

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

**FORM 10-K**

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

For the fiscal year ended October 3, 2003

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, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to section 12(g) of the Act:

**Class A common stock, \$.05 par value**  
(Title of Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K.

As of November 1, 2003, 7,385,661 shares of Class A and 1,222,297 shares of Class B common stock of the registrant were outstanding. The aggregate market value of voting stock of the registrant held by nonaffiliates of the registrant was approximately \$34,070,330 on March 28, 2003. For purposes of this calculation only, shares of voting stock are deemed to have a market value of \$8.90 per share, the closing price of the Class A common stock as reported on The NASDAQ Stock Market, Inc. on March 28, 2003.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

**DOCUMENTS INCORPORATED BY REFERENCE**

<b>Document</b>	<b>Part and Item Number of Form 10-K into which Incorporated</b>	<b>Page</b>
Johnson Outdoors Inc. Notice of Annual Meeting of Shareholders and Proxy Statement for the Annual Meeting of Shareholders to be held February 25, 2004	Part III, Items 10, 11, 12, 13 and 14	
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## Forward Looking Statements

Certain matters discussed in this Form 10-K 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 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; the Company’s success in implementing its strategic plan, including its focus on innovation; actions of companies that compete with the Company; the Company’s success in managing inventory; movements in foreign currencies or interest rates; unanticipated issues related to the Company’s military tent business; the success of suppliers and customers; the ability of the Company to deploy its capital successfully; unanticipated outcomes related to outstanding litigation matters and a European Commission investigation; 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-K and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

## PART I

### ITEM 1. BUSINESS

Johnson Outdoors Inc. and its subsidiaries (the “Company”) design, manufacture and market outdoor recreation products in four businesses: Diving, Watercraft, Outdoor Equipment and Motors. The Company’s primary focus is innovation — meeting consumer needs with breakthrough products that stand apart from the competition and advance the Company’s strong brand names. Its subsidiaries are organized in a network that is intended to promote entrepreneurialism and leverage best practices and synergies, following the strategic vision set by senior managers and approved by the Company’s Board of Directors. The Company is controlled by Samuel C. Johnson, members of his family and related entities.

The Company was incorporated in Wisconsin in 1987 as successor to various businesses.

#### Diving

The Company manufactures and distributes technical underwater diving products, which it sells under the **SCUBAPRO** and **Snorkel Pro** names. The Company markets a full line of underwater diving and snorkeling equipment, including regulators, stabilizing jackets, tanks, depth gauges, masks, fins, snorkels, diving electronics and other accessories. The Company is also a leading manufacturer of dive computers and other electronics sold under the **Aladin** and **UWATEC** brands. **SCUBAPRO**, **Aladin** and **UWATEC** products are marketed to the high quality, premium priced segment of the market via limited distribution to independent specialty dive stores worldwide. These specialty dive stores generally provide a wide range of services to divers, including sales, instruction, travel and repair service.

The Company focuses on maintaining **SCUBAPRO**, **Aladin** and **UWATEC** as the market leaders in innovation and new products. The Company maintains research and development functions both in the United States and Europe and holds hundreds of patents on proprietary products. Consumer advertising focuses on building the brand and communicating exclusive features and benefits of the **SCUBAPRO UWATEC** product lines. The Company’s advertising and dealer network reinforce the **SCUBAPRO UWATEC** brands’ position as the industry’s high quality and innovation leader. The Company advertises its equipment in diving magazines, via website and through dive specialty stores.

The Company also manufactures and markets diving buoyancy compensators under the **SCUBAPRO** brand.

The Company maintains manufacturing and assembly facilities in Switzerland, Mexico, Italy and Indonesia and procures a majority of its proprietary rubber and plastic products and components from third-party manufacturers.

#### Watercraft

The Company manufactures and markets canoes, kayaks, paddles, oars, recreational sailboats, personal flotation devices and small thermoformed recreational boats under the brand names **Old Town**, **Carlisle Paddles**, **Ocean Kayak**, **Pacific Kayak**, **Canoe Sports**, **Necky**, **Escape**, **Extrasport**, **Leisure Life** and **Dimension**.

The Company’s **Old Town** Canoe subsidiary produces high quality canoes, kayaks and accessories for family recreation, touring and tripping. The Company uses a patented rotational-molding process for manufacturing polyethylene kayaks and canoes to compete in the high volume, low and mid-priced range of the market.

These kayaks and canoes feature stiffer and more durable hulls than higher priced boats. The Company also manufactures canoes from fiberglass, Royalex (ABS) and wood. **Carlisle Paddles**, a manufacturer of canoe and kayak paddles and rafting oars, supplies paddles and oars to the Company's other watercraft businesses and also distributes directly through the accessories channels mentioned below under the **Carlisle** brand.

The Company is a leading manufacturer of sit-on-top kayaks under the **Ocean Kayak** and **Pacific Kayak** brands. In addition, the Company manufactures and markets high quality **Necky** sea touring and whitewater kayaks; **Escape** recreational sailboats; **Extrasport** and **Swiftwater** personal flotation devices; small thermoformed recreational boats, including canoes, pedal boats, deck boats and tenders, under the **Leisure Life** brand; the **Dimension** brand of kayaks; and other paddle and watercraft accessory brands.

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The Company's kayaks, canoes and accessories are sold primarily to specialty stores and marine dealers, sporting goods stores and catalog and mail order houses such as L. L. Bean®, in the United States and Europe. **Leisure Life** products are sold through marine dealers and large retail chains under several brand identities.

The Company manufactures its Watercraft products in four locations in the United States, one location in Canada and in New Zealand. The Company is also active in Europe with most of the brands noted above.

The North American market for both canoes and kayaks has slowed over the past year along with the economy. The Company believes, based on industry and other data, that it has grown market share and continues to be a leading manufacturer of canoes and kayaks in the United States in both unit and dollar sales.

## Outdoor Equipment

The Company's Outdoor Equipment Group's product includes Eureka! military, commercial and consumer tents and backpacks and Silva field compasses.

**Eureka!** consumer tents and packs compete primarily in the mid- to high-price range and are sold in the United States and Canada through independent sales representatives, primarily to sporting goods stores, catalog and mail order houses and camping and backpacking specialty stores. The Company entered the mass market segment of the category in 2003 with specifically designed tents sold through Wal-Mart stores. Marketing of the Company's tents and backpacks is focused on building the **Eureka!** brand name and establishing the Company as a leader in tent design and innovation. Although the Company's camping tents and backpacks are produced primarily by third-party manufacturing sources, design and innovation is conducted at the Binghamton, NY business location. **Eureka!** camping products are sold under license in Japan and Australia as well as by distribution agreement in Europe.

**Eureka!** commercial tents include party tents, sold primarily to general rental stores, and other commercial tents sold directly to tent erectors. Commercial tents are manufactured by the Company in the United States. Products range from 10x10 canopies to 120' wide pole tents and other large scale frame structures.

**Eureka!** also designs and manufactures large, heavy-duty tents and lightweight backpacking tents for the military. The Company was awarded a one-year contract with four option years for the Extreme Cold Weather Tent on September 28, 2001. The Company is in the second option year and currently expects the third option year to be exercised in April 2004. The Company is operating under three additional one-year contracts from the U.S. Armed forces. Current tents in production are a lightweight, two-man combat tent for the Marine Corps; a lightweight one-person tent for the Army; and a modular, general purpose tent for the Army. During 2003, sales to the United States military accounted for 13.4% of total Company net sales. The Company was recently notified that it was not awarded a new multi-year contract for the modular general purpose tent. The Company has a significant backlog of orders under existing military contracts. In December 2003, the Company was awarded a \$42.9 million urgent need military tent order. The order is for 6,500 modular general purpose tent systems to be delivered over the next 15 months. Additionally, there is potential for further volume from other contracts on which the Company is currently bidding.

**Silva** field compasses, which are manufactured by third parties, are marketed exclusively in North America, the area for which the Company owns Silva trademark rights.

In September 2002, the Company sold its Jack Wolfskin business (a marketer of high quality technical outdoor clothing, footwear, camping tents, backpacks, travel gear and accessories). The Company's North American Jack Wolfskin operations were not included in the sale. The Company exited this business over the last year.

## Motors

The Company manufactures, under its **Minn Kota** name, battery powered motors used on fishing boats and other boats for quiet trolling power or primary propulsion. The Company's **Minn Kota** motors and related accessories are sold in the United States, Canada, Europe and the Pacific Basin through large retail store chains such as Wal-Mart, catalogs such as Bass Pro Shops and Cabelas, sporting goods specialty stores, marine distributors, and original equipment manufacturers (OEM) including Ranger® Boats, Skeeter Boats, Triton, Lowe, and Stratos/Javilin. Consumer advertising and promotion include advertising on regional television and in outdoor, general interest and sports magazines. Packaging and point-of-purchase materials are used to increase consumer appeal and sales.

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The Company has the leading market share of the U.S. electric fishing motor market. While the overall motors market has generally been flat over a number of years, the Company has been able to gain share by emphasizing marketing, product innovation and original equipment manufacturer sales.

In 2002, the Company rebranded its compass line of products to **Minn Kota** and discontinued use of the **Airguide** product line. In 2003 the Company discontinued its **Minn Kota** compass line altogether. In 2001, the Company exited the weather and automotive instrument categories. In 2003, the Company began a concerted effort to grow in the marine charger market with several new products branded as **Minn Kota**. These products complement and are sold through the same channels as the Company's Motors business.

## Financial Information for Business Segments

See Note 14 to the Consolidated Financial Statements for financial information comparing each business segment.

## International Operations

See Note 14 to the Consolidated Financial Statements for financial information comparing the Company's domestic and international operations. See Note 1, subheading "Foreign Operations," to the Consolidated Financial Statements for information respecting risks attendant to the Company's foreign operations.

## Research and Development

The Company commits significant resources to research and new product development. The Company expenses research and development costs as incurred. The amounts expended by the Company in connection with research and development activities for each of the last three fiscal years are set forth in the Consolidated Statements of Operations.

## Competition

The Company believes its products compete favorably on the basis of product innovation, product performance and marketing support and, to a lesser extent, price.

**Diving:** The main competitors in Diving include Oceanic, Aqualung and Suunto, each of which competes on the basis of product innovation, performance, quality and safety.

**Watercraft:** The Company primarily competes in the paddle sport segment of canoes and kayaks. Main competitors are Watermark and Confluence, both of which also make a full range of boats. These companies compete on the basis of their design, performance and quality.

**Outdoor Equipment:** The Company's brands and products compete in the sporting goods and specialty segments of the outdoor equipment market. Competitive brands with a strong position in the sporting goods channel include Coleman, Jansport and private label brands. The Company also competes with the specialty companies such as North Face and Kelty on the basis of materials and innovative designs for consumers who want performance products priced at a value.

**Motors:** The main competitor in electric trolling motors is Motor Guide from Brunswick, which manufactures and sells a full range of trolling motors and accessories. Competition in this segment is focused on product quality/durability as well as product benefits and features for fishing. The main competitors in the charger market are Dual Pro from Charging Systems International, Guest from Maringo and ProMariner from Professional Mariner. Competition in this segment is focused on charging time, safety, performance and durability.

## Employees

At October 3, 2003, the Company had approximately 1,300 employees. The Company considers its employee relations to be excellent. Temporary employees are utilized to manage peaks in the seasonal manufacturing of products.

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## Backlog

Unfilled orders for future delivery of products of continuing operations totaled approximately \$68.3 million at October 3, 2003 and \$34.8 million at September 27, 2002. For the majority of products, the Company's businesses do not receive significant orders in advance of expected shipment dates, with the exception of the military business which contributed to the 2003 increase.

## Patents, Trademarks and Proprietary Rights

The Company owns no single patent that is material to its business as a whole. However, the Company holds various patents, principally for diving products, rotational-molded canoes and electric motors, and regularly files applications for patents. The Company has numerous trademarks and trade names which it considers important to its business, many of which are discussed on the preceding pages. The Company vigorously defends its intellectual property rights.

## Sources and Availability of Materials

The Company's products are made using materials that are generally in adequate supply and are available from a variety of third-party suppliers.

The Company has an exclusive supply contract with a single vendor for materials used in its military business. Interruption or loss in the availability of this material could have an impact on sales and operating results of the Outdoor Equipment business.

## Seasonality

The Company's business is seasonal. The following table shows, for the past three fiscal years, total net sales and operating profit or loss related to continuing operations of the Company for each quarter, as a percentage of the total year.

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	Year Ended					
	October 3, 2003		September 27, 2002		September 28, 2001	
Quarter Ended	Net Sales	Operating Profit (Loss)	Net Sales	Operating Profit (Loss)	Net Sales	Operating Profit (Loss)

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December	17%	1%	17%	5%	17%	(23)%
March	27	53	29	42	29	42
June	34	77	34	66	33	83
September	22	(31)	20	(13)	21	(2)
	100%	100%	100%	100%	100%	100%

## Executive Officers

The following list sets forth certain information, as of December 1, 2003, regarding the executive officers of the Company.

Helen P. Johnson-Leipold, age 46, became Chairman and Chief Executive Officer of the Company in March 1999. Prior to joining the Company, Ms. Johnson-Leipold was employed by S.C. Johnson & Son, Inc. (SCJ) for twelve years. From September 1998 until March 1999, Ms. Johnson-Leipold was Vice President, Worldwide Consumer Products-Marketing of SCJ.

Jervis B. Perkins, age 48, became Chief Operating Officer of the Company in January 2003. Prior to joining the Company, Mr. Perkins was employed by Brunswick Corporation for seven years, most recently as Group General Manager of the Bowling Products business beginning in February 2000. He was Executive Vice President, Sales and Marketing at Brunswick's Mercury Marine Division from January 1998 to February 2000.

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Paul A. Lehmann, age 50, became Vice President and Chief Financial Officer of the Company in May 2001. Prior to joining the Company, Mr. Lehmann was employed by Steelcase North America, Inc. (SCNA) for seven years. From October 1999 to May 2001, Mr. Lehmann was Vice President, Finance and Strategic Planning of SCNA. From June 1997 to October 1999, Mr. Lehmann was Vice President, Operations Finance of SCNA.

There are no family relationships between the above executive officers.

## ITEM 2. PROPERTIES

The Company maintains both leased and owned manufacturing, warehousing, distribution and office facilities throughout the world. The Company believes that its facilities are well maintained and have capacity adequate to meet its current needs.

See Note 7 to the Consolidated Financial Statements for a discussion of lease obligations.

The Company's principal manufacturing (identified with an asterisk) and other locations are:

Albany, New Zealand (Watercraft)	Genoa, Italy* (Diving)
Antibes, France (Diving)	Grand Rapids, Michigan* (Watercraft)
Bad Sackingen, Germany (Diving)	Grayling, Michigan* (Watercraft)
Barcelona, Spain (Diving)	Greenville, South Carolina (Watercraft)
Basingstoke, Hampshire, England (Diving)	Hallwil, Switzerland* (Diving)
Batam, Indonesia* (Diving)	Henggart, Switzerland (Diving)
Binghamton, New York* (Outdoor Equipment)	Mankato, Minnesota* (Motors)
Burlington, Ontario, Canada (Motors, Outdoor Equipment)	Mansonville, Quebec, Canada* (Watercraft)
Chatswood, Australia (Diving)	Napier, New Zealand (Watercraft)
Chi Wan, Hong Kong (Diving)	Old Town, Maine* (Watercraft)
El Cajon, California (Diving)	Tijuana, Mexico* (Motors, Diving)
Ferndale, Washington* (Watercraft)	Tokyo (Kawasaki), Japan (Diving)

The Company's corporate headquarters is located in Racine, Wisconsin.

## ITEM 3. LEGAL PROCEEDINGS

See Note 16 to the Consolidated Financial Statements for a discussion of legal proceedings.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the last quarter of the year ended October 3, 2003.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Certain information with respect to this item is included in Notes 10 and 11 to the Consolidated Financial Statements. The Company's Class A common stock is traded on The NASDAQ Stock Market, Inc. under the symbol: JOUT. There is no public market for the Company's Class B common stock. However, the Class B common stock is convertible at all times at the option of the holder into shares of Class A common stock on a share for share basis. As of November 1, 2003, the Company had 712 holders of record of its Class A common stock and 58 holders of record of its Class B common stock. The Company has never paid, and has no current intention to pay, a dividend on its common stock.

A summary of the high and low prices for the Company's Class A common stock during each quarter of the years ended October 3, 2003 and September 27, 2002 is as follows:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2003	2002	2003	2002	2003	2002	2003	2002
Stock prices:								
High	\$ 13.67	\$ 9.04	\$ 12.12	\$ 10.49	\$ 14.00	\$ 20.20	\$ 15.75	\$ 17.32
Low	6.90	6.21	8.40	7.47	8.76	9.90	12.55	9.83
Last	10.28	7.95	8.90	9.85	13.15	16.83	13.50	10.90

## ITEM 6. SELECTED FINANCIAL DATA

A summary of the Company's operating results and key balance sheet data for each of the years in the five-year period ended October 3, 2003 is presented below. All periods have been restated to reflect the discontinuation of the Company's Fishing business.

	Year Ended				
	October 3 2003	September 27 2002	September 28 2001	September 29 2000	October 1 1999
<i>(thousands, except per share data)</i>					
<b>OPERATING RESULTS <sup>(1)</sup></b>					
Net sales	\$ 315,892	\$ 342,532	\$ 345,637	\$ 354,889	\$ 310,198
Gross profit	127,989	141,054	138,781	144,574	125,774
Operating expenses	116,376	121,303	123,063	119,855	106,261
Operating profit	11,613	19,751	15,718	24,719	19,513
Interest expense	5,165	6,630	9,085	9,799	9,565
Other expense (income), net <sup>(2)</sup>	(3,254)	(27,372)	543	(160)	(71)
Income from continuing operations before income taxes and before cumulative effect of change in accounting principle	9,702	40,493	6,090	15,080	10,019
Income tax expense	4,281	10,185	2,480	6,705	4,158
Income from continuing operations before cumulative effect of change in accounting principle	5,421	30,308	3,610	8,375	5,861
Income (loss) from discontinued operations	--	--	--	(940)	1,161
Income (loss) on disposal of discontinued operations	--	495	--	(24,418)	--
Income (loss) from change in accounting principle	--	(22,876)	1,755	--	--
Net income (loss)	\$ 5,421	\$ 7,927	\$ 5,365	\$ (16,983)	\$ 7,022
Basic earnings (loss) per common share:					
Continuing operations	\$ 0.64	\$ 3.69	\$ 0.44	\$ 1.03	\$ 0.72
Discontinued operations	--	0.06	--	(3.12)	0.15
Effect of change in accounting principle	--	(2.79)	0.22	--	--
Net income (loss)	\$ 0.64	\$ 0.96	\$ 0.66	\$ (2.09)	\$ 0.87
Diluted earnings (loss) per common share:					
Continuing operations	\$ 0.63	\$ 3.59	\$ 0.44	\$ 1.03	\$ 0.72
Discontinued operations	--	0.06	--	(3.12)	0.15

Effect of change in accounting principle	--	(2.71)	0.22	--	--
Net income (loss)	\$ 0.63	\$ 0.94	\$ 0.66	\$ (2.09)	\$ 0.87
Diluted average common shares outstanding	8,600	8,430	8,170	8,130	8,108

#### BALANCE SHEET DATA

Current assets <sup>(3)</sup>	\$ 195,135	\$ 192,137	\$ 133,180	\$ 144,194	\$ 185,733
Total assets	277,657	271,285	244,913	257,971	299,025
Current liabilities <sup>(4)</sup>	50,032	53,589	36,568	46,941	45,072
Long-term debt, less current maturities	67,886	80,195	84,550	45,857	72,744
Total debt	77,473	88,253	97,535	105,319	122,071
Shareholders' equity	144,194	124,145	105,779	100,832	127,178

- (1) The year ended October 3, 2003 includes 53 weeks. All other years include 52 weeks. The Company sold its European Jack Wolfskin business during 2002; 2002 includes ten months of results from this business.
- (2) Includes gain on sale of the European Jack Wolfskin business of \$27,251 in 2002.
- (3) Includes cash of \$88,910 and \$100,830 in 2003 and 2002, respectively, and net assets of discontinued operations of \$56,114 in 1999.
- (4) Excluding short-term debt and current maturities of long-term debt.

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## ITEM 7. 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 for the three years ended October 3, 2003. This discussion should be read in conjunction with the Consolidated Financial Statements and related notes thereto.

### Results of Operations

Summary consolidated financial results from continuing operations are as follows:

<i>(millions, except per share data)</i>	2003	2002	2001
<b>OPERATING RESULTS <sup>(1)</sup></b>			
Net sales	\$ 315.9	\$ 342.5	\$ 345.6
Gross profit	128.0	141.1	138.8
Operating expenses	116.4	121.3	123.1
Operating profit	11.6	19.8	15.7
Interest expense	5.2	6.6	9.1
Gain on sale of subsidiary	--	27.3	--
Income from continuing operations before cumulative effect of change in accounting principle	5.4	30.3	3.6
Diluted earnings per common share from continuing operations before cumulative effect of change in accounting principle <sup>(2)</sup>	0.63	3.59	0.44

- (1) The year ended October 3, 2003 includes 53 weeks. All other years include 52 weeks. The Company sold its European Jack Wolfskin business during 2002; 2002 includes ten months of results from this business.
- (2) In 2002, the after tax gain on sale of subsidiary was \$2.65 per diluted share.

