

JOHNSON OUTDOORS INC  
Form 10-Q  
February 03, 2012  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-16255

JOHNSON OUTDOORS INC.  
(Exact name of Registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of  
incorporation or organization)

39-1536083  
(I.R.S. Employer Identification No.)

555 Main Street, Racine, Wisconsin 53403  
(Address of principal executive offices)

(262) 631-6600  
(Registrant's telephone number, including area code)

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. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer (do not check if a smaller reporting company)  Smaller reporting company .

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes [ ] No [ X ]

As of January 27, 2012, 8,652,186 shares of Class A and 1,215,842 shares of Class B common stock of the Registrant were outstanding.

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## JOHNSON OUTDOORS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

|  | Three Months Ended |            |
|--|--------------------|------------|
|  | December           | December   |
|  | 30                 | 31         |
| (thousands, except per share data)                         | 2011               | 2010       |
| Net sales  | \$80,176           | \$78,700   |
| Cost of sales  | 49,075             | 48,020     |
| Gross profit   | 31,101             | 30,680     |
| Operating expenses:  |                    |            |
| Marketing and selling                                      | 20,385             | 19,308     |
| Administrative management, finance and information systems | 10,838             | 9,091      |
| Research and development                                   | 3,597              | 3,616      |
| Total operating expenses                                   | 34,820             | 32,015     |
| Operating loss   | (3,719 )           | (1,335 )   |
| Interest income  | (21 )              | (29 )      |
| Interest expense   | 596                | 853        |
| Other expense (income), net                                | (1,192 )           | (6 )       |
| Loss before income taxes                                   | (3,102 )           | (2,153 )   |
| Income tax benefit   | (158 )             | (916 )     |
| Net loss   | \$(2,944 )         | \$(1,237 ) |
| Weighted average common shares - Basic:                    |                    |            |
| Class A  | 8,111              | 8,038      |
| Class B  | 1,216              | 1,216      |
| Participating securities                                   | 480                | 357        |
| Weighted average common shares - Dilutive                  | 9,807              | 9,611      |
| Net loss per common share - Basic and Dilutive:            |                    |            |
| Class A  | \$(0.30 )          | \$(0.13 )  |
| Class B  | \$(0.30 )          | \$(0.13 )  |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHNSON OUTDOORS INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

| (thousands, except share data)   | December 30<br>2011<br>(unaudited) | September 30<br>2011<br>(audited) | December 31<br>2010<br>(unaudited) |
|--|------------------------------------|-----------------------------------|------------------------------------|
| <b>ASSETS</b>  |                                    |                                   |                                    |
| Current assets:  |                                    |                                   |                                    |
| Cash and cash equivalents  | \$ 29,096                          | \$ 44,514                         | \$ 33,041                          |
| Accounts receivable, net   | 65,561                             | 47,209                            | 60,792                             |
| Inventories  | 79,015                             | 68,462                            | 84,190                             |
| Deferred income taxes  | 9,655                              | 9,732                             | 1,673                              |
| Other current assets   | 4,932                              | 6,528                             | 5,522                              |
| Total current assets   | 188,259                            | 176,445                           | 185,218                            |
| Property, plant and equipment, net of accumulated depreciation of \$95,397, \$97,229, and \$90,442, respectively | 34,789                             | 35,158                            | 33,157                             |
| Deferred income taxes  | 19,455                             | 19,531                            | 4,138                              |
| Goodwill   | 14,471                             | 14,651                            | 13,794                             |
| Other intangible assets, net   | 5,155                              | 5,403                             | 5,482                              |
| Other assets   | 8,596                              | 8,168                             | 10,290                             |
| Total assets   | \$ 270,725                         | \$ 259,356                        | \$ 252,079                         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                                    |                                   |                                    |
| Current liabilities:   |                                    |                                   |                                    |
| Short-term notes payable and revolving credit lines  | \$ 22,113                          | \$ -                              | \$ 31,035                          |
| Current maturities of long-term debt   | 646                                | 3,494                             | 1,328                              |
| Accounts payable   | 29,745                             | 28,339                            | 30,036                             |
| Accrued liabilities:   |                                    |                                   |                                    |
| Salaries, wages and benefits   | 11,045                             | 14,286                            | 11,073                             |
| Accrued warranty   | 5,260                              | 5,155                             | 5,195                              |
| Income taxes payable   | 915                                | 1,635                             | 141                                |
| Other accrued liabilities  | 11,957                             | 12,091                            | 13,191                             |
| Total current liabilities  | 81,681                             | 65,000                            | 91,999                             |
| Long-term debt, less current maturities  | 11,257                             | 11,478                            | 14,818                             |
| Deferred income taxes  | 218                                | 348                               | 678                                |
| Retirement benefits  | 9,924                              | 10,074                            | 8,362                              |
| Other liabilities  | 9,345                              | 8,931                             | 9,710                              |
| Total liabilities  | 112,425                            | 95,831                            | 125,567                            |
| Shareholders' equity:  |                                    |                                   |                                    |
| Preferred stock: none issued   |                                    |                                   |                                    |
| Common stock:  |                                    |                                   |                                    |
| Class A shares issued and outstanding:   | 433                                | 428                               | 425                                |
| December 30, 2011, 8,652,186   |                                    |                                   |                                    |
| September 30, 2011, 8,567,549  |                                    |                                   |                                    |
| December 31, 2010, 8,506,100   |                                    |                                   |                                    |
| Class B shares issued and outstanding:   | 61                                 | 61                                | 61                                 |
| December 30, 2011, 1,215,842   |                                    |                                   |                                    |
| September 30, 2011, 1,215,842  |                                    |                                   |                                    |
| December 31, 2010, 1,216,464   |                                    |                                   |                                    |
| Capital in excess of par value   | 62,229                             | 61,521                            | 60,164                             |

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|  |            |            |            |
|--|------------|------------|------------|
| Retained earnings  | 79,739     | 82,683     | 48,802     |
| Accumulated other comprehensive income   | 15,936     | 18,832     | 17,061     |
| Treasury stock at cost, shares of Class A common<br>stock: 6,105, 0, and 172, respectively | (98 )      | -          | (1 )       |
| Total shareholders' equity   | 158,300    | 163,525    | 126,512    |
| Total liabilities and shareholders' equity   | \$ 270,725 | \$ 259,356 | \$ 252,079 |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

JOHNSON OUTDOORS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

|  | Three Months Ended |            |
|--|--------------------|------------|
|  | December           | December   |
|  | 30                 | 31         |
| (thousands)  | 2011               | 2010       |
| <b>CASH USED FOR OPERATING ACTIVITIES</b>                                    |                    |            |
| Net loss   | \$(2,944 )         | \$(1,237 ) |
| Adjustments to reconcile net loss to net cash used for operating activities: |                    |            |
| Depreciation   | 2,418              | 2,186      |
| Amortization of intangible assets  | 176                | 175        |
| Amortization of deferred financing costs                                     | 61                 | 60         |
| Stock based compensation   | 375                | 223        |
| Amortization of deferred loss on interest rate swap                          | 213                | 278        |
| Deferred income taxes  | 90                 | (586 )     |
| Change in operating assets and liabilities:                                  |                    |            |
| Accounts receivable, net   | (18,874 )          | (14,016 )  |
| Inventories, net   | (11,382 )          | (12,334 )  |
| Accounts payable and accrued liabilities                                     | (2,350 )           | 1,636      |
| Other current assets   | 17                 | 384        |
| Other non-current assets   | (488 )             | (117 )     |
| Other long-term liabilities  | 373                | 232        |
| Other operating cash flow, net   | 287                | -          |
|  | (32,028 )          | (23,116 )  |
| <b>CASH USED FOR INVESTING ACTIVITIES</b>                                    |                    |            |
| Additions to property, plant and equipment                                   | (1,974 )           | (1,617 )   |
| Proceeds from sales of property, plant and equipment                         | 1,208              | -          |
|  | (766 )             | (1,617 )   |
| <b>CASH PROVIDED BY FINANCING ACTIVITIES</b>                                 |                    |            |
| Net proceeds from short-term notes payable and revolving credit lines        | 22,113             | 23,482     |
| Principal payments on senior notes and other long-term debt                  | (3,069 )           | (110 )     |
| Deferred financing costs paid to lenders                                     | -                  | (133 )     |
| Common stock transactions  | 252                | 169        |
| Purchases of treasury stock  | (98 )              | -          |
|  | 19,198             | 23,408     |
| Effect of foreign currency fluctuations on cash                              | (1,822 )           | 1,050      |
| Decrease in cash and cash equivalents  | (15,418 )          | (275 )     |
| <b>CASH AND CASH EQUIVALENTS</b>   |                    |            |
| Beginning of period  | 44,514             | 33,316     |
| End of period  | \$29,096           | \$33,041   |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.





