UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 30, 2001

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.) |

1326 Willow Road, Sturtevant, Wisconsin 53177
(Address of principal executive offices)

(262) 884-1500
(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 [ X ] No [ ]

As of April 26, 2001, 6,945,762 shares of Class A and 1,222,729 shares of Class B common stock of the Registrant were outstanding.

JOHNSON OUTDOORS INC.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

JOHNSON OUTDOORS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| (thousands, except per share data) | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | March 30 2001 | March 31 2000 | March 30 2001 | March 31 2000 |
| Net sales | $ 96,765 | $ 96,703 | $ 154,384 | $ 152,903 |
| Cost of sales | 59,361 | 57,633 | 94,787 | 91,921 |
| Gross profit | 37,404 | 39,070 | 59,597 | 60,982 |
| Operating expenses: | | | | |
| Marketing and selling | 19,294 | 18,398 | 32,929 | 31,532 |
| Administrative management, finance and information systems | 7,918 | 7,108 | 14,784 | 13,172 |
| Research and development | 2,089 | 1,819 | 3,912 | 3,470 |
| Amortization and write-down of intangibles | 696 | 740 | 3,923 | 1,501 |
| Profit sharing | 812 | 753 | 1,023 | 864 |
| Strategic charges | -- | 668 | -- | 720 |
| Total operating expenses | 30,809 | 29,486 | 56,571 | 51,259 |
| Operating profit | 6,595 | 9,584 | 3,026 | 9,723 |
| Interest income | (123) | (144) | (287) | (249) |
| Interest expense | 2,867 | 2,912 | 4,949 | 5,185 |
| Other expense (income), net | 135 | 86 | 54 | (126) |
| Income (loss) from continuing operations before income taxes | 3,716 | 6,730 | (1,690) | 4,913 |
| Income tax expense (benefit) | 1,513 | 2,834 | (664) | 2,052 |
| Income (loss) from continuing operations before cumulative effect of change in accounting principle | 2,203 | 3,896 | (1,026) | 2,861 |
| Loss from discontinued operations, net of tax of $563 | -- | -- | -- | (940) |
| Loss on disposal of discontinued operations, net of tax of $2,801 | -- | (1,309) | -- | (24,418) |
| Cumulative effect of change in accounting principle, net of tax of $845 | -- | -- | 1,755 | -- |
| Net income (loss) | $ 2,203 | $ 2,587 | $ 729 | $ (22,497) |
| BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE: | | | | |
| Continuing operations | $ 0.27 | $ 0.48 | $ (0.13) | $ 0.35 |
| Discontinued operations | -- | (0.16) | -- | (3.12) |
| Cumulative effect of change in accounting principle | -- | -- | 0.22 | -- |
| Net income (loss) | $ 0.27 | $ 0.32 | $ 0.09 | (2.77) |

The accompanying notes are an integral part of the consolidated financial statements.

JOHNSON OUTDOORS INC.

CONSOLIDATED BALANCE SHEETS
(unaudited)

| (thousands, except share data) | March 30 2001 | September 29 2000 | March 31 2000 |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and temporary cash investments | $ 6,699 | $ 17,363 | $ 3,189 |
| Accounts receivable, less allowance for doubtful accounts of $3,645, $3,895 and $3,625, respectively | 80,743 | 54,825 | 78,918 |
| Inventories | 81,525 | 62,708 | 76,166 |
| Deferred income taxes | 3,827 | 4,613 | 7,796 |
| Other current assets | 5,767 | 4,685 | 5,563 |
| Net assets of discontinued operations | -- | -- | 12,444 |
| Total current assets | 178,561 | 144,194 | 184,076 |
| Property, plant and equipment | 37,167 | 37,369 | 37,170 |
| Deferred income taxes | 17,411 | 17,311 | 15,479 |
| Intangible assets | 54,026 | 57,866 | 59,811 |
| Other assets | 993 | 1,231 | 2,214 |
| Total assets | $ 288,158 | $ 257,971 | $ 298,750 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term debt and current maturities of long-term debt | $ 109,213 | $ 59,462 | $ 99,009 |
| Accounts payable | 17,119 | 12,928 | 22,488 |
| Accrued liabilities: | | | |
| Salaries and wages | 5,684 | 7,421 | 5,172 |
| Income taxes | -- | 140 | -- |
| Other | 14,447 | 26,452 | 19,744 |
| Total current liabilities | 146,463 | 106,403 | 146,413 |
| Long-term debt, less current maturities | 40,372 | 45,857 | 47,826 |
| Other liabilities | 4,619 | 4,879 | 4,761 |
| Total liabilities | 191,454 | 157,139 | 199,000 |
| Shareholders' equity: | | | |
| Preferred stock: none issued | -- | -- | -- |
| Common stock: | | | |
| Class A shares issued: March 30, 2001, 6,945,762; September 29, 2000, 6,924,630; March 31, 2000, 6,924,630 | 347 | 346 | 346 |
| Class B shares issued (convertible into Class A): 1,222,729 | 61 | 61 | 61 |
| Capital in excess of par value | 44,410 | 44,291 | 44,291 |
| Retained earnings | 75,526 | 74,797 | 69,282 |
| Contingent compensation | (96) | (77) | (115) |
| Accumulated other comprehensive income: | | | |
| Cumulative foreign currency translation adjustment | (23,544) | (18,586) | (14,115) |
| Total shareholders' equity | 96,704 | 100,832 | 99,750 |
| Total liabilities and shareholders' equity | $ 288,158 | $ 257,971 | $ 298,750 |