### 2003 vs 2002

#### Net Sales

Net sales totaled \$315.9 million in 2003 compared to \$342.5 million in 2002, a decrease of 7.8% or \$26.6 million. Excluding the results of the Company's Jack Wolfskin subsidiary, which was sold in the fourth quarter of 2002, sales of the Company's continuing businesses increased 6.7% or \$19.8 million over the prior

year. A reconciliation of the Company's sales excluding Jack Wolfskin to sales as reported in the Statement of Operations is set forth below. Foreign currency translations favorably impacted year-to-date sales by \$8.3 million in comparison to 2002. Three of the Company's continuing business units experienced sales growth over the prior year. The markets in which the Company's business units participate were relatively flat versus 2002, however, the Company was able to maintain or increase its share in those markets. The Outdoor Equipment business as a whole incurred a sales decline of \$33.6 million, or 31.6%. This decline is directly attributable to the disposition of the Company's Jack Wolfskin subsidiary. Sales for the continuing portion of the Company's Outdoor Equipment business increased \$12.9 million, or 21.6%, as a result of strength in military sales. The consumer tent business continued to experience competition from the low-price mass market and private label segment of the category. The Company entered the mass market segment of the category in 2003 with specifically designed tents sold through Wal-Mart stores. The same tents will be in place for fiscal 2004. The Motors business sales increased \$5.1 million, or 6.4%, to \$85.7 million as a result of strength in new products as well as continued market share strength. The Diving business sales increased \$5.4 million, or 7.5%, to \$78.0 million as a result of new product sales as well as currency impacts aided by the strengthening of the Euro against the U.S. Dollar. The Watercraft business saw sales decline \$3.9 million, or 4.7%, to \$79.0 million primarily related to market softness compounded by integration and operational difficulties.

### Operating Results

The Company recognized an operating profit of \$11.6 million in 2003 compared to an operating profit of \$19.8 million in 2002. The Jack Wolfskin operation contributed \$5.0 million to operating profit in 2002. Improvements in the Motors and Outdoor Equipment businesses were offset by declines in the Diving and Watercraft businesses. Gross profit margins declined to 40.5% in 2003 from 41.2% in 2002. The Motors and Outdoor Equipment businesses improved gross margin by 3.1 and 1.6 percentage points, respectively. The Diving business had a slight gross margin improvement despite recording \$1.8 million in charges related to the voluntary recall of the UWATEC Smart Pro and Smart Com diving computers. The Watercraft business drove the overall decline in gross margin due to operational inefficiencies; inventory, tooling and equipment write-offs; and operating company integration issues.

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Operating expenses totaled \$116.4 million, or 36.8% of sales, in 2003 compared to \$121.3 million, or 35.4% of sales, in 2002. Operating expenses in 2002 included \$13.4 million of expenses from the Jack Wolfskin operations. Factors that contributed to operating expense increases in 2003 included charges related to a product recall in the Diving business totaling \$1.0 million, a discontinued acquisition totaling \$0.8 million, reorganization in the Watercraft and Outdoor Equipment businesses of \$0.7 million, and the closing of the Company's Extrasport facility of \$0.1 million.

The Outdoor Equipment business operating profit increased by \$0.3 million, or 2.1%, to \$12.1 million in 2003. The Company's Jack Wolfskin subsidiary contributed \$0.1 million and \$4.9 million of operating profit to the Outdoor Equipment business in 2003 and 2002, respectively. The continuing Outdoor Equipment business benefited from strength in military and commercial tents, partially offset by softness in the consumer tent business. The Diving business saw operating profit decline by \$1.9 million in 2003, resulting in an operating profit margin of 11.0% of sales in 2003 compared to 14.5% of sales in 2002. Improved gross profit was more than offset by charges taken during the year related to product recalls as well as other increases in operating expenses. The Motors business had operating profit of \$12.0 million in 2003 compared to \$8.2 million in 2002. The increase was driven by improved gross profit related to production efficiencies from higher volume, cost savings and improved pricing yield resulting from favorable changes in product mix and the impact of new products.

The Watercraft business incurred an operating loss of \$9.0 million in 2003 compared to operating profits of \$1.2 million in 2002. The operating loss in 2003 was primarily related to declines in gross profit due to operational inefficiencies, as well as charges related to inventory, tooling and equipment write downs of \$1.7 million and costs related to the closing of the Extrasport facility of \$0.8 million.

### Other Income and Expenses

Interest expense decreased \$1.5 million in 2003, reflecting a decline in interest rates from prior year levels primarily related to favorable positions on interest rate swap agreements the Company had in place during 2003. The Company realized currency gains of \$2.8 million in 2003. In 2002, the Company recorded a pretax gain from the sale of the Jack Wolfskin business of \$27.3 million.

### Results from Continuing Operations

The Company recognized income from continuing operations before cumulative effect of change in accounting principle of \$5.4 million in 2003, or \$0.63 per diluted share, compared to \$30.3 million in 2002 or \$3.59 per diluted share. Included in 2002 income from continuing operations before cumulative effect of change in accounting principle was a gain on the sale of the Jack Wolfskin business of \$22.4 million, after tax, or \$2.65 per diluted share. The Company recorded income tax expense of \$4.3 million in 2003, an effective rate of 44.1%, compared to income tax expense of \$10.2 million in 2002, an effective tax rate of 25.2%. The effective tax rate in 2003 was negatively impacted by a \$0.5 million provision made to account for an ongoing income tax audit in Germany. The favorable effective tax rate in 2002 was mainly due to favorable tax treatment on the sale of the Jack Wolfskin business.

At October 3, 2003, the Company had U.S. federal operating loss carryforwards of \$34.7 million, which begin to expire in 2012, as well as various state net operating loss carryforwards. The U.S. federal operating loss carryforwards are available to offset future taxable income over the next 9 to 20 years. The Company believes it will realize the deferred tax assets through the generation of future taxable income, tax planning strategies and reversals of deferred tax liabilities.

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### Change in Accounting Principles

Effective September 29, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142. In accordance with the adoption of this new standard, the Company ceased the amortization of goodwill.

As required under SFAS No. 142, the Company performed an assessment of the carrying value of goodwill using a number of criteria, including the value of the overall enterprise as of September 29, 2001. This assessment resulted in a write off of goodwill during the quarter ended December 28, 2001 totaling \$22.9 million, net of tax (\$2.76 per diluted share) and was reflected as a change in accounting principle. The write off was associated with the Watercraft (\$12.9 million)



and Diving (\$10.0 million) business units. Future impairment charges from existing operations or other acquisitions, if any, will be reflected as an operating expense in the consolidated statement of operations.

### Net Income

The Company recognized net income of \$5.4 million in 2003, or \$0.63 per diluted share, compared to net income of \$7.9 million in 2002, or \$0.94 per diluted share.

### 2002 vs 2001

#### Net Sales

Net sales totaled \$342.5 million in 2002 compared to \$345.6 million in 2001, a decrease of 0.9%. Sales as measured in United States (U.S.) dollars were positively impacted by the effects of foreign currencies relative to the U.S. dollar in comparison to 2001. Excluding the effects of foreign currency movements, sales decreased 1.5% when compared with 2001. Sales were also impacted by the sale of the Jack Wolfskin business. In 2002, Jack Wolfskin sales were \$46.8 million compared to \$49.7 million in 2001. With the continued soft economy both in the U.S. and abroad, the Company saw marginal growth or even contraction in most of its markets. The Company, however, was able to maintain or increase its share in those markets. Sales were positively impacted in the Motors business from growth in this category, strong sales from new products and a recovery in the OEM market, while in the Diving business the market continued to be negatively impacted by a sluggish travel industry.

Outdoor Equipment business sales decreased 7.4% from 2001 levels. The Company's Jack Wolfskin subsidiary contributed \$46.8 million and \$49.7 million in sales to the Outdoor Equipment business in 2002 and 2001, respectively. The Outdoor Equipment business benefited from sales in its military tent business, which increased 2.1% over 2001, while the commercial and consumer businesses had double digit declines. The consumer tent business is experiencing competition from the low-price mass market and private label segment of the category. Diving sales were down 9.8% from 2001, primarily related to declines in the travel industry. Declines were broad-based as all Diving operating companies in the U.S. and Europe were down versus prior year. The Motors business was very strong, with a sales increase of \$16.4 million (25.0%) versus the prior year primarily due to market share gains related to strong new product sales and recovery in the OEM markets. The Watercraft business experienced continued soft markets with sales down 3% from a year ago. Sales were also impacted by transition issues related to the integration of the Necky/Ocean Kayak operations.

#### Operating Results

The Company recognized an operating profit of \$19.8 million in 2002 compared to an operating profit of \$15.7 million in 2001. Gross profit margins increased to 41.2% in 2002 from 40.2% in 2001, as improvements in the Motors and Outdoor Equipment businesses were partially offset by declines in the Watercraft and Diving businesses. Lower sales volume for 2002 negatively impacted gross margins in Diving and Watercraft due to unfavorable manufacturing labor and overhead variances.

Operating expenses totaled \$121.3 million, or 35.4% of sales, in 2002 compared to \$123.1 million, or 35.6% of sales, in 2001. Amortization of acquisition costs were \$0.4 million in 2002, compared to \$5.3 million in 2001. This decline is the result of the adoption of Financial Accounting Standard Board No. 142, *Goodwill and Other Intangibles* (SFAS No. 142), during 2002 and a writedown of goodwill of \$2.5 million related to the Company's Airguide brand during 2001. The adoption of SFAS No. 142 ceased the amortization of goodwill, which resulted in a decrease in operating expenses of approximately \$2.4 million in 2002.

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The Outdoor Equipment business operating profit decreased by \$0.1 million, or 1.1%, to \$11.9 million in 2002 compared to \$12.0 million in 2001. The Company's Jack Wolfskin subsidiary contributed \$4.9 million and \$5.1 million of operating profit to the Outdoor Equipment business in 2002 and 2001, respectively. The Outdoor Equipment business benefited from strength in military tents, offset by softness in the consumer and commercial tent businesses. The Diving business saw operating profit decline by \$1.1 million in 2002, in line with the sales decline. Declines in gross profit due to lower sales volume were partially offset by reductions in operating expenses resulting in an operating profit margin equal to 2001 at 14.5% of sales. The Motors business had operating profit of \$8.2 million in 2002 compared to \$0.2 million in 2001. The increase was driven by improved gross profit related to production efficiencies from higher volume, cost savings and improved pricing yield resulting from favorable changes in product mix and the impact of new products. In addition, 2001 contained a \$2.5 million write-down of goodwill related to the Company's Airguide brand.

The Watercraft business had a decline in operating profit in 2002 to \$1.2 million from operating profits of \$1.3 million in 2001. Declines in gross profit related to lower volume and operating company integration issues were nearly offset by reductions in operating expenses. Operating profit levels remain significantly lower than 2000 as the Company continues to work on the trailing affects of significant growth, over-capacity and the impacts of too much complexity in this segment of our business.

#### Other Income and Expenses

Interest expense decreased \$2.5 million in 2002, reflecting a decline in interest rates from prior year levels and a reduction in working capital needs versus 2001 levels. Interest income increased \$0.4 million to \$1.0 million in 2002 from \$0.5 million in 2001 due to improved cash flow and proceeds from the sale of the Jack Wolfskin business. In 2002, the Company recorded a pretax gain from the sale of the Jack Wolfskin business of \$27.3 million.

#### Results from Continuing Operations

The Company recognized income from continuing operations before cumulative effect of change in accounting principle of \$30.3 million in 2002 or \$3.59 per diluted share, compared to \$3.6 million in 2001 or \$0.44 per diluted share. Included in 2002 income from continuing operations before cumulative effect of change in accounting principle was a gain on the sale of the Jack Wolfskin business of \$22.4 million, after tax, or \$2.65 per diluted share. The Company recorded income tax expense of \$10.2 million in 2002, an effective tax rate of 25.2%. The decline in the effective tax rate (from 40.7% in 2001) is mainly due to favorable tax treatment on the sale of the Jack Wolfskin business. Excluding the impact on the effective tax rate from the sale transaction, the Company's effective tax rate declined approximately 1.4% due to changes in the mix of earnings from jurisdictions with higher tax rates to those with lower tax rates.

## Discontinued Operations

In March 2002, the Company recognized a gain from the disposal of discontinued operations of \$0.5 million, net of tax, related to the final accounting on the sale of the Fishing business, which was sold in March of 2000.

### Change in Accounting Principles

Effective September 29, 2001, the Company adopted SFAS No. 142. In accordance with the adoption of this new standard, the Company ceased the amortization of goodwill. If SFAS No. 142 had been in effect for the prior periods presented, the Company's income from continuing operations before cumulative effect of change in accounting principle would have been \$6.0 million or \$0.73 per diluted share for the year ended September 28, 2001.

As required under SFAS No. 142, the Company performed an assessment of the carrying value of goodwill using a number of criteria, including the value of the overall enterprise as of September 29, 2001. This assessment resulted in a write off of goodwill totaling \$22.9 million, net of tax (\$2.71 per diluted share) and has been reflected as a change in accounting principle. The write off is associated with the Watercraft (\$12.9 million) and Diving (\$10.0 million) business units. Future impairment charges from existing operations or other acquisitions, if any, will be reflected as an operating expense in the statement of operations.

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Effective September 30, 2000, the Company adopted SFAS No. 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 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 earnings when the hedged item affects earnings.

The adoption of SFAS No. 133 resulted in a cumulative effect of change in accounting principle after tax gain of \$1.8 million in 2001.

### Net Income

The Company recognized net income of \$7.9 million in 2002, or \$0.94 per diluted share, compared to net income of \$5.4 million in 2001, or \$0.66 per diluted share.

### Reconciliation of Results Adjusted for Sale of Subsidiary

The following tables show the adjusted results of the Company's continuing businesses excluding the gain on the sale, the North America exit costs and the operating results of the Jack Wolfskin subsidiaries.

The Company reports its financial results of operations in accordance with generally accepted accounting principles ("GAAP"). The Company has also provided in this Form 10-K certain non-GAAP financial measures to complement its financial information presented in accordance with GAAP. These non-GAAP financial measures relate to the Company's results excluding the Jack Wolfskin business, which was sold in the fourth quarter of fiscal 2002. The Company believes the non-GAAP financial information is useful to the readers of this Form 10-K because it (a) provides comparable year over year financial information based on the Company's continuing businesses and (b) better enables the reader to evaluate the performance of these businesses.

The presentation of the non-GAAP financial information should not be considered in isolation or in lieu of the results prepared in accordance with GAAP, but should be considered in conjunction with the results prepared in accordance with GAAP

Adjusted Results of Continuing Businesses:

<i>(thousands, except per share data)</i>	2003	2002	2001
Net sales	\$315,546	\$295,718	\$295,987
Gross profit	127,982	122,687	118,416
Operating profit	11,675	14,822	10,621
Income from continuing operations before cumulative effect of change in accounting principle	5,461	5,563	798
Diluted EPS - Continuing businesses	\$ 0.64	\$ 0.66	\$ 0.10

Reconciliation of Adjusted Results to Reported Results for 2003:

<i>(thousands, except per share data)</i>	As Reported Results	Jack Wolfskin	Continuing Results
Net sales	\$315,892	\$ 346	\$315,546
Gross profit	127,989	7	127,982
Operating profit	11,613	62	11,675
Income from continuing operations before cumulative effect of change in accounting principle	5,421	(40)	5,461
Diluted EPS	\$ 0.63	\$(0.01)	\$ 0.64

Reconciliation of Adjusted Results to Reported Results for 2002:

<i>(thousands, except per share data)</i>	As Reported Results	Jack Wolfskin	Continuing Results
Net sales	\$342,532	\$46,814	\$295,718
Gross profit	141,054	18,367	122,687
Operating profit	19,751	4,929	14,822
Income from continuing operations before cumulative effect of change in accounting principle	30,308	24,745	5,563
Diluted EPS	\$ 3.59	\$ 2.93	\$ 0.66

Reconciliation of Adjusted Results to Reported Results for 2001:

<i>(thousands, except per share data)</i>	As Reported Results	Jack Wolfskin	Continuing Results
Net sales	\$345,637	\$49,650	\$295,987
Gross profit	138,781	20,365	118,416
Operating profit	15,718	5,097	10,621
Income from continuing operations before cumulative effect of change in accounting principle	3,610	2,812	798
Diluted EPS	\$ 0.44	\$ 0.34	\$ 0.10

Reconciliation of Adjusted Earnings per Diluted Share:

	2003	2002	2001
Income from continuing operations (according to GAAP)	\$ 0.63	\$ 3.59	\$ 0.44
Add back (subtract):			
Gain on sale of Jack Wolfskin	--	(2.65)	--
Closing cost for North American Jack Wolfskin operations	--	0.05	--
Jack Wolfskin operating results	0.01	(0.33)	(0.34)
Adjusted income from continuing businesses	\$ 0.64	\$ 0.66	\$ 0.10

Financial Condition

The following discusses changes in the Company's liquidity and capital resources.

Operations

The following table sets forth the Company's working capital position related to continuing operations at the end of each of the past three years:

<i>(millions)</i>	2003	2002	2001
Current assets <sup>(1)</sup>	\$ 195.1	\$ 192.1	\$ 133.2
Current liabilities <sup>(2)</sup>	50.0	53.6	36.6
Working capital <sup>(2)</sup>	\$ 145.1	\$ 138.5	\$ 96.6
Current ratio <sup>(2)</sup>	3.9:1	3.6:1	3.6:1

(1) 2003 and 2002 include cash of \$88.9 and \$100.8 million, respectively.

Cash flows provided by (used for) operations totaled (\$3.5) million in 2003, \$33.8 million in 2002 and \$15.5 million in 2001. Declines in accounts payable and other accrued liabilities of \$8.1 million and increases in inventory of \$9.0 million and accounts receivable of \$1.9 million contributed to the overall cash flows used for operations in 2003. The Company's improved profitability and working capital management, contributed to the positive cash flows in 2002. Increases in accounts payable and other accrued liabilities of \$15.2 million and declines in inventory of \$4.8 million contributed to the overall positive cash flows provided by operations in 2002. The changes in 2002 are exclusive of changes resulting from the disposal of the Jack Wolfskin business. Profitability and decreases in accounts receivable of \$6.8 million, contributed to the positive cash flows in 2001. Decreases in accounts payable and other accrued liabilities of \$11.4 million reduced the overall positive cash flows provided by operations in 2001.

Depreciation and amortization charges were \$8.2 million in 2003, \$9.1 million in 2002 and \$13.5 million in 2001. The adoption of SFAS No. 142, which ceased the amortization of goodwill, as well as reduced capital spending accounted for the decrease in 2002 from 2001. The Company recorded a charge for impairment of goodwill of \$2.5 million in 2001.

### Investing Activities

Cash flows provided by (used for) investing activities were (\$9.6) million, \$56.8 million and (\$9.6) million in 2003, 2002 and 2001, respectively. In 2002, proceeds from the sale of the Jack Wolfskin business contributed \$59.3 million to the Company's investing activities, while proceeds from the sale of the Company's former headquarters facility contributed \$5.0 million. Expenditures for property, plant and equipment were (\$9.8) million in 2003, (\$7.7) million in 2002 and (\$9.8) million in 2001. The Company's recurring investments are primarily related to tooling for new products, facilities and information systems improvements. In 2004, capital expenditures are anticipated to be consistent with 2003 levels. These expenditures are expected to be funded by working capital or existing credit facilities.

The Company paid, net of cash acquired, \$0.6 million for two small businesses acquired in 2001.

### Financing Activities

The following table sets forth the Company's debt and capital structure at the end of the past three years:

<i>(millions)</i>	2003	2002	2001
Current debt	\$ 9.6	\$ 8.1	\$ 13.0
Long-term debt	67.9	80.2	84.5
Total debt	77.5	88.3	97.5
Shareholders' equity	144.2	124.1	105.8
Total capitalization	\$ 221.7	\$ 212.4	\$ 203.3
Total debt to total capitalization	35.0%	41.6%	48.0%

Cash flows used for financing activities totaled \$6.1 million in 2003, \$8.4 million in 2002 and \$7.9 million in 2001. In December 2001 the Company consummated a private placement of long-term debt totaling \$50.0 million. Cash provided by the private placement debt was used to pay down short-term debt of \$48.4 million in 2002. Payments on long-term debt were \$8.0 million, \$11.6 million and \$6.8 million in 2003, 2002 and 2001, respectively.

At October 3, 2003, the Company had available unused credit facilities in excess of \$76.7 million, which is believed to be adequate for its needs for the foreseeable future.

### Obligations and Off Balance Sheet Arrangements

The Company has obligations and commitments to make future payments under debt and operating leases. The following schedule details these obligations at October 3, 2003.

<i>(millions)</i>	Total	Payment Due by Period			
		Less than 1 year	2-3 years	4-5 years	After 5 year
Long-term debt <sup>(1)</sup>	\$76,592	\$ 9,587	\$29,205	\$27,800	\$10,000
Operating lease obligations	21,056;	5,087	7,257	4,128	4,584

Total contractual obligations	\$97,648	\$14,674	\$36,462	\$31,928	\$14,584
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(1) Excludes fair value adjustment of hedged debt.

The Company also utilizes letters of credit for trade financing purposes. Letters of credit outstanding at October 3, 2003 total \$2.5 million.

The Company has no off-balance sheet arrangements.

### 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. The Company may reduce exposure to certain of these market risks 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 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, assets and liabilities of the Company's foreign operations, as reported in the Company's Consolidated Financial Statements, increase or decrease, accordingly. The Company has mitigated 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, however, no such transactions were entered into during 2003.

### 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 U.S. interest rates. The Company also periodically enters into interest rate swaps, caps or collars to hedge its exposure and lower financing costs.

