Sport Supply Group, Inc.
December 31, 2004
Unaudited Financial Statements

The accompanying financial statements were prepared by management and reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation. Management has prepared these financial statements to be in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements have not been audited nor reviewed by the Company's Independent Auditors.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31 2004 (unaudited)	March 26, 2004
CURRENT ASSETS		
Cash and equivalents	$ 530,484	$ 1,156,211
Accounts receivable:		
Trade, less allowance for doubtful accounts of $324,000 at December 31, 2004 and $487,000 at March 26, 2004	7,173,455	12,831,024
Other	113,534	308,922
Inventories, net	15,367,811	16,952,587
Other current assets	490,665	404,590
Deferred tax assets	1,343,189	1,343,189
Total current assets	25,019,138	32,996,523
DEFERRED CATALOG EXPENSES, NET	1,175,349	1,695,119
Land	8,663	8,663
Buildings	1,605,102	1,605,102
Computer equipment & software	11,039,902	11,047,960
Machinery and equipment	6,411,387	6,020,794
Furniture and fixtures	1,423,146	1,310,748
Leasehold improvements	2,429,863	2,485,285
	22,918,063	22,478,552
Less -- Accumulated depreciation and amortization	(16,929,588)	(15,768,700)
PROPERTY, PLANT AND EQUIPMENT , NET	5,988,475	6,709,852
DEFERRED TAX ASSETS	2,043,672	2,043,672
TRADEMARKS		
net of accumulated amortization of $1,192,000 at December 31, 2004 and $1,100,000 at March 26, 2004	2,737,114	2,821,171
OTHER ASSETS		
net of accumulated amortization of $749,000 at December 31, 2004 and $695,000 at March 26, 2004	368,262	425,834
	$ 37,332,009	$ 46,692,171
CURRENT LIABILITIES		
Accounts payable	$ 4,878,347	$ 8,068,079
Other accrued liabilities	1,628,367	2,559,190
Accrued customer deposits	1,765,358	2,467,682
Notes payable and capital lease obligations, current portion	25,202	48,378
Net liabilities of discontinued operations	166,377	193,316
Total current liabilities	8,463,650	13,336,645
NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS, net of current portio	1,999,946	6,997,721
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.01, 100,000 shares authorized, no shares outstanding	-	-
Common stock, par value $0.01, 20,000,000 shares authorized, 9,362,397 shares issued and 8,917,244 shares outstanding	93,624	93,624
Additional paid-in capital	48,101,331	48,101,331
Accumulated deficit	(17,525,260)	(18,035,868)
Treasury stock, at cost, 445,153 shares	(3,801,282)	(3,801,282)
Total stockholders' equity	26,868,413	26,357,805
	$ 37,332,009	$ 46,692,171

The accompanying notes are an integral part of these financial statements.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	--- For The Three Months Ended ---		--- For The Nine Months Ended ---	
	December 31, 2004	December 26, 2003	December 31, 2004	December 26, 2003
Net revenues	$ 14,369,092	$ 14,725,593	$ 62,735,666	$ 59,704,979
Cost of sales	10,537,171	10,978,003	44,675,860	43,723,052
Gross profit	3,831,921	3,747,590	18,059,806	15,981,927
Selling, general & administrative expenses	5,568,769	6,205,269	17,380,250	18,215,298
Operating income (loss)	(1,736,848)	(2,457,679)	679,556	(2,233,371)
Interest expense	(44,894)	(116,435)	(157,198)	(413,476)
Other income (expense), net	(13,519)	2,050	(11,751)	4,412
Income (loss) from continuing operations before income taxes	(1,795,261)	(2,572,064)	510,607	(2,642,435)
Income taxes	-	-	-	-
Income (loss) from continuing operations	(1,795,261)	(2,572,064)	510,607	(2,642,435)
Income from discontinued operations, net of tax		3,153,327		3,048,483
Net income (loss)	$ (1,795,261)	$ 581,263	$ 510,607	$ 406,048
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ (0.20)	$ (0.29)	$ 0.06	$ (0.30)
Income from discontinued operations	$ -	$ 0.36	$ -	$ 0.35
Basic income (loss) per share	$ (0.20)	$ 0.07	$ 0.06	$ 0.05
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ (0.20)	$ (0.29)	$ 0.06	$ (0.30)
Income from discontinued operations	$ -	$ 0.36	$ -	$ 0.35
Diluted income (loss) per share	$ (0.20)	$ 0.07	$ 0.06	$ 0.05
Weighted average common shares outstanding:				
Basic	8,917,244	8,917,244	8,917,244	8,917,244
Diluted	9,140,507	8,924,101	9,041,377	8,925,208