The accompanying notes are an integral part of the consolidated financial statements.

JOHNSON OUTDOORS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| (thousands) | Six Months Ended | |
|---|---|---|
| | March 30 2001 | March 31 2000 |
| CASH USED FOR OPERATIONS | | |
| Net income (loss) | $ 729 | $ (22,497) |
| Less loss from discontinued operations | -- | (25,358) |
| Less income from cumulative effect of change in accounting principle | 1,755 | -- |
| Income (loss) from continuing operations before cumulative effect of change in accounting principle | (1,026) | 2,861 |
| Adjustments to reconcile income (loss) from continuing operations to net cash used for operating activities of continuing operations : | | |
| Depreciation and amortization | 6,300 | 6,504 |
| Deferred income taxes | 645 | (2,836) |
| Impairment of goodwill | 2,526 | -- |
| Change in assets and liabilities, net of effect of businesses acquired or sold: | | |
| Accounts receivable | (26,967) | (31,625) |
| Inventories | (19,630) | (19,033) |
| Accounts payable and accrued liabilities | (10,303) | 3,248 |
| Other, net | (1,919) | 2,654 |
| | (50,374) | (38,227) |
| CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | | |
| Proceeds from sale of business, net of cash | -- | 33,126 |
| Payments for purchase of business, net of cash acquired | (339) | (706) |
| Net additions to property, plant and equipment | (5,196) | (7,308) |
| | (5,535) | 25,112 |
| CASH PROVIDED BY FINANCING ACTIVITIES | | |
| Principal payments on senior notes and other long-term debt | (6,000) | (20,729) |
| Net change in short-term debt | 51,146 | 46,734 |
| Common stock transactions | 70 | 98 |
| | 45,216 | 26,103 |
| Effect of foreign currency fluctuations on cash | 29 | (774) |
| Net cash used for discontinued operations | -- | (18,999) |
| Decrease in cash and temporary cash investments | (10,664) | (6,785) |
| CASH AND TEMPORARY CASH INVESTMENTS | | |
| Beginning of period | 17,363 | 9,974 |
| End of period | $ 6,699 | $ 3,189 |

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1 Basis of Presentation

The 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 March 30, 2001 and the results of operations and cash flows for the three months and six months ended March 30, 2001. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2000 Annual Report on Form 10-K.

Because of seasonal and other factors, the results of operations for the three months and six months ended March 30, 2001 are not necessarily indicative of the results to be expected for the full year.

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

Certain amounts as previously reported have been reclassified to conform with the current period presentation. See Note 7.

2 Change in Accounting Principle

Effective September 30, 2000, the Company adopted SFAS 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings.

The adoption of SFAS 133 resulted in a decrease in net loss of $1,755, a decrease in deferred income tax assets of $845, an increase in accrued liabilities of $374 and a reduction in accumulated other comprehensive income of $2,974 for derivative instruments not designated as hedging instruments. Unrealized gains on certain derivative instruments were previously recorded as a component of accumulated other comprehensive income. See additional disclosures under the Market Risk Management section of Item 2.

3 Income Taxes

The provision for income taxes includes deferred taxes and is based upon estimated annual effective tax rates in the tax jurisdictions in which the Company operates.

