

# THE FOOTWEAR INDUSTRY REPORT

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INDUSTRY 7

Friday, April 29, 2005

YEAR 20

## COMPANY SCORES : INVESTOR EXPECTATIONS STANDARD

Investors and company boards of directors have established annual targets for five key performance measures and the importance weighting of each: EPS (20 points), ROE (20 points), Stock Price (20 points), Credit Rating (20 points), and Image Rating (20 points). The score on a performance measure is equal to the percentage of the target that was achieved. Achieving higher than targeted performance results in bonus awards of 0.5% for each 1% overachieved (capped at 40% over the target). Thus, the Investor Confidence Index ranges from 0 to a max of 120 (if all targets are exceeded by 40% or more).

### YEAR 20 INVESTOR CONFIDENCE INDEX

Company Name	Year 20 Index	Change from Y19
Krusty Kicks	119	+14
Footworks by Edson	118	+11
Jetfighter	110	+46
BadPeople	110	-1
Halos Inc.	107	+13
DeFeet Athletics	106	+74
Inspire	101	+33
Envy	97	+17
Gellin	92	+41
Challenger Footwear	68	-20
A (deleted)	0	0

### OVERALL INVESTOR CONFIDENCE AVERAGE

Company Name	G-T-D Index	Change from Y19
Footworks by Edson	100	+2
Krusty Kicks	100	+2
BadPeople	98	+1
Jetfighter	91	+3
Envy	83	+2
DeFeet Athletics	82	+3
Gellin	74	+2
Inspire	70	+3
Challenger Footwear	64	+1
Halos Inc.	62	+5
A (deleted)	0	0

## COMPANY SCORES : BEST-IN-INDUSTRY PERFORMANCE STANDARD

This scoring standard is based on how well each company performs relative to the best-performing company on EPS, ROE, Stock Price, Credit Rating, and Image Rating. In order to get a score of 100, a company must be the industry leader on all 5 measures, achieve the investor expectations on EPS, ROE, Stock Price, and Image Rating, and have an A+ Credit Rating. Scores of 70 and higher indicate strong overall performance; companies with low scores (<50) trail the industry leaders by a significant margin. Each company's annual and overall scores are shown on the next two pages.

### YEAR 20 PERFORMANCE RANKINGS

Company Name	Year 20 Score	Change from Y19
Krusty Kicks	94	+17
Footworks by Edson	90	+2
Halos Inc.	66	-2
BadPeople	64	-17
DeFeet Athletics	62	+40
Jetfighter	61	+15
Envy	54	-4
Inspire	53	+4
Gellin	50	+12
Challenger Footwear	35	-24
A (deleted)	0	0

### GAME-TO-DATE PERFORMANCE RANKINGS

Company Name	G-T-D Score	Change from Y19
Krusty Kicks	97	+6
Footworks by Edson	92	+6
BadPeople	74	-7
Jetfighter	67	+7
DeFeet Athletics	61	+16
Envy	61	-4
Halos Inc.	60	+4
Gellin	56	+8
Inspire	52	-1
Challenger Footwear	41	-15
A (deleted)	0	0