The accompanying notes are an integral part of these financial statements.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES :		
Income (loss) from continuing operations	$ 510,607	$ (2,642,435)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	1,393,155	1,520,869
Provision for accounts receivable	228,025	340,560
Changes in assets and liabilities:		
Decrease in accounts receivable	5,624,932	6,501,267
(Increase) decrease in inventories	1,584,776	(3,510,100)
Decrease in deferred catalog expenses and other current assets	433,697	529,886
Decrease in accounts payable	(3,189,732)	(4,200,133)
Decrease in deferred tax assets	-	2,203,545
Increase (decrease) in accrued liabilities	(1,633,147)	287,902
Increase in other assets	(71,998)	(33,312)
Operating cash flow provided by continuing operations	4,880,315	998,049
Operating cash flow (used in) provided by discontinued operations	(26,939)	469,113
Net cash provided by operating activities	4,853,376	1,467,162
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisitions of property, plant & equipment	(458,151)	(276,789)
Proceeds from sale of discontinued operation, ATEC	0	10,517,000
Net cash (used in) provided by investing activities	(458,151)	10,240,211
CASH FLOWS FROM FINANCING ACTIVITIES :		
Proceeds from issuance of notes payable	65,068,959	81,159,917
Payments of notes payable and capital lease obligations	(70,089,911)	(92,366,460)
Net cash (used) in financing activities	(5,020,952)	(11,206,543)
NET CHANGE IN CASH AND EQUIVALENTS	(625,727)	500,830
Cash and equivalents, beginning of period	1,156,211	2,142,302
Cash and equivalents, end of period	$ 530,484	$ 2,643,132

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION :

Cash paid during the period for interest	$ 185,784	$ 368,122
Cash paid during the period for income taxes	$ 193,722	$ 73,881

The accompanying notes are an integral part of these financial statements.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004

Note 1 - Basis of Presentation

These consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to fairly present, in accordance with accounting principles generally accepted in the United States, Sport Supply Group, Inc.'s ("SSG") consolidated financial position as of December 31, 2004 and the results of its operations for the three and nine month periods ended December 31, 2004 and December 26, 2003.

The consolidated financial statements include the accounts of SSG and its wholly-owned subsidiary, Sport Supply Group Asia Limited, a Hong Kong corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. Effective March 2001, Sport Supply Group, Inc. became a majority-owned subsidiary of Emerson Radio Corp.

From July 2003 through October 2003 our team dealers located in Little Rock, Arkansas, Enid, Oklahoma and Wichita, Kansas were discontinued. In November 2003, we sold all of the issued and outstanding capital stock of our wholly-owned subsidiary, Athletic Training Equipment Company, Inc. (“ATEC”). Collectively, we refer to these as “Discontinued Operations” and, accordingly, the accompanying financial statements reflect these as discontinued operations.

The consolidated financial statements also include estimates and assumptions made by management that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the provisions for and the disclosure of contingent assets and liabilities. Actual results could materially differ from those estimates. Certain financial information for previous fiscal years has been reclassified to conform to the fiscal 2005 presentation. Please refer to our audited financial statements for the year ended March 26, 2004 for more information.

Note 2 - Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method. As of December 31, 2004 and March 26, 2004, inventories consisted of the following:

	December 31, 2004	March 26, 2004
Raw materials	$ 1,304,637	$ 1,137,928
Work-in-process	41,008	66,330
Finished and purchased goods	15,436,150	17,317,036
	16,781,795	18,521,294
Allowance for obsolete and slow moving items	(1,413,984)	(1,568,707)
Inventory, net	$15,367,811	$16,952,587

The inventory allowance for obsolete and slow moving items is determined based upon our periodic assessment of the net realizable value of our inventory.

Note 3 - Notes Payable and Capital Lease Obligations

As of December 31, 2004 and March 26, 2004, notes payable and capital lease obligations consisted of the following:

	December 31, 2004	March 26, 2004
Note payable under revolving line of credit, Interest ranging from prime (5.25% at December 31, 2004 and 4.00% at March 26, 2004) minus 0.25% to prime plus 1.0%, maturing Oct. 31, 2007 and collateralized by substantially all assets.	$1,999,946	$6,972,519
Capital lease obligation, interest at 9%, payable in annual installments of principal and interest through August 2005.	25,202	73,580
Total	2,025,148	7,046,099
Less – current portion	(25,202)	(48,378)
Long-term debt and capital lease obligations, net	$1,999,946	$6,997,721

Borrowings under our revolving line of credit are subject to the terms of our amended Loan and Security Agreement with Congress Financial Corporation which is available to finance our working capital requirements through October 31, 2007. This agreement provides for revolving loans and letters of credit which, in the aggregate, cannot exceed the lesser of $20 million or a "Borrowing Base" amount based on specified percentages of eligible accounts receivable and inventories. We are required to maintain certain net worth levels and as of December 31, 2004 we were in compliance with this requirement. As of December 31, 2004, we had total available borrowings under our senior credit facility of approximately $12.9 million of which approximately $2.0 million were outstanding. Amounts outstanding under the senior credit facility are secured by substantially all the assets of the Sport Supply Group, Inc. Pursuant to the Loan and Security Agreement, we are restricted from, among other things, paying cash dividends and entering into certain transactions without the lender's prior consent.