4 Inventories

Inventories related to continuing operations at the end of the respective periods consist of the following:

| | March 30 2001 | September 29 2000 | March 31 2000 |
|---|---|---|---|
| Raw materials | $ 26,295 | $ 23,122 | $ 27,716 |
| Work in process | 2,851 | 2,238 | 2,428 |
| Finished goods | 55,419 | 40,297 | 50,502 |
| | 84,565 | 65,657 | 80,646 |
| Less reserves | 3,040 | 2,949 | 4,480 |
| | $ 81,525 | $ 62,708 | $ 76,166 |

5 Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share from continuing operations before cumulative effect of change in accounting principle:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | March 30 2001 | March 31 2000 | March 30 2001 | March 31 2000 |
| Income (loss) from continuing operations before cumulative effect of change in accounting principle for basic and diluted earnings per share | $ 2,203 | $ 3,896 | $ (1,026) | $ 2,861 |
| Weighted average common shares outstanding | 8,161,989 | 8,134,478 | 8,154,674 | 8,131,318 |
| Less nonvested restricted stock | 18,033 | 19,429 | 16,267 | 19,965 |
| Basic average common shares | 8,143,956 | 8,115,049 | 8,138,407 | 8,111,353 |
| Dilutive stock options and restricted stock | 23,313 | 7,187 | -- | 10,826 |
| Diluted average common shares | 8,167,269 | 8,122,236 | 8,138,407 | 8,122,179 |
| Basicand diluted earnings (loss) per common share from continuing operations before cumulative effect of change in accounting principle | $ 0.27 | $ 0.48 | $ (0.13) | $ 0.35 |

6 Stock Ownership Plans

A summary of stock option activity related to the Company's plans is as follows:

| | Shares | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at September 29, 2000 | 952,230 | $12.08 |
| Granted | 210,000 | 5.42 |
| Cancelled | (42,101) | 22.83 |
| Outstanding at March 30, 2001 | 1,120,129 | $10.43 |

Options to purchase 924,395 shares of common stock with a weighted average exercise price of $12.53 per share were outstanding at March 31, 2000.

7 Sale of Fishing Business

In March 2000, the Company sold its Fishing business. As a result, operations and related assets and liabilities of the Fishing group have been classified as discontinued for all periods presented herein. The sale price totaled $47,279, including $14,056 of accounts receivable retained by the Company and $2,367 of debt assumed by the buyer. The Company recorded a loss of $24,418, net of tax, related to the sale of the business, taking into account operating results from the measurement date to the date of disposal. In addition, the Company recorded an after tax loss from operations up to the measurement date of $940 in the six months ended March 31, 2000.

8 Strategic Charges

In the prior year second quarter, the Company recorded severance and other exit costs totaling $668, relating primarily to the closure and relocation of a manufacturing facility in the Motors business. Total charges related to this action were approximately $2,100 and approximately 90 employees were impacted. As of March 30, 2001, unexpended funds related to this action were approximately $170. There were no strategic charges recorded in the current year.

9 Comprehensive Income

Comprehensive income includes net income and changes in shareholders' equity from non-owner sources. For the Company, the elements of comprehensive income excluded from net income are represented primarily by the cumulative foreign currency translation adjustment.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | March 30 2001 | March 31 2000 | March 30 2001 | March 31 2000 |
| Net income (loss) | $ 2,203 | $ 2,587 | $ 729 | $ (22,497) |
| Translation adjustment | (5,025) | (2,197) | (1,984) | (5,875) |
| Translation adjustment reclassified to cumulative effect of change in accounting principle | -- | -- | (2,974) | -- |
| Translation adjustment reclassified to loss on disposal of discontinued operations | -- | 809 | -- | 809 |
| Comprehensive income (loss) | $ (2,822) | $ 1,199 | $ (4,229) | $ (28,372) |

10 Segments of Business

The Company conducts its worldwide operations through separate global business units, each of which represent major product lines. Operations are conducted in the United States and various foreign countries, primarily in Europe, Canada and the Pacific Basin. The Company does not believe it has unusual risk related to concentrations in volume of business with a particular customer or supplier, or concentrations in revenue from a particular product.