JOHNSON OUTDOORS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

1 BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements included herein are unaudited. In the opinion of management, these statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position of Johnson Outdoors Inc. and subsidiaries (the Company) as of December 30, 2011 and December 31, 2010, and the results of operations and cash flows for the three months then ended. These Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011 which was filed with the Securities and Exchange Commission on December 16, 2011.

Certain prior year amounts have been reclassified to conform to the December 30, 2011 presentation. These reclassifications were made in order to singularly present accrued warranties in the accompanying condensed consolidated balance sheets.

Due to seasonal variations and other factors, the results of operations for the three months ended December 30, 2011 are not necessarily indicative of the results to be expected for the Company's full 2012 fiscal year. See "Seasonality" in the Management's Discussion and Analysis of financial Condition and Results of Operations for additional information.

All monetary amounts, other than share and per share amounts, are stated in thousands.

2 ACCOUNTS RECEIVABLE

Accounts receivable are stated net of allowances for doubtful accounts of \$3,195, \$3,076 and \$2,937 for the periods ended December 30, 2011, September 30, 2011 and December 31, 2010, respectively. The increase in net accounts receivable to \$65,561 as of December 30, 2011 from \$47,209 as of September 30, 2011 is attributable to the seasonal nature of the Company's business. The determination of the allowance for doubtful accounts is based on a combination of factors. In circumstances where specific collection concerns on a receivable exist, a reserve is established to value the affected account receivable at an amount the Company believes will be collected. For all other customers, the Company recognizes allowances for doubtful accounts based on historical experience of bad debts as a percent of accounts receivable outstanding for each business unit. Uncollectible accounts are written off against the allowance for doubtful accounts after collection efforts have been exhausted. The Company typically does not require collateral on its accounts receivable.

3 EARNINGS PER SHARE ("EPS")

Net income or loss per share of Class A common stock and Class B common stock is computed using the two-class method. Grants of restricted stock which receive non-forfeitable dividends are required to be included as part of the basic weighted average share calculation under the two-class method.

Holders of Class A common stock are entitled to cash dividends equal to 110% of all dividends declared and paid on each share of Class B common stock. The Company grants shares of unvested restricted stock in the form of Class A

shares, which carry the same distribution rights as the Class A common stock described above. As such, the undistributed earnings for each period are allocated to each class of common stock based on the proportionate share of the amount of cash dividends that each such class is entitled to receive.

## JOHNSON OUTDOORS INC.

### Basic EPS

Basic net income or loss per share is computed by dividing net income or loss allocated to Class A common stock and Class B common stock by the weighted-average number of shares of Class A common stock and Class B common stock outstanding, respectively. In periods with cumulative year to date net income and undistributed income, the undistributed income for each period is allocated to each class of common stock based on the proportionate share of the amount of cash dividends that each such class is entitled to receive. In periods where there is a cumulative year to date net loss or no undistributed income because distributions through dividends exceed net income, Class B shares are treated as anti-dilutive and, therefore, net losses are allocated equally on a per share basis among all participating securities.

For the three month periods ended December 30, 2011 and December 31, 2010, basic loss per share for Class A and Class B shares has been presented using the two class method as described above and is the same due to the cumulative net losses incurred in each period presented.

### Diluted EPS

Diluted net income per share is computed by dividing allocated net income by the weighted-average number of common shares outstanding, adjusted for the effect of dilutive stock options and non-vested restricted stock. Anti-dilutive stock options and non-vested stock are excluded from the calculation of diluted EPS. The computation of diluted net income per share of Class A common stock assumes that Class B common stock is converted into Class A common stock. Therefore, diluted net income per share is the same for both Class A and Class B common shares. In periods where the Company reports a net loss, the effect of anti-dilutive stock options and non-vested stock is excluded and diluted loss per share is equal to basic loss per share.

For the three month periods ended December 30, 2011 and December 31, 2010 the effect of stock options and non-vested stock is excluded from the diluted loss per share calculation as their inclusion would be anti-dilutive.

Stock options that could potentially dilute earnings per share in the future which were not included in the fully diluted computation because they would have been anti-dilutive totaled 17,558 and 81,370 for the three months ended December 30, 2011 and December 31, 2010, respectively. Non-vested stock that could potentially dilute earnings per share in the future which were not included in the fully diluted computation because they would have been anti-dilutive totaled 480,330 and 357,934 for the three months ended December 30, 2011 and December 31, 2010, respectively.

## 4 STOCK-BASED COMPENSATION AND STOCK OWNERSHIP PLANS

The Company's current stock ownership plans allow for issuance of options to acquire shares of Class A common stock by key executives and non-employee directors. Current plans also allow for issuance of shares of restricted stock or stock appreciation rights in lieu of stock options.

Under the Company's 2010 Long-Term Stock Incentive Plan ("the 2010 Plan") and the 2003 Non-Employee Director Stock Ownership Plan there were 853,319 shares of the Company's Class A common stock available for grant to key executives and non-employee directors at December 30, 2011.

### Stock Options

All stock options have been granted at a price not less than fair market value at the date of grant and become exercisable over periods of one to three years from the date of grant. Stock options generally have a term of 10 years.

## JOHNSON OUTDOORS INC.

All of the Company's stock options outstanding are fully vested, with no further compensation expense to be recorded. There were no grants of stock options during the three month period ended December 30, 2011 or December 31, 2010.

A summary of stock option activity related to the Company's stock ownership plans is shown below.

|   | Shares    | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic<br>Value |
|---|-----------|--|---|---------------------------------|
| Outstanding and exercisable at September 30, 2011 | 68,590    | \$ 10.37                                 | 1.1   | \$ 397                          |
| Granted   | -         | -  |   | -                               |
| Exercised   | (34,000 ) | 7.42                                     |   | 268                             |
| Cancelled   | (1,834 )  | 7.42                                     |   | 15                              |
| Outstanding and exercisable at December 30, 2011  | 32,756    | \$ 13.60                                 | 1.7   | \$ 102                          |

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of \$15.35 as of December 30, 2011, which would have been received by the option holders had those option holders exercised their stock options as of that date.

The Company received cash proceeds from stock option exercises totaling \$252 and \$159 for the three month periods ending December 30, 2011 and December 31, 2010, respectively.

#### Non-vested Stock

All shares of non-vested stock awarded by the Company have been granted at their fair market value on the date of grant and vest either immediately or in three to five years after the grant date.

The Company granted 56,742 shares of non-vested stock with a total grant date fair value of \$912 during the three month period ended December 30, 2011 and 112,787 shares with a total value of \$1,473 during the three month period ended December 31, 2010. The fair value at date of grant is based on the number of shares granted and the average of the Company's high and low Class A common stock price on the date of grant or, if the Company's shares did not trade on the date of grant, the average of the Company's high and low Class A common stock price on the last preceding date on which the Company's shares traded.

Stock compensation expense, net of forfeitures, related to non-vested stock was \$375 and \$223 during the three month periods ended December 30, 2011 and December 31, 2010, respectively. The intrinsic value of shares vesting was \$486 during the three month period ending December 30, 2011. There was no vesting of shares during the three month period ending December 31, 2010. There were no shares of non-vested restricted stock forfeited during the three month periods ending December 30, 2011 and December 31, 2010.