**EARNINGS PER SHARE (\$)**

Bold numbers indicate achievement of the investor expectation for EPS shown below each column head. Best-in-industry performers earn a score of 20 (equal to a 20% weighting in overall score). Scores of other companies are a percentage of the industry-leading EPS performance. The overall best-in-industry score is based on a weighted average of the annual EPS performances.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Overall	Best-In-Ind. Score		
	(2.67)	(2.85)	(3.05)	(3.26)	(3.49)	(3.66)	(3.84)	(4.03)	(4.23)	(4.44)	(3.55)	Year 20	Overall	
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	A
B	<b>3.46</b>	<b>3.68</b>	3.03	<b>3.34</b>	3.31	2.75	3.39	<b>5.54</b>	<b>5.67</b>	<b>6.84</b>	<b>4.02</b>	9	14	B
C	0.10	2.69	<b>3.17</b>	1.90	0.40	1.33	1.66	1.79	3.74	2.89	1.89	4	7	C
D	<b>3.64</b>	2.73	<b>3.29</b>	2.84	3.21	<b>3.94</b>	2.32	2.13	0.62	<b>6.40</b>	3.11	8	11	D
E	<b>3.37</b>	<b>2.85</b>	3.03	2.35	1.22	1.23	2.72	2.43	2.40	3.86	2.51	5	9	E
F	2.39	<b>3.20</b>	2.68	2.90	<b>4.79</b>	<b>3.77</b>	<b>7.78</b>	<b>5.28</b>	<b>7.13</b>	<b>10.97</b>	<b>4.91</b>	14	17	F
G	1.66	<b>4.10</b>	<b>5.05</b>	<b>3.98</b>	2.56	1.76	2.02	1.62	2.00	4.40	2.85	6	10	G
H	2.13	-1.72	1.11	0.46	2.37	1.99	1.26	1.63	3.70	<b>5.60</b>	1.86	7	6	H
I	1.66	0.79	1.27	2.44	3.12	2.72	1.09	1.18	1.84	<b>5.30</b>	1.97	7	7	I
J	<b>4.14</b>	<b>3.12</b>	<b>4.15</b>	<b>3.26</b>	2.84	2.79	3.14	2.41	2.33	<b>6.74</b>	3.42	9	12	J
K	<b>4.67</b>	2.29	<b>3.61</b>	0.90	3.03	<b>6.67</b>	<b>7.91</b>	<b>10.08</b>	<b>5.47</b>	<b>15.52</b>	<b>5.73</b>	<b>20</b>	<b>20</b>	K

**RETURN ON EQUITY (%)**

Bold numbers indicate achievement of the investor expectation for ROE shown below each column head. Best-in-industry performers earn a score of 20 (equal to a 20% weighting in overall score). Scores of other companies are a percentage of the industry-leading ROE performance. The overall best-in-industry score is based on a weighted average of the annual ROE performances.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Overall	Best-In-Ind. Score		
	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	Year 20	Overall	
A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	A
B	<b>20.5</b>	<b>18.7</b>	12.0	11.8	10.0	11.7	12.7	<b>19.0</b>	<b>17.1</b>	<b>18.7</b>	14.7	12	16	B
C	0.7	<b>16.8</b>	<b>16.2</b>	9.5	1.9	6.7	8.0	7.8	12.3	12.5	9.2	8	10	C
D	<b>23.4</b>	<b>20.6</b>	<b>22.1</b>	<b>16.8</b>	13.5	<b>15.8</b>	10.0	9.1	2.7	<b>27.7</b>	<b>15.3</b>	18	16	D
E	<b>20.6</b>	<b>15.9</b>	<b>15.9</b>	11.3	5.1	5.0	10.7	9.1	8.6	12.3	10.4	8	11	E
F	<b>15.1</b>	<b>18.2</b>	13.7	13.7	<b>19.9</b>	13.8	<b>24.4</b>	<b>15.4</b>	<b>21.8</b>	<b>30.4</b>	<b>18.7</b>	<b>20</b>	<b>20</b>	F
G	10.7	<b>21.2</b>	<b>24.2</b>	<b>15.1</b>	7.5	4.9	5.0	3.9	4.6	9.2	8.6	6	9	G
H	13.6	-12.2	10.2	4.7	<b>23.3</b>	<b>16.4</b>	9.5	11.7	<b>23.7</b>	<b>29.9</b>	13.6	<b>20</b>	15	H
I	10.7	5.0	7.8	13.5	<b>15.0</b>	11.4	5.3	4.7	7.2	<b>17.1</b>	9.3	11	10	I
J	<b>24.1</b>	<b>16.5</b>	<b>21.7</b>	<b>15.3</b>	10.9	9.8	10.0	7.3	6.7	14.1	11.9	9	13	J
K	<b>30.6</b>	<b>18.1</b>	<b>21.2</b>	3.9	11.3	<b>20.1</b>	<b>21.2</b>	<b>20.8</b>	9.8	<b>23.3</b>	<b>16.6</b>	15	18	K