Net sales and operating profit include both sales to customers, as reported in the Company's consolidated statements of operations, and interunit transfers, which are priced to recover cost plus an appropriate profit margin. Identifiable assets represent assets that are used in the Company's operations in each business unit at the end of the periods presented.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | March 30 2001 | March 31 2000 | March 30 2001 | March 31 2000 |
| Net sales: | | | | |
| Outdoor equipment: | | | | |
| Unaffiliated customers | $ 32,362 | $ 29,394 | $ 53,420 | $ 47,401 |
| Interunit transfers | 33 | 20 | 46 | 22 |
| Diving: | | | | |
| Unaffiliated customers | 20,317 | 20,717 | 36,325 | 36,751 |
| Interunit transfers | -- | 2 | 5 | 2 |
| Watercraft: | | | | |
| Unaffiliated customers | 21,579 | 21,616 | 32,128 | 31,692 |
| Interunit transfers | 149 | 253 | 185 | 269 |
| Motors: | | | | |
| Unaffiliated customers | 22,505 | 24,569 | 32,480 | 35,930 |
| Interunit transfers | 257 | 813 | 421 | 1,183 |
| Other | 2 | 405 | 31 | 1,130 |
| Eliminations | (439) | (1,086) | (657) | (1,477) |
| | $ 96,765 | $ 96,703 | $ 154,384 | $ 152,903 |
| Operating profit (loss): | | | | |
| Outdoor equipment | $ 3,683 | $ 2,957 | $ 4,981 | $ 3,617 |
| Diving | 1,669 | 1,924 | 3,485 | 3,403 |
| Watercraft | 1,514 | 3,748 | 400 | 4,022 |
| Motors | 2,300 | 3,036 | (1,001) | 2,235 |
| Other | (2,571) | (2,081) | (4,839) | (3,554) |
| | $ 6,595 | $ 9,584 | $ 3,026 | $ 9,723 |
| Identifiable assets (end of period): | | | | |
| Outdoor equipment | | | $ 57,490 | $ 55,711 |
| Diving | | | 83,634 | 89,702 |
| Watercraft | | | 83,948 | 76,650 |
| Motors | | | 39,210 | 40,524 |
| Discontinued operations, net | | | -- | 12,444 |
| Other | | | 23,876 | 23,719 |
| | | | $ 288,158 | $ 298,750 |

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

The following discussion includes comments and analysis relating to the Company's results of operations and financial condition as of and for the three months and six months ended March 30, 2001 and March 31, 2000. This discussion should be read in conjunction with the consolidated financial statements and related notes that immediately precede this section, as well as the Company's 2000 Annual Report on Form 10-K.

Forward Looking Statements

Certain matters discussed in this Form 10-Q are "forward-looking statements," intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement includes phrases such as the Company "expects," "believes" 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 changes in consumer spending patterns, actions of companies that compete with the Company, the Company's success in managing inventory, movements in foreign currencies or interest rates 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 Form 10-Q and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Results of Continuing Operations

Net sales for the three months ended March 30, 2001 totaled $96.8 million, compared to $96.7 million in the three months ended March 31, 2000. Two of the four business units (Outdoor Equipment and Diving) showed sales growth over the prior year on a volume basis (excluding the impact of currency fluctuations), lead primarily by the Outdoor Equipment group which had a $3.5 million increase in military tent sales.

Net sales for the six months ended March 30, 2001 totaled $154.4 million, an increase of 1.0% or $1.5 million, compared to $152.9 million in the six months ended March 31, 2000. Three of the four business units (Outdoor Equipment, Diving and Watercraft) showed sales growth over the prior year on a volume basis, lead primarily by the Outdoor Equipment group which had a $6.3 million increase in military tent sales and a $1.5 million increase in Jack Wolfskin sales. The Motors business experienced a sales decline of 11% versus the year ago period, due primarily to two reasons: first, the bankruptcy of Outboard Marine Corporation and second, sales in the six months ended March 31, 2000 reflected a build-up as the Company prepared to exit the third-party OEM motor business at its Lake Electric plant. Excluding those two items, sales were flat compared with the prior year period. Unseasonable weather and softness in the economy has impacted sales for the Company and for the outdoor recreation industry as a whole.

Relative to the U.S. dollar, the average values of most currencies of the countries in which the Company has operations were lower for the three months and six months ended March 30, 2001 as compared to the corresponding period of the prior year. The Diving and Outdoor Equipment businesses were adversely impacted by foreign currency movements. Excluding the impact of fluctuations in foreign currencies, net sales for the Company increased 2% and 4% for the three months and six months ended March 30, 2001, respectively.

Gross profit as a percentage of sales was 38.7% for the three months ended March 30, 2001 compared to 40.4% for the corresponding period of the prior year. Margin declines in the Watercraft and Motors businesses more than offset margin improvement in the Diving and Outdoor Equipment businesses.

