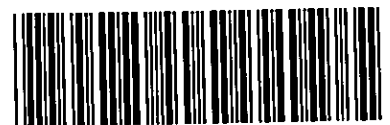


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**SCOTT Sports SA, Givisiez**  
**Report of the Statutory Auditors**  
**to the General Meeting**  
Financial Statements August 31, 2008

WEDNESDAY



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COMPANIES HOUSE



**KPMG SA**  
**Audit**  
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Report of the Statutory Auditors to the General Meeting of  
**SCOTT Sports SA, Givisiez**

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As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of retained earnings and notes) of SCOTT Sports SA for the year ended August 31, 2008.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

KPMG SA

Stéphane Gard  
*Auditor in Charge*

Myriam Roulin

Fribourg, December 17, 2008

*Enclosure:*

- Financial statements (balance sheet, income statement, statement of retained earnings and notes)
- Proposed appropriation of available earnings

## SCOTT SPORTS SA

BALANCE SHEETS AS OF AUGUST 31,  
(Currency - Swiss Francs)

	2008	2007
<b>ASSETS</b>		
<b>CURRENT ASSETS :</b>		
Cash and securities	24'832'619	3'259'321
Accounts receivable		
- Trade	33'161'556	23'165'087
- Allowance for doubtful accounts	(4'347'817)	(2'193'686)
<i>Total trade receivable</i>	28'813'739	20'971'401
- Group	15'685'838	12'782'826
- Shareholders	24'597'012	28'800'000
- Other	84'749	43'098
- Taxes receivable	39'887	35'724
<i>Total accounts receivable</i>	69'221'225	62'633'049
Inventories, net of reserve of CHF 26'542'436 (2007: CHF 19'342'436)	49'243'296	32'936'867
Prepaid expenses	2'341'738	1'613'946
<i>Total current assets</i>	145'638'878	100'443'183
<b>NON-CURRENT ASSETS :</b>		
Investment in subsidiaries	6'250'158	6'250'158
Fixed assets, at cost	39'067'902	37'651'324
Less- accumulated depreciation	(22'029'670)	(21'494'279)
<i>Total net fixed assets</i>	17'038'232	16'157'045
Goodwill	3'924'070	3'924'070
Less- accumulated depreciation	(3'644'254)	(2'994'361)
<i>Total goodwill</i>	279'816	929'709
Patent	370'594	204'164
Less- accumulated depreciation	(197'237)	(81'665)
<i>Total patent</i>	173'357	122'499
<i>Total non-current assets</i>	23'741'563	23'459'411
<i>Total assets</i>	169'380'441	123'902'594

## SCOTT SPORTS SA

BALANCE SHEETS AS OF AUGUST 31,  
(Currency - Swiss Francs)

	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES :</b>		
Bank Borrowings	45'379'209	15'169'400
Current portion long-term debt	662'086	395'000
Accounts payable		
- Trade	35'956'596	28'407'488
- Group	2'811'417	4'448'996
<i>Total accounts payable</i>	<u>38'768'013</u>	<u>32'856'484</u>
Accrued expenses	7'877'755	6'122'428
Accrued taxes	1'180'323	512'195
<i>Total current liabilities</i>	<u>93'867'386</u>	<u>55'055'507</u>
<b>NON-CURRENT LIABILITIES :</b>		
Long-term debt	6'360'779	7'259'826
<i>Total non-current liabilities</i>	<u>6'360'779</u>	<u>7'259'826</u>
<b>SHAREHOLDER'S EQUITY :</b>		
Share capital	6'000'000	6'000'000
Legal reserve	1'887'200	1'887'200
Retained earnings	61'265'076	53'700'061
<i>Total shareholder's Equity</i>	<u>69'152'276</u>	<u>61'587'261</u>
<i>Total liabilities and shareholder's Equity</i>	<u>169'380'441</u>	<u>123'902'594</u>

SCOTT SPORTS SA  
STATEMENT OF INCOME  
FOR THE YEARS ENDED AUGUST 31,  
(Currency - Swiss Francs)

