 2002. A portion of the sales increase was due to slightly higher prices on certain branded products principally due to raw material price increases.

#### Gross Margin

Gross margin improved to a record 31.6% of net sales, or \$13,085,792, for the third quarter 2003 compared with 29.1%, or \$8,852,358, for the same period last year. The principal factor contributing to the record gross profit margin was an increase in sourced products, which were 73.2% of net sales for the third quarter 2003 versus 57.8% for the same period last year.

#### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were \$7,628,958, or 18.4% of net sales, for the three months ended September 30, 2003 versus \$5,119,050, or 16.8% of net sales, the

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prior year. The increase was primarily attributable to higher incentive compensation accruals due to increased profits, higher commissions paid as a result of the increase in net sales, and costs to develop and launch recent product introductions.

#### Income from Operations

The above factors contributed to the increase in income from operations to \$5,456,834 or 13.2% of net sales for the third quarter from \$3,733,308 or 12.3% a year ago. Consistent with the increase in income from operations, net income increased \$1,079,418 over the corresponding period in the prior year.

#### Interest Expense

Interest expense increased \$14,875, or 3.5%, to \$437,241 in the quarter ended September 30, 2003 compared to \$422,366 the prior year. Increased borrowing for the quarter used to finance expanded operations and inventory purchases was partially offset by lower interest rates during third quarter 2003.

#### Income Taxes

Income taxes increased to \$1,533,254 for the three months ended September 30, 2003 compared to \$1,024,933 for the same period a year ago. The Company's effective tax rate was 30.7% for the three months ended September 30, 2003 compared with 30.0% for the same period last year. This reflects increased sales of sourced products which do not benefit from the favorable tax rates for the Company's operations in Puerto Rico and the Dominican Republic.

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2002

#### Net Sales

Net sales for the nine months ended September 30, 2003 was a record for the year-to-date period. Net sales increased 21.4% to \$76,967,913 for the nine months ended September 30, 2003 compared with \$63,397,202 for the same period last year. This was due to solid increases in ROCKY(R) branded product sales, net sales of \$7,626,970 for the recently acquired GATES(R) brand, and increased sales of ROCKY(R) Outdoor Gear versus a year ago. During the first nine months of 2003, the Company had no military sales versus \$6,432,805 during the same period last year. A portion of the sales increase was due to slightly higher prices on certain branded products principally due to raw material price increases.

#### Gross Margin

Gross margin rose to \$23,286,304 or 30.3% of net sales for the first nine months of 2003 versus \$16,130,644 or 25.4% for the same period a year ago. The increase in sourced product sales to 66.0% of net sales for the nine months ended September 30, 2003 from 47.0% for the same period last year and no sales to the U.S. military in 2003 were the primary contributing factors to the improvement.

#### Selling, General and Administrative Expenses

SG&A expenses of \$16,823,883 for the nine months ended September 30, 2003 were 21.9% of

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net sales versus \$13,535,584 or 21.4% of net sales the prior year. The higher SG&A expenses for the 2003 year-to-date period are primarily attributable to higher incentive compensation accruals due to increased profits and higher commissions paid related to the increase in net sales.

## Interest Expense

Interest expense for the nine months ended September 30, 2003 decreased \$91,575 or 8.8% to \$946,859 versus \$1,038,434 for the same period a year ago. Interest rates through September 30, 2003 were lower than for the same period last year. Increased borrowing to finance expanded operations and purchases partially offset the interest rate reductions.

## Income from Operations

The above factors contributed to the increase in income from operations, which more than doubled to 8.4% of net sales for the nine months ended September 30, 2003 from 4.1% of net sales for the same period last year. Consistent with the increase in income from operations, net income increased \$2,662,769 over the corresponding period in the prior year.

## Income Taxes

Income taxes for the nine months ended September 30, 2003 increased \$1,188,329 to \$1,736,076 compared to \$547,747 for the same period a year ago. The Company's effective tax rate was 30.6% for the nine months ended September 30, 2003 versus 30.0% for the same period in 2002. This reflects increased sales of sourced products which do not benefit from the favorable tax rates for the Company's operations in Puerto Rico and the Dominican Republic.

## 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 because 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, clothing and accessories. At September 30, 2003, the Company had working capital of \$73,136,443 versus \$57,367,698 on the same date last year and \$41,751,287 at December 31, 2002.

Funded debt was \$41,277,817 at September 30, 2003 compared with \$29,539,329 on the same date last year. Historically, the Company's funded debt is highest at the end of the third quarter due to significant shipments during the quarter for the fall and winter seasons. The increase in funded debt at September 30, 2003 compared to last year was principally due to borrowings for the purchase of certain assets of Gates(R) and the Company's share repurchase program earlier this year, as well as additional inventory to support sales growth.

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 \$45,000,000. As a result of the limitations on its maximum borrowing amount at September 30, 2003, the Company had borrowed \$35,667,731 against its then currently available line of credit of \$43,117,936.

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The Company's cash flow used in operations increased to \$25,833,304 in the first nine months of 2003 from \$11,730,569 for the same period in the prior year. The period-over-period comparison reflects increases in accounts receivable and inventories which was partially offset by the increase in net income and accounts payable. All of the respective balance sheet fluctuations reflect the seasonal nature of the Company's business, the increased sales and bookings for the current year, the increase in sales of sourced product and the Gates(R) asset acquisition.

The principal use of cash flows in investing activities for the first nine months of 2003 and 2002 has been for business acquisition and investment in property, plant, and equipment. In the nine months of 2003 the Company invested \$4,104,935 to acquire certain assets of Gates(R); there were no comparable investments for the same period in 2002. In the first nine months of 2003, property, plant, and equipment expenditures were \$1,444,034 versus \$1,509,457 for the same period in 2002. The current year expenditures primarily represent investments in injection molding equipment to improve the capabilities of the Company's Puerto Rico subsidiary and investments in molds used in the production of new products sourced in the Far East.

The Company's cash flows from financing activities for the nine months ended September 30, 2003 reflect the repurchase of common shares as treasury stock for \$3,106,156, proceeds from employee stock option exercises, and fluctuations in borrowings under its revolving credit facility and long-term mortgage facility to finance working capital requirements and other operating capital expenditures.

## 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

There have been no significant changes in critical accounting policies from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

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

This Quarterly Report on Form 10-Q 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. 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

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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, 2002.

##### ITEM 4 - CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company's management carried out an evaluation, with the participation of the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934). Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

There were no changes in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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#### 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.

31.1 Certification of CEO under Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of CFO under Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of CEO under Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of CFO under Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

Form 8-K dated July 24, 2003, filed with the Securities and Exchange Commission on July 24, 2003 pursuant to Item 12 (under Item 9), regarding the Company's financial results for the second quarter ended June 30, 2003.

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SIGNATURE

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: November 14, 2003

/s/ James E. McDonald

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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.

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CERTIFICATION BY CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mike Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rocky Shoes & Boots, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. [reserved]
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2003

/s/ Mike Brooks

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Mike Brooks  
President and Chief Executive Officer

CERTIFICATION BY CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James E. McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rocky Shoes & Boots, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. [reserved]
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2003

/s/ James E. McDonald

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James E. McDonald  
Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Rocky Shoes & Boots, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mike Brooks, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mike Brooks

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Mike Brooks, President and Chief Executive Officer  
November 14, 2003

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Rocky Shoes & Boots, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James E. McDonald, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James E. McDonald

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James E. McDonald, Vice President and Chief  
Financial Officer  
November 14, 2003