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Transforming Johnson Outdoors

Johnson Outdoors did more than survive the economic turmoil of 2009; we embarked on an all-encompassing strategic transformation, modifying our business model to significantly improve profitability and more effectively compete in a changed and challenging marketplace. Transformation efforts will continue through 2010.

Sharpening our focus and discipline, aggressively streamlining and simplifying, and emphasizing accountability, our new business model ensures:

- Increased efficiency in all aspects of the business
- Enhanced flexibility to address market demand
- A strong, healthy balance sheet

Although we are leaner and more agile, our commitment and capability to deliver winning products and services that bring meaningful value to our customers and consumers is stronger than ever. Our entire organization is energized and excited for the future.

Successful cost reduction

Still, we had to manage through 2009 – a year of unprecedented financial crisis for every business relying on consumer discretionary spending. Johnson Outdoors was better prepared than many, enabling us to make decisions and take actions quickly to meet the challenges ahead.

In December 2008 we announced aggressive cost-reduction plans, and I am pleased to report we surpassed every goal.

- Cost savings for 2009 exceeded the \$20 million target and include a 15 percent reduction in operating expense year-over-year, excluding the impact of goodwill impairment in 2008. At least 60 percent of these savings should continue into future periods.
- Working capital declined 25 percent year-over-year, surpassing our 12 percent target. Inventory control also improved, with all businesses reducing SKUs beyond the targeted 20 percent.
- Capital spending was down 33 percent year-over-year, exceeding our 26 percent goal.
- A new financial structure better reflects our business needs and is expected to reduce borrowing costs by 40 percent.

Successful cost reduction helped mitigate the impact of a 15.3 percent drop in net sales. Strategic portfolio management directed resources to sustain our leadership positions even as markets declined. And outstanding balance sheet management helped preserve shareholder value during the downturn.

Significant restructuring

Discipline and focus guided us in making the tough but necessary decisions—for example, combining leadership of Watercraft and Marine Electronics and consolidating Watercraft operations into one site in Old Town, Maine.

Completed ahead of schedule, the consolidation reduced overhead and infrastructure, turning a former distribution center into a state-of-the-art facility designed to make production even more efficient while cutting energy use 50 percent.

The benefits of this consolidation go beyond the projected \$4 million in annual savings. Combining management and sales teams maximized synergy, and provided customers with a single point of contact for all brands, making it easier to do business with us. And we're freeing resources to grow sales through exciting new products and targeted marketing programs.

In addition to streamlining operations, corporate expense was reduced 27 percent, including a permanent staff reduction of 15 percent.

Competing in the new normal

Our transformational plans are a vital strategy for winning in today's challenging marketplace, predicated on the fundamental reality that an economic rebound will not mean a return to the way things were.

In the "new normal," customers and vendors will keep inventories as low as possible. Retailers will carry only the most popular, most profitable products. Consumers will weigh purchase decisions against stringent price/value expectations. Competitors will fight for share in constricted markets.

The implications for Johnson Outdoors are clear. We must:

- Continue to streamline, focus and simplify, driving greater efficiency to achieve strong profitability.
- Deliver value relevant to price, along with targeted, meaningful innovation.
- Free up working capital and reduce cost of goods, shifting where appropriate to "make-to-order" manufacturing.
- Provide added-value customer service that enhances our competitive position.

Drawing on the outstanding capabilities and the extraordinary passion of our talented people, we are prepared to achieve these objectives.

Looking ahead

People continue to enjoy the outdoors in growing numbers, and we believe that the industry will begin a slow recovery in 2010. Of course, no one has a crystal ball—but whether the economy is good or bad, we firmly believe Johnson Outdoors is better positioned than ever before to deliver sustained profitability and enhanced shareholder value.

Our business model recognizes and leverages our core strengths; our three-year plan uses our assets to the fullest. We are moving forward with the same sense of urgency, team spirit and focus that kept us going through 2009, when other companies faltered.

The transformation of Johnson Outdoors has already produced significant results, and we look forward to a stronger, better future.

A handwritten signature in black ink, reading "Helen Johnson-Leipold". The signature is written in a cursive, flowing style.

Helen Johnson-Leipold
Chairman & Chief Executive Officer

Johnson Outdoors Family of Brands:

Eureka![®] · Silva[®] · Minnkota[®] · Humminbird[®] · Cannon[®] · Geonav · Scubapro[®] · Uwatec[®] · Old Town[®]
Necky Kayak[™] · Ocean Kayak[™] · Extrasport[®] · Carlisle[®] · Seaman[™]