Gross profit as a percentage of sales was 38.6% for the six months ended March 30, 2001 compared to 39.9% for the corresponding period of the prior year. Margin declines in the Watercraft business and, to a lesser extent, the Motors business, more than offset margin improvement in the Diving and Outdoor Equipment businesses. The Watercraft business was impacted by labor and overhead absorption issues due to lower than projected sales volume. Product mix, emphasizing higher margin regulators, buoyancy compensators and fins, contributed to improved margins for the Diving business. The Outdoor Equipment business benefited from higher sales volume from military tents and Jack Wolfskin in Europe.

The Company recognized an operating profit of $6.6 million for the three months ended March 30, 2001, compared to an operating profit of $9.6 million for the corresponding period of the prior year. For the six months ended March 30, 2001, operating profit declined to $3 million, from $9.7 million in the prior year. Included in the operating profit for the six months ended March 30, 2001 is a $2.5 million write-down for impaired goodwill identified while considering the divestiture of a small non-strategic business in the Motors business. Excluding this item, our operating profit was $5.6 million. The decline from the prior year period is related to the Watercraft business, which saw operating profit decline $3.6 million. In addition to margin shortfalls, additional investments in marketing, distribution, research and development, and finance to support recent growth of the business unit, contributed to this decline. Operating profits for Outdoor Equipment were strong, increasing $1.4 million over the prior year period.

Interest expense totaled $2.9 million and $4.9 million for the three months and six months ended March 30, 2001, respectively, compared to $2.9 million and $5.2 million for the corresponding period of the prior year. In the current year, the Company unwound a foreign currency swap agreement related to the 1998 senior note commitment. The gain realized from this action approximated the gain recorded from the adoption of SFAS 133. The Company's effective tax rate for the six months ended March 30, 2001 was 39.3%, down from 41.8% for the corresponding period of the prior year due to the geographic mix of earnings occurring in lower tax jurisdictions.

The Company recognized income from continuing operations before cumulative effect of change in accounting principle of $2.2 million in the three months ended March 30, 2001, compared to income of $3.9 million in the corresponding period of the prior year. Diluted earnings per common share from continuing operations before cumulative effect of change in accounting principle totaled $0.27 for the three months ended March 30, 2001 compared to $0.48 in the prior year. The Company recognized a loss from continuing operations before cumulative effect of change in accounting principle of $1.0 million in the six months ended March 30, 2001, compared to income of $2.9 million in the corresponding period of the prior year. Diluted earnings per common share from continuing operations before cumulative effect of change in accounting principle totaled $(0.13) for the six months ended March 30, 2001 compared to $0.35 in the prior year.

## Discontinued Operations

In March 2000, the Company sold its Fishing business. As a result, operations and related assets and liabilities of the Fishing group have been classified as discontinued for all periods presented herein. The sale price totaled $47.3 million, including $14.1 million of accounts receivable retained by the Company and $2.4 million of debt assumed by the buyer. The Company recorded a loss of $24.4 million, net of tax, related to the sale of the business, taking into account operating results from the measurement date to the date of disposal. In addition, the Company recorded an after tax loss from operations up to the measurement date of $0.9 million in the six months ended March 31, 2000.

Change in Accounting Principle

Effective September 30, 2000, the Company adopted SFAS 133 which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in the earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings.

The adoption of SFAS 133 resulted in a decrease in net loss of $1.8 million, a decrease in deferred income tax assets of $0.8 million, an increase in accrued liabilities of $0.4 million and a reduction in accumulated other comprehensive income of $3 million for derivative instruments not designated as hedging instruments. Unrealized gains on certain derivative instruments were previously recorded as a component of accumulated other comprehensive income.

Net income (Loss)

Net income for the three months ended March 30, 2001 was $2.2 million or $0.27 per diluted share compared to $2.6 million or $0.32 per diluted share for the corresponding period of the prior year. Net income for the six months ended March 30, 2001 was $0.7 million or $0.09 per diluted share compared to a loss of $(22.5) million or $(2.77) per diluted share for the corresponding period of the prior year.

Financial Condition

The following discusses changes in the Company's liquidity and capital resources related to continuing operations.

Operations

Cash flows used for operations totaled $50.4 million for the six months ended March 30, 2001 and $38.2 million for the corresponding period of the prior year.