**STOCK PRICE (\$ per share)**

Bold numbers indicate achievement of the investor expectation for stock price shown below each column head. Best-in-industry performers earn a score of 20 (which equals a 20% weighting in overall score). Scores of other companies are a percentage of the industry-leading stock price. The overall best-in-industry score is based solely on the most recent year's stock price.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Avg Annual Change	Best-In-Ind. Score		
	(32.00)	(34.25)	(36.75)	(39.25)	(42.00)	(44.25)	(46.25)	(48.75)	(51.25)	(53.50)		Year 20	Overall	
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0 %	0	0	A
B	<b>44.13</b>	<b>50.41</b>	31.99	34.70	39.71	30.43	37.55	<b>100.02</b>	<b>79.80</b>	<b>120.19</b>	+15	12	12	B
C	16.63	28.94	<b>37.06</b>	23.76	14.29	11.29	14.59	19.82	44.04	35.72	+2	4	4	C
D	<b>71.65</b>	33.45	<b>44.67</b>	28.32	34.34	<b>53.32</b>	26.84	22.79	13.43	<b>67.93</b>	+9	7	7	D
E	<b>65.95</b>	<b>37.97</b>	<b>37.90</b>	22.70	13.22	11.53	32.41	30.34	32.12	52.00	+6	5	5	E
F	30.58	<b>47.25</b>	30.88	33.69	<b>64.01</b>	42.59	<b>125.27</b>	<b>59.64</b>	<b>95.15</b>	<b>170.23</b>	+19	18	18	F
G	16.77	<b>56.60</b>	<b>73.77</b>	<b>51.95</b>	27.86	16.70	16.58	13.92	19.84	<b>66.14</b>	+8	7	7	G
H	23.94	13.64	10.29	6.85	26.00	20.84	13.39	17.52	<b>55.90</b>	<b>103.67</b>	+13	11	11	H
I	16.98	10.57	10.66	26.70	38.47	30.50	17.14	11.58	19.96	<b>80.38</b>	+10	8	8	I
J	<b>69.06</b>	<b>37.64</b>	<b>52.30</b>	36.65	28.52	29.35	29.91	23.17	22.42	<b>90.34</b>	+12	9	9	J
K	<b>100.87</b>	<b>40.69</b>	<b>45.73</b>	24.30	34.13	<b>117.25</b>	<b>151.24</b>	<b>192.17</b>	<b>76.95</b>	<b>192.97</b>	+21 %	<b>20</b>	<b>20</b>	K

**CREDIT RATING**

Bolded credit ratings indicate meeting or beating the B+ investor expectation shown below each column head. For the best-in-industry scoring, companies with an A+ credit rating earn a score of 20 (which equals a 20% weighting in overall score). Lesser credit ratings earn lower scores. The overall best-in-industry score is based solely on the most recent year's credit rating.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Default Risk	Best-In-Ind. Score		
	(B+)	(B+)	(B+)	(B+)	(B+)	(B+)	(B+)	(B+)	(B+)	(B+)		Year 20	Overall	
A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	A
B	B	B	B-	<b>B+</b>	<b>A</b>	<b>B+</b>	B	<b>A</b>	<b>A+</b>	<b>A</b>	Medium	<b>19</b>	<b>19</b>	B
C	C-	B	B	C+	C-	C	C	B	B	C	High	4	4	C
D	B	C+	C	C+	B-	B	C	C	C-	B-	High	11	11	D
E	<b>A</b>	<b>A-</b>	B	B	C	C	B	B	<b>A</b>	<b>A-</b>	Medium	18	18	E
F	B	B	C	C+	B	C+	<b>B+</b>	B-	B-	<b>A</b>	Low	<b>19</b>	<b>19</b>	F
G	B	B	C+	B	C+	C	C	C	C+	B	High	14	14	G
H	C+	C-	C-	C-	C	C	C-	C	B	<b>B+</b>	High	17	17	H
I	B	C+	C+	B-	B	B	B-	<b>A+</b>	<b>B+</b>	B-	High	11	11	I
J	<b>A-</b>	<b>B+</b>	B-	B	B	B	B-	B-	B	<b>A</b>	Medium	<b>19</b>	<b>19</b>	J
K	<b>B+</b>	C-	C+	C-	B	<b>B+</b>	<b>A-</b>	<b>A</b>	<b>A-</b>	<b>A</b>	Low	<b>19</b>	<b>19</b>	K