Maturities of our capital lease obligations and borrowings under the senior credit facility as of December 31, 2004, by fiscal year and in the aggregate, are as follows:

2006	$ 25,202
2007	--
2008	1,999,946
Total	$ 2,025,148

As of December 31, 2004 and March 26, 2004 the carrying value of our long-term debt approximates its fair value due to the variable nature of interest rates charged.

Note 4 - Stock-based Compensation

We have stock option plans under which certain officers and employees have been granted options. All the options have been granted at prices equal to the market value of the shares at the time of the grant and expire on the tenth anniversary of the grant date. Our stock-based compensation is measured in accordance with the provisions of Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, no compensation expense is recognized for fixed option plans because the exercise prices of Employee stock options equal or exceed the market prices of the underlying stock on the dates of grant.

The following table represents the effect on net income if we had applied the fair value based method and recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," to stock based employee compensation.

	For the Nine Months Ended	
	December 31, 2004	**December 26, 2003**
Net income, as reported	$ 510,607	$ 406,048
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards	(119,258)	(3,294)
Proforma net income	$ 391,349	$ 402,754

Note 5 - Income Taxes

We have a net operating loss carryforward that can be used to offset future taxable income and can be carried forward for 15 to 20 years. As of December 31, 2004 we have deferred tax assets of approximately $3.4 million, net of a $7.4 million valuation allowance. We believe the net deferred tax assets will be realized through tax planning strategies available in future periods and future profitable operating results. Although realization is not assured, we believe it is more likely than not that our remaining net deferred tax assets will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced or eliminated in the near term if certain tax planning strategies are not successfully executed or estimates of future taxable income during the carryforward period are reduced.

Note 6 – Commitments and Contingencies

Leases

We lease a significant portion of our office, warehouse, distribution, fulfillment, computer equipment and manufacturing locations under noncancelable operating leases with terms ranging from one to five years. The majority of our leases contain renewal options that extend the leases beyond the current lease terms.

Future minimum lease payments under noncancelable operating leases for office, warehouse, computer equipment and manufacturing locations, with remaining terms in excess of one year are as follows:

2005	1,464,237
2006	1,545,326
2007	1,108,510
2008	796,375
Total	$6,466,843

Note 7 - Product Liability and Other Claims

Because of the nature of our products and industry, we are periodically subject to product liability claims resulting from personal injuries. From time to time we may become involved in various lawsuits incidental to our business, some of which may relate to injuries allegedly resulting in substantial permanent paralysis. Significantly increased product liability claims continue to be asserted successfully against manufacturers throughout the United States resulting in general uncertainty as to the nature and extent of manufacturers’ and distributors’ liability for personal injuries.

There can be no assurance that our general product liability insurance will be sufficient to cover any successful claim made against us. In our opinion, any ultimate liability arising out of currently pending product liability and other claims will not have a material adverse effect on our financial condition or results of operations. However, any claims substantially in excess of our insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on our results of operations and financial condition.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004

Note 8 - Discontinued Operations

In July 2003, we discontinued operations at our team dealer located in Little Rock, Arkansas. In October 2003, we sold substantially all of the assets at that location (other than cash and accounts receivable). In October 2003, we also discontinued operations at our team dealer located in Enid, Oklahoma, and in November 2003, we sold substantially all the assets (other than cash and accounts receivable) of our team dealer located in Wichita, Kansas.

On November 18, 2003, we sold all of the issued and outstanding capital stock of ATEC for $10.5 million. This sale resulted in a gain of $3.8 million (net of tax of $2.2 million). The proceeds received from the sale were used to pay down outstanding debt.

The following table represents the results of these discontinued operations, net of related income taxes and income tax benefits.

	For the Nine Months Ended	
	December 31, 2004	December 26, 2003
Net revenues – ATEC	$ -	$ 6,184,029
Net revenues – Team Dealers	-	3,042,747
Income from operations – ATEC	-	477,600
Loss from operations – Team Dealers	-	(352,500)
Loss on sale of Team Dealers	-	(828,600)
Gain on sale of ATEC, net of tax	-	3,751,983
Total discontinued operations, net	$ -	$ 3,048,483