Non-vested stock issued and outstanding as of December 30, 2011 and December 31, 2010 totaled 499,254 and 437,959 shares, having a gross unamortized value of \$3,427 and \$3,392, respectively, which amount will be amortized to expense through November 2016 or adjusted for changes in future estimated or actual forfeitures.

Non-vested stock grantees may elect to reimburse the Company for withholding taxes due as a result of the vesting of non-vested shares by tendering a portion of the vested shares back to the Company. Shares tendered back to the

Company were 6,105 during the three month period ended December 30, 2011. No shares were tendered back to the Company during the three month period ended December 31, 2010.

## JOHNSON OUTDOORS INC.

A summary of non-vested stock activity for the three months ended December 30, 2011 related to the Company's stock ownership plans is as follows:

|  | Shares    | Weighted<br>Average<br>Grant Price |
|--|-----------|------------------------------------|
| Non-vested stock at September 30, 2011 | 472,761   | \$ 11.86                           |
| Non-vested stock grants                | 56,742    | \$ 16.08                           |
| Non-vested stock cancelled             | -         | -                                  |
| Restricted stock vested                | (30,249 ) | \$ 18.45                           |
| Non-vested stock at December 30, 2011  | 499,254   | \$ 11.94                           |

## Employees' Stock Purchase Plan

The Company's shareholders have adopted the Johnson Outdoors Inc. 2009 Employees' Stock Purchase Plan. The Employees' Stock Purchase Plan provides for the issuance of shares of Class A common stock at a purchase price of not less than 85% of the fair market value of such shares on the date of grant or at the end of the offering period under the plan, whichever is lower. The Company did not issue any shares under the Employees' Stock Purchase Plan and no expense was recognized during the three month periods ended December 30, 2011 and December 31, 2010.

## 5 PENSION PLANS

The Company has non-contributory defined benefit pension plans covering certain U.S. employees. Retirement benefits are generally provided based on the employees' years of service and average earnings. Normal retirement age is 65, with provisions for earlier retirement.

The components of net periodic benefit cost related to Company sponsored defined benefit plans for the three months ended December 30, 2011 and December 31, 2010, respectively, were as follows:

|   | Three Months Ended     |                        |
|---|------------------------|------------------------|
|   | December<br>30<br>2011 | December<br>31<br>2010 |
| <b>Components of net periodic benefit cost:</b> |                        |                        |
| Service cost                                    | \$-                    | \$-                    |
| Interest on projected benefit obligation        | 251                    | 248                    |
| Less estimated return on plan assets            | 241                    | 243                    |
| Amortization of unrecognized net income         | 45                     | 24                     |
| Net amount recognized                           | \$55                   | \$29                   |

## 6 INCOME TAXES

The Company's effective tax rate for the three months ended December 30, 2011 was 5.1% compared to 42.5% in the corresponding period of the prior year. During the first quarter of fiscal year 2012, the Company recognized a tax benefit of \$158 on a loss before income tax of \$3,102. The three month quarter-over-quarter decrease in the Company's effective tax rate was due to the lack of tax benefit available at December 30, 2011 for entities that have a valuation allowance, primarily in non-U.S. jurisdictions. In addition, at December 31, 2010 the Company recognized

a tax benefit attributable to a tax return election which allowed the Company to recover alternative minimum taxes paid for certain prior tax years.

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## JOHNSON OUTDOORS INC.

During the three months ended December 30, 2011, the Company continued to maintain a valuation allowance in Japan, Italy, Spain, the United Kingdom, and France. The Company would ordinarily recognize a tax expense/benefit on operating income/loss in these jurisdictions; however, due to the recent cumulative losses for book purposes and the uncertainty of the realization of certain deferred tax assets in these jurisdictions, the Company continues to adjust its valuation allowances resulting in effectively no recorded federal tax expense or benefit in these jurisdictions.

The Company regularly assesses the adequacy of its provisions for income tax contingencies in accordance with the applicable authoritative guidance on accounting for income taxes. As a result, the Company may adjust the reserves for unrecognized tax benefits for the impact of new facts and developments, such as changes to interpretations of relevant tax law, assessments from taxing authorities, settlements with taxing authorities, and lapses of statutes of limitation. The Company is projecting an increase to income tax expense of approximately \$276 for the 2012 fiscal year related to uncertain income tax positions.

In accordance with its accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. The Company is projecting accrued interest, for the Company's fiscal year ending September 28, 2012, of \$114.

The Company is currently undergoing income tax examinations in the Netherlands and in Canada. The Company has been notified that the U.S. will begin an income tax examination of the 2010 tax year.

The Company files income tax returns, including returns for its subsidiaries, with federal, state, local and foreign taxing jurisdictions. The following tax years remain subject to examination by the respective tax jurisdictions:

| Jurisdiction  | Fiscal Years |
|---------------|--------------|
| United States | 2008-2011    |
| Canada        | 2007-2011    |
| France        | 2008-2011    |
| Germany       | 2009-2011    |
| Italy         | 2006-2011    |
| Japan         | 2009-2011    |
| Switzerland   | 2001-2011    |

## 7 INVENTORIES

Inventories at the end of the respective periods consisted of the following:

|                 | December<br>30<br>2011 | September<br>30<br>2011 | December<br>31<br>2010 |
|-----------------|------------------------|-------------------------|------------------------|
| Raw materials   | \$27,385               | \$24,260                | \$29,712               |
| Work in process | 1,851                  | 1,780                   | 1,817                  |
| Finished goods  | 49,779                 | 42,422                  | 52,661                 |
|                 | \$79,015               | \$68,462                | \$84,190               |



## JOHNSON OUTDOORS INC.

## 8 GOODWILL

The changes in goodwill during the three months ended December 30, 2011 and December 31, 2010, respectively, were as follows:

|  | December<br>30<br>2011 | December<br>31<br>2010 |
|--|------------------------|------------------------|
| Balance at beginning of period                       | \$ 14,651              | \$ 13,729              |
| Amount attributable to movements in foreign currency | (180 )                 | 65                     |
| Balance at end of period                             | \$ 14,471              | \$ 13,794              |

## 9 WARRANTIES

The Company provides for warranties of certain products as they are sold. The following table summarizes the Company's warranty activity for the three months ended December 30, 2011 and December 31, 2010, respectively.

|  | December<br>30<br>2011 | December<br>31<br>2010 |
|--|------------------------|------------------------|
| Balance at beginning of period                           | \$ 5,155               | \$ 4,589               |
| Expense accruals for warranties issued during the period | 970                    | 1,286                  |
| Less current period warranty claims paid                 | 865                    | 680                    |
| Balance at end of period                                 | \$ 5,260               | \$ 5,195               |

## 10 COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) consists of net income and changes in shareholders' equity from non-owner sources. For the three month periods ended December 30, 2011 and December 31, 2010, the difference between net income and comprehensive income consisted primarily of cumulative foreign currency translation adjustments and amortization of the effective portion of an interest rate swap that had been designated as a cash flow hedge. The strengthening of the U.S. dollar against the Swiss franc and the euro was the primary driver of the Company's currency translation loss for the three month period ended December 30, 2011. The weakening of the U.S. dollar versus worldwide currencies drove the Company's currency translation gain for the three month period ended December 31, 2010.

The income on the cash flow hedge for the three month periods ended December 30, 2011 and December 31, 2010 was the result of amortizing part of the effective portion of this cash flow hedge as interest expense (see "Note 14 – Derivative Instruments and Hedging Activities").

Comprehensive income (loss) for the respective periods consisted of the following:

|                                  | Three Months Ended  |                     |
|----------------------------------|---------------------|---------------------|
|                                  | December 30<br>2011 | December 31<br>2010 |
| Net loss                         | \$ (2,944 )         | \$ (1,237 )         |
| Currency translation (loss) gain | (3,109 )            | 710                 |

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|                             |             |           |
|-----------------------------|-------------|-----------|
| Income from cash flow hedge | 213         | 278       |
| Comprehensive income (loss) | \$ (5,840 ) | \$ (249 ) |

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## JOHNSON OUTDOORS INC.