Accounts receivable seasonally increased $27.0 million for the six months ended March 30, 2001 and $31.6 million for the corresponding period of the prior year due to sales growth. Average days of sales outstanding are equal to the prior year. Seasonal growth in inventories of $19.6 million for the six months ended March 30, 2001 and $19.0 million for the corresponding period of the prior year also accounted for a significant portion of the net usage of funds. Inventory turns, on a twelve month rolling average basis, are down slightly as of March 30, 2001 compared to the corresponding period of the prior year. The Company has increased production of its products in order to meet seasonal demand, primarily in Watercraft and Outdoor Equipment.

Accounts payable and accrued liabilities decreased $10.3 million for the six months ended March 30, 2001 and increased $3.2 million for the corresponding period of the prior year. The Company paid employee benefits, which were higher than prior year levels due to the Company's improved performance, and paid amounts related to the sale of the Fishing business.

Depreciation and amortization charges were $6.3 million for the six months ended March 30, 2001, compared to $6.5 million for the corresponding period of the prior year.

Deferred income tax assets decreased $0.6 million for the six months ended March 30, 2001, compared to an increase of $2.8 million in the prior year. In the current year, the Company recorded a write-down of impaired goodwill for $2.5 million related to the potential divestiture of a small, non-strategic business in the Motors group.

## Investing Activities

Expenditures for property, plant and equipment were $5.2 million for the six months ended March 30, 2001 and $7.3 million for the corresponding period of the prior year. The Company's recurring investments are made primarily for tooling for new products and enhancements. The decrease in capital expenditures in the current year is due primarily to investments to increase manufacturing capacity in the Company's Watercraft business included in the prior year. In 2001, capitalized expenditures are anticipated to total approximately $9.1 million. These expenditures are expected to be funded by working capital or existing credit facilities. The Company acquired a small business in the first quarter of the current year, which increased tangible and intangible assets by $0.3 million, net of cash acquired and liabilities assumed.

## Financing Activities

Cash flows from financing activities totaled $45.2 million for the six months ended March 30, 2001 and $26.1 million for the corresponding period of the prior year. The Company made principal payments on senior notes of $6.0 million in the current year and $20.7 million in the prior year. The increase in short-term debt was used to fund the operating and investing activities.

## Market Risk Management

The Company is exposed to market risk stemming from changes in foreign exchange rates, interest rates and, to a lesser extent, commodity prices. Changes in these factors could cause fluctuations in earnings and cash flows. In the normal course of business, exposure to certain of these market risks is managed by entering into hedging transactions authorized under Company policies that place controls on these activities. Hedging transactions involve the use of a variety of derivative financial instruments. Derivatives are used only where there is an underlying exposure, not for trading or speculative purposes.

## Foreign Operations

The Company has significant foreign operations, for which the functional currencies are denominated primarily in Swiss and French francs, German marks, Italian lire, 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, assets and liabilities of the Company's foreign operations, as reported in the Company's Consolidated Financial Statements, increase or decrease, accordingly. The Company mitigates a portion of the fluctuations in certain foreign currencies through the purchase of foreign currency swaps, forward contracts and options to hedge known commitments, primarily for purchases of inventory and other assets denominated in foreign currencies. As of March 30, 2001, the Company had forward contracts to sell German marks and purchase U.S. dollars with a notional value of $7.0 million.

## Interest Rates

The Company's debt structure and interest rate risk are managed through the use of fixed and floating rate debt. The Company's primary exposure is to United States interest rates. The Company also periodically enters into interest rate swaps, caps or collars to hedge its exposure and lower financing costs. In the first quarter, the Company unwound a foreign currency swap agreement related to their 1998 senior note commitment. As a result, the fixed effective interest rate to be paid on the note became 7.15%. As of March 30, 2001, there are no interest rate instruments in place.

## Commodities

Certain components used in the Company's products are exposed to commodity price changes. The Company manages this risk through instruments such as purchase orders and non-cancelable supply contracts. Primary commodity price exposures are metals and packaging materials.