### 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 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. The table below presents the estimated maximum potential one year loss in fair value and earnings before income taxes from a 100 basis point movement in interest rates on the senior notes outstanding at October 3, 2003:

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		Estimated Impact on
(millions)	Fair Value	Earnings Before Income Taxes
Interest rate instruments	\$ 1.4	\$ 0.8

The Company has outstanding \$76.5 million in unsecured senior notes as of October 3, 2003. The senior notes have interest rates that range from 6.98% to 7.82% and principal payments through December 2008. The fair market value of the Company's fixed rate debt was \$86.9 million as of October 3, 2003.

In January 2002, the Company entered into interest rate swap agreements relating to a portion of the senior notes. As of October 3, 2003, the notional amount of the swaps was \$38.7 million. The swap agreements effectively reduced interest rates to a range of 3.46% to 4.49% on the notional amounts. The swap agreements expire in fiscal years 2005 and 2006. The fair market value of the Company's swap agreements was \$0.9 million as of October 3, 2003.

### 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.

## **Critical Accounting Policies and Estimates**

The Company's management discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related footnote disclosures. On an on-going basis, the Company evaluates its estimates, including those related to customer programs and incentives, product returns, bad debts, inventories, intangible assets, income taxes, warranty obligations, pensions and other post-retirement benefits, and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. Management has discussed these policies with the Audit Committee of the Company's Board of Directors.

### **Allowance for Doubtful Accounts**

The Company recognizes revenue when title and risk of ownership have passed to the buyer. Allowances for doubtful accounts are estimated at the individual operating companies based on estimates of losses related to customer receivable balances. Estimates are developed by using standard quantitative measures based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Though the Company considers these balances adequate and proper, changes in economic conditions in specific markets in which the Company operates could have a favorable or unfavorable effect on reserve balances required.

### **Inventories**

The Company values inventory at the lower of cost (determined using the first-in first-out method) or market. Management's judgment is required to determine the reserve for obsolete or excess inventory. Inventory on hand may exceed future demand either because the product is outdated or because the amount on hand is more than can be used to meet future needs. Inventory reserves are estimated at the individual operating companies using standard quantitative measures based on criteria established by the Company. The Company also considers current forecast plans, as well as, market and industry conditions in establishing reserve levels. Though the Company considers these balances to be adequate, changes in economic conditions, customer inventory levels or competitive conditions could have a favorable or unfavorable effect on reserve balances required.

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### **Deferred Taxes**

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

### **Goodwill and Intangible Impairment**

In assessing the recoverability of the Company's goodwill and other intangibles, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets not previously recorded. On September 29, 2001 the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," and was required to analyze its goodwill for impairment issues during the first six months of fiscal 2002, and then on a periodic basis thereafter. As a result of this analysis, the Company recorded a goodwill impairment charge of \$22.9 million, net of tax, in the second quarter of fiscal 2002.

### **Warranties**

The Company accrues a warranty reserve for estimated costs to provide warranty services. The Company's estimate of costs to service its warranty obligations is based on historical experience, expectation of future conditions and known product issues. To the extent the Company experiences increased warranty claim activity or increased costs associated with servicing those claims, revisions to the estimated warranty reserve would be required. The Company engages in product quality programs and processes, including monitoring and evaluating the quality of its suppliers, to help minimize warranty obligations.

### **New Accounting Pronouncements**

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 requires expanded and more prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method on reported results.

The Company has not adopted a method under SFAS No. 148 to expense stock options but rather continues to apply the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for those plans. No stock-based employee compensation expense is reflected in net income for the fiscal years presented as all options granted under those plans had an exercise price equal to the market value of the underlying common stock at the date of grant. A pro forma effect table is presented in the notes to the Company's consolidated financial statements on net income and earnings per share assuming the fair value recognition provisions of SFAS No. 123 would have been adopted for options granted since fiscal 1995.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*, which requires the consolidation of variable interest entities (VIEs). VIEs are entities for which control is achieved through means other than voting rights. The consolidation requirements of FIN No. 46 were applicable immediately to all VIEs in which an interest was acquired after January 31, 2003. For VIEs in which an interest was acquired before February 1, 2003, the consolidation requirements of FIN No. 46 are generally effective at the end of our fiscal year 2004. FIN No. 46 has not had, and is not expected to have, a significant impact on our consolidated financial statements.

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## **ITEM 7A. 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."

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Information with respect to this item is included on pages F-1 to F-25.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

- (a) As of the end of the period covered by this Form 10-K, the Company carried out an evaluation, under the supervision and with the participation of its management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the fiscal year ended October 3, 2003 to ensure that material information relating to the Company (including consolidated subsidiaries) was made known to them by others within those entities, particularly during the period in which this Form 10-K was being prepared.
- (b) There were no changes in internal control over financial reporting that occurred during the quarter ended October 3, 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART III**

## **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Certain information with respect to this item, except for certain information on executive officers (which appears at the end of Part I of this Form 10-K) is included in the Company's Proxy Statement for its February 25, 2004 Annual Meeting of Shareholders, which, upon filing with the Securities and Exchange Commission, will be included in the Company's Proxy Statement for its February 25, 2004 Annual Meeting of Shareholders, which, upon filing with the Securities and Exchange Commission, will be incorporated herein by reference, under the headings "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance," provided, however, that the subsection entitled "Election of Directors – Audit Committee Report" shall not be deemed to be incorporated herein by reference.

### **Employee Code of Conduct and Code of Ethics and Procedures for Reporting of Accounting Concerns**

The Company adopted an Employee Code of Conduct (the "Code of Conduct"). The Company requires all directors, officers and employees to adhere to the Code of Conduct in addressing legal and ethical issues encountered in conducting their work. The Code of Conduct requires the Company's employees to avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest.

The Company also adopted a Code of Ethics for its Chief Executive Officer, its Chief Financial Officer, its Controller and all other financial officers and executives (the "Code of Ethics"). The Code of Ethics supplements the Code of Conduct and is intended to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of conflicts of interest; full, fair, accurate, timely and understandable disclosure in the Company's public documents; compliance with applicable laws and regulations; the prompt reporting of violations of the Code of Ethics; and accountability for adherence to the Code of Ethics. The Company has posted a copy of the Code of Ethics on the Company's website at [www.johnsonoutdoors.com](http://www.johnsonoutdoors.com). The Company intends to satisfy the disclosure requirements under Item 10 of Form 8-K regarding amendments to, or waivers from, the Code of Ethics by posting such information on its website at [www.johnsonoutdoors.com](http://www.johnsonoutdoors.com).

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Further, the Company has established "whistle-blower procedures" which provide a process for the confidential and anonymous submission, receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. These procedures provide substantial protections to employees who report Company misconduct.

#### **ITEM 11. EXECUTIVE COMPENSATION**

Information with respect to this item is included in the Company's Proxy Statement for its February 25, 2004 Annual Meeting of Shareholders, which, upon filing with the Securities and Exchange Commission, will be incorporated herein by reference, under the headings "Election of Directors — Compensation of Directors" and "Executive Compensation;" provided, however, that the subsection entitled "Executive Compensation — Compensation Committee Report on Executive Compensation" shall not be deemed to be incorporated herein by reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information with respect to this item is included in the Company's Proxy Statement for its February 25, 2004 Annual Meeting of Shareholders, which, upon filing with the Securities and Exchange Commission, will be incorporated herein by reference, under the heading "Stock Ownership of Management and Others" and under the heading "Equity Compensation Plan Information."

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Information with respect to this item is included in the Company's Proxy Statement for its February 25, 2004 Annual Meeting of Shareholders, which, upon filing with the Securities and Exchange Commission, will be incorporated herein by reference, under the heading "Certain Transactions."

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information with respect to this item is included in the Company's Proxy Statement for its February 25, 2004 Annual Meeting of Shareholders, which, upon filing with the Securities and Exchange Commission, will be incorporated herein by reference, under the heading "Independent Auditors' Fees."

### **PART IV**

#### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

The following documents are filed as a part of this Form 10-K:

##### **Financial Statements**

Included in Item 8 of Part II of this Form 10-K are the following :

- Report of Management
- Reports of Independent Auditors
- Consolidated Balance Sheets — October 3, 2003 and September 27, 2002
- Consolidated Statements of Operations — Years ended October 3, 2003, September 27, 2002 and September 28, 2001
- Consolidated Statements of Shareholders' Equity — Years ended October 3, 2003, September 27, 2002 and September 28, 2001
- Consolidated Statements of Cash Flows - Years ended October 3, 2003, September 27, 2002 and September 28, 2001
- Notes to Consolidated Financial Statements

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##### **Financial Statement Schedules**

All schedules are omitted because they are not applicable, are not required or equivalent information has been included in the Consolidated Financial Statements or notes thereto.

##### **Exhibits**

See Exhibit Index.

##### **Reports on Form 8-K**

On July 18, 2003, the Company filed a Current Report on Form 8-K dated July 18, 2003 furnishing under Item 12 the Company's preliminary financial results press release for the reporting period ended June 27, 2003.

On July 24, 2003, the Company filed a Current Report on Form 8-K dated July 24, 2003 furnishing under Item 12 the Company's earnings press release for the reporting period ended June 27, 2003.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Racine and State of Wisconsin, on the 22nd day of December 2003.

**JOHNSON OUTDOORS INC.**

(Registrant)

By /s/ Helen P. Johnson-Leipold  
Helen P. Johnson-Leipold  
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 22nd day of December 2003.

<u>/s/ Helen P. Johnson-Leipold</u> (Helen P. Johnson-Leipold)	Chairman and Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Thomas F. Pyle, Jr.</u> (Thomas F. Pyle, Jr.)	Vice Chairman of the Board and Director
<u>/s/ Samuel C. Johnson</u> (Samuel C. Johnson)	Director
<u>/s/ Gregory E. Lawton</u> (Gregory E. Lawton)	Director
<u>/s/ Terry E. London</u> (Terry E. London)	Director
<u>/s/ John M. Fahey, Jr.</u> (John M. Fahey, Jr.)	Director
<u>/s/ Paul A. Lehmann</u> (Paul A. Lehmann)	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

**EXHIBIT INDEX**

Exhibit	Title
3.1	Articles of Incorporation of the Company as amended through February 17, 2000. (Filed as Exhibit 3.1(a) to the Company's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.)
3.2(a)	Bylaws of the Company as amended through December 4, 2003
3.2(b)	Amendment to Bylaws of the Company dated as of December 4, 2003
4.1	Note Agreement dated October 1, 1995. (Filed as Exhibit 4.1 to the Company's Form 10-Q for the quarter ended December 29, 1995 and incorporated herein by reference.)
4.2	First Amendment dated October 31, 1996 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.3 to the Company's Form 10-Q for the quarter ended December 27, 1996 and incorporated herein by reference.)
4.3	Second Amendment dated September 30, 1997 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.8 to the Company's Form 10-K for the year ended October 3, 1997 and incorporated herein by reference.)
4.4	Third Amendment dated October 3, 1997 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.9 to the Company's Form 10-K for the year ended October 3, 1997 and incorporated herein by reference.)
4.5	Fourth Amendment dated January 10, 2000 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.9 to the Company's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.)
4.6	Fifth Amendment dated December 13, 2001 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.6 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)
4.7	Consent and Amendment dated of September 6, 2002 to Note Agreement dated October 1, 1995. (Filed as Exhibit 4.7 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)
4.8	Note Agreement dated as of September 15, 1997. (Filed as Exhibit 4.15 to the Company's Form 10-K for the year ended October 3, 1997 and incorporated herein by reference.)

- 4.9 First Amendment dated January 10, 2000 to Note Agreement dated September 15, 1997. (Filed as Exhibit 4.10 to the Company's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.)
- 4.10 Second Amendment dated December 13, 2001 to Note Agreement dated September 15, 1997. (Filed as Exhibit 4.9 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)
- 4.11 Consent and Amendment dated as of September 6, 2002 to Note Agreement dated September 15, 1997. (Filed as Exhibit 4.11 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)
- 4.12 3-Year Revolving Credit Agreement dated as of August 31, 2001. (Filed as Exhibit 4.10 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)
- 4.13 Amendment No. 1 to 3-Year Revolving Credit Agreement dated as of December 18, 2001. (Filed as Exhibit 4.11 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)
- 4.14 Note Agreement dated as of December 13, 2001. (Filed as Exhibit 4.12 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)
- 4.15 Consent and Amendment dated of September 6, 2002 to Note Agreement dated as of December 13, 2001. (Filed as Exhibit 4.15 to the Company's Form 10-K for the year ended September 27, 2002 and incorporated herein by reference.)

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Exhibit	Title
9	Johnson Outdoors Inc. Class B common stock Voting Trust Agreement, dated December 30, 1993. (Filed as Exhibit 9 to the Company's Form 10-Q for the quarter ended December 31, 1993 and incorporated herein by reference.)
10.1	Stock Purchase Agreement, dated as of January 12, 2000, by and between Johnson Outdoors Inc. and Berkley Inc. (Filed as Exhibit 2.1 to the Company's Form 8-K dated March 31, 2000 and incorporated herein by reference.)
10.2	Amendment to Stock Purchase Agreement, dated as of February 28, 2000, by and between Johnson Outdoors Inc. and Berkley Inc. (Filed as Exhibit 2.2 to the Company's Form 8-K dated March 31, 2000 and incorporated herein by reference.)
10.3+	Johnson Outdoors Inc. Amended and Restated 1986 Stock Option Plan. (Filed as Exhibit 10 to the Company's Form 10-Q for the quarter ended July 2, 1993 and incorporated herein by reference.)
10.4	Registration Rights Agreement regarding Johnson Outdoors Inc. common stock issued to the Johnson family prior to the acquisition of Johnson Diversified, Inc. (Filed as Exhibit 10.6 to the Company's Form S-1 Registration Statement No. 33-16998 and incorporated herein by reference.)
10.5	Registration Rights Agreement regarding Johnson Outdoors Inc. Class A common stock held by Mr. Samuel C. Johnson. (Filed as Exhibit 28 to the Company's Form 10-Q for the quarter ended March 29, 1991 and incorporated herein by reference.)
10.6+	Form of Restricted Stock Agreement. (Filed as Exhibit 10.8 to the Company's Form S-1 Registration Statement No. 33-23299 and incorporated herein by reference.)
10.7+	Form of Supplemental Retirement Agreement of Johnson Diversified, Inc. (Filed as Exhibit 10.9 to the Company's Form S-1 Registration Statement No. 33-16998 and incorporated herein by reference.)
10.8+	Johnson Outdoors Retirement and Savings Plan. (Filed as Exhibit 10.9 to the Company's Form 10-K for the year ended September 29, 1989 and incorporated herein by reference.)
10.9+	Form of Agreement of Indemnity and Exoneration with Directors and Officers. (Filed as Exhibit 10.11 to the Company's Form S-1 Registration Statement No. 33-16998 and incorporated herein by reference.)
10.10	Consulting and administrative agreements with S. C. Johnson & Son, Inc. (Filed as Exhibit 10.12 to the Company's Form S-1 Registration Statement No. 33-16998 and incorporated herein by reference.)
10.11+	Johnson Outdoors Inc. 1994 Long-Term Stock Incentive Plan. (Filed as Exhibit 4 to the Company's Form S-8 Registration Statement No. 333-88091 and incorporated herein by reference.)
10.12+	Johnson Outdoors Inc. 1994 Non-Employee Director Stock Ownership Plan. (Filed as Exhibit 4 to the Company's Form S-8 Registration Statement No. 333-88089 and incorporated herein by reference.)
10.13+	Johnson Outdoors Economic Value Added Bonus Plan (Filed as Exhibit 10.15 to the Company's Form 10-K for the year ended October 3, 1997 and incorporated herein by reference.)
10.14+	Johnson Outdoors Inc. 2000 Long-Term Stock Incentive Plan. (Filed as Exhibit 10.16 to the Company's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.)
10.15+	Share Purchase and Transfer Agreement, dated as of August 28, 2002, by and between, among others, Johnson Outdoors Inc. and an affiliate of Bain Capital Fund VII-E (UK), Limited Partnership. (Filed as Exhibit 2.1 to the Company's Form 8-K dated September 9, 2002 and incorporated herein by reference.)
10.16+	Johnson Outdoors Inc. Worldwide Key Executive Phantom Share Long-Term Incentive Plan (Filed as Exhibit 10.1 to the Company's Form 10-Q dated March 28, 2003 and incorporated herein by reference.)

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Exhibit	Title
10.17+	Johnson Outdoors Inc. Worldwide Key Executives' Discretionary Bonus Plan. (Filed as Exhibit 10.2 to the Company's Form 10-Q dated March 28, 2003 and incorporated herein by reference.)
11	Statement regarding computation of per share earnings. (Note 15 to the Consolidated Financial Statements of the Company's 2001 Form 10-K is incorporated herein by reference.)
21	Subsidiaries of the Company as of October 3, 2003.
23.1	Consent of Ernst & Young LLP.

23.2	Note Regarding Consent of Arthur Andersen LLP.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
99	Definitive Proxy Statement for the 2004 Annual Meeting of Shareholders. Except to the extent specifically incorporated herein by reference, the Proxy Statement for the 2004 Annual Meeting of Shareholders shall not be deemed to be filed with the Securities and Exchange Commission as part of this Form 10-K. The Proxy Statement for the 2004 Annual Meeting of Shareholders will be filed with the Securities and Exchange Commission under regulation 14A within 120 days after the end of the Company's fiscal year.

<sup>+</sup> A management contract or compensatory plan or arrangement.

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## CONSOLIDATED FINANCIAL STATEMENTS

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### REPORT OF MANAGEMENT

The management of Johnson Outdoors Inc. is responsible for the preparation and integrity of all financial statements and other information contained in this Form 10-K. We rely on a system of internal financial controls to meet the responsibility of providing accurate financial statements. The system provides reasonable assurances that assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial statements are prepared on a worldwide basis in accordance with accounting principles generally accepted in the United States of America.

The financial statements for each of the years covered in this Form 10-K have been audited by independent auditors, who have provided an independent assessment as to the fairness of the financial statements, after obtaining an understanding of the Company's systems and procedures and performing such other tests as deemed necessary.

The Audit Committee of the Board of Directors, which is composed solely of directors who are not officers of the Company, meets with management and the independent auditors to review the results of their work and to satisfy itself that their respective responsibilities are being properly discharged. The independent auditors have full and free access to the Audit Committee and have regular discussions with the Committee regarding appropriate auditing and financial reporting matters.

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

/s/ Paul A. Lehmann  
Paul A. Lehmann  
Vice President and Chief Financial Officer

### REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying consolidated balance sheets of Johnson Outdoors Inc. and subsidiaries as of October 3, 2003 and September 27, 2002 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of Johnson Outdoors Inc. as of September 28, 2001, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated November 8, 2001, except for Notes 5 and 17 as to which the date is December 21, 2001.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Johnson Outdoors Inc. and subsidiaries as of October 3, 2003 and September 27, 2002 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed above, the financial statements of Johnson Outdoors Inc. as of September 28, 2001, and for the year then ended were audited by other auditors who have ceased operations. As described in Note 1, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, *Goodwill and Other Intangible Assets*, which was adopted by the Company as of September 29, 2001. Our audit procedures with respect to the disclosures in Note 1 with respect to 2001 included (a) agreeing the previously reported net income to the previously issued financial statements and

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the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill, as a result of initially applying Statement No. 142 to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 in Note 1 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

As explained in Note 1 to the consolidated financial statements, effective September 29, 2001, the Company changed its method of accounting for goodwill and other intangible assets.

/s/ Ernst & Young LLP

Ernst & Young LLP

Milwaukee, Wisconsin

November 14, 2003, except for Note 16, as to which the date is December 22, 2003.

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The following report is a copy of a report previously issued by Arthur Andersen LLP in connection with the Company's Annual Report on Form 10-K for the year ended September 28, 2001. This opinion has not been reissued by Arthur Andersen LLP.

#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Shareholders and Board of Directors

Johnson Outdoors Inc.:

We have audited the consolidated balance sheet of Johnson Outdoors Inc. and subsidiaries as of September 28, 2001 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Johnson Outdoors Inc. and subsidiaries as of September 28, 2001 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1 to the consolidated financial statements, effective September 30, 2000, the Company changed its method of accounting for derivative instruments.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Milwaukee, Wisconsin

November 8, 2001, except for Notes 5 and 17, as to which the date is December 21, 2001.