## 11 ACQUISITIONS

On July 11, 2011, the Company purchased the assets of Waypoint Technologies Inc. (“Waypoint”) and Pro Map Technologies Inc. for cash of approximately \$4,000. Waypoint is the maker of LakeMaster® brand high definition electronic lake charts, the premier brand of lake charts for anglers in the Northern United States. The purchase was funded with existing cash and credit facilities. The Company believes the purchase, combined with the Company’s existing marine electronics products, will present new and innovative opportunities to enhance the fishing experience. The Waypoint purchase is included in the Company’s Marine Electronics segment.

The following table summarizes the final allocation of the purchase price of the Waypoint assets.

|                               |         |
|-------------------------------|---------|
| Accounts receivable           | \$ 138  |
| Inventories                   | 77      |
| Other current assets          | 2       |
| Property, plant and equipment | 2,212   |
| Deferred tax asset            | 625     |
| Trademark                     | 290     |
| Goodwill                      | 732     |
| Total assets acquired         | 4,076   |
| Total liabilities assumed     | 107     |
| Net assets acquired           | \$3,969 |

As part of the acquisition, the Company acquired a bathymetry database valued at \$2,000 which was included in property, plant and equipment. The trademark acquired in the transaction was determined to have an indefinite life. The Company recognized goodwill as a result of the acquisition related to expected synergies with the Company’s existing Marine Electronics businesses. The goodwill acquired as a part of this acquisition is deductible for tax purposes. The acquisition was accounted for using the acquisition method and, accordingly, the Company’s consolidated financial statements include the results of the acquired business’ operations since the date of acquisition. The Company has not presented pro forma financial information with respect to the acquisition due to the immateriality of the transaction.

## 12 LITIGATION

The Company is subject to various legal actions and proceedings in the normal course of business, including those related to commercial disputes, product liability, intellectual property and environmental matters. The Company is insured against loss for certain of these matters. Although litigation is subject to many uncertainties and the ultimate exposure with respect to these matters cannot be ascertained, management does not believe the final outcome of any pending litigation will have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

On July 10, 2007, after considering the costs, risks and business distractions associated with continued litigation, the Company reached a settlement agreement with Confluence Holdings Corp. that ended a long-standing intellectual property dispute between the two companies. The Company has made claims with its insurance carriers to recover the \$4,400 settlement, plus litigation costs (approximately \$1,300). This matter is presently the subject of litigation in the U.S. District Court for the Eastern District of Wisconsin. The Company is unable to estimate the outcome of the litigation with its insurance carriers, including the amount of the insurance recovery, if any, at this time and,

accordingly, has not recorded a receivable for this matter.

## JOHNSON OUTDOORS INC.

## 13 INDEBTEDNESS

Debt was comprised of the following at December 30, 2011, September 30, 2011, and December 31, 2010:

|                         | December<br>30<br>2011 | September<br>30<br>2011 | December<br>31<br>2010 |
|-------------------------|------------------------|-------------------------|------------------------|
| Term loans              | \$ 11,347              | \$ 14,367               | \$ 15,395              |
| Revolvers               | 22,113                 | -                       | 31,035                 |
| Other                   | 556                    | 605                     | 751                    |
| Total debt              | 34,016                 | 14,972                  | 47,181                 |
| Less current maturities | 646                    | 3,494                   | 1,328                  |
| Less Revolvers          | 22,113                 | -                       | 31,035                 |
| Total long-term debt    | \$ 11,257              | \$ 11,478               | \$ 14,818              |

During the fiscal first quarter of 2012, the Company repaid \$3,069 of long term debt, including \$2,932 related to the sale of a property in Ferndale, Washington, which was pledged as collateral under this term loan.

## Term Loans

The Company's term loans have maturity dates ranging from 15 to 25 years from the September 29, 2009 effective date of the underlying agreements. Each term loan requires monthly payments of principal and interest. Interest on \$8,685 of the aggregate outstanding amount of the term loans is based on the prime rate plus 2.0%, and the remainder is based on the prime rate plus 2.75%. The prime rate was 3.25% at December 30, 2011.

The term loans are guaranteed in part under the United States Department of Agriculture Rural Development program and are secured with a first priority lien on land, buildings, machinery and equipment of the Company's domestic subsidiaries and a second lien on working capital and certain patents and trademarks of the Company and its subsidiaries. Any proceeds from the sale of secured property is first applied against the related term loans and then against the Revolvers.

Certain of the term loans covering \$8,685 of the aggregate borrowings are subject to a pre-payment penalty. The penalty is currently 8% of the pre-payment amount, and the penalty will decrease by 1% annually on the anniversary date of the effective date of the loan agreement.

## Revolvers

On November 16, 2010, the Company and certain of its subsidiaries entered into amendments to their Revolving Credit Agreements (or "Revolvers"). The amended terms of the Revolvers, maturing in November 2014, provide for funding of up to \$75,000, with the option for an additional \$25,000 in maximum seasonal financing availability subject to the approval of the lenders. Borrowing availability under the Revolvers is based on certain eligible working capital assets, primarily accounts receivable and inventory of the Company and its subsidiaries. The Revolvers contain a seasonal line reduction that reduces the maximum amount of borrowings to \$50,000 from mid-July to mid-November, consistent with the Company's reduced working capital needs throughout that period, and requires an annual seasonal pay down to \$30,000 for 60 consecutive days. The amendments to the Revolvers reset the interest rate calculation each quarter, beginning with the quarter ended April 1, 2011, by instituting an applicable margin based on the Company's leverage ratio for the trailing twelve month period. The applicable margin ranges from 2.25% to 3.0%.

The interest rate on the Revolvers is based on LIBOR or the prime rate, at the Company's discretion, plus an applicable margin. The interest rate in effect on the Revolvers at December 30, 2011, based primarily on LIBOR plus 2.25%, was approximately 2.75%.



## JOHNSON OUTDOORS INC.

The Revolvers are secured with a first priority lien on working capital assets and certain patents and trademarks of the Company and its subsidiaries and a second lien on land, buildings, machinery and equipment of the Company's domestic subsidiaries. As cash collections related to secured assets are applied against the balance outstanding under the Revolvers, the liability is classified as current. The Company's remaining borrowing availability under the Revolvers was approximately \$28,500 at December 30, 2011.

Under the terms of the Revolvers, the Company is required to comply with certain financial and non-financial covenants. Among other restrictions, the Company is restricted in its ability to pay dividends, incur additional debt and make acquisitions or divestitures above certain amounts. The key financial covenants include a minimum fixed charge coverage ratio, limits on minimum net worth and EBITDA, a limit on capital expenditures, and, as noted above, a seasonal pay-down requirement.

## Other Borrowings

The Company had no unsecured revolving credit facilities at its foreign subsidiaries as of December 30, 2011 or December 30, 2010. The Company utilizes letters of credit primarily as security for the payment of future claims under its workers' compensation insurance which totaled \$2,103 and \$2,568 at December 30, 2011 and December 31, 2010, respectively. The Company had no unsecured lines of credit as of December 30, 2011 or December 31, 2010.

Aggregate scheduled maturities of long-term debt as of December 30, 2011, for the remainder of fiscal 2012 and subsequent fiscal years, were as follows:

| Fiscal Year |           |
|-------------|-----------|
| 2012        | \$ 480    |
| 2013        | 679       |
| 2014        | 667       |
| 2015        | 526       |
| 2016        | 544       |
| Thereafter  | 9,007     |
| Total       | \$ 11,903 |

Interest paid was \$326 and \$355 for the three month periods ended December 30, 2011 and December 31, 2010, respectively.

The weighted average borrowing rate for short-term debt was approximately 2.8% and 4.0% for the three months ended December 30, 2011 and December 31, 2010, respectively.

Based on the borrowing rates currently available to the Company for debt with similar terms and maturities, the fair value of the Company's long-term debt as of December 30, 2011 and December 31, 2010 was approximately \$11,257 and \$14,818, respectively.