	<u>2008</u>	<u>2007</u>
Net Sales	335'737'708	298'967'203
Cost of Sales	(255'271'251)	(230'320'117)
<i>Gross profit</i>	<u>80'466'457</u>	<u>68'647'086</u>
EXPENSES:		
Personnel	(21'029'499)	(20'879'715)
Advertising and product development	(23'741'295)	(22'177'754)
Professional fees and management fees	(10'495'189)	(10'451'874)
Depreciation for G&A related fixed assets	(1'758'812)	(1'952'677)
Depreciation for G&A related intangible assets	(197'237)	(81'665)
Office rent, telephone, postage	(2'910'953)	(2'544'080)
Travel and representation	(314'652)	(260'839)
Repair and maintenance	(1'180'013)	(967'932)
<i>Total expenses</i>	<u>(61'627'650)</u>	<u>(59'316'536)</u>
<i>Income from operations</i>	<u>18'838'807</u>	<u>9'330'550</u>
OTHER INCOME / (EXPENSE) :		
Interest income	310'935	163'039
Interest expense	(4'170'585)	(3'402'192)
Exchange differences	(6'365'853)	(2'046'102)
Other income	548'599	512'720
Other expense	(88'604)	(247'080)
Gain on sale of fixed assets	22'491	137'297
<i>Total other expenses</i>	<u>(9'743'017)</u>	<u>(4'882'318)</u>
<i>Income before taxes</i>	<u>9'095'790</u>	<u>4'448'232</u>
TAXES	(1'971'153)	(604'209)
<i>Net income</i>	<u><u>7'124'637</u></u>	<u><u>3'844'023</u></u>

SCOTT SPORTS SA

STATEMENT OF RETAINED EARNINGS  
FOR THE YEARS ENDED AUGUST 31,  
(Currency - Swiss Francs)

	<u>2008</u>	<u>2007</u>
RETAINED EARNINGS		
Balance, beginning of the year	53'700'061	50'434'713
Translation adjustment	440'378	(578'675)
Net income	7'124'637	3'844'023
<i>Balance, end of the year</i>	<u>61'265'076</u>	<u>53'700'061</u>

## SCOTT Sports S.A.

### NOTES TO FINANCIAL STATEMENTS AS OF AUGUST 31, 2008

#### 1. Operations

The Company sells mountain bikes, skipoles, skigoggles, skis, motorcycle-goggles, sunglasses and certain other leisure equipment and accessories through its own sales branches in Europe and to independent distributors.

As of September 1, 1998, SSG (Europe) SA was merged with SSG Holdings SA, without any increase in capital. Its name was then changed to SCOTT Sports S.A.

#### 2. Investments

Investments in the following subsidiaries are stated at cost :

Subsidiaries	Owned in %	2008 CHF	Owned in %	2007 CHF
S.P.F. S.p.A., Aosta, Italy	100	3'600'000	100	3'600'000
Scott Sportech Benelux, N.V., Kortenberg, Belgium	19	110'094	19	110'094
Ed Scott Sports Group Svenska AB, Uppsala, Sweden	100	2'535'450	100	2'535'450
Acerbis UK Ltd LUTON BEDS, UK	19	4'614		4'614
		<u>6'250'158</u>		<u>6'250'158</u>

#### 3. Inventories

Inventories are stated at cost. Manufactured inventories are assembled to a large extent by contractors and primarily consist of mountain bikes, ski and motorcycle goggles, skipoles and skis. Specific and general reserves are provided on inventory balances.

#### 4. Fixed assets

Fixed assets include land, a building, machinery and equipment, furniture and fixtures, computer equipment and cars. The depreciation is computed on the straight-line basis over the estimated useful lives. The following depreciation rates are used :

• Building	3.33% p.a.
• Machinery and equipment	20% p.a.
• Furniture and fixtures	20% p.a.
• Computer hardware & software	33% p.a.
• Cars	33% p.a.

Expenditures for maintenance and repairs are charged to the statement of income as incurred.

As of the balance sheet date, the Company had insured its fixed assets against fire for a total of CHF 39'290'005 as of August 31, 2008 and CHF 38'115'663 as of August 31, 2007.

#### 5. Intangible assets

The depreciation is computed on the straight-line basis over the estimated useful lives. The following depreciation rate is used :

• Goodwill in Switzerland	20% p.a.
• Goodwill in Germany and Austria	10% p.a.
• Patents	40% p.a.