## Sensitivity to Changes in Value

The estimates that follow are intended to measure the maximum potential fair value or earnings the Company could lose in one year from adverse changes in foreign exchange rates or market interest rates under normal market conditions. The calculations are not intended to represent actual losses in fair value or earnings that the Company expects to incur. The estimates do not consider favorable changes in market rates. Further, since the hedging instrument (the derivative) inversely correlates with the underlying exposure, any loss or gain in the fair value of derivatives would be generally offset by an increase or decrease in the fair value of the underlying exposures. The positions included in the calculations are foreign exchange forwards, currency swaps and fixed rate debt. The calculations do not include the underlying foreign exchange positions that are hedged by these market risk sensitive instruments. The table below presents the estimated maximum potential one year loss in fair value and earnings before income taxes from a 10% movement in foreign currencies and a 100 basis point movement in interest rates on market risk sensitive instruments outstanding at March 30, 2001:

| (millions) | Estimated Impact on | |
|---|---|---|
| | Fair Value | Earnings Before Income Taxes |
| Foreign exchange rate instruments | $0.7 | $0.7 |
| Interest rate instruments | 1.3 | 0.4 |

## Other Factors

The Company has not been significantly impacted by inflationary pressures over the last several years. The Company anticipates that changing costs of basic raw materials may impact future operating costs and, accordingly, the prices of its products. The Company is involved in continuing programs to mitigate the impact of cost increases through changes in product design and identification of sourcing and manufacturing efficiencies. Price increases and, in certain situations, price decreases are implemented for individual products, when appropriate.

## Pending Accounting Changes

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101). An amendment in June 2000 delayed the effective date for the Company until the fourth quarter of 2001, which is when the Company will adopt the bulletin. The impact of adopting SAB 101 is still being evaluated and the Company does not currently believe its adoption will have a material impact on the consolidated financial statements.

In September 2000, the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs. This issue addresses the definition of shipping and handling costs and the income statement classification of these costs and amounts billed to customers for shipping and handling costs. The Company will adopt this consensus in the fourth quarter of 2001. Upon adoption, shipping and handling costs billed to customers and reported as marketing and selling expenses in the income statement will be reclassified and reported as a component of net sales. The Company is still evaluating the amount of the reclassification.

In May 2000, the EITF reached a consensus on Issue No. 00-14, Accounting for Certain Sales Incentives. This issue addresses the recognition, measurement, and income statement classification for various types of sales incentives including discounts, coupons, rebates and free products. The Company will adopt this consensus in the second quarter of 2002. The impact of this consensus is still being evaluated and the Company does not currently believe its adoption will have a material impact on the consolidated financial statements.

In April 2001, the EITF reached a consensus on Issue No. 00-25, Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services. This Issue addresses when consideration from a vendor to a retailer or distributor in connection with the purchase of the vendor's products to promote sales of the vendor's products should be classified in the vendor's income statement as a reduction of revenue or expense. The Company will adopt this consensus in the second fiscal quarter of 2002. The impact of this consensus is still being evaluated and the Company does not currently believe its adoption will have a material impact on the consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information with respect to this item is included in Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Market Risk Management."

PART II OTHER INFORMATION

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

At the Company's Annual Meeting on January 31, 2001, the shareholders voted to elect the following individuals as directors for terms that expire at the next annual meeting and voted against a shareholder proposal:

| | Votes Cast For | Votes Cast Against | Votes Withheld | Abstentions | Broker Non-Votes |
|---|---|---|---|---|---|
| Class A Directors: | | | | | |
| Glenn N. Rupp | 6,313,545 | 0 | 58,918 | 0 | 0 |
| Terry E. London | 6,313,108 | 0 | 59,355 | 0 | 0 |
| Class B Directors: | | | | | |
| Samuel C. Johnson | 1,102,557 | 0 | 0 | 0 | 0 |
| Helen P. Johnson-Leipold | 1,102,557 | 0 | 0 | 0 | 0 |
| Thomas F. Pyle, Jr. | 1,102,557 | 0 | 0 | 0 | 0 |
| Gregory E. Lawton | 1,102,557 | 0 | 0 | 0 | 0 |
| Shareholder proposal to sell the Company | 314,405 | 15,685,069 | 0 | 105,551 | 1,293,008 |

Votes cast for or against and abstentions with respect to the proposal reflects that holders of Class B shares are entitled to 10 votes per share for matters other than the election of directors.

Item 6. Exhibits and Reports on Form 8-K

(a) The following documents are filed as part of this Form 10-Q

None

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the three months ended March 30, 2001.

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.

Date: May 14, 2001

/s/ Helen P. Johnson-Leipold

Helen P. Johnson-Leipold
Chairman and Chief Executive Officer

/s/ Scott M. Vos

Scott M. Vos
Corporate Controller
(Principal Accounting Officer)