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CONSOLIDATED BALANCE SHEETS

<i>(thousands, except share data)</i>	<b>October 3 2003</b>	September 27 2002
<b>ASSETS</b>		
Current assets:		
Cash and temporary cash investments	\$ <b>88,910</b>	\$ 100,830
Accounts receivable less allowance for doubtful accounts of \$4,214 and \$4,028, respectively	<b>43,104</b>	39,972
Inventories	<b>50,594</b>	42,231
Deferred income taxes	<b>6,392</b>	5,083
Other current assets	<b>6,135</b>	4,021
Total current assets	<b>195,135</b>	192,137
Property, plant and equipment, net	<b>31,023</b>	29,611
Deferred income taxes	<b>18,637</b>	19,588
Intangible assets, net	<b>29,573</b>	27,139
Other assets	<b>3,289</b>	2,810
Total assets	<b>\$ 277,657</b>	\$ 271,285
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt and current maturities of long-term debt	\$ <b>9,587</b>	\$ 8,058
Accounts payable	<b>15,627</b>	13,589
Accrued liabilities:		
Salaries and wages	<b>8,899</b>	9,428
Income taxes	<b>499</b>	6,567
Other	<b>25,006</b>	24,005
Total current liabilities	<b>59,618</b>	61,647
Long-term debt, less current maturities	<b>67,886</b>	80,195
Other liabilities	<b>5,959</b>	5,298
Total liabilities	<b>133,463</b>	147,140
Shareholders' equity:		
Preferred stock: none issued	--	--
Common stock:		
Class A shares issued:		
October 3, 2003, 7,382,979;		
September 27, 2002, 7,112,155	<b>369</b>	355
Class B shares issued (convertible into Class A shares):		
October 3, 2003, 1,222,647;		
September 27, 2002, 1,222,729	<b>61</b>	61
Capital in excess of par value	<b>50,093</b>	47,583
Retained earnings	<b>93,510</b>	88,089

Deferred compensation	<b>(20)</b>	(22)
Accumulated other comprehensive income (loss)	<b>181</b>	(11,921)
<hr/>		
Total shareholders' equity	<b>144,194</b>	124,145
<hr/>		
Total liabilities and shareholders' equity	<b>\$ 277,657</b>	\$ 271,285

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		
	October 3	September 27	September 28
<i>(thousands, except per share data)</i>	2003	2002	2001
Net sales	<b>\$ 315,892</b>	\$ 342,532	\$ 345,637
Cost of sales	<b>187,903</b>	201,478	206,856
Gross profit	<b>127,989</b>	141,054	138,781
Operating expenses:			
Marketing and selling	<b>74,555</b>	78,224	78,192
Administrative management, finance and information systems	<b>33,438</b>	31,929	29,138
Research and development	<b>6,682</b>	6,729	7,565
Amortization of acquisition costs	<b>304</b>	374	5,288
Profit sharing	<b>1,397</b>	2,340	1,432
Strategic charges	<b>--</b>	1,707	1,448
Total operating expenses	<b>116,376</b>	121,303	123,063
Operating profit	<b>11,613</b>	19,751	15,718
Interest income	<b>(798)</b>	(968)	(548)
Interest expense	<b>5,165</b>	6,630	9,085
Gain on sale of subsidiary	<b>--</b>	(27,251)	--
Other (income) expense, net	<b>(2,456)</b>	847	1,091
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	<b>9,702</b>	40,493	6,090
Income tax expense	<b>4,281</b>	10,185	2,480
Income from continuing operations before cumulative effect of change in accounting principle	<b>5,421</b>	30,308	3,610
Income from disposal of discontinued operations, net of income tax expense of \$255	<b>--</b>	495	--
Income (loss) from effect of change in accounting principle, net of income tax expense (benefit) of \$(2,200) and \$845 for 2002 and 2001, respectively	<b>--</b>	(22,876)	1,755
Net income	<b>\$ 5,421</b>	\$ 7,927	\$ 5,365
Basic earnings per common share:			
Continuing operations	<b>\$ 0.64</b>	\$ 3.69	\$ 0.44
Discontinued operations	<b>--</b>	0.06	--
Income (loss) from net effect of change in accounting principle	<b>--</b>	(2.79)	0.22
Net income	<b>\$ 0.64</b>	\$ 0.96	\$ 0.66
Diluted earnings per common share:			
Continuing operations	<b>\$ 0.63</b>	\$ 3.59	\$ 0.44

Discontinued operations	--	0.06	--
Income (loss) from net effect of change in accounting principle	--	(2.71)	0.22
Net income	\$ 0.63	\$ 0.94	\$ 0.66

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

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## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income (loss)		
					Cumulative Translation Adjustment	Minimum Pension Liability	Comprehensive Income (Loss)
BALANCE AT SEPTEMBER 29, 2000	\$ 407	\$ 44,291	\$ 74,797	\$ (77)	\$ (18,586)	\$ --	
Net income	--	--	5,365	--	--	--	\$ 5,365
Issuance of restricted stock	--	50	--	(50)	--	--	--
Issuance of stock under employee stock purchase plan	1	70	--	--	--	--	--
Amortization of deferred compensation	--	--	--	83	--	--	--
Translation adjustment	--	--	--	--	2,402	--	2,402
Translation adjustment recognized in the cumulative effect of change in accounting principle	--	--	--	--	(2,974)	--	--
BALANCE AT SEPTEMBER 28, 2001	408	44,411	80,162	(44)	(19,158)	--	\$ 7,767
Net income	--	--	7,927	--	--	--	\$ 7,927
Issuance of restricted stock	--	60	--	(60)	--	--	--
Exercise of stock options	7	1,735	--	--	--	--	--
Issuance of stock under employee stock purchase plan	1	75	--	--	--	--	--
Amortization of deferred compensation	--	--	--	82	--	--	--
Translation adjustment	--	--	--	--	4,378	--	4,378
Translation adjustment recognized in the gain on sale of Jack Wolfskin subsidiary	--	--	--	--	3,057	--	--
Additional minimum pension liability	--	--	--	--	--	(198)	(198)
Building gain	--	1,302	--	--	--	--	--
BALANCE AT SEPTEMBER 27, 2002	416	47,583	88,089	(22)	(11,723)	(198)	\$ 12,107
Net income	--	--	5,421	--	--	--	\$ 5,421
Issuance of restricted stock	--	50	--	(50)	--	--	--
Exercise of stock options	13	2,378	--	--	--	--	--
Issuance of stock under employee stock purchase plan	1	82	--	--	--	--	--
Amortization of deferred compensation	--	--	--	52	--	--	--
Translation adjustment	--	--	--	--	12,174	--	12,174
Additional minimum pension liability	--	--	--	--	--	(72)	(72)
BALANCE AT OCTOBER 3, 2003	\$ 430	\$ 50,093	\$ 93,510	\$ (20)	\$ 451	\$ (270)	\$ 17,523

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

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<i>(thousands)</i>	October 3 2003	September 27 2002	September 28 2001
<b>CASH PROVIDED BY (USED FOR) OPERATIONS</b>			
Net income	\$ 5,421	\$ 7,927	\$ 5,365
Less income from discontinued operations	--	495	--
Less income (loss) from cumulative effect of change in accounting principle	--	(22,876)	1,755
Income from continuing operations before cumulative effect of change in accounting principle	5,421	30,308	3,610
Adjustments to reconcile income from continuing operations before cumulative effect of change in accounting principle to net cash provided by (used for) operating activities of continuing operations:			
Depreciation and amortization	8,198	9,096	13,516
Provision for doubtful accounts receivable	1,216	1,937	2,460
Provision for inventory reserves	3,296	1,798	1,529
Deferred income taxes	(358)	4,026	(2,922)
Gain on sale of subsidiary	--	(27,251)	--
Impairment of goodwill	--	--	2,526
Change in assets and liabilities, net of effect of businesses acquired or sold:			
Accounts receivable	(1,878)	(4,488)	6,780
Inventories	(8,983)	4,821	124
Accounts payable and accrued liabilities	(8,142)	15,218	(11,391)
Other, net	(2,253)	(1,661)	(760)
	<b>(3,483)</b>	33,804	15,472
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>			
Proceeds from sale of business, net of cash	--	59,295	--
Payments for purchase of businesses, net of cash acquired	--	--	(573)
Net additions to property, plant and equipment	(9,767)	(7,697)	(9,765)
Proceeds from sale of property, plant and equipment	187	5,182	730
	<b>(9,580)</b>	56,780	(9,608)
<b>CASH USED FOR FINANCING ACTIVITIES</b>			
Proceeds from issuance of senior notes	--	50,000	--
Principal payments on senior notes and other long-term debt	(8,044)	(11,604)	(6,784)
Net change in short-term debt	--	(48,364)	(1,143)
Common stock transactions	1,994	1,536	71
	<b>(6,050)</b>	(8,432)	(7,856)
Effect of foreign currency fluctuations on cash	7,193	2,609	698
Increase (decrease) in cash and temporary cash investments	(11,920)	84,761	(1,294)
<b>CASH AND TEMPORARY CASH INVESTMENTS</b>			
Beginning of year	<b>100,830</b>	16,069	17,363
End of year	<b>\$ 88,910</b>	\$ 100,830	\$ 16,069

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Johnson Outdoors Inc. is an integrated, global outdoor recreation products company engaged in the design, manufacture and marketing of brand name outdoor equipment, diving, watercraft and motors products.

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

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**



The Consolidated Financial Statements include the accounts of Johnson Outdoors Inc. and all majority owned subsidiaries (the Company) and are stated in conformity with accounting principles generally accepted in the United States. Significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities and operating results and the disclosure of commitments and contingent liabilities. Actual results could differ significantly from those estimates. For the Company, significant estimates include the allowance for doubtful accounts receivable, reserves for inventory valuation, recoverability of goodwill, reserves for sales returns, reserves for warranty service and the valuation allowance for deferred tax assets.

The Company's fiscal year ends on the Friday nearest September 30. The fiscal year ended October 3, 2003 (hereinafter 2003) comprises 53 weeks. The fiscal years ended September 27, 2002 (hereinafter 2002) and September 28, 2001 (hereinafter 2001) each comprise 52 weeks.

### Cash and Temporary Cash Investments

The Company considers all short-term investments in interest-bearing bank accounts, securities and other instruments with an original maturity of three months or less to be equivalent to cash.

The Company maintains cash in bank accounts in excess of insured limits. The Company has not experienced any losses as a result of this practice and does not believe that significant credit risk exists.

### Accounts receivable

Accounts receivable are stated net of allowance for doubtful accounts. The valuation of the allowance for doubtful accounts is based on a combination of factors. In circumstances where specific identification exists, a reserve is established to value the account receivable to what is believed will be collected. For all other customers, the Company recognizes allowances for bad debts based on historical experience of bad debts as a percent of accounts receivable 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.

### Inventories

Inventories are stated at the lower of cost (determined using the first-in, first-out method) or market.

Inventories attributable to continuing operations at the end of the respective years consist of the following:

	2003	2002
Raw materials	\$ 19,009	\$ 17,709
Work in process	2,065	1,072
Finished goods	33,362	25,633
	54,436	44,414
Less reserves	3,842	2,183
	\$ 50,594	\$ 42,231

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### Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is determined by straight-line and accelerated methods over estimated useful lives, with the following ranges:

Property improvements	5-20 years
Buildings and improvements	20-40 years
Furniture, fixtures and equipment	3-10 years

Upon retirement or disposition, cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operating results.

Property, plant and equipment at the end of the respective years consist of the following:

	2003	2002
Property and improvements	\$ 1,115	\$ 1,103
Buildings and improvements	20,623	18,920

Furniture, fixtures and equipment	83,715	80,315
	<b>105,453</b>	100,338
Less accumulated depreciation	<b>74,430</b>	70,727
	<b>\$ 31,023</b>	\$ 29,611

### Impairment of Property, Plant and Equipment

The Company annually assesses, if indicators of impairment are identified, the recoverability of property, plant and equipment, primarily by determining whether the depreciation of the balance over the remaining life of the underlying assets can be recovered through projected undiscounted future operating cash flows of the related businesses. The amount of impairment, if any, is measured primarily based on the deficiency of projected discounted future operating cash flows relative to the value of the assets, using a discount rate reflecting the Company's cost of capital, which currently approximates 10%. There was no impairment of property, plant and equipment during 2003 or 2002.

### Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Amortization is computed using the straight-line method with periods ranging from 3 to 16 years for patents, trademarks and other intangible assets. Intangible assets at the end of the respective years consist of the following:

	2003	2002
Goodwill	\$ 42,042	\$ 38,541
Patents, trademarks and other	4,965	4,840
	<b>47,007</b>	43,381
Less accumulated amortization	<b>17,434</b>	16,242
	<b>\$ 29,573</b>	\$ 27,139

Amortization of patents, trademarks and other intangible assets was \$302, \$374, and \$422 for 2003, 2002 and 2001, respectively. Amortization of these intangible assets is expected to continue at consistent levels for each of the next five years.

### Impairment of Goodwill and Other Intangibles

Effective September 29, 2001, the Company adopted SFAS No. 142. In accordance with the adoption of this new standard, the Company ceased the amortization of goodwill. If SFAS No. 142 had been in effect for the year ended September 28, 2001, the Company's income from continuing operations before cumulative effect of change in accounting principle would have been \$5,950 or \$0.73 per diluted share.

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As required under SFAS No. 142, the Company performed an assessment of the carrying value of goodwill using a number of criteria, including the value of the overall enterprise as of September 29, 2001. This assessment resulted in a write off of goodwill totaling \$22,876, net of tax (\$2.71 per diluted share) and has been reflected as a change in accounting principle. The write off is associated with the Watercraft (\$12,900) and Diving (\$10,000) business units. Future impairment charges from existing operations or other acquisitions, if any, will be reflected as an operating expense in the statement of operations.

In 2001, under the guidance prior to the adoption of SFAS No. 142, the Company recognized in operating expenses a \$2,526 write-down for impaired goodwill related to the Airguide brand in the Motors business.

### Warranties

The Company has recorded product warranty accruals of \$3,270 as of October 3, 2003. The Company provides for warranties of certain products as they are sold in accordance with SFAS No. 5, *Accounting for Contingencies*. The following table summarizes the warranty activity for the year ended October 3, 2003 in accordance with Financial Accounting Standards Board Interpretation No. 45, *Guarantor's Accounting and Disclosures Requirements for Guarantees, Including Indirect Guarantees of Indebtedness with Others*.

Balance at September 27, 2002	\$ 1,846
Expense accruals for warranties issued during the year	3,855
Less current year warranty claims paid	2,431
Balance at October 3, 2003	\$ 3,270

### Earnings per Share

Basic earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding, adjusted for the net effect of dilutive stock options.

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:

	2003	2002	2001
Income from continuing operations before cumulative effect of change in accounting principle for basic and diluted earnings per share	\$ 5,421	\$ 30,308	\$ 3,610
Weighted average shares outstanding	8,411,713	8,224,655	8,161,624
Less nonvested restricted stock	5,367	10,194	15,162
Basic average common shares	8,406,346	8,214,461	8,146,462
Dilutive stock options and restricted stock	193,816	215,308	23,277
Diluted average common shares	8,600,162	8,429,769	8,169,739
Basic earnings per common share from continuing operations before cumulative effect of change in accounting principle	\$ 0.64	\$ 3.69	\$ 0.44
Diluted earnings per common share from continuing operations before cumulative effect of change in accounting principle	\$ 0.63	\$ 3.59	\$ 0.44

Stock options that could potentially dilute basic earnings per share in the future that were not included in the fully diluted computation for 2003 and 2002 because they would have been antidilutive were 87,500 and 186,222, respectively.

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## Stock-Based Compensation

The Company accounts for stock options using the intrinsic value based method. Accordingly, compensation cost is generally recognized only for stock options granted with an exercise price lower than the market price on the date of grant. The Company's practice is to grant options with an exercise price equal to the fair market value on the date of the grant. The fair value of restricted shares awarded in excess of the amount paid for such shares is recognized as compensation and is amortized over 1 to 3 years from the date of award, the period after which all restrictions generally lapse.

The Company accounts for its stock-based compensation plans under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. The pro forma information below was determined using the fair value method based on provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, issued in December 2002.

	2003	2002	2001
Income from continuing operations before cumulative effect of change in accounting principle	\$ 5,421	\$ 30,308	\$ 3,610
Total stock-based employee compensation expense determined under fair value method for all awards net of tax	(273)	(459)	(498)
Pro forma income from continuing operations before cumulative effect of change in accounting principle	\$ 5,148	\$ 29,849	\$ 3,112
Basic earnings per common share from continuing operations before cumulative effect of change in accounting principle			
As reported	\$ 0.64	\$ 3.69	\$ 0.44
Pro forma	\$ 0.61	\$ 3.66	\$ 0.38
Diluted earnings per common share from continuing operations before cumulative effect of change in accounting principle			
As reported	\$ 0.63	\$ 3.59	\$ 0.44
Pro forma	\$ 0.60	\$ 3.55	\$ 0.38

For purposes of calculating pro forma operating results, the fair value of each option grant was estimated using the Black-Scholes option pricing model with an expected volatility of approximately 35-50%, a risk free rate equivalent to five year U.S. Treasury securities, an expected life of five years and no dividends. The pro forma operating results reflect only options granted after 1995. Based on these assumptions, the weighted average fair market value of options granted during the year was \$5.30 in 2003, \$2.90 in 2002 and \$2.18 in 2001.

The Company's employee stock purchase plan provides for the issuance of Class A common stock at a purchase price of not less than 85% of the fair market value at the date of grant. During 2003, 2002 and 2001, 9,585, 10,378, 13,382 shares, respectively, were issued under this plan. Shares available for purchase by employees under this plan were 56,829 at October 3, 2003.

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## Income Taxes

The Company provides for income taxes currently payable and deferred income taxes resulting from temporary differences between financial statement and taxable income.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion, or all of the deferred tax assets, will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Federal and state income taxes are provided on foreign subsidiary income distributed to, or taxable in, the U.S. during the year. At October 3, 2003, net undistributed earnings of foreign subsidiaries total approximately \$106,638. The Company considers these unremitted earnings to be permanently invested abroad and no provision for federal or state taxes have been made on these amounts. In the future, if foreign earnings are returned to the U.S., provision for income taxes will be made.

The Company's U.S. entities file a consolidated federal income tax return.

## Employee Benefits

The Company and certain of its subsidiaries have various retirement and profit sharing plans. Pension obligations, which are generally based on compensation and years of service, are funded by payments to pension fund trustees. The Company's policy is generally to fund the minimum amount required under the Employee Retirement Income Security Act of 1974 for plans subject thereto. Profit sharing and other retirement costs are funded at least annually.

## Foreign Operations and Related Derivative Financial Instruments

The functional currencies of the Company's foreign operations are the local currencies. Accordingly, assets and liabilities of foreign operations are translated into U.S. dollars at the rate of exchange existing at the end of the year. Results of operations are translated at monthly average exchange rates. Gains and losses resulting from the translation of foreign currency financial statements are classified as accumulated other comprehensive income (loss), a separate component of shareholders' equity.

Currency gains and losses are realized as assets and liabilities of foreign operations, denominated in other than the local currency, are first adjusted based on the denominated currency. Additionally, currency gains and losses are realized through the settlement of transactions denominated in other than local currency. The Company realized currency gains (losses) from transactions of \$2,791, (\$622) and (\$555) for 2003, 2002 and 2001, respectively.

The Company operates internationally, which gives rise to exposure to market risk from movements in foreign currency exchange rates. To minimize the effect of fluctuating foreign currencies on its income, the Company periodically enters into foreign currency forward contracts. The Company primarily hedges assets, inventory purchases and loans denominated in foreign currencies. The Company does not enter into foreign exchange contracts for trading purposes. Gains and losses on unhedged exposures are recorded in operating results.

The contracts are used to hedge known foreign currency transactions on a continuing basis for periods consistent with the Company's exposures. Beginning September 30, 2000 upon the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of SFAS Statement No. 133* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, the effective portion of the gain or loss on the foreign currency forward contract is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. The remaining gain or loss on the futures contract, if any, is recognized in current earnings during the period of changes. Adoption of these new accounting standards resulted in a cumulative after-tax gain of approximately \$1.8 million and an accumulated other comprehensive loss of approximately \$3.0 million in the first quarter of fiscal 2001.

At October 3, 2003 and September 27, 2002, the Company had no foreign currency contracts.

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## Revenue Recognition

Revenue from sales is recognized when all substantial risk of ownership transfers to the customer, which is generally upon shipment of products. Estimated costs of returns and allowances are accrued when revenue is recognized.

## Advertising

The Company expenses substantially all costs related to production of advertising the first time the advertising takes place. Cooperative promotional arrangements are accrued in relation to sales.

Advertising expense attributable to continuing operations in 2003, 2002 and 2001 totaled \$14,909, \$16,340 and \$18,282, respectively. Capitalized costs at October 3, 2003 and September 27, 2002 totaled \$772 and \$726, respectively, and primarily include catalogs and costs of advertising which has not yet run for the

first time.

### **Shipping and Handling Costs**

Shipping and handling expense attributable to continuing operations included in marketing and selling expense was \$11,723, \$12,208 and \$12,821 for 2003, 2002 and 2001, respectively.

### **Research and Development**

Research and development costs are expensed as incurred.

### **New Accounting Pronouncements**

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 requires expanded and more prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method on reported results.

The Company has not adopted a method under SFAS No. 148 to expense stock options but rather continues to apply the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for those plans. No stock-based employee compensation expense for options is reflected in net income for the fiscal years presented as all options granted under those plans had an exercise price equal to the market value of the underlying common stock at the date of grant. A pro forma effect table is presented in the Stock-Based Compensation section of Note 1, which assumes the fair value recognition provisions of SFAS No. 123 would have been adopted for all options granted since fiscal 1995.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*, which requires the consolidation of variable interest entities (VIEs). VIEs are entities for which control is achieved through means other than voting rights. The consolidation requirements of FIN No. 46 were applicable immediately to all VIEs in which an interest was acquired after January 31, 2003. For VIEs in which an interest was acquired before February 1, 2003, the consolidation requirements of FIN No. 46 are generally effective at the end of our fiscal year 2004. FIN No. 46 has not had, and is not expected to have, a significant impact on our consolidated financial statements.

### **Reclassifications**

Certain reclassifications have been made to prior years' amounts to conform with the current year presentation.

## **2 STRATEGIC CHARGES**

In 2002 and 2001, the Company recorded strategic charges totaling \$1,707 and \$1,448, respectively.

In 2002 strategic charges included moving and other exit costs related to the relocation of manufacturing facilities in the Watercraft business and severance and closure costs increased reserves for doubtful accounts receivable and excess inventory related to the North American Jack Wolfskin closure. Severance costs included in the strategic charges totaled \$150 and approximately three employees were impacted by these actions. There are no unexpended funds related to this action as of the end of 2003.