## 14 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The following disclosures describe the Company's objectives in using derivative instruments, the business purpose or context for using derivative instruments, and how the Company believes the use of derivative instruments helps achieve the stated objectives. In addition, the following disclosures describe the effects of the Company's use of

derivative instruments and hedging activities on its financial statements.

#### Foreign Exchange Risk

The Company has significant foreign operations, for which the functional currencies are denominated primarily in euros, Swiss francs, Japanese yen and Canadian dollars. As the values of the currencies of the foreign countries in which the Company has operations increase or decrease relative to the U.S. dollar, the sales, expenses, profits, losses, assets and liabilities of the Company's foreign operations, as reported in the Company's consolidated financial statements, increase or decrease, accordingly. Approximately 25% of the Company's revenues for the three month period ended December 30, 2011 were denominated in currencies other than the U.S. dollar. Approximately 13% were denominated in euros, with the remaining 12% denominated in various other foreign currencies. Changes in foreign currency exchange rates can cause unexpected financial losses or cash flow needs.

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The Company mitigates a portion of the fluctuations in certain foreign currencies through the use of foreign currency forward contracts. Foreign currency forward contracts enable the Company to lock in the foreign currency exchange rate to be paid or received for a fixed amount of currency at a specified date in the future. The Company uses such foreign currency forward contracts to mitigate the risk associated with changes in foreign currency exchange rates on financial instruments and known commitments, including for inventory, denominated in foreign currencies. None of the Company's derivative financial instruments have been designated as hedging instruments.

As of December 30, 2011, the Company held a foreign currency forward contract with a notional value of 5,400 Swiss francs. See "Note 15 – Fair Value Measurements" for information regarding the fair value and financial statement presentation of these derivatives.

Interest Rate Risk

The Company operates in a seasonal business and experiences significant fluctuations in operating cash flow as working capital needs increase in advance of the Company's primary selling and cash generation season, and decline as accounts receivable are collected and cash is accumulated or debt is repaid. The Company's goal in managing its interest rate risk is to maintain a mix of floating rate and fixed rate debt such that permanent non-equity capital needs are largely funded with long term fixed rate debt and seasonal working capital needs are funded with short term floating rate debt.

When the appropriate mix of fixed rate or floating rate debt cannot be directly obtained in a cost effective manner, the Company may enter into interest rate swap contracts in order to change floating rate interest into fixed rate interest or vice versa for a specific amount of debt in order to achieve the desired proportions of floating rate and fixed rate debt. An interest rate swap is a contract in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. The notional amount is the equivalent amount of debt that the Company wishes to change from a fixed interest rate to a floating interest rate or vice versa and is the basis for calculating the related interest payments required under the interest rate swap contract.

On January 2, 2009, the Company's then effective interest rate swap contract became ineffective as a hedging instrument. Prior to becoming ineffective, the effective portion of the Company's interest rate swap contract was recorded in accumulated other comprehensive income ("AOCI"), a component of shareholders' equity. As a result of this cash flow hedge becoming ineffective, \$5,937 of unrealized loss in AOCI was frozen and all subsequent changes in the fair value of the swap were recorded directly to interest expense in the Company's statements of operations. The effective portion frozen in AOCI is amortized over the period of the originally hedged transaction. The remaining amount held in AOCI shall be immediately recognized as interest expense if it ever becomes probable that the Company will not have interest bearing debt through December 14, 2012, the period over which the originally forecasted hedged transactions were expected to occur. The Company expects that all of the \$714 remaining in AOCI at December 30, 2011 will be amortized into interest expense over the next 12 months.

The Company held no interest rate swap contracts in fiscal 2011 and as of December 30, 2011, the Company was unhedged with respect to interest rate risk on its floating rate debt.



## JOHNSON OUTDOORS INC.

The following discloses the location of loss reclassified from AOCI into net income related to derivative instruments during the three month periods ended December 30, 2011 and December 31, 2010:

|                                   | Three Months Ended |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | December 30, 2011  | December 31, 2010 |
| Loss reclassified from AOCI into: |                    |                   |
| Interest expense                  | \$213              | \$278             |

The following discloses the location and amount of income or loss recognized for changes in the fair value of derivative instruments not designated as hedging instruments for the three month periods ended December 30, 2011 and December 31, 2010:

| Derivatives not designated as hedging instruments | Location of loss (gain) recognized in statement of operations | Three Months Ended |                   |
|---|---|--------------------|-------------------|
|   |   | December 30, 2011  | December 31, 2010 |
| Foreign exchange forward contracts                | Other expense (income), net                                   | \$ 225             | \$ (505)          |

## 15 FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established based on three levels of inputs, of which the first two are considered observable and the last unobservable.

Level 1 - Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets or liabilities.

Level 2 - Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily-available pricing sources for comparable instruments.

Level 3 - Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The carrying amounts of cash, cash equivalents, accounts receivable, and accounts payable approximated fair value at December 30, 2011, September 30, 2011 and December 31, 2010 due to the short term maturities of these instruments. When indicators of impairment are present, the Company may be required to value certain long-lived assets such as property, plant, and equipment, and other intangibles at fair value.

## Valuation Techniques

Over the Counter Derivative Contracts

The value of over the counter derivative contracts, such as interest rate swaps and foreign currency forward contracts, are derived using pricing models, which take into account the contract terms, as well as other inputs, including, where applicable, the notional values of the contracts, payment terms, maturity dates, credit risk, interest rate yield curves, and contractual and market currency exchange rates. The fair value of the foreign exchange forward contracts reported above was measured using the market value approach based on foreign currency exchange rates and the notional amount of the forward contract. All foreign currency forward contracts held by the Company as of December 30, 2011 mature within twelve months. The mark-to-market adjustments are recorded in "Other expense (income) net" in the Company's accompanying Condensed Consolidated Statements of Operations.

## JOHNSON OUTDOORS INC.

## Rabbi Trust Assets

Rabbi trust assets are classified as trading securities and are comprised of marketable debt and equity securities that are marked to fair value based on unadjusted quoted prices in active markets. The rabbi trust assets are used to fund amounts the Company owes to certain officers and other employees under the Company's non-qualified deferred compensation plan. The mark to market adjustments are recorded in "Other expense (income), net" in the Condensed Consolidated Statements of Operations.

## Goodwill and Other Intangible Assets

In assessing the recoverability of the Company's goodwill and other indefinite lived intangible assets, the Company estimates the future discounted cash flows of the businesses to which the goodwill relates. When estimated future discounted cash flows are less than the carrying value of the net assets and related goodwill, an impairment test is performed to measure and recognize the amount of the impairment loss, if any. In determining estimated future cash flows, the Company makes assumptions regarding anticipated financial position, future earnings, and other factors to determine the fair value of the respective assets.

The following table summarizes the Company's financial assets and liabilities recorded on its balance sheet at fair value on a recurring basis as of December 30, 2011:

|                                    | Level 1  | Level 2 | Level 3 | Total    |
|------------------------------------|----------|---------|---------|----------|
| Assets:                            |          |         |         |          |
| Rabbi trust assets                 | \$ 6,085 | \$ -    | \$ -    | \$ 6,085 |
| Foreign currency forward contracts | \$ -     | \$ 33   | \$ -    | \$ 33    |

The following table summarizes the Company's financial assets and liabilities recorded on its balance sheet at fair value on a recurring basis as of September 30, 2011:

|                                    | Level 1 | Level 2 | Level 3 | Total   |
|------------------------------------|---------|---------|---------|---------|
| Assets:                            |         |         |         |         |
| Rabbi trust assets                 | \$5,385 | \$-     | \$-     | \$5,385 |
| Liabilities:                       |         |         |         |         |
| Foreign currency forward contracts | \$-     | \$128   | \$-     | \$128   |

The following table summarizes the Company's financial assets and liabilities recorded on its balance sheet at fair value on a recurring basis as of December 31, 2010:

|                                    | Level 1 | Level 2 | Level 3 | Total   |
|------------------------------------|---------|---------|---------|---------|
| Assets:                            |         |         |         |         |
| Rabbi trust assets                 | \$5,693 | \$-     | \$-     | \$5,693 |
| Foreign currency forward contracts | \$-     | \$492   | \$-     | \$492   |

## JOHNSON OUTDOORS INC.

The following tables summarize the amount of total income or loss attributable to the changes in fair value of the instruments noted above:

|                                    | Location of (income) loss recognized in statement of operations | Three Months Ended                    |                                       |
|------------------------------------|---|---------------------------------------|---------------------------------------|
|                                    |   | December 30<br>2011                   | December 31<br>2010                   |
|                                    |   | Amount of (income)<br>loss recognized | Amount of (income)<br>loss recognized |
| Rabbi trust assets                 | Other expense (income), net                                     | \$ (394 )                             | \$ (397 )                             |
| Foreign currency forward contracts | Other expense (income), net                                     | 225                                   | (505 )                                |

There were no assets and liabilities measured at fair value on a non-recurring basis in periods subsequent to their initial recognition for the three month periods ended December 30, 2011 and December 31, 2010.