#### 6. Legal reserve

	2008 CHF	2007 CHF
Capital surplus	687'200	687'200
General reserve	1'200'000	1'200'000
	<u>1'887'200</u>	<u>1'887'200</u>



## 7. Depreciation

Total depreciation expense amounts to CHF 4'641'863 (2007 : CHF 4'794'771).

	2008	2007
	CHF	CHF
Depreciation for G&A related fixed assets	1'758'812	1'952'677
Depreciation for G&A related intangible assets	197'237	81'665
Depreciation included in cost of sales	2'387'394	2'450'952
Depreciation included in advertising	298'420	309'477
	<u>4'641'863</u>	<u>4'794'771</u>

## 8. Income taxes

The Company is liable for income and capital taxes. In Switzerland the Company is taxed based on its income from domestic operations only. The foreign branches are taxed in their respective countries based on their local contribution to the Company's net result. For financial reporting purposes the Company has accrued all income taxes which will be levied based on the net income reported as of August 31, 2008.

## 9. Foreign currency

The Group's operations are conducted in numerous currencies. The Group manages its foreign currency exposures through a combination of natural hedging and the use of forward exchange contracts. The Company generally enters into these forward contracts to hedge positions for up to twelve months.

At August 31, 2008, the Company had foreign exchange contracts for a total value of CHF 114.9 million (2007 : CHF 46.4 million). The Company has unrealized gains relating to these contracts of approximately CHF 2'314'337 at August 31, 2008 and of approximately CHF 178'993 at August 31, 2007.

## 10. Transactions with the group

### a. Group accounts receivable

These accounts receivable reflect trade receivables due from group companies for transactions entered into in the normal course of business.

### b. Royalties

Cost of sales includes royalties to Scott USA, Ltd of CHF 4'674'412 for the period ended August 31, 2008 and of CHF 4'217'832 for the period ended August 31, 2007.

## **11. Credit lines**

The credit arrangements include the following conditions and covenants :

- Maximum availability under the credit line of CHF 120'000'000 (2007 : CHF 75'000'000) ; including seasonal credit line of CHF 55'000'000 (2007 : CHF 35'000'000).
- Pledge of all accounts receivable in favour of the bank.
- The company has signed a negative pledge agreement with the Bank in which SCOTT Sports SA agrees not to pledge any assets in favor of any other third party.
- Pledge of the shares of SCOTT Sports S.A. to the bank.
- The distribution of dividend is subject to the approval of the Company's bank under the line of credit agreement.

## **12. Contingent Liabilities**

- Irrevocable standby letters of credit amounting to CHF 1'095'600 (2007 : CHF 1'564'030) was issued to guarantee banking facilities to a supplier.
- SCOTT SPORTS SA has open guarantees amounting to CHF 2'122'405 (2007 : CHF 2'160'017) mainly for customs clearing and rent.
- SCOTT Sports SA acts as a guarantor on a leasing commitment taken by SSG (Europe) Distribution Center N.V. Aubange, Belgium in the amount of CHF 6.6 million (2007 : CHF 7.2 million) for a new distribution warehouse.

## **13. Long-term debt**

The long term debt of CHF 2'900'000 (2007 : CHF 3'200'000) is secured by the building and land in Switzerland to the extent of CHF 6'350'036 (net book value). The repayment of the mortgage is scheduled in installments of CHF 300'000 per year.

The long term debt of CHF 3'461'049 (2007 : CHF 4'059'826) is secured by the building and land in France to the extent of CHF 4'918'670 (2007 : CHF 4'517'759) (net book value). The repayment of the mortgage is scheduled in installments of CHF 362'114 per year.

## **14. Leasing Commitment**

At August 31, 2008 the company had lease commitments that were not recorded in the balance sheet for a total of CHF 2'233'640 (2007 : CHF 2'155'501).

**SCOTT Sports S.A.**

**PROPOSED APPROPRIATION OF AVAILABLE EARNINGS  
AS OF AUGUST 31, 2008**

The Board of Directors proposes to allocate the balance of retained earnings of CHF 61'265'076 as follows :

To be carried forward CHF 61'265'076