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In 2001 strategic charges included severance, moving and other exit costs related primarily to the closure and relocation of manufacturing facilities in the Watercraft business. Severance costs included in the strategic charges totaled \$660 and approximately 88 employees were impacted by these actions. There are no unexpended funds related to this action as of the end of 2003.

## **3 ACQUISITIONS**

During 2001, the Company completed the acquisition of two small businesses which manufacture paddles and marine accessories. The initial purchase price, including direct expenses, for the acquisitions was approximately \$600, of which approximately \$420 was recorded as intangible assets.

All acquisitions were accounted for using the purchase method and, accordingly, the Consolidated Financial Statements include the results of operations since the respective dates of acquisition.

## **4 SALE OF JACK WOLFSKIN BUSINESS**

In September 2002, the Company sold its Jack Wolfskin business. The sale price totaled 60,320 Euros (\$59,295 U.S. dollars) after an adjustment based on net working capital of the business as finally determined. The Company recorded a gain on the sale of \$22,351, after tax. In connection with the sale, the Company exited its North American Jack Wolfskin operations in 2003. The Company recorded charges amounting to \$450 related to exiting these operations in fiscal year 2002.

## **5 SALE OF FISHING BUSINESS**

In March 2002, the Company recognized a gain from discontinued operations of \$495, net of tax, related to the final accounting for the sale of the Fishing business. The sale of the Fishing business occurred in March 2000.

## 6 INDEBTEDNESS

Short-term credit facilities provide for borrowings with interest rates set periodically by reference to market rates. Commercial paper rates are set by competitive bidding. The Company's primary facility is a \$70,000 unsecured revolving credit agreement expiring in August 2004, which includes a maximum amount of \$15,000 in support of commercial paper issuance. At October 3, 2003, the Company's interest rate on this credit agreement was LIBOR plus 100 basis points. Per the agreement, the LIBOR rate is determined based on the term of the borrowing. At October 3, 2003, the Company had no outstanding borrowings on this credit agreement. The Company has lines of credit, both foreign and domestic, totaling \$81,310, of which \$76,667 is available at October 3, 2003. The Company also utilizes letters of credit for trade financing purposes. Letters of credit outstanding at October 3, 2003 total \$2,505.

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Long-term debt at the end of the respective years consists of the following:

	2003	2002
2001 senior notes	<b>\$50,000</b>	\$50,000
1998 senior notes	<b>14,800</b>	16,800
1996 senior notes	<b>11,700</b>	17,700
Other long-term notes	<b>92</b>	1,988
	<b>76,592</b>	86,488
Fair value adjustment of hedged debt	<b>881</b>	1,765
	<b>77,473</b>	88,253
Less current maturities	<b>9,587</b>	8,058
	<b>\$67,886</b>	\$80,195

In December 2001, the Company issued unsecured senior notes totaling \$50,000 with an interest rate of 7.82%. The senior notes have annual principal payments of \$10,000 beginning December 2004 with a final payment due December 2008.

In 1998, the Company issued unsecured senior notes totaling \$25,000 with an interest rate of 7.15%. The 1998 senior notes have remaining annual principal payments of \$800 to \$7,000 with a final payment due October 2007.

In 1996, the Company issued unsecured senior notes totaling \$30,000 with an interest rate of 7.77% and \$15,000 with an interest rate of 6.98%. The 1996 senior notes have remaining annual principal payments of \$500 to \$5,000 with a final payment due October 2005.

The Company's policy is to manage interest cost using a mix of fixed and variable-rate debt. To manage this risk in a cost efficient manner, the Company enters into interest rate swaps 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 Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategies for understanding hedge transactions.

Interest rate swaps that met specific conditions under SFAS No. 133 are accounted for as fair value hedges. Accordingly, the changes in the fair value of these instruments are immediately recorded in earnings. The mark-to-market values of both the fair value hedging instruments and the underlying debt obligations are recorded as equal and offsetting gains and losses in the interest expense component of the statement of operations. The fair value of the Company's interest rate swap agreements was approximately \$881 at October 3, 2003 and included in other assets on the consolidated balance sheet. All existing fair value hedges are 100% effective. As a result, there is no impact to earnings due to hedge ineffectiveness.

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In January 2002, the Company entered into the interest rate swap agreements described below, which effectively convert some of the fixed rate senior notes to variable rate debt.

Hedged Debt	Notional Amount of Swap	Effective Interest Rate <sup>(1)</sup>	Fiscal Year Expiration	Swap Fair Value
2001 senior notes - 7.82%	\$20,000	3.80	2006	\$ 584
1998 senior notes - 7.15%	7,000	3.84	2006	189
1996 senior notes - 7.77%	8,300	4.49	2006	85
1996 senior notes - 6.98%	3,400	3.46	2005	23
				<b>\$ 881</b>

(1) Effective rate for the year ended October 3, 2003 of notional amount of senior notes based on interest rate swaps entered into in January 2002

On November 6, 2003, the Company terminated the swap instruments relating to the 1998 and 2001 debt instruments. The Company realized gains on the 1998 and 2001 instruments of \$161 and \$744, respectively. The gains will be amortized as a reduction in interest expense over the remaining life of the underlying debt instruments.

Aggregate scheduled maturities of long-term debt in each of the next five years ending September 2008 and thereafter are as follows:

Year	
2004	\$ 9,587
2005	15,705
2006	13,500
2007	17,000
2008	10,800
Thereafter	10,000

Interest paid was \$4,762, \$6,214 and \$9,178 for 2003, 2002 and 2001, respectively.

Based on the borrowing rates currently available to the Company for debt with similar terms and average maturities, the fair value of the Company's long-term debt as of October 3, 2003 and September 27, 2002 was approximately \$86,900 and \$89,900, respectively. The carrying value of all other financial instruments approximates the fair value.

Certain of the Company's loan agreements require that Samuel C. Johnson, members of his family and related entities (hereinafter the Johnson Family) continue to own stock having votes sufficient to elect a 51% majority of the directors. At October 3, 2003, the Johnson Family held approximately 3,385,000 shares or 46% of the Class A common stock, approximately 1,168,000 shares or 96% of the Class B common stock and approximately 77% of the voting power of both classes of common stock taken as a whole. The agreements also contain restrictive covenants regarding the Company's net worth, indebtedness, fixed charge coverage and distribution of earnings. The Company is in compliance with the restrictive covenants of such agreements, as amended from time to time.

## 7 LEASES AND OTHER COMMITMENTS

The Company leases certain operating facilities and machinery and equipment under long-term, noncancelable operating leases. Future minimum rental commitments under noncancelable operating leases attributable to having an initial term in excess of one year at October 3, 2003 are as follows:

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	Year
2004	\$5,087
2005	4,046
2006	3,211
2007	2,140
2008	1,988
Thereafter	4,584

Future minimum rental commitments to related parties are \$652 and \$490 for 2004 and 2005, respectively. Rental expense attributable to continuing operations under all leases was approximately \$6,926, \$6,830 and \$6,739 for 2003, 2002 and 2001, respectively.

The Company makes commitments in a broad variety of areas, including capital expenditures, contracts for services, sponsorship of broadcast media and supply of finished products and components, all of which are in the ordinary course of business.

## 8 INCOME TAXES

Income tax expense (benefit) attributable to continuing operations for the respective years consists of the following:

	2003	2002	2001
Current:			
Federal	\$ 23	\$ 204	\$ --
State	71	74	101
Foreign	4,545	9,732	5,301
Deferred	(358)	175	(2,922)
	\$ 4,281	\$10,185	\$ 2,480

The significant components of deferred tax expense (benefit) attributable to continuing operations are as follows:

	2003	2002	2001
Deferred tax benefit (exclusive of effects of other components listed below)	<b>\$(358)</b>	\$ (177)	\$(3,185)
Increase in beginning of the year balance of the valuation allowance for deferred tax assets	--	352	263
	<b>\$(358)</b>	\$ 175	\$(2,922)

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The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities attributable to continuing operations at the end of the respective years are presented below:

	2003	2002
Deferred tax assets:		
Inventories	\$ 2,309	\$ 1,838
Compensation	4,355	4,800
Foreign tax credit carryforwards	506	2,240
Goodwill and other intangibles	1,391	1,579
Net operating loss carryforwards	18,755	19,758
Other	4,821	2,869
Total gross deferred tax assets	32,137	33,084
Less valuation allowance	6,527	8,398
	<b>25,610</b>	24,686
Deferred tax liabilities:		
Foreign statutory reserves	581	15
Net deferred tax asset	<b>\$25,029</b>	\$24,671

The net deferred tax asset is recorded as \$6,392 in current and \$18,637 in non-current assets for 2003 and \$5,083 in current and \$19,588 in non-current assets for 2002.

Following is the income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle for domestic and foreign operations:

	2003	2002	2001
United States	\$ 110	\$(1,477)	\$(5,719)
Foreign	9,592	41,970	11,809
	<b>\$ 9,702</b>	\$ 40,493	\$ 6,090

The significant differences between the statutory federal tax rate and the effective income tax rates for income from continuing operations are as follows:

	2003	2002	2001
Statutory U.S. federal income tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	--	--	0.9
Foreign rate differential	11.0	(8.8)	1.3
Change in beginning of year valuation allowance	--	0.1	4.3
Foreign operating losses	0.1	0.1	--
Other	(1.0)	(0.2)	0.2
	<b>44.1%</b>	25.2%	40.7%



The foreign rate differential of 11.0 and (8.8) for 2003 and 2002, respectively, is comprised of several foreign tax related items; most notably an ongoing German income tax audit in 2003 and the favorable tax treatment on the sale of the Jack Wolfskin business in 2002

At October 3, 2003, the Company has \$506 of foreign tax credit carryforwards available to be offset against future U.S. tax liabilities. The credits expire in 2004 through 2008 if not utilized. These carryforwards have been fully reserved for in the valuation allowance. The balance of the valuation allowance relates to state and foreign net operating loss carryforwards and other tax credits.

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At October 3, 2003, the Company has a U.S. federal operating loss carryforward of \$34,705 which begin to expire in 2012, and various state net operating loss carryforwards. During 2003, 2002 and 2001, foreign net operating loss carryforwards were utilized, resulting in a reduction in income tax expense of \$384, \$27 and \$32, respectively. In addition, certain of the Company's foreign subsidiaries have net operating loss carryforwards totaling \$2,240. These amounts are available to offset future taxable income over the next 9 to 20 years and are anticipated to be utilized during this period.

Taxes paid attributable to continuing operations were \$10,708, \$4,663 and \$4,337 for 2003, 2002 and 2001, respectively.

## 9 EMPLOYEE BENEFITS

Net periodic pension cost for noncontributory defined benefit pension plans includes the following components.

	2003	2002	2001
Service cost	\$ 464	\$ 471	\$ 343
Interest on projected benefit obligation	878	841	792
Less estimated return on plan assets	676	652	631
Amortization of unrecognized:			
Net loss	11	28	1
Prior service cost	26	26	26
Transition asset	(71)	(80)	(80)
Net amount recognized	\$ 632	\$ 634	\$ 451

The following provides a reconciliation of the changes in the plans benefit obligation and fair value of assets for 2003 and 2002 and a statement of the funded status at the end of each year:

	2003	2002
Benefit obligation:		
Benefit obligation at beginning of year	\$ 12,581	\$ 11,929
Service cost	464	471
Interest cost	878	841
Actuarial gain (loss)	(80)	21
Benefits paid	(690)	(681)
Benefit obligation at end of year	\$ 13,153	\$ 12,581
Fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 7,037	\$ 7,684
Actual return (loss) on plan assets	901	(298)
Company contributions	1,211	332
Benefits paid	(690)	(681)
Fair value of plan assets at end of year	\$ 8,459	\$ 7,037
Funded status:		
Funded status of the plan	\$ (4,694)	\$ (5,544)
Unrecognized net loss	2,709	2,702
Unrecognized prior service cost	71	97
Unrecognized transition asset	(49)	(130)
Net liability recognized	\$ (1,963)	\$ (2,875)

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The following summarizes the components of the net liability recognized in the consolidated balance sheets at the end of the respective years:

	2003	2002
Prepaid benefit cost	\$ --	\$ --
Accrued benefit liability	(2,439)	(3,269)
Intangible asset	66	90
Accumulated other comprehensive income	410	304
<b>Net liability recognized</b>	<b>\$(1,963)</b>	<b>\$(2,875)</b>

Plan assets are invested primarily in stock and bond mutual funds and insurance contracts.

Actuarial assumptions used to determine the projected benefit obligation are as follows:

	2003	2002	2001
Discount rate	7.25%	7.25%	7.25%
Long-term rate of return	8	8	8
Average salary increase rate	5	5	5

A majority of the Company's full-time employees are covered by profit sharing and defined contribution programs. Participating entities determine profit sharing distributions under various performance and service based formulas. Expense attributable to continuing operations under the defined contribution programs was approximately \$2,500, \$2,300 and \$2,200 for 2003, 2002 and 2001, respectively.

## 10 PREFERRED STOCK

The Company is authorized to issue 1,000,000 shares of preferred stock in various classes and series, of which there are none currently issued or outstanding.

## 11 COMMON STOCK

Common stock at the end of the respective years was as follows:

	2003	2002
Class A, \$.05 par value:		
Authorized	20,000,000	20,000,000
Outstanding	7,382,979	7,112,155
Class B, \$.05 par value:		
Authorized	3,000,000	3,000,000
Outstanding	1,222,647	1,222,729

Holders of Class A common stock are entitled to elect 25% of the members of the Board of Directors and holders of Class B common stock are entitled to elect the remaining directors. With respect to matters other than the election of directors or any matters for which class voting is required by law, holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to ten votes per share. If any dividends (other than dividends paid in shares of the Company) are paid by the Company on its common stock, a dividend would be paid on each share of Class A common stock equal to 110% of the amount paid on each share of Class B common stock. Each share of Class B common stock is convertible at any time into one share of Class A common stock. During 2003, 82 shares of Class B common stock were converted into Class A common stock. During 2002 and 2001, no shares of Class B common stock were converted into Class A common stock.

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## 12 STOCK OWNERSHIP PLANS

The Company's current stock ownership plans provide for issuance of options to acquire shares of Class A common stock by key executives and non-employee directors. 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 four years from the date of grant. Stock options generally have a term of 10 years. Current plans also allow for issuance of restricted stock or stock appreciation rights in lieu of options. Grants of restricted shares are not significant in any year presented. No stock appreciation rights have been granted. In December 2002, the Company adopted a phantom share plan to provide an alternative vehicle for the granting of long-term incentives. In 2003, awards were made under the phantom share plan but were not significant.

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	235,000	5.50
Cancelled	(100,435)	17.00
Outstanding at September 28, 2001	1,086,795	10.20
Granted	277,755	7.64
Exercised	(148,952)	10.15
Cancelled	(151,579)	13.54
Outstanding at September 27, 2002	1,064,019	9.06
Granted	<b>20,750</b>	<b>10.36</b>
Exercised	<b>(256,327)</b>	<b>7.26</b>
Cancelled	<b>(137,557)</b>	<b>13.79</b>
Outstanding at October 3, 2003	<b>690,885</b>	<b>\$ 8.80</b>

Shares available for grant to key executives and non-employee directors are 142,691 at October 3, 2003.

The range of options outstanding at October 3, 2003 is as follows:

Price Range per Share	Number of Options Outstanding/Exercisable	Weighted Average Exercise Price Outstanding/Exercisable	Weighted Average Remaining Contractual Life (in years)
\$ 5.31 - 11.50	605,885/414,769	\$ 7.35/7.41	6.4
12.94 - 17.50	51,000/49,000	16.51/16.57	3.8
18.63 - 24.38	34,000/34,000	23.06/23.06	0.7
	690,885/497,769	\$ 8.80/9.38	5.9

### 13 RELATED PARTY TRANSACTIONS

Various transactions are conducted between the Company and other organizations controlled by the Johnson Family. These include consulting services, aviation services, office rental, royalties and certain administrative activities. Total net costs of these transactions are \$1,825, \$1,219 and \$546 for 2003, 2002 and 2001, respectively. The majority of the increase in 2002 resulted from a new three year lease agreement with a Johnson Family controlled entity for the Company's new headquarters facility.

On November 30, 2001, the Company entered into a sale/leaseback transaction for its prior headquarters facility with a related party. The Company sold the facility for \$4,982 in cash and related furniture and fixtures for \$200 in cash and entered into a month-to-month lease agreement with the related party, which terminated May 31, 2002. The Company and the related party engaged an independent appraiser to determine the sale price of the facility. The gain of \$1,302, net of income tax of \$675, was recorded as an additional contribution to equity. The gain on the sale could not be recognized in the statement of operations due to the related party nature of the transaction.

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### 14 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 U.S. and various foreign countries, primarily in Europe, Canada and the Pacific Basin.

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. Total assets represent assets that are used in the Company's operations in each business unit at the end of the years presented.

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

	2003	2002	2001
Net sales:			
Outdoor equipment:			
Unaffiliated customers	\$ 72,704	\$ 106,318	\$ 114,875
Interunit transfers	82	141	89
Watercraft:			
Unaffiliated customers	78,971	82,865	85,841
Interunit transfers	946	534	343

Diving:			
Unaffiliated customers	77,974	72,565	80,426
Interunit transfers	38	25	62
Motors:			
Unaffiliated customers	85,703	80,577	64,446
Interunit transfers	867	761	539
Other	540	207	49
Eliminations	(1,933)	(1,461)	(1,033)
	<b>\$ 315,892</b>	<b>\$ 342,532</b>	<b>\$ 345,637</b>

Operating profit (loss):			
Outdoor equipment	\$ 12,136	\$ 11,882	\$ 12,015
Watercraft	(8,983)	1,162	1,293
Diving	8,579	10,502	11,638
Motors	11,993	8,248	231
Other	(12,112)	(12,043)	(9,459)
	<b>\$ 11,613</b>	<b>\$ 19,751</b>	<b>\$ 15,718</b>

Total assets:			
Outdoor equipment	\$ 25,535	\$ 23,114	
Watercraft	58,013	54,480	
Diving	92,254	78,403	
Motors	23,682	21,423	
Other	78,173	93,865	
	<b>\$ 277,657</b>	<b>\$ 271,285</b>	

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A summary of the Company's continuing operations by geographic area is presented below:

	2003	2002	2001
Net sales:			
United States:			
Unaffiliated customers	\$ 242,100	\$ 232,383	\$ 228,491
Interarea transfers	6,760	5,947	5,828
Europe:			
Unaffiliated customers	46,792	83,696	89,995
Interarea transfers	10,593	7,993	7,267
Other	27,000	26,453	27,151
Interarea transfers	3,170	4,032	7,170
Eliminations	(20,523)	(17,972)	(20,265)
	<b>\$ 315,892</b>	<b>\$ 342,532</b>	<b>\$ 345,637</b>

Total assets:			
United States	\$ 164,336	\$ 114,198	
Europe	89,541	136,007	
Other	23,780	21,080	
	<b>\$ 277,657</b>	<b>\$ 271,285</b>	

Long-term assets(1):			
United States	\$ 33,121	\$ 32,680	
Europe	26,816	23,241	
Other	2,517	1,873	
	<b>\$ 62,454</b>	<b>\$ 57,794</b>	

(1) Long-term assets consist of net property, plant and equipment, net intangible assets and other assets excluding financial instruments.

The Company's Outdoor Equipment business recognized sales to the United States military totaling \$42,444 in 2003. No customer accounted for more than 10% of sales in 2002 or 2001.

## 15 VALUATION AND QUALIFYING ACCOUNTS



principle, net of tax	--	(22,876)	--	--	--	--	--	--	--
Net income (loss)	\$ (280)	\$ (23,272)	\$ 4,297	\$ 4,384	\$ 5,060	\$ 6,433	\$ (3,656)	\$ 20,382	
Basic earnings (loss) per common share:									
Continuing operations	\$ (0.03)	\$ (0.05)	\$ 0.51	\$ 0.48	\$ 0.60	\$ 0.78	\$ (0.43)	\$ 2.45	
Discontinued operations	--	--	--	0.06	--	--	--	--	
Cumulative effect of change in accounting principle, net of tax	--	(2.80)	--	--	--	--	--	--	
Net income (loss)	\$ (0.03)	\$ (2.85)	\$ 0.51	\$ 0.54	\$ 0.60	\$ 0.78	\$ (0.43)	\$ 2.45	
Diluted earnings (loss) per common share:									
Continuing operations	\$ (0.03)	\$ (0.05)	\$ 0.50	\$ 0.46	\$ 0.59	\$ 0.75	\$ (0.43)	\$ 2.38	
Discontinued operations	--	--	--	0.06	--	--	--	--	
Cumulative effect of change in accounting principle, net of tax	--	(2.80)	--	--	--	--	--	--	
Net income (loss)	\$ (0.03)	\$ (2.85)	\$ 0.50	\$ 0.52	\$ 0.59	\$ 0.75	\$ (0.43)	\$ 2.38	

During the fourth quarter of 2003, the Company incurred approximately \$4.0 million in charges stemming from operational changes to improve long-term efficiency and rationalize the Company's manufacturing capacity and inventory investments.

Due to changes in stock prices during the year and timing of issuance of shares, the cumulative total of quarterly net income (loss) per share amounts may not equal the net income per share for the year.

**BYLAWS**

**OF**

**JOHNSON OUTDOORS INC.  
(A Wisconsin Corporation)**

**(As amended through December 4, 2003)**

**ARTICLE ONE**

**Offices**

1.01 **Principal and Business Office.** The corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may from time to time determine or as the business of the corporation may require from time to time.

1.02 **Registered Office.** The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the corporation shall be identical to such registered office.