## 16 NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (“FASB”) issued updated authoritative guidance to amend fair value measurements and disclosures. The guidance becomes effective for the Company on a prospective basis during its 2012 fiscal second quarter. This guidance is intended to provide a consistent definition of fair value between International Financial Reporting Standards and U.S. GAAP and results in convergence of requirements for measurement of and disclosure about fair value. The new guidance also changes some fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The adoption of this updated authoritative guidance is not expected to have a significant impact on the Company’s Condensed Consolidated Financial Statements.

In December 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income in financial statements. The guidance becomes effective on a retroactive basis for the Company’s fiscal year beginning September 29, 2012. This new guidance allows companies the option to present other comprehensive income in either a single continuous statement or in two separate but consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity. Under both alternatives, companies will be required to present each component of net income and comprehensive income. The adoption of this updated authoritative guidance will impact the presentation of the Company’s Condensed Consolidated Financial Statements, but it will have no effect on our financial condition, results of operations or cash flow.

## 17 SEGMENTS OF BUSINESS

The Company conducts its worldwide operations through separate business units, each of which represents major product lines. Operations are conducted in the United States and various foreign countries, primarily in Europe, Canada and the Pacific Basin. The Company had no single customer that represented more than 10% of its total net sales during the three month periods ended December 30, 2011 and December 31, 2010.



Net sales and operating profit include both sales to customers, as reported in the Company's accompanying Condensed Consolidated Statements of Operations, and interunit transfers, which are priced to recover cost plus an appropriate profit margin. Total assets represent assets that are used in the Company's operations in each business segment at the end of the periods presented.

## JOHNSON OUTDOORS INC.

A summary of the Company's operations by business unit is presented below:

|                                      | Three Months Ended  |                     | September 30<br>2011 |
|--------------------------------------|---------------------|---------------------|----------------------|
|                                      | December 30<br>2011 | December 31<br>2010 |                      |
| Net sales:                           |                     |                     |                      |
| <b>Marine electronics</b>            |                     |                     |                      |
| Unaffiliated customers               | \$ 47,750           | \$ 42,910           |                      |
| Interunit transfers                  | 21                  | 35                  |                      |
| <b>Outdoor equipment</b>             |                     |                     |                      |
| Unaffiliated customers               | 6,273               | 10,448              |                      |
| Interunit transfers                  | 17                  | 8                   |                      |
| <b>Watercraft</b>                    |                     |                     |                      |
| Unaffiliated customers               | 7,475               | 6,126               |                      |
| Interunit transfers                  | 10                  | 9                   |                      |
| <b>Diving</b>                        |                     |                     |                      |
| Unaffiliated customers               | 18,620              | 19,162              |                      |
| Interunit transfers                  | 138                 | 190                 |                      |
| Other/Corporate                      | 58                  | 54                  |                      |
| Eliminations                         | (186 )              | (242 )              |                      |
|                                      | \$ 80,176           | \$ 78,700           |                      |
| <b>Operating profit (loss):</b>      |                     |                     |                      |
| Marine electronics                   | \$ 2,073            | \$ 378              |                      |
| Outdoor equipment                    | (252 )              | 1,501               |                      |
| Watercraft                           | (2,458 )            | (1,743 )            |                      |
| Diving                               | (98 )               | 1,151               |                      |
| Other/Corporate                      | (2,984 )            | (2,622 )            |                      |
|                                      | \$ (3,719 )         | \$ (1,335 )         |                      |
| <b>Total assets (end of period):</b> |                     |                     |                      |
| Marine electronics                   | \$ 122,509          | \$ 106,456          | \$ 101,739           |
| Outdoor equipment                    | 17,157              | 21,317              | 24,046               |
| Watercraft                           | 35,838              | 38,315              | 34,614               |
| Diving                               | 68,087              | 70,268              | 67,969               |
| Other/Corporate                      | 27,134              | 15,723              | 30,988               |
|                                      | \$ 270,725          | \$ 252,079          | \$ 259,356           |

## 18 SIGNIFICANT EVENT

On September 12, 2011, the Company announced a temporary closure of its Binghamton, New York manufacturing facility and administrative offices due to flooding from torrential rains. The Binghamton manufacturing facility houses the Company's consumer, commercial and military tent businesses. The Company's finished goods warehouse located nearby was unaffected by the flooding and the Company was able to resume shipments of products within a few days. Production resumed on September 28, 2011.

The Company maintains insurance for both property damage and business interruption relating to catastrophic events. Business interruption coverage covers lost profits and other costs incurred. Non-refundable insurance

recoveries received in excess of the net book value of damaged assets, clean up and post-event costs are recognized as income in the period received.

The Company has incurred approximately \$2,871 of cumulative costs related to the clean up and repair of the facility and equipment, losses of inventory and fixed assets, rental of temporary office space for administrative and R&D personnel and payroll expenses for labor idled due to the flood. The Company has received \$2,200 of cumulative insurance reimbursements associated with these costs and has recorded a receivable with its insurers of \$396 as of December 30, 2011. During the three month period ended December 30, 2011, the Company has recognized an expense of \$19 in the Administrative, finance and information systems expense line in the Outdoor Equipment segment.

The Company is still negotiating further insurance recoveries under its business continuation and fixed asset replacement policies related to this event. The amount of these recoveries, if any, can not be estimated at December 30, 2011. Any such recoveries will be recorded as income upon the resolution of gain contingencies.

JOHNSON OUTDOORS INC.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") includes comments and analysis relating to the results of operations and financial condition of Johnson Outdoors Inc. and its subsidiaries (the Company) as of and for the three month periods ended December 30, 2011 and December 31, 2010. All monetary amounts, other than share and per share amounts, are stated in millions.

Our MD&A is presented in the following sections:

- Forward Looking Statements
- Trademarks
- Overview
- Results of Operations
- Liquidity and Financial Condition
- Off Balance Sheet Arrangements
- Critical Accounting Policies and Estimates

This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related notes that immediately precede this section, as well as the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011 which was filed with the Securities and Exchange Commission on December 16, 2011.

Forward Looking Statements

Certain matters discussed in this Form 10-Q are "forward-looking statements," and the Company intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of those safe harbor provisions. These forward-looking statements can generally be identified as such because they include phrases such as the Company "expects," "believes," "anticipates" or other words of similar meaning. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which could cause actual results or outcomes to differ materially from those currently anticipated.

Factors that could affect actual results or outcomes include the matters described under the caption "Risk Factors" in Item 1A of the Company's Form 10-K which was filed with the Securities and Exchange Commission on December 16, 2011 and the following: changes in economic conditions, consumer confidence levels and discretionary spending patterns; the Company's success in implementing its strategic plan, including its targeted sales growth platforms and focus on innovation; litigation costs related to actions of and disputes with companies, including companies that compete with the Company; the Company's success in its working capital management and cost-structure reductions; the Company's success in meeting financial covenants in its credit arrangements with its lenders; the risk of future writedowns of goodwill or other long-lived assets; the ability of the Company's customers to meet payment obligations; movements in foreign currencies, interest rates or commodity costs; fluctuations in the prices of raw materials or the availability of raw materials used by the Company; the success of the Company's suppliers and customers; the ability of the Company to deploy its capital successfully; unanticipated outcomes related to outsourcing certain manufacturing processes; unanticipated outcomes related to outstanding litigation matters; and adverse weather conditions. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this filing. The Company

assumes no obligation, and disclaims any obligation, to update such forward-looking statements to reflect subsequent events or circumstances.