**ARTICLE TWO**

**Meetings of the Shareholders**

2.01 **Annual Meetings.** An annual meeting of the shareholders shall be held at such time and date as may be fixed by or under the authority of the Board of Directors and as designated in the notice thereof, for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

2.02 **Special Meetings.**

(a) Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairman of the Board, if any, or the Board of Directors of the corporation. The Chairman of the Board, if any, Chief Executive Officer or the President shall call a special meeting of the shareholders upon demand, in accordance with this Section 2.02, of the holders of at least ten percent (10%) of all of the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting.

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(b) In order that the corporation may determine the shareholders entitled to demand a special meeting, the Board of Directors may fix a record date to determine the shareholders entitled to make such a demand (the "Demand Record Date"). The Demand Record Date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors and shall not be more than 10 days after the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. Any shareholder of record seeking to have shareholders demand a special meeting shall, by sending written notice to the Secretary of the corporation by hand or by certified or registered mail, return receipt requested, request the Board of Directors to fix a Demand Record Date. The Board of Directors shall promptly, but in all events within 10 days after the date on which a valid request to fix a Demand Record Date is received, adopt a resolution fixing the Demand Record Date and shall make a public announcement of such Demand Record Date. If no Demand Record Date has been fixed by the Board of Directors within 10 days after the date on which such request is received by the Secretary, the Demand Record Date shall be the 10th day after the first date on which a valid written request to set a Demand Record Date is received by the Secretary. To be valid, such written request shall set forth the purpose or purposes for which the special meeting is to be held, shall be signed by one or more shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative) and shall set forth all information about each such shareholder and about the beneficial owner or owners, if any, on whose behalf the request is made that would be required to be set forth in a shareholder's notice described in paragraph (a) (ii) of Section 2.12 of these bylaws.

(c) In order for a shareholder or shareholders to demand a special meeting, a written demand or demands for a special meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the special meeting must be delivered to the corporation. To be valid, each written demand by a shareholder for a special meeting shall set forth the specific purpose or purposes for which the special meeting is to be held (which purpose or purposes shall be limited to the purpose or purposes set forth in the written request to set a Demand Record Date received by the corporation pursuant to paragraph (b) of this Section 2.02), shall be signed by one or more persons who as of the Demand Record Date are shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), and shall set forth the name and address, as they appear in the corporation's books, of each shareholder signing such demand and the class and number of shares of the corporation which are owned of record and beneficially by each such shareholder, shall be sent to the Secretary by hand or by certified or registered mail, return receipt requested, and shall be received by the Secretary within 70 days after the Demand Record Date.

(d) The corporation shall not be required to call a special meeting upon shareholder demand unless, in addition to the documents required by paragraph (c) of this Section 2.02, the Secretary receives a written agreement signed by each Soliciting Shareholder (as defined below), pursuant to which each Soliciting Shareholder, jointly and severally, agrees to pay the corporation's costs of holding the special meeting, including the costs of preparing and mailing proxy materials for the corporation's own solicitation, provided that if each of the resolutions introduced by any Soliciting Shareholder at

such meeting is adopted, and each of the individuals nominated by or on behalf of any Soliciting Shareholder for election as a director at such meeting is elected, then the Soliciting Shareholders shall not be required to pay such costs. For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

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- (i) "Affiliate" of any Person (as defined herein) shall mean any Person controlling, controlled by or under common control with such first Person.
  - (ii) "Participant" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").
  - (iii) "Person" shall mean any individual, firm, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.
  - (iv) "Proxy" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.
  - (v) "Solicitation" shall have the meaning assigned to such term in Rule 14a-11 promulgated under the Exchange Act.
  - (vi) "Soliciting Shareholder" shall mean, with respect to any Special Meeting demanded by a shareholder or shareholders, any of the following Persons:
    - (A) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph (c) of this Section 2.02 is 10 or fewer, each shareholder signing any such demand;
    - (B) if the number of shareholders signing the demand or demands of meeting delivered to the corporation pursuant to paragraph (c) of this Section 2.02 is more than 10, each Person who either (I) was a Participant in any Solicitation of such demand or demands or (II) at the time of the delivery to the corporation of the documents described in paragraph (c) of this Section 2.02 had engaged or intended to engage in any Solicitation of Proxies for use at such Special Meeting (other than a Solicitation of Proxies on behalf of the corporation); or
    - (C) any Affiliate of a Soliciting Shareholder, if a majority of the directors then in office determine, reasonably and in good faith, that such Affiliate should be required to sign the written notice described in paragraph (c) of this Section 2.02 and/or the written agreement described in this paragraph (d) in order to prevent the purposes of this Section 2.02 from being evaded.

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(e) Except as provided in the following sentence, any special meeting shall be held at such hour and day as may be designated by whichever of the Chairman of the Board, if any, the President or the Board of Directors shall have called such meeting. In the case of any special meeting called by the Chairman of the Board, if any, or the President upon the demand of shareholders (a "Demand Special Meeting"), such meeting shall be held at such hour and day as may be designated by the Board of Directors; provided, however, that the date of any Demand Special Meeting shall be not more than 70 days after the record date for the meeting (as established in Section 2.05 hereof); and provided further that in the event that the directors then in office fail to designate an hour and date for a Demand Special Meeting within 10 days after the date that valid written demands for such meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on each issue proposed to be considered at the special meeting are delivered to the corporation (the "Delivery Date"), then such meeting shall be held at 2:00 P.M. local time on the 100th day after the Delivery Date or, if such 100th day is not a Business Day (as defined below), on the first preceding Business Day. In fixing a meeting date for any special meeting, the Chairman of the Board, if any, or the Board of Directors may consider such factors as he or it deems relevant within the good faith exercise of his or its business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding any demand for such meeting, and any plan of the Board of Directors to call an annual meeting or a special meeting for the conduct of related business.

(f) The corporation may engage regionally or nationally recognized independent inspectors of elections to act as an agent of the corporation for the purpose of promptly performing a ministerial review of the validity of any purported written demand or demands for a special meeting received by the Secretary. For the purpose of permitting the inspectors to perform such review, no purported demand shall be deemed to have been delivered to the corporation until the earlier of (i) 5 Business Days following receipt by the Secretary of such purported demand and (ii) such date as the independent inspectors certify to the corporation that the valid demands received by the Secretary represent at least 10% of all the votes entitled to be cast on each issue proposed to be considered at the special meeting. Nothing contained in this paragraph (f) shall in any way be construed to suggest or imply that the Board of Directors or any shareholder shall not be entitled to contest the validity of any demand, whether during or after such 5 Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

(g) For purposes of these bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Wisconsin are authorized or obligated by law or executive order to close.

2.03 Place of Meeting. The Board of Directors or the Chairman of the Board, if any, may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual or special meeting of the shareholders. If no designation is made, the place of meeting shall be the principal business office of the corporation in the State of Wisconsin. Any meeting may be adjourned to reconvene at any place designated by the Board of Directors or the Chairman of the Board, if any.

2.04 Notice. Written or printed notice of every annual or special meeting of the shareholders, stating the place, date and time of such meeting shall be delivered not less than ten nor more than sixty days before the date of the meeting (unless a different period is required by the Wisconsin Business Corporation Law or the Articles of Incorporation), either personally or by mail, by or at the direction of the Board of Directors, the Chairman of the Board, if any, the



President or Secretary, to each shareholder of record entitled to vote at such meeting and to other shareholders as may be required by the Wisconsin Business Corporation Law. In the event of any Demand Special Meeting, such notice of meeting shall be sent not more than 30 days after the Delivery Date. Notices which are mailed shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his or her address as it appears on the stock record books of the corporation, with postage thereon prepaid. Unless otherwise required by the Wisconsin Business Corporation Law or the articles of incorporation of the corporation, a notice of an annual meeting need not include a description of the purpose for which the meeting is called. In the case of any special meeting, (a) the notice of meeting shall describe any business that the Board of Directors shall have theretofore determined to bring before the meeting and (b) in the case of a Demand Special Meeting, the notice of meeting (i) shall describe any business set forth in the statement of purpose of the demands received by the corporation in accordance with Section 2.02 of these bylaws and (ii) shall contain all of the information required in the notice received by the corporation in accordance with Section 2.12(b) of these bylaws. If an annual or special meeting of the shareholders is adjourned to a different place, date or time, the corporation shall not be required to give notice of the new place, date or time if the new place, date or time is announced at the meeting before adjournment; provided, however, that if a new record date for an adjourned meeting is or must be fixed, the corporation shall give notice of the adjourned meeting to persons who are shareholders as of the new record date.

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2.05 Fixing of Record Date. The Board of Directors may fix in advance a date not less than ten days and not more than seventy days prior to the date of any annual or special meeting of the shareholders as the record date for the purpose of determining shareholders entitled to notice of and to vote at such meeting. In the case of any Demand Special Meeting, (i) the meeting record date shall be not later than the 30th day after the Delivery Date and (ii) if the Board of Directors fails to fix the meeting record date within 30 days after the Delivery Date, then the close of business on such 30th day shall be the meeting record date. If no record date is fixed by the Board of Directors or by the Wisconsin Business Corporation Law for the determination of the shareholders entitled to notice of and to vote at a meeting of shareholders, the record date shall be the close of business on the day before the first notice is given to shareholders. The Board of Directors may also fix in advance a date as the record date for the purpose of determining shareholders entitled to demand a special meeting as contemplated by Section 2.02 of these bylaws, shareholders to take any other action or shareholders for any other purposes. Such record date shall not be more than seventy days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is fixed by the Board of Directors or by the Wisconsin Business Corporation Law for the determination of shareholders entitled to demand a special meeting as contemplated in Section 2.02 of these bylaws, the record date shall be the date that the first shareholder signs the demand. The record date for determining shareholders entitled to a distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation's shares) or a share dividend is the date on which the Board of Directors authorized the distribution or share dividend, as the case may be, unless the Board of Directors fixes a different record date. Except as provided by the Wisconsin Business Corporation Law for a court-ordered adjournment, a determination of shareholders entitled to notice of and to vote at a meeting of the shareholders is effective for any adjournment of such meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

2.06 Shareholder Lists. After a record date for a special or annual meeting of the shareholders has been fixed, the corporation shall prepare a list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of and number of shares held by each shareholder. Such list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder or his agent may, on written demand, inspect and, subject to the limitations imposed by the Wisconsin Business Corporation Law, copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection pursuant to this Section 2.06. The corporation shall make the shareholders' list available at the meeting and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the shareholders' list shall not affect the validity of any action taken at a meeting of the shareholders.

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2.07 Quorum and Voting Requirements; Postponements; Adjournments.

(a) Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. If at any time the corporation has only one class of common stock outstanding, such class shall constitute a separate voting group for purposes of this Section 2.07. Except as otherwise provided in the Articles of Incorporation, any bylaw adopted under authority granted in the Articles of Incorporation or by the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast on the matter shall constitute a quorum of the voting group for action on that matter. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting. If a quorum exists, except in the case of the election of directors, action on a matter shall be approved if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action, unless the Articles of Incorporation, any bylaw adopted under authority granted in the Articles of Incorporation or the Wisconsin Business Corporation Law requires a greater number of affirmative votes. Unless otherwise provided in the Articles of Incorporation, directors shall be elected by a plurality of the votes cast within the voting group entitled to vote in the election of such directors at a meeting at which a quorum is present. For purposes of this Section 2.08, "plurality" means that the individuals, who receive the largest number of votes cast, within the voting group entitled to vote in the election of such directors, are elected as directors up to the maximum number of directors to be chosen at the meeting by such voting group.

(b) The Board of Directors acting by resolution may postpone and reschedule any previously scheduled annual meeting or special meeting; provided, however, that a Demand Special Meeting shall not be postponed beyond the 100th day following the Delivery Date. Any annual meeting or special meeting may be adjourned from time to time, whether or not there is a quorum, (i) at any time, upon a resolution of shareholders if the votes cast in favor of such resolution by the holders of shares of each voting group entitled to vote on any matter theretofore properly brought before the meeting exceed the number of votes cast against such resolution by the holders of shares of each such voting group or (ii) at any time prior to the transaction of any business at such meeting, by the Chairman of the Board or pursuant to a resolution of the Board of Directors. No notice of the time and place of adjourned meetings need be given except as required by the Wisconsin Business Corporation Law. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified, provided that no business shall be transacted at such adjourned meeting on which any class of stock is entitled to be voted which class shall not have been permitted to participate in the vote to adjourn the meeting.

2.08 Proxies. At all meetings of the shareholders, a shareholder entitled to vote may vote either in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his or her attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the corporation authorized to tabulate votes. An appointment is valid for eleven months from the date of its signing unless a different period is expressly provided in the appointment form. Unless otherwise conspicuously stated on the appointment form, a proxy may be revoked at any time before it is voted, either by written notice delivered to the Secretary or other officer or agent of the corporation authorized to tabulate votes or by oral notice given by the shareholder to the presiding person during the meeting. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxies.

2.09 Conduct of Meetings. The Chairman of the Board shall call the meeting of the shareholders to order, shall act as chairman of the meeting and shall otherwise preside at the meeting. In the absence of the Chairman of the Board, a person designated by the Board of Directors shall preside. The person presiding at any meeting of the shareholders shall have the power to determine (i) whether and to what extent proxies presented at the meeting shall be recognized as valid, (ii) the procedure for tabulating votes at such meeting, (iii) procedures for the conduct of such meeting, and (iv) any questions which may be raised at such meeting. The person presiding at any meeting of the shareholders shall have the right to delegate any of the powers contemplated by this Section 2.09 to such other person or persons as the person presiding deems desirable. The Secretary of the corporation shall act as secretary of all meetings of shareholders, but, in the absence of the Secretary, the presiding person may appoint any other person to act as secretary of the meeting.

2.10 Acceptance of Instruments Showing Shareholder Action. If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

- (a) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity.
- (b) The name purports to be that of a personal representative, administrator, executor, guardian or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(c) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver or proxy appointment.

(e) Two or more persons are the shareholders as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.

The corporation may reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent of the corporation who is authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

2.11 Waiver of Notice by Shareholders. A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, contain the same information that would have been required in the notice under applicable provisions of the Wisconsin Business Corporation Law (except that the time and place of the meeting need not be stated) and be delivered to the corporation for inclusion in the corporate records. A shareholder's attendance at a meeting, in person or by proxy, waives objection to all of the following: (a) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly on arrival objects to holding the meeting or transaction business at the meeting; and (b) consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.12 Notice of Shareholder Business and Nomination of Directors.

(a) Annual Meetings.

(i) Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting (A) pursuant to the corporation's notice of meeting, (B) by or at the direction of the Board of Directors or (C) by any shareholder of the corporation who is a shareholder of record at the time of giving of notice provided for in this by-law and who is entitled to vote at the meeting and complies with the notice procedures set forth in this Section 2.12.

(ii) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of paragraph (a)(i) of this Section 2.12, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a shareholder's notice shall be received by the Secretary of the corporation at the principal offices of the corporation not earlier than the 90th day prior to the date of such annual meeting and not later than the close of business on the later of (x) the 60th day prior to such annual meeting and (y) the 10th day following the day on which public announcement of the date of such meeting is first made. Such shareholder's notice shall be signed by the shareholder of record who intends to make the nomination or introduce the other business (or his duly authorized proxy or other

representative), shall bear the date of signature of such shareholder (or proxy or other representative) and shall set forth: (A) the name and address, as they appear on this corporation's books, of such shareholder and the beneficial owner or owners, if any, on whose behalf the nomination or proposal is made; (B) the class and number of shares of the corporation which are beneficially owned by such shareholder or beneficial owner or owners; (C) a representation that such shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination or introduce the other business specified in the notice; (D) in the case of any proposed nomination for election or re-election as a director, (I) the name and residence address of the person or persons to be nominated, (II) a description of all arrangements or understandings between such shareholder or beneficial owner or owners and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by such shareholder, (III) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Exchange Act, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors and (IV) the written consent of each nominee to be named in a proxy statement and to serve as a director of the corporation if so elected; and (E) in the case of any other business that such shareholder proposes to bring before the meeting, (I) a brief description of the business desired to be brought before the meeting and, if such business includes a proposal to amend these bylaws, the language of the proposed amendment, (II) such shareholder's and beneficial owner's or owners' reasons for conducting such business at the meeting and (III) any material interest in such business of such shareholder and beneficial owner or owners.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Section 2.12 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least 60 days prior to the annual meeting, a shareholder's notice required by this Section 2.12 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

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(b) Special Meetings. Only such business shall be conducted at a special meeting as shall have been described in the notice of meeting sent to shareholders pursuant to Section 2.04 of these bylaws. Nominations of persons for election to the Board of Directors may be made at a special meeting at which directors are to be elected pursuant to such notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any shareholder of the corporation who (A) is a shareholder of record at the time of giving of such notice of meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures set forth in this Section 2.12. Any shareholder desiring to nominate persons for election to the Board of Directors at such a special meeting shall cause a written notice to be received by the Secretary of the corporation at the principal offices of the corporation not earlier than 90 days prior to such special meeting and not later than the close of business on the later of (x) the 60th day prior to such special meeting and (y) the 10th day following the day on which public announcement is first made of the date of such special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. Such written notice shall be signed by the shareholder of record who intends to make the nomination (or his duly authorized proxy or other representative), shall bear the date of signature of such shareholder (or proxy or other representative) and shall set forth: (A) the name and address, as they appear on the corporation's books, of such shareholder and the beneficial owner or owners, if any, on whose behalf the nomination is made; (B) the class and number of shares of the corporation which are beneficially owned by such shareholder or beneficial owner or owners; (C) a representation that such shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination specified in the notice; (D) the name and residence address of the person or persons to be nominated; (E) a description of all arrangements or understandings between such shareholder or beneficial owner or owners and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by such shareholder; (F) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Exchange Act, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors; and (G) the written consent of each nominee to be named in a proxy statement and to serve as a director of the corporation if so elected.

(c) General.

(i) Only persons who are nominated in accordance with the procedures set forth in this Section 2.12 shall be eligible to serve as directors. Only such business shall be conducted at an annual meeting or special meeting as shall have been brought before such meeting in accordance with the procedures set forth in this Section 2.12. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.12 and, if any proposed nomination or business is not in compliance with this Section 2.12, to declare that such defective proposal shall be disregarded.

(ii) For purposes of this Section 2.12, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

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(iii) Notwithstanding the foregoing provisions of this Section 2.12, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.12. Nothing in this Section 2.12 shall be deemed to limit the corporation's obligation to include shareholder proposals in its proxy statement if such inclusion is required by Rule 14a-8 under the Exchange Act.

## ARTICLE THREE

### Directors

3.01 General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the corporation's Board of Directors. In addition to the powers and authorities expressly conferred upon it by these bylaws, the Board of Directors may do all such lawful acts and things as are not by the Wisconsin Business Corporation Law, the Articles of Incorporation or these bylaws directed or required to be exercised or done by the shareholders.

3.02 Number of Directorship Positions; Chairman of the Board.

(a) Number of Directors. Except as otherwise provided in paragraph (c) of this Section 3.02, the number of directors of the corporation shall be six (6), or such other specific number as from time to time by resolution of the Board of Directors.

(b) Board of Directors' Power to Alter the Number of Directors. The Board of Directors shall have the power (subject to any limitations prescribed by the Articles of Incorporation) by a resolution adopted by not less than a majority of all directors serving on the Board of Directors at the time of such adoption to alter at any time and from time to time the number of total directorship positions on the Board of Directors. Upon the adoption of any resolution in the manner provided in the preceding sentence, the total number of directorship positions on the Board of Directors shall be equal to the number specified in such resolution. If the Board of Directors shall determine to reduce the number of directorship positions, then the term of each incumbent member shall end upon the election of directors at the next annual meeting of shareholders of the corporation and the persons elected to fill such reduced number of directorship positions shall be deemed to be the successors to all persons who shall have previously held such directorship positions.

(c) Default. In the event that the corporation is in Default (as defined in the Articles of Incorporation) in payment of dividends on the 13% Senior Preferred Stock, \$1.00 par value per share, of the corporation (the "Senior Preferred Stock") or any stock on a parity with the Senior Preferred Stock as to dividends and the holders of such stock become entitled to elect two directors pursuant to Article Five, paragraph A(2)(a)(iii) of the Articles of Incorporation, the number of total directorship positions on the Board of Directors shall increase by two effective as of the time that the holders of such stock elect two directors pursuant to Article Five, paragraph A(2)(a)(iii) of the Articles of Incorporation. When the Default is "cured" (as defined in the Articles of Incorporation) or there is no longer any Senior Preferred Stock or any stock on a parity with the Senior Preferred Stock outstanding, whichever occurs earlier, the two directors elected pursuant to Article Five, paragraph A(2)(a)(iii) of the Articles of Incorporation shall resign and the total number of directorship positions shall be decreased by two effective as of the date of the last such resignation.

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(d) Chairman of the Board. The Board of Directors may elect a director as the Chairman of the Board. The Chairman of the Board shall, when present, preside at all meetings of the shareholders and of the Board of Directors, may call meetings of the shareholders and the Board of Directors, shall advise and counsel with the management of the Company, and shall perform such other duties as set forth in these bylaws and as determined by the Board of Directors. Except as provided in this paragraph (d), the Chairman shall be neither an officer nor an employee of the corporation by virtue of his or her election and service as Chairman of the Board, provided, however, the Chairman may be an officer of the corporation. The Chairman may use the title Chairman or Chairman of the Board interchangeably. During the absence or disability of the Chief Executive Officer, or while that office is vacant, the Chairman shall exercise all of the powers and discharge all of the duties of the Chief Executive Officer.