## JOHNSON OUTDOORS INC.

## Trademarks

We have registered the following trademarks, which may be used in this report: Minn Kota®, Cannon®, Humminbird®, Fishin' Buddy®, LakeMaster®, Silva®, Eureka!®, Tech4O™, Geonav®, Old Town®, Ocean Kayak™, Necky®, Extrasport®, Carlisle®, Scubapro®, UWATEC®, and SUBGEAR®.

## Overview

The Company is a leading global manufacturer and marketer of branded seasonal outdoor recreation products used primarily for fishing, diving, paddling and camping. The Company's portfolio of well known consumer brands has attained leading market positions due to continuous innovation, marketing excellence, product performance and quality. The Company's values and culture support innovation in all areas, promoting and leveraging best practices and synergies within and across its subsidiaries to advance the Company's strategic vision set by executive management and approved by the Board of Directors. The Company is controlled by Helen P. Johnson-Leipold, Chairman and Chief Executive Officer, members of her family and related entities.

## Highlights

The Company experienced a 2% increase in net sales for the quarter ended December 30, 2011 over the same period in the prior year driven by strong sales of the Humminbird® brand which more than offset significant declines in the military tent business.

Operating loss for the quarter ended December 30, 2011 was \$3.7 million compared to \$1.3 million in the same period in the prior year. Lower gross margins and \$2.8 million of higher operating expenses in the current period, however resulted in reduced profits.

## Seasonality

The Company's business is seasonal in nature. Quarterly sales are typically lowest during the first quarter of the fiscal year as the Company ramps up production in preparation for the primary selling season for its outdoor recreation products. The table below sets forth a historical view of the Company's seasonality during the last two fiscal years.

| Quarter Ended | Year Ended         |                  |   |  |                 |                  |   |  |
|---------------|--------------------|------------------|---|--|-----------------|------------------|---|--|
|               | September 30, 2011 |                  |   |  | October 1, 2010 |                  |   |  |
|               | Net Sales          | Operating Profit |   |  | Net Sales       | Operating Profit |   |  |
| December      | 19                 | % -8             | % |  | 18              | % -24            | % |  |
| March         | 32                 | % 65             | % |  | 30              | % 55             | % |  |
| June          | 30                 | % 67             | % |  | 32              | % 92             | % |  |
| September     | 19                 | % -24            | % |  | 20              | % -23            | % |  |
|               | 100                | % 100            | % |  | 100             | % 100            | % |  |

## JOHNSON OUTDOORS INC.

## Results of Operations

The Company's net sales and operating profit (loss) by segment for the periods shown below are summarized as follows:

| (millions)                      | Three Months Ended  |                     |
|---------------------------------|---------------------|---------------------|
|                                 | December 30<br>2011 | December 31<br>2010 |
| <b>Net sales:</b>               |                     |                     |
| Marine Electronics              | \$ 47.8             | \$ 42.9             |
| Outdoor Equipment               | 6.3                 | 10.5                |
| Watercraft                      | 7.5                 | 6.1                 |
| Diving                          | 18.7                | 19.4                |
| Other/eliminations              | (0.1 )              | (0.2 )              |
| <b>Total</b>                    | <b>\$ 80.2</b>      | <b>\$ 78.7</b>      |
| <b>Operating profit (loss):</b> |                     |                     |
| Marine Electronics              | \$ 2.1              | \$ 0.4              |
| Outdoor Equipment               | (0.3 )              | 1.5                 |
| Watercraft                      | (2.5 )              | (1.7 )              |
| Diving                          | (0.1 )              | 1.1                 |
| Other/eliminations              | (2.9 )              | (2.6 )              |
| <b>Total</b>                    | <b>\$ (3.7 )</b>    | <b>\$ (1.3 )</b>    |

See "Note 17 – Segments of Business" of the notes to the accompanying Condensed Consolidated Financial Statements for the definition of segment net sales and operating profit.

## Net Sales

Net sales on a consolidated basis for the three months ended December 30, 2011 were \$80.2 million, an increase of \$1.5 million or 2% compared to \$78.7 million for the three months ended December 31, 2010. Foreign currency translation had virtually no effect on sales this quarter.

Net sales for the three months ended December 30, 2011 for the Marine Electronics business were \$47.8 million, up \$4.9 million or 11% from \$42.9 million in the prior year quarter. The Humminbird® brand grew significantly versus the prior year quarter due primarily to the continued success of its side imaging® and down imaging™ sonar products.

Net sales for the Outdoor Equipment business were \$6.3 million for the current quarter, a decrease of \$4.2 million or 40% from the prior year quarter net sales of \$10.5 million. The decrease was driven primarily by a 66% decline in military tent sales related to federal spending cuts in the United States.

Net sales for the Watercraft business were \$7.5 million, an increase of \$1.4 million or 23%, compared to \$6.1 million in the prior year quarter. The increase was driven in large part by year-end close-outs in the sporting goods channel as specialty channel revenues held steady.

Diving net sales were \$18.7 million this quarter versus \$19.4 million in the prior year quarter, a decrease of \$0.7 million or 4%. Economic uncertainty in southern Europe drove sales down, more than offsetting increases in the U.S. and Asian markets.



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Gross Profit Margin

Gross profit as a percentage of net sales was 38.8% on a consolidated basis for the three month period ended December 30, 2011 compared to 39.0% in the prior year quarter. Margins improved in the Marine Electronics business due to strong volumes and a favorable product mix, but were more than offset by declines in the other businesses which margins were driven lower by close out promotions and lower volumes.

Operating Expenses

Operating expenses were \$34.8 million for the quarter ended December 30, 2011, an increase of \$2.8 million over the prior year quarter amount of \$32.0 million due in part to higher volume related expenses. Other factors in the increase were \$0.8 million of severance costs, a \$0.4 million increase in legal expense and the \$0.3 million donation of an unused building to the city of Old Town, Maine.

Operating Loss

Operating loss on a consolidated basis for the three months ended December 30, 2011 was \$3.7 million compared to an operating loss of \$1.3 million in the prior year quarter, a downward change of \$2.4 million driven by the impact of the factors noted above.

Interest

Interest expense totaled \$0.6 million for the three months ended December 30, 2011, compared to \$0.9 million in the corresponding period of the prior year. The decrease was due primarily to lower debt balances in the most recent quarter.

Interest income for each of the three month periods ended December 30, 2011 and December 31, 2010 was less than \$0.1 million.

Other Expense/Income

Included in other expense/income for the three months ended December 30, 2011 was foreign currency exchange gains of \$0.7 million compared to losses of \$0.5 million for the three months ended December 31, 2010. In addition, the Company's foreign currency forward contracts resulted in losses of \$0.2 million for the quarter ended December 30, 2011 versus gains of \$0.5 million for the quarter ended December 31, 2010. Also included in this line item were market gains and income on the assets related to the Company's non-qualified deferred compensation plan of \$0.5 million in both three month periods ended December 30, 2011 and December 31, 2010.

Income Tax Expense

The Company's provision for income taxes is based upon estimated annual effective tax rates in the tax jurisdictions in which the Company operates. The Company's effective tax rate for the three month period ended December 30, 2011 was 5.1% compared to 42.5% in the corresponding period of the prior year. The decrease in the effective rate in the current year quarter versus that of the prior year quarter was due to the lack of tax benefits available at December 30, 2011 for entities that have a valuation allowance, primarily in non-U.S. jurisdictions. In addition, at December 31, 2010 the Company recognized a tax benefit attributable to a tax return election which allowed the Company to recover

alternative minimum taxes paid for certain prior tax years.