(e) Vice Chairman of the Board. The Board of Directors may elect a director as Vice Chairman of the Board. Whenever the Chairman is unable to perform his duties for whatever reason, or whenever the Chairman requests that the Vice Chairman perform such duties on behalf of the Chairman, the Vice Chairman shall have full authority to preside at all meetings of the shareholders and of the Board of Directors, call meetings of the shareholders and the Board of Directors, advise and counsel the management of the Company, and assume such other duties as the Chairman is responsible to perform or as may be assigned to the Vice Chairman by the Chairman or the Board of Directors. The Vice Chairman shall be neither an officer nor an employee of the corporation (by virtue of his election and service as Vice Chairman of the Board) and may use the title Vice Chairman or Vice Chairman of the Board interchangeably.

3.03 Tenure and Qualifications. Each director shall hold office until the next annual meeting of the shareholders and until his successor shall have been elected and, if necessary, qualified, or until his prior death, resignation or removal. A director may be removed by the shareholders only at a meeting of the shareholders called for the purpose of removing the director, and the meeting notice shall state that the purpose, or one of the purposes, of the meeting is the removal of the director. A director may be removed from office with or without cause only by the voting group entitled to vote in the election of such director. A director shall be removed if the number of votes cast to remove the director exceeds the number of votes cast not to remove such director. Except for a direct lineal descendant of H.F. Johnson Jr., no person shall be eligible for election as a director after such person has attained the age of 70. Any director who is an officer, who ceases as an officer shall cease as a director, unless the board shall determine otherwise. A director may resign at any time by delivering written notice which complies with the Wisconsin Business Corporation Law to the Board of Directors, to the Chairman of the Board, if any, or to the corporation. A director's resignation is effective when the notice is delivered unless the notice specifies a later effective date. Directors need not be residents of the State of Wisconsin or shareholders of the corporation.

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3.04 Regular Meetings. The Board of Directors shall provide, by resolution, the date, time and place, either within or without the State of Wisconsin, for the holding of regular meetings of the Board of Directors without other notice than such resolution.

3.05 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, if any, or any three directors. The Chairman of the Board, if any, or the Chief Executive Officer at the direction of the Directors may fix the time, date and place, either within or without the State of Wisconsin, for holding any special meeting of the Board of Directors, and if no other place is fixed, the place of the meeting shall be the principal business office of the corporation in the State of Wisconsin.

3.06 Notice; Waiver. Notice of each special meeting of the Board of Directors shall be given (a) by oral notice delivered or communicated to the director by telephone or in person not less than twenty-four hours prior to the meeting or (b) by written notice delivered to the director in person, by telegram, teletype, facsimile or other form of wire or wireless communication, or by mail or private carrier, to each director at his business address or at such other address as the person sending such notice shall reasonably believe appropriate, in each case not less than forty-eight hours prior to the meeting. The notice need not prescribe the

purpose of the special meeting of the Board of Directors or the business to be transacted at such meeting. If given by telegram, such notice shall be deemed to be effective when the telegram is delivered to the telegraph company. If given by teletype, facsimile or other wire or wireless communication, such notice shall be deemed to be effective when transmitted. If mailed, such notice shall be deemed to be effective when deposited in the United States mail so addressed, with postage thereon prepaid. If given by private carrier, such notice shall be deemed to be effective when delivered to the private carrier. Whenever any notice whatever is required to be given to any director of the corporation under the Articles of Incorporation or these bylaws or any provision of the Wisconsin Business Corporation Law, a waiver thereof in writing, signed at any time, whether before or after the date and time of meeting, by the director entitled to such notice shall be deemed equivalent to the timely giving of such notice. The corporation shall retain any such waiver as part of the permanent corporate records. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

3.07 Quorum. Except as otherwise provided in the Articles of Incorporation or these bylaws or by the Wisconsin Business Corporation Law, directors holding a majority of the positions on the Board of Directors established pursuant to Section 3.02 of these bylaws shall constitute a quorum for transaction of business at any meeting of the Board of Directors. A majority of the directors present (though less than a quorum) may adjourn any meeting of the Board of Directors from time to time without further notice.

3.08 Manner of Acting. The affirmative vote of a majority of the directors present at a meeting of the Board of Directors at which a quorum is present shall be the act of the Board of Directors unless the Wisconsin Business Corporation Law, the Articles of Incorporation or these bylaws require the vote of a greater number of directors.

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3.09 Presumption of Assent. A director who is present and is announced as present at a meeting of the Board of Directors or any committee thereof created in accordance with Article IV of these bylaws, when corporate action is taken on a particular matter, assents to the action taken unless any of the following occurs: (a) the director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting; (b) the director dissents or abstains from an action taken and minutes of the meeting are prepared that show the director's dissent or abstention from the action taken; (c) the director delivers written notice that complies with the Wisconsin Business Corporation Law of his or her dissent or abstention from the action taken on the particular matter to the presiding person of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting; or (d) the director dissents or abstains from an action taken, minutes of the meeting are prepared that fail to show the director's dissent or abstention from the action taken, and the director delivers to the corporation a written notice of that failure that complies with the Wisconsin Business Corporation Law promptly after receiving the minutes. Such right of dissent or abstention shall not apply to a director who votes in favor of the action taken on the particular matter.

3.10 Action by Directors Without a Meeting. Any action required or permitted by the Articles of Incorporation, these bylaws or the Wisconsin Business Corporation Law to be taken at any meeting of the Board of Directors or any committee thereof created pursuant to Article IV of these bylaws may be taken without a meeting if the action is taken by all members of the Board of Directors or such committee, as the case may be. The action shall be evidenced by one or more written consents describing the action taken, signed by each director or committee member, as the case may be, and retained by the corporation. In the event one or more positions on the Board of Directors or any committee thereof shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board of Directors or of such committee, as the case may be, at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board of Directors or such committee, as the case may be.

3.11 Compensation. The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the corporation as directors or may delegate such authority to an appropriate committee of the Board of Directors. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee of the Board of Directors to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the corporation.

3.12 Telephonic Meetings. Except as herein provided and notwithstanding any place set forth in the notice of the meeting or these bylaws, members of the Board of Directors (and any committees thereof created pursuant to Article IV hereof) may participate in regular or special meetings by, or through the use of, any means of communication by which (a) all participants may simultaneously hear each other, such as by conference telephone, or (b) all communication is immediately transmitted to each participant, and each participant can immediately send messages to all other participants. If a meeting is conducted by such means, then at the commencement of such meeting the presiding person shall inform the participating directors that a meeting is taking place at which official business may be transacted. Any participant in a meeting by such means shall be deemed present in person at such meeting. Notwithstanding the foregoing, no action may be taken at any meeting held by such means on any particular matter which the presiding person determines, in his or her sole discretion, to be inappropriate under the circumstances for action at a meeting held by such means. Such determination shall be made and announced in advance of such meeting.

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3.13 Conduct of Meetings. The Chairman of the Board, if any, and in his or her absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order, shall act as chairman of the meeting and shall otherwise preside at the meeting. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding person may appoint any other person present to act as secretary of the meeting. Minutes of any regular or special meeting of the Board of Directors shall be prepared and distributed to each director.

## ARTICLE FOUR

### Committees of the Board of Directors

#### 4.01 General.

(a) Establishment. The Board of Directors by resolution adopted by the affirmative vote of a majority of all of the directors then in office pursuant to Section 3.02 of these bylaws may establish one or more committees, each committee to consist of two or more directors of this corporation elected by the Board of Directors. The term "Board Committee" as used in these bylaws means any committee comprised exclusively of directors of the corporation which is identified as a "Board Committee" either in these bylaws or in any resolutions adopted by the Board of Directors. The corporation

shall have an Executive Committee, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, each of which shall be a Board Committee.

(b) **Membership.** The Board of Directors by resolution adopted by the affirmative vote of a majority of all directors then in office shall have the power to: (i) establish the number of membership positions on each Board Committee from time to time and change the number of membership positions on such Committee from time to time, subject to any applicable law, regulation or listing standard; (ii) appoint any director to membership on any Board Committee who shall be willing to serve on such Committee, subject to any applicable law, regulation or listing standard; (iii) remove any person from membership on any Board Committee with or without cause; and (iv) appoint any director to membership on any Board Committee as an alternate member. A person's membership on any Board Committee shall automatically terminate when such person ceases to be a director of the corporation.

(c) **Powers.** Except as otherwise provided in Section 4.01(d) of these bylaws, each Board Committee shall have and may exercise all the powers and authority of the Board of Directors, when the Board of Directors is not in session, in the management of the business and affairs of the corporation to the extent (but only to the extent) such powers shall be expressly delegated to it by the Board of Directors or by these bylaws. Unless otherwise provided by the Board of Directors in creating the committee, a committee may employ counsel, accountants and other consultants to assist it in the exercise of its authority.

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(d) **Reserved Powers.** No Board Committee shall have the right or power to do any of the following: (i) authorize distributions; (ii) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires to be approved by shareholders; (iii) fill vacancies on the Board of Directors, or, unless the Board of Directors provides by resolution that vacancies on a committee shall be filled by the affirmative vote of a majority of the remaining committee members, on any Board Committee; (iv) amend the Articles of Incorporation; (v) adopt, amend or repeal these bylaws; (vi) approve a plan of merger not requiring shareholder approval; (vii) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; and (viii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee to do so within limits prescribed by the Board of Directors.

(e) **Vote Required.** Except as provided by the Wisconsin Business Corporation Law or in the Articles of Incorporation or these bylaws, the members holding at least a majority of the membership positions on any Board Committee shall constitute a quorum for purposes of any meeting of such committee. The affirmative vote of the majority of the members of a Board Committee present at any meeting of the Board Committee at which a quorum is present shall be necessary and sufficient to approve any action within the Board Committee's power, and any action so approved by such a majority shall be deemed to have been taken by the Board Committee and to be the act of such Board Committee.

(f) **Governance.** The Board of Directors may designate the person who is to serve as chairman of and preside over any Board Committee, and in the absence of any such designation by the Board of Directors, the members of the Board Committee may either designate one member of the Board Committee as its chairman to preside at any meeting or elect to operate without a chairman, except as otherwise required by these bylaws. Each Board Committee may appoint a secretary who need not be a member of the Committee or a member of the Board of Directors. Each Board Committee shall have the right to establish such rules and procedures governing its meetings and operations as such committee shall deem desirable provided such rules and procedures shall not be inconsistent with the Articles of Incorporation, these bylaws, or any direction to such committee issued by the Board of Directors.

(g) **Alternate Committee Members.** The Board of Directors may designate one or more directors as alternate members of any Board Committee, and any such director may replace any regular member of such Board Committee who for any reason is absent from a meeting of such Board Committee or is otherwise disqualified from serving on such Board Committee.

4.02 **Board Committee Charters.** The Board of Directors may adopt, and may amend from time to time, a charter for each Board Committee setting out the Committee's purpose, organization, responsibilities and authority. Each such charter shall comply with any applicable law, regulation or listing standard. The Board of Directors shall adopt a charter for the Executive Committee, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

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## ARTICLE FIVE

### Officers

5.01 **Number.** The principal officers of the corporation shall be appointed by the Board of Directors and shall consist of a Chief Executive Officer, President, Chief Operating Officer, one or more Vice Presidents, a Secretary and a Treasurer. Such other officers and assistant officers as may be deemed necessary or desirable may be appointed by the Board of Directors. The Chief Executive Officer must be a member of the Board of Directors, but no other officer need be a member of the Board of Directors. Any two or more offices may be held by the same person. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable, except the principal offices of Chief Executive Officer, President, Vice President, Treasurer and Secretary. The Board of Directors may authorize any officer to appoint one or more officers or assistant officers.

5.02 **Appointment and Term of Office.** The officers of the corporation to be appointed by the Board of Directors shall be appointed annually by the Board of Directors at its first meeting following the annual meeting of shareholders. If the appointment of officers shall not occur at such meeting, such appointment shall occur as soon thereafter as conveniently may be. Each officer shall hold office until the earlier of: (a) the time at which a successor is duly appointed and, if necessary, qualified, or (b) his or her death, resignation or removal as hereinafter provided. The Board of Directors shall have the right to enter into employment contracts providing for the employment of any officer for a term longer than one year, but no such contract shall preclude the Board of Directors from removing any person from any position with the corporation whenever in the judgment of the Board of Directors the best interests of the corporation would be served thereby.

5.03 Removal. The Board of Directors may remove any officer and, unless restricted by the Board of Directors or these bylaws, an officer may remove any officer appointed by that officer, at any time, with or without cause and notwithstanding the contract rights, if any, of the officer removed. The appointment of an officer does not of itself create contract rights.

5.04 Resignation. An officer may resign at any time by delivering notice to the corporation that complies with the Wisconsin Business Corporation Law. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date.

5.05 Vacancies. A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term. If a resignation of an officer is effective at a later date as contemplated by Section 5.04 of these bylaws, the Board of Directors may fill the pending vacancy before the effective date if the Board provides that the successor may not take office until the effective date.

5.06 General Powers of Officers. For purposes of these bylaws, the corporation's Chief Executive Officer, President and each Vice President shall be deemed to be a "senior officer". Whenever any resolution adopted by the corporation's shareholders, Board of Directors or Board Committee shall authorize the "proper" or "appropriate" officers of the corporation to execute any note, contract or other document or to take any other action or shall generally authorize any action without specifying the officer or officers authorized to take such action, any senior officer acting alone and without countersignatures may take such action on behalf of the corporation. Any officer of the corporation may on behalf of the corporation sign contracts, reports to governmental agencies, or other instruments which are in the regular course of business, except where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the corporation, or shall be required by the Wisconsin Business Corporation Law or other applicable law to be otherwise signed or executed.

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5.07 Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation. In general, he or she shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time.

5.08 The President. The President shall be the Chief Operating Officer of the corporation. He or she shall have such duties as may, from time to time, be prescribed by the Board of Directors or be delegated by the Chief Executive Officer. In the absence of the Chairman of the Board, the Vice Chairman of the Board or the Chief Executive Officer, the President shall preside at all meetings of the shareholders. During the absence or disability of the Chief Executive Officer, or while that office is vacant, the President shall exercise all the powers and discharge all of the duties of the Chief Executive Officer. During the absence or disability of the Chief Executive Officer and the President, or while those offices are vacant, the Chairman of the Board shall exercise all of the powers and discharge all of the duties of the Chief Executive Officer and the President. The Board of Directors may authorize the Chairman of the Board to appoint one or more officers or assistant officers to perform the duties of the Chief Executive Officer and the President during the absence or disability of the Chief Executive Officer and the President, or while those offices are vacant.

5.09 Chief Operating Officer. The Chief Operating Officer shall be the President. He or she shall be responsible for the daily operations of the corporation's business and shall have such other authority and duties as the Board of Directors or the Chief Executive Officer may prescribe. He or she shall report to the Chief Executive Officer if the Chief Executive Officer is not also serving as the Chief Operating Officer.

5.10 Vice Presidents. Each Vice President shall perform such duties and have such powers as the Board of Directors may from time to time prescribe. The Board of Directors may designate any Vice President as being senior in rank or degree of responsibility and may accord such a Vice President an appropriate title designating his senior rank such as "Executive Vice President" or "Senior Vice President" or "Group Vice President". The Board of Directors may assign a certain Vice President responsibility for a designated group, division or function of the corporation's business and add an appropriate descriptive designation to his title.

5.11 Secretary. The Secretary shall (subject to the control of the Board of Directors): (a) keep the minutes of the shareholders' and the Board of Directors' meetings in one or more books provided for that purpose (including records of actions taken without a meeting); (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by the Wisconsin Business Corporation Law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized; (d) maintain a record of the shareholders of the corporation in a form that permits preparation of a list of the names and address of all shareholders by class or series of shares and showing the number and class or series of shares held by each shareholder; (e) have general charge of the stock transfer books of the corporation; (f) supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any resolution adopted by the corporation's shareholders, Board of Directors or Board Committee, any corporate record or document, or other information concerning the corporation and its officers and certify on behalf of the corporation as to the accuracy and completeness of the resolution, record, document or information supplied; and (g) in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the President may from time to time prescribe.

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5.12 Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) maintain appropriate accounting records; (c) receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all such monies in the name of the corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and (d) in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President. The Treasurer shall give a bond if required by the Board of Directors for the faithful discharge of his duties in a sum and with one or more sureties satisfactory to the Board of Directors.

5.13 Assistant Secretaries and Assistant Treasurers. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize. The Assistant Secretaries may sign with the President or a Vice-President certificates for shares of the corporation, the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

5.14 Other Assistants and Acting Officers. The Board of Directors shall have the power to appoint, or to authorize any duly appointed officer of the corporation to appoint, any person to act as assistant to any officer, or as agent for the corporation in his or her stead, or to perform the duties of such officer

whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors or an authorized officer shall have the power to perform all the duties of the office to which he or she is so appointed to be an assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or the appointing officer.

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## ARTICLE SIX

### Contracts, Loans, Checks and Deposits

6.01 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the corporation shall be executed in the name of the corporation by the Chief Executive Officer, President or one of the Vice Presidents and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; the Secretary or an Assistant Secretary, when necessary or required, shall affix the corporate seal thereto; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

6.02 Loans. No indebtedness for borrowed money shall be contracted on behalf of the corporation and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

6.03 Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

6.04 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as may be selected by or under the authority of a resolution of the Board of directors.

6.05 Voting of Securities Owned by this Corporation. Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other corporation and owned or controlled by this corporation may be voted at any meeting of security holders of such other corporation by the Chief Executive Officer of this corporation, if he or she be present, or in his or her absence by the President or any Vice President of this corporation who may be present, and (b) whenever, in the judgment of the Chief Executive Officer, or in his or her absence, of the President or Vice President, it is desirable for this corporation to execute a proxy or written consent in respect to any share or other securities issued by any other corporation and owned by this corporation, such proxy or consent shall be executed in the name of this corporation by the Chief Executive Officer or the President or one of the Vice Presidents of this corporation, without necessity of any authorization by the Board of Directors, affixation of corporate seal, if any, or countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this corporation the same as such shares or other securities might be voted by this corporation.

6.06 No Nominee Procedures. The corporation has not established, and nothing in these bylaws shall be deemed to establish, any procedure by which a beneficial owner of the corporation's shares that are registered in the name of a nominee is recognized by the corporation as the shareholder under Section 180.0723 of the Wisconsin Business Corporation Law.

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6.07 Performance Bonds. The Chief Executive Officer and the Treasurer of the corporation, and any one of them, shall have the continuing authority to take all actions and to execute and deliver any and all documents or instruments (including, without limitation, reimbursement agreements and agreements of indemnity) in favor of such parties, in such amounts and on such terms and conditions as may be necessary or useful for the corporation or any of its direct or indirect subsidiaries to obtain performance bonds, surety bonds, completion bonds, guarantees, indemnities or similar assurances (collectively referred to as "Performance Bonds") from third parties as such officer shall, in his sole discretion, deem necessary or useful to facilitate and promote the business of the corporation or any of its subsidiaries; provided, however, that the contingent liability of the corporation with respect to Performance Bonds for the corporation's subsidiaries shall not exceed \$200,000 in any single transaction or \$1 million in the aggregate without the specific authorization of the Board of Directors. Any action taken or document or instrument executed and delivered by any such officer after December 31, 1993, that is within the scope of the authority granted in this Section 6.07 is hereby ratified, approved and confirmed. If any party shall require resolutions of the Board of Directors with respect to the approval of any actions of any officer of the corporation or documents or instruments related to the Performance Bonds and within the scope of and generally consistent with this Section 6.07, such resolutions shall be deemed to have been duly approved and adopted by the Board of Directors, and may be certified by the Secretary whenever approved by the Chief Executive Officer, President or the Treasurer, in his sole discretion, and a copy thereof has been inserted in the minute book of the corporation.

## ARTICLE SEVEN

### Corporate Stock

7.01 Certificates for Shares. Certificates representing shares of any class of stock issued by the corporation shall be in such form, consistent with the Wisconsin Business Corporation Law, as shall be determined by the Board of Directors. Such certificates shall be signed by the Chief Executive Officer, President or a Vice President and by the Secretary or an Assistant Secretary and shall be sealed with the seal, or a facsimile of the seal, of the corporation. If a certificate is countersigned by a transfer agent or registrar, other than the corporation itself or its employees, any other signature or countersignature on the certificate may be a facsimile. In case any officer of the corporation, or any officer or employee of the transfer agent or registrar who has signed or whose facsimile signature has been placed upon such certificate ceases to be an officer of the corporation, or an officer or employee of the transfer agent or registrar before such certificate is issued, the certificate may be issued by the corporation with the same effect as if the officer of the corporation, or the officer or employee of the transfer agent or registrar had not ceased to be such at the date of its issue. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled, and no new certificate shall be issued in replacement until the former certificate for a like number of



shares shall have been surrendered and canceled, except as otherwise provided in Section 7.04 of these bylaws with respect to lost, stolen or destroyed certificates.

7.02 Transfer Agent and Registrar. The Board of Directors may from time to time with respect to each class of stock issuable by the corporation appoint such transfer agents and registrars in such locations as it shall determine, and may, in its discretion, appoint a single entity to act in the capacity of both transfer agent and a registrar in any one location.