#### Net Loss

Net loss for the three months ended December 30, 2011 was \$2.9 million, or \$0.30 per diluted common class A and B share, compared to \$1.2 million, or \$0.13 per diluted common class A and B share, for the corresponding period of the prior year.

#### Liquidity and Financial Condition

Debt, net of cash, was \$4.9 million as of December 30, 2011 compared to \$14.1 million as of December 31, 2010. The decrease was driven in large part by strong operating cash flow over the preceding twelve months. The Company's debt to total capitalization ratio was 18% as of December 30, 2011 down from 27% as of December 31, 2010. The Company's total debt balance was \$34.0 million as of December 30, 2011 compared to \$47.2 million as of December 31, 2010. See "Note 13 – Indebtedness" in the notes to the Company's accompanying Condensed Consolidated Financial Statements for further discussion.

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Accounts receivable, net of allowance for doubtful accounts, were \$65.6 million as of December 30, 2011, an increase of \$4.8 million compared to \$60.8 million as of December 31, 2010. The year over year change was primarily related to higher sales in the Marine Electronics business.

Inventories, net of inventory reserves, were \$79.0 million as of December 30, 2011, a decrease of \$5.2 million compared to \$84.2 million as of December 31, 2010. The decrease was primarily driven by reductions in inventory in the Watercraft business.

Accounts payable of \$29.7 million at December 31, 2011 were \$0.3 million lower than at the end of the prior year first quarter.

The Company's cash flow from operating, investing and financing activities, as reflected in the Company's accompanying Condensed Consolidated Statements of Cash Flows, is summarized in the following table:

|  | Three Months Ended     |                        |
|--|------------------------|------------------------|
|  | December<br>30<br>2011 | December<br>31<br>2010 |
| Cash (used for) provided by:                                 |                        |                        |
| Operating activities   | \$(32.0 )              | \$(23.1 )              |
| Investing activities   | \$(0.8 )               | (1.6 )                 |
| Financing activities   | \$19.2                 | 23.4                   |
| Effect of exchange rate changes on cash and cash equivalents | \$(1.8 )               | 1.0                    |
| Decrease in cash and cash equivalents                        | \$(15.4 )              | \$(0.3 )               |

## Operating Activities

Cash used for operations totaled \$32.0 million for the three months ended December 30, 2011 compared with cash used for operations of \$23.1 million during the corresponding period of the prior fiscal year. The greater increase in accounts receivable during the first quarter of the current year as well as a decrease in accounts payable during the same period drove the majority of the variance year over year.

Amortization of deferred financing costs, depreciation and other amortization charges were \$2.7 million for the three month period ended December 30, 2011 compared to \$2.4 million for the corresponding period of the prior year.

## Investing Activities

Cash used for investing activities totaled \$0.8 million for the three months ended December 30, 2011 and \$1.6 million for the corresponding period of the prior year. Cash usage in the current and the prior year periods related to capital expenditures was \$1.9 million and \$1.6 million, respectively. The Company's recurring investments are made primarily for tooling for new products and enhancements on existing products. Any additional expenditures in fiscal 2012 are expected to be funded by working capital or existing credit facilities. In addition, the Company received proceeds of \$1.2 million in the three month period ending December 30, 2011 related to the sale of a property in Ferndale, Washington.

## Financing Activities

Cash flows provided by financing activities totaled \$19.2 million compared to \$23.4 million for the three month periods ended December 30, 2011 and December 31, 2010, respectively. The Company made principal payments on senior notes and other long-term debt of \$3.1 million during the three month period ended December 31, 2011 which included the repayment of approximately \$2.9 million of term loans resulting from the sale of a property in Ferndale, Washington, which was pledged as collateral under the related term loan. For the three month period ended December 31, 2010, the Company made principal payments on senior notes and other long-term debt of \$0.1 million.

## JOHNSON OUTDOORS INC.

The Company had outstanding borrowings of \$22.1 million on revolving credit facilities and current maturities of its long-term debt of \$0.6 million as of December 30, 2011. As of December 31, 2010, the Company had \$31.0 million outstanding on revolving credit facilities and current maturities of long-term debt of \$1.3 million. The Company had outstanding borrowings on long-term debt (net of current maturities) of \$11.3 million and \$14.8 million as of December 30, 2011 and December 31, 2010, respectively.

The Company's term loans have maturity dates ranging from 15 to 25 years from the September 29, 2009 effective date of the agreements. Each term loan requires monthly payments of principal and interest. Interest on \$8.7 million of the aggregate outstanding amount of the term loans is based on the prime rate plus 2.0%, and the remainder on the prime rate plus 2.75%. The prime rate was 3.25% at December 30, 2011.

Certain of the term loans covering \$8.7 million of the aggregate borrowings are subject to a pre-payment penalty. The penalty is currently 8% of the pre-payment amount, and the penalty will decrease by 1% annually on the anniversary date of the effective date of the loan agreement.

On November 16, 2010, the Company and certain of its subsidiaries entered into amendments to their Revolving Credit Agreements (or "Revolvers"). The amended terms of the Revolvers, maturing in November 2014, provide for funding of up to \$75 million, with the option for an additional \$25 million in maximum seasonal financing availability subject to the approval of the lenders. Borrowing availability under the Revolvers is based on certain eligible working capital assets, primarily accounts receivable and inventory of the Company and its subsidiaries. The Revolvers contain a seasonal line reduction that reduces the maximum amount of borrowings to \$50 million from mid-July to mid-November, consistent with the Company's reduced working capital needs throughout that period, and requires an annual seasonal pay down to \$30 million for 60 consecutive days. The amendments to the Revolvers reset the interest rate calculation each quarter, beginning with the quarter ended April 1, 2011, by instituting an applicable margin based on the Company's leverage ratio for the trailing twelve month period. The applicable margin ranges from 2.25% to 3.0%.

The interest rate on the Revolvers is based on LIBOR or the prime rate, at the Company's discretion, plus an applicable margin. The interest rate in effect on the Revolvers at December 30, 2011, based primarily on LIBOR plus 2.25%, was approximately 2.75%.

The Company's remaining borrowing availability under the Revolvers was approximately \$28.5 million at December 30, 2011.

Under the terms of the Revolvers, the Company is required to comply with certain financial and non-financial covenants. Among other restrictions, the Company is restricted in its ability to pay dividends, incur additional debt and make acquisitions or divestitures above certain amounts. The key financial covenants include a minimum fixed charge coverage ratio, limits on minimum net worth and EBITDA, a limit on capital expenditures, and a seasonal pay-down requirement.

### Off Balance Sheet Arrangements

The Company utilizes letters of credit primarily as security for the payment of future claims under its workers compensation insurance. Letters of credit outstanding were \$2.1 million and \$2.6 million at December 30, 2011 and December 31, 2010, respectively.

The Company anticipates making contributions of \$0.8 million to its defined benefit pension plans through September 28, 2012.

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The Company has no other off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The Company's critical accounting policies are identified in the Company's Annual Report on Form 10-K for the fiscal year ending September 30, 2011 in Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Critical Accounting Policies and Estimates." There were no significant changes to the Company's critical accounting policies during the three months ended December 30, 2011.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission's rules and forms, and that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective at reaching a level of reasonable assurance. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives.

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

JOHNSON OUTDOORS INC.

PART II OTHER INFORMATION

Item 6. Exhibits

See Exhibit Index to this Form 10-Q report.

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.

JOHNSON OUTDOORS INC.

Signatures Dated: February 3, 2012

/s/ Helen P.  
Johnson-Leipold  
Helen P. Johnson-Leipold  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

/s/ David W.  
Johnson  
David W. Johnson  
Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)



Exhibit Index to Quarterly Report on Form 10-Q

| Exhibit Number | Description  |
|----------------|--|
| 31.1           | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 31.2           | Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 32 (1)         | Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |
| 101            | The following materials from Johnson Outdoors Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 2011 formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Condensed Consolidated Financial Statements* |

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\*Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.