7.03 Transfers of Shares. Transfers of shares shall be made only on the books maintained by the corporation or a transfer agent appointed as contemplated by Section 7.02 of these bylaws at the request of the holder of record thereof or of his attorney, lawfully constituted in writing, and on surrender for cancellation of the certificate for such shares. Prior to due presentment of a certificate for shares for registration of transfer, the corporation may (but shall not be required to) treat the person in whose name corporate shares stand on the books of the corporation as the only person having any interest in such shares and as the only person having the right to receive dividends on and to vote such shares, and the corporation shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of the other person, whether or not it shall have express or other notice thereof. Where a certificate for shares is presented to the corporation or a transfer agent with a request to register for transfer, the corporation or the transfer agent, as the case may be, shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the corporation or the transfer agent had no duty to inquire into adverse claims or has discharged any such duty. The corporation or transfer agent may require reasonable assurance that such endorsements are genuine and effective and compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

7.04 Lost, Stolen or Destroyed Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the person requesting such new certificate or certificates, or his or her legal representative, to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

7.05 Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the corporation upon the transfer of such shares.

7.06 Consideration for Shares. The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed or other securities of the corporation. Before the corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for the shares to be issued is adequate. The determination of the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. The corporation may place in escrow shares issued in whole or in part for a contract for future services or benefits, a promissory note, or otherwise for property to be received in the future, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the benefits or property are received or the promissory note is paid. If the services are not performed, the benefits or property are not received or the promissory note is not paid, the corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

7.07 Stock Regulations. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the Wisconsin Business Corporation Law as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation.

## ARTICLE EIGHT

### General Provisions

8.01 Fiscal Year. The fiscal year of the corporation shall begin and end on such dates as the Board of Directors shall determine by resolution.

8.02 Seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Wisconsin." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

## ARTICLE NINE

### Amendments

9.01 By Directors. Except as otherwise provided by the Wisconsin Business Corporation Law or the Articles of Incorporation, these bylaws may be amended or repealed and new bylaws may be adopted by the Board of Directors at any meeting at which a quorum is in attendance; provided, however, that the shareholders in adopting, amending or repealing a particular bylaw may provide therein that the Board of Directors may not amend, repeal or readopt that bylaw.

9.02 By Shareholders. Except as otherwise provided in the Articles of Incorporation, these bylaws may also be amended or repealed and new bylaws may be adopted by the shareholders at any annual or special meeting of the shareholders at which a quorum is in attendance.

9.03 Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the bylaws then in effect but is taken or authorized by affirmative vote of not less than the number of votes or the number of directors required to amend the bylaws so that the bylaws would be consistent with such action, shall be given the same effect as though the bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

## ARTICLE TEN

### Indemnification

10.01 Certain Definitions. All capitalized terms used in this Article X and not otherwise hereinafter defined in this Section 10.01 shall have the meaning set forth in Section 180.0850 of the Statute. The following capitalized terms (including any plural forms thereof) used in this Article X shall be defined as follows:

- (a) “Affiliate” shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that, directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.
- (b) “Authority” shall mean the entity selected by the Director or Officer to determine his or her right to indemnification pursuant to Section 10.04.
- (c) “Board” shall mean the entire then elected and serving Board of Directors of the Corporation, including all members thereof who are Parties to the subject Proceeding or any related Proceeding.
- (d) “Breach of Duty” shall mean the Director or Officer breached or failed to perform his or her duties to the Corporation and his or her breach of or failure to perform those duties is determined, in accordance with Section 10.04, to constitute misconduct under Section 180.0851(2)(a) 1, 2, 3 or 4 of the Statute.
- (e) “Corporation,” as used herein and as defined in the Statute and incorporated by reference into the definitions of certain capitalized terms used herein, shall mean this Corporation, including, without limitation, any successor corporation or entity to the Corporation by way of merger, consolidation or acquisition of all or substantially all of the capital stock or assets of this Corporation.
- (f) “Director or Officer” shall have the meaning set forth in the Statute; provided, that, for purposes of this Article X, it shall be conclusively presumed that any Director or Officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an Affiliate shall be so serving at the request of the Corporation.
- (g) “Disinterested Quorum” shall mean a quorum of the Board who are not Parties to the subject Proceeding or any related Proceeding.
- (h) “Party” shall have the meaning set forth in the Statute; provided, that, for purposes of this Article X, the term “Party” shall also include any Director, Officer or employee who is or was a witness in a Proceeding at a time when he or she has not otherwise been formally named a Party thereto.
- (i) “Proceeding” shall have the meaning set forth in the Statute; provided, that, for purposes of this Article X, “Proceeding” shall include all Proceedings (i) brought under (in whole or in part) the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, their respective state counterparts, and/or any rule or regulation promulgated under any of the foregoing; (ii) brought before an Authority or otherwise to enforce rights hereunder; (iii) any appeal from a Proceeding; and (iv) any Proceeding in which the Director or Officer is a plaintiff or petitioner because he or she is a Director or Officer; provided, however, that such Proceeding is authorized by a majority vote of a Disinterested Quorum.

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(j) “Statute” shall mean Sections 180.0850 through 180.0859, inclusive, of the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statutes, including any amendments thereto, but, in the case of any such amendment, only to the extent such amendment permits or requires the Corporation to provide broader indemnification rights than the Statute permitted or required the Corporation to provide prior to such amendment.

10.02 Mandatory Indemnification. To the fullest extent permitted or required by the Statute, the Corporation shall indemnify a Director or Officer against all Liabilities incurred by or on behalf of such Director or Officer in connection with a Proceeding in which the Director or Officer is a Party because he or she is a Director or Officer.

10.03 Procedural Requirements.

- (a) A Director or Officer who seeks indemnification under Section 10.02 shall make a written request therefor to the Corporation. Subject to Section 10.03(b), within sixty days of the Corporation’s receipt of such request, the Corporation shall pay or reimburse the Director or Officer for the entire amount of Liabilities incurred by the Director or Officer in connection with the subject Proceeding (net of any Expenses previously advanced pursuant to Section 10.05).
- (b) No indemnification shall be required to be paid by the Corporation pursuant to Section 10.02 if, within such sixty-day period: (i) a Disinterested Quorum, by a majority vote thereof, determines that the Director or Officer requesting indemnification engaged in misconduct constituting a Breach of Duty; or (ii) a Disinterested Quorum cannot be obtained.
- (c) In either case of nonpayment pursuant to Section 10.03(b), the Board shall immediately authorize by resolution that an Authority, as provided in Section 10.04, determine whether the Director’s or Officer’s conduct constituted a Breach of Duty and, therefore, whether indemnification should be denied hereunder.
- (d) (i) If the Board does not authorize an Authority to determine the Director’s or Officer’s right to indemnification hereunder within such sixty-day period and/or (ii) if indemnification of the requested amount of Liabilities is paid by the Corporation, then it shall be conclusively presumed for all purposes that a Disinterested Quorum has determined that the Director or Officer did not engage in misconduct constituting a Breach of Duty and, in the

case of subsection (i) above (but not subsection (ii)), indemnification by the Corporation of the requested amount of Liabilities shall be paid to the Officer or Director immediately.

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10.04 Determination of Indemnification.

- (a) If the Board authorizes an Authority to determine a Director's or Officer's right to indemnification pursuant to Section 10.03, then the Director or Officer requesting indemnification shall have the absolute discretionary authority to select one of the following as such Authority:
- (i) An independent legal counsel; provided, that such counsel shall be mutually selected by such Director or Officer and by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board;
  - (ii) A panel of three arbitrators selected from the panels of arbitrators of the American Arbitration Association in Milwaukee, Wisconsin; provided, that (A) one arbitrator shall be selected by such Director or Officer, the second arbitrator shall be selected by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board, and the third arbitrator shall be selected by the two previously selected arbitrators; and (B) in all other respects, such panel shall be governed by the American Arbitration Association's then existing Commercial Arbitration Rules; or
  - (iii) A court pursuant to and in accordance with Section 180.0854 of the Statute.
- (b) In any such determination by the selected Authority there shall exist a rebuttable presumption that the Director's or Officer's conduct did not constitute a Breach of Duty and that indemnification against the requested amount of Liabilities is required. The burden of rebutting such a presumption by clear and convincing evidence shall be on the Corporation or such other party asserting that such indemnification should not be allowed.
- (c) The Authority shall make its determination within sixty days of being selected and shall submit a written opinion of its conclusion simultaneously to both the Corporation and the Director or Officer.
- (d) If the Authority determines that indemnification is required hereunder, the Corporation shall pay the entire requested amount of Liabilities (net of any Expenses previously advanced pursuant to Section 10.05), including interest thereon at a reasonable rate, as determined by the Authority, within ten days of receipt of the Authority's opinion; provided, that, if it is determined by the Authority that a Director or Officer is entitled to indemnification as to some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Corporation shall be required to pay (as set forth above) only the amount of such requested Liabilities as the Authority shall deem appropriate in light of all of the circumstances of such Proceeding.
- (e) The determination by the Authority that indemnification is required hereunder shall be binding upon the Corporation regardless of any prior determination that the Director or Officer engaged in a Breach of Duty.

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- (f) All Expenses incurred in the determination process under this Section 10.04 by either the Corporation or the Director or Officer, including, without limitation, all Expenses of the selected Authority, shall be paid by the Corporation.

10.05 Mandatory Allowance of Expenses.

- (a) The Corporation shall pay or reimburse, within ten days after the receipt of the Director's or Officer's written request therefor, the reasonable Expenses of the Director or Officer as such Expenses are incurred, provided the following conditions are satisfied:
- (i) The Director or Officer furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and
  - (ii) The Director or Officer furnishes to the Corporation an unsecured executed written agreement to repay any advances made under this Section 10.05 if it is ultimately determined by an Authority that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to Section 10.04.
- (b) If the Director or Officer must repay any previously advanced Expenses pursuant to this Section 10.05, such Director or Officer shall not be required to pay interest on such amounts.

10.06 Indemnification and Allowance of Expenses of Certain Others.

- (a) The Corporation shall indemnify a director or officer of an Affiliate (who is not otherwise serving as a Director or Officer) against all Liabilities, and shall advance the reasonable Expenses, incurred by such director or officer in a Proceeding to the same extent hereunder as if such director or officer incurred such Liabilities because he or she was a Director or Officer, if such director or officer is a Party thereto because he or she is or was a director or officer of the Affiliate.
- (b) The Corporation shall indemnify an employee who is not a Director or Officer, to the extent that he or she has been successful on the merits or otherwise in defense of a Proceeding, for all reasonable Expenses incurred in the Proceeding if the employee was a Party because he or she was an employee of the Corporation.

(c) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify (to the extent not otherwise provided in Section 10.06(b)) against Liabilities incurred by, and/or provide for the allowance of reasonable Expenses of, an authorized employee or agent of the Corporation acting within the scope of his or her duties as such and who is not otherwise a Director or Officer.

10.07 Insurance. The Corporation may purchase and maintain insurance on behalf of a Director or Officer or any individual who is or was an authorized employee or agent of the Corporation against any Liability asserted against or incurred by such individual in his or her capacity as such or arising from his or her status as such, regardless of whether the Corporation is required or permitted to indemnify against any such Liability under this Article X.

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10.08 Notice to the Corporation. A Director, Officer or employee shall promptly notify the Corporation in writing when he or she has actual knowledge of a Proceeding which may result in a claim of indemnification against Liabilities or allowance of Expenses hereunder, but the failure to do so shall not relieve the Corporation of any liability to the Director, Officer or employee hereunder unless the Corporation shall have been irreparably prejudiced by such failure (as determined, in the case of Directors and Officers only, by an Authority).

10.09 Severability. If any provision of this Article X shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article X contravene public policy, this Article X shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed by or on behalf of the Corporation, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable.

10.10 Nonexclusivity of Article X. The rights of a Director, Officer or employee (or any other person) granted under this Article X shall not be deemed exclusive of any other rights to indemnification against Liabilities or advancement of Expenses which the Director, Officer or employee (or such other person) may be entitled to under any written agreement, Board resolution, vote of shareholders of the Corporation or otherwise, including, without limitation, under the Statute. Nothing contained in this Article X shall be deemed to limit the Corporation's obligations to indemnify a Director, Officer or employee under the Statute.

10.11 Contractual Nature of Article X; Repeal or Limitation of Rights. This Article X shall be deemed to be a contract between the Corporation and each Director, Officer and employee of the Corporation and any repeal or other limitation of this Article X or any repeal or limitation of the Statute or any other applicable law shall not limit any rights of indemnification against Liabilities or allowance of Expenses then existing or arising out of events, acts or omissions occurring prior to such repeal or limitation, including, without limitation, the right of indemnification against Liabilities or allowance or Expenses for Proceedings commenced after such repeal or limitation to enforce this Article X with regard to acts, omissions or events arising prior to such repeal or limitation.

**AMENDMENTS TO BYLAWS OF  
JOHNSON OUTDOORS INC.  
Amended as of December 4, 2003**

**Article 4 was amended to read in its entirety as set forth below:**

**Article 4**

**Committees of the Board of Directors**

**4.01 General.**

(a) **Establishment.** The Board of Directors by resolution adopted by the affirmative vote of a majority of all of the directors then in office pursuant to Section 3.02 of these bylaws may establish one or more committees, each committee to consist of two or more directors of this corporation elected by the Board of Directors. The term "Board Committee" as used in these bylaws means any committee comprised exclusively of directors of the corporation which is identified as a "Board Committee" either in these bylaws or in any resolutions adopted by the Board of Directors. The corporation shall have an Executive Committee, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, each of which shall be a Board Committee.

(b) **Membership.** The Board of Directors by resolution adopted by the affirmative vote of a majority of all directors then in office shall have the power to: (i) establish the number of membership positions on each Board Committee from time to time and change the number of membership positions on such Committee from time to time, subject to any applicable law, regulation or listing standard; (ii) appoint any director to membership on any Board Committee who shall be willing to serve on such Committee, subject to any applicable law, regulation or listing standard; (iii) remove any person from membership on any Board Committee with or without cause; and (iv) appoint any director to membership on any Board Committee as an alternate member. A person's membership on any Board Committee shall automatically terminate when such person ceases to be a director of the corporation.

(c) **Powers.** Except as otherwise provided in Section 4.01(d) of these bylaws, each Board Committee shall have and may exercise all the powers and authority of the Board of Directors, when the Board of Directors is not in session, in the management of the business and affairs of the corporation to the extent (but only to the extent) such powers shall be expressly delegated to it by the Board of Directors or by these bylaws. Unless otherwise provided by the Board of Directors in creating the committee, a committee may employ counsel, accountants and other consultants to assist it in the exercise of its authority.

(d) **Reserved Powers.** No Board Committee shall have the right or power to do any of the following: (i) authorize distributions; (ii) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires to be approved by shareholders; (iii) fill vacancies on the Board of Directors, or, unless the Board of Directors provides by resolution that vacancies on a committee shall be filled by the affirmative vote of a majority of the remaining committee members, on any Board Committee; (iv) amend the Articles of Incorporation; (v) adopt, amend or repeal these bylaws; (vi) approve a plan of merger not requiring shareholder approval; (vii) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; and (viii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee to do so within limits prescribed by the Board of Directors.

(e) **Vote Required.** Except as provided by the Wisconsin Business Corporation Law or in the Articles of Incorporation or these bylaws, the members holding at least a majority of the membership positions on any Board Committee shall constitute a quorum for purposes of any meeting of such committee. The affirmative vote of the majority of the members of a Board Committee present at any meeting of the Board Committee at which a quorum is present shall be necessary and sufficient to approve any action within the Board Committee's power, and any action so approved by such a majority shall be deemed to have been taken by the Board Committee and to be the act of such Board Committee.

(f) **Governance.** The Board of Directors may designate the person who is to serve as chairman of and preside over any Board Committee, and in the absence of any such designation by the Board of Directors, the members of the Board Committee may either designate one member of the Board Committee as its chairman to preside at any meeting or elect to operate without a chairman, except as otherwise required by these bylaws. Each Board Committee may appoint a secretary who need not be a member of the Committee or a member of the Board of Directors. Each Board Committee shall have the right to establish such rules and procedures governing its meetings and operations as such committee shall deem desirable provided such rules and procedures shall not be inconsistent with the Articles of Incorporation, these bylaws, or any direction to such committee issued by the Board of Directors.

(g) **Alternate Committee Members.** The Board of Directors may designate one or more directors as alternate members of any Board Committee, and any such director may replace any regular member of such Board Committee who for any reason is absent from a meeting of such Board Committee or is otherwise disqualified from serving on such Board Committee.

**4.02 Board Committee Charters.** The Board of Directors may adopt, and may amend from time to time, a charter for each Board Committee setting out the Committee's purpose, organization, responsibilities and authority. Each such charter shall comply with any applicable law, regulation or listing standard. The Board of Directors shall adopt a charter for the Executive Committee, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

## JOHNSON OUTDOORS INC. AND SUBSIDIARIES

The following lists the principal direct and indirect subsidiaries of Johnson Outdoors Inc. as of October 3, 2003. Inactive subsidiaries are not presented.

Name of Subsidiary <sup>(1)(2)</sup>	Jurisdiction in which Incorporated
Johnson Outdoors Canada Inc.	Canada
Old Town Canoe Company	Delaware
Leisure Life Limited	Michigan
Extrasport, Inc.	Florida
Scubapro Scandinavia AB	Sweden
Under Sea Industries, Inc.	Delaware
JWA Holding B.V	Netherlands
Johnson Beteiligungsgesellschaft GmbH	Germany
Johnson Outdoors V GmbH	Germany
Scubapro Taucherauser GmbH	Germany
Uwatec AG	Switzerland
Uwatec USA, Inc.	Maine
Scubapro Asia Pacific Ltd. (3)	Hong Kong
Uwatec Batam	Indonesia
Scubapro Asia, Ltd.	Japan
Scubapro Espana, S.A.(4)	Spain
Scubapro Eu AG	Switzerland
Scubapro Europe Benelux, S.A	Belgium
Johnson Outdoors France	France
Scuba/Uwatec S.A	France
Scubapro Europe S.r.l	Italy
Scubapro Italy S.r.l	Italy
Scubapro (UK) Ltd.(5)	United Kingdom
Scubapro-Uwatec Australia Pty. Ltd.	Australia
Johnson Outdoors Watercraft UK	United Kingdom
Johnson Outdoors Watercraft Ltd.	New Zealand

(1) Unless otherwise indicated in brackets, each company does business only under its legal name.

(2) Unless otherwise indicated by footnote, each company is a wholly-owned subsidiary of Johnson Outdoors Inc. (through direct or indirect ownership).

(3) Percentage of stock owned is 60%.

(4) Percentage of stock owned is 98%.

(5) Percentage of stock owned is 99%.

**CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS**

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-19804, 33-19805, 33-35309, 33-50680, 33-52073, 33-54899, 33-59325, 33-61285, 333-88089, 333-88091, 333-84480, 333-84414 and 333-107354) pertaining to various employee benefit programs of Johnson Outdoors Inc. of our report dated November 14, 2003, except for Note 16 as to which the date is December 22, 2003, with respect to the consolidated financial statements of Johnson Outdoors Inc. included in the Annual Report on Form 10-K for the year ended October 3, 2003.

/s/ ERNST & YOUNG, LLP

Milwaukee, Wisconsin  
December 26, 2003

**Note Regarding Consent of Arthur Andersen LLP**

Johnson Outdoors Inc., a Wisconsin corporation (the "Company"), has included in its Annual Report on Form 10-K for the fiscal year ended October 3, 2003 (the "Annual Report") its consolidated financial statements for the year ended September 28, 2001 (the "2001 Financial Statements"), in reliance on the report of Arthur Andersen LLP ("Andersen"), independent public accountants, respecting the 2001 Financial Statements, which was given on the authority of Andersen as experts in auditing and accounting. Andersen has not consented to the incorporation by reference of their report for the 2001 Financial Statements into the Company's previously filed registration statements on Form S-8 under the Securities Act of 1933, as amended (the "Securities Act"), Registration Nos. 33-19804, 33-19805, 33-35309, 33-50680, 33-52073, 33-54899, 33-59325, 33-61285, 333-88089, 333-88091, 333-84480, 333-84414 and 333-107354, pertaining to various employee benefit programs of the Company (the "Registration Statements"). We have not filed Andersen's consent with the Annual Report in reliance on Rule 437a under the Securities Act. Andersen's failure to deliver its consent may limit recovery by purchasers of securities under the Registration Statements on certain claims. In particular, and without limitation, Andersen's failure to deliver its consent limits the ability of a purchaser of securities under the Registration Statements to sue Andersen under Section 11(a)(4) of the Securities Act for any untrue statements of a material fact contained in the 2001 Financial Statements or any omissions of a material fact required to be stated in the 2001 Financial Statements.



**Certification of Chief Executive Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a)  
under the Securities Exchange Act of 1934**

I, Helen P. Johnson-Leipold, certify that:

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

Date: December 22, 2003

By: /s/ Helen P. Johnson-Leipold

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Helen P. Johnson-Leipold  
Chairman and Chief Executive Officer

**Certification of Chief Financial Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a)  
under the Securities Exchange Act of 1934**

I, Paul A. Lehmann, certify that:

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

Date: December 22, 2003

By: /s/ Paul A. Lehmann

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Paul A. Lehmann  
Vice President and Chief Financial Officer

**Written Statement of the Chairman and Chief Executive Officer  
Pursuant to 18 U.S.C. §1350**

Solely for the purposes of complying with 18 U.S.C. §1350, I, the undersigned Chairman and Chief Executive Officer of Johnson Outdoors Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended October 3, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Helen P. Johnson-Leipold

Helen P. Johnson-Leipold  
Chairman and Chief Executive Officer

December 22, 2003

**Written Statement of the Vice President and Chief Financial Officer  
Pursuant to 18 U.S.C. §1350**

Solely for the purposes of complying with 18 U.S.C. §1350, I, the undersigned Vice President and Chief Financial Officer of Johnson Outdoors Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended October 3, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul A. Lehmann

Paul A. Lehmann  
Vice President and Chief Financial Officer

December 22, 2003