**IMAGE RATING**

Bolded image ratings indicate meeting or beating the 70 target image rating shown below each column head. Best-in-industry performers earn a score of 20 (equal to a 20% weighting in overall score). Scores of other companies are a percentage of the industry-leading image rating. Overall best-in-industry scores are based on the average of the image ratings in Y18, Y19, and Y20.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Overall	Best-In-Ind. Score		
	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)		Year 20	Overall	
A	0	0	0	0	0	0	0	0	0	0	0	0	0	A
B	<b>73</b>	<b>93</b>	<b>70</b>	61	65	58	59	64	67	60	64	12	13	B
C	<b>77</b>	<b>71</b>	<b>78</b>	<b>72</b>	<b>76</b>	<b>70</b>	<b>72</b>	<b>83</b>	<b>76</b>	<b>74</b>	<b>78</b>	15	16	C
D	<b>88</b>	<b>90</b>	<b>83</b>	<b>91</b>	<b>77</b>	66	<b>80</b>	69	<b>70</b>	<b>88</b>	<b>76</b>	18	16	D
E	<b>86</b>	<b>94</b>	<b>92</b>	<b>94</b>	<b>90</b>	<b>93</b>	<b>84</b>	<b>82</b>	<b>84</b>	<b>91</b>	<b>86</b>	18	18	E
F	<b>92</b>	<b>85</b>	<b>81</b>	<b>91</b>	<b>75</b>	<b>85</b>	<b>85</b>	<b>79</b>	<b>90</b>	<b>93</b>	<b>87</b>	19	18	F
G	59	<b>74</b>	<b>78</b>	<b>86</b>	<b>80</b>	<b>75</b>	<b>77</b>	<b>76</b>	<b>73</b>	<b>86</b>	<b>78</b>	17	16	G
H	<b>82</b>	<b>90</b>	<b>98</b>	<b>87</b>	53	53	50	55	55	57	56	11	11	H
I	59	56	<b>75</b>	65	<b>72</b>	67	<b>78</b>	<b>81</b>	<b>78</b>	<b>82</b>	<b>80</b>	16	16	I
J	<b>89</b>	<b>93</b>	<b>97</b>	<b>89</b>	<b>85</b>	<b>83</b>	<b>83</b>	<b>71</b>	65	<b>73</b>	<b>70</b>	15	14	J
K	<b>81</b>	<b>77</b>	<b>97</b>	<b>90</b>	<b>93</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>93</b>	<b>100</b>	<b>98</b>	<b>20</b>	<b>20</b>	K

**INVESTOR CONFIDENCE INDEX**

The degree to which a company meets or beats the annual targets for each performance measure drives investor confidence in management's ability to deliver good results. An index score below 70 indicates subpar achievement of the annual performance targets. Index scores of 100 or more reflect consistently excellent or superior performance in meeting investor expectations.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Average Index	Overall Confidence	
	A	0	0	0	0	0	0	0	0	0			
B	107	108	85	91	93	82	84	112	<b>111</b>	110	98	Very Good	B
C	33	93	98	65	33	45	50	65	88	68	64	Subpar	C
D	111	94	93	83	85	99	62	56	32	106	82	Good	D
E	116	107	100	80	47	46	80	74	80	97	83	Good	E
F	96	105	79	84	<b>108</b>	87	114	98	107	118	<b>100</b>	Excellent	F
G	69	<b>109</b>	101	<b>103</b>	67	50	50	44	51	92	74	Fair	G
H	79	31	51	34	69	60	40	51	94	107	62	Subpar	H
I	70	43	53	78	92	79	53	63	68	101	70	Fair	I
J	<b>117</b>	106	<b>108</b>	98	83	79	76	64	64	110	91	Very Good	J
K	114	81	100	46	87	<b>115</b>	<b>118</b>	<b>119</b>	105	<b>119</b>	<b>100</b>	Excellent	K

**FOOTWEAR PRODUCTION** (000s of pairs)

	N.A. Plant	E-A Plant	A-P Plant	L.A. Plant	Industry Total
<b>Total Year 20 Production</b>	<b>32,217</b>	<b>10,198</b>	<b>65,459</b>	<b>7,596</b>	<b>115,470</b>
– Pairs Rejected	<b>1,446</b>	<b>343</b>	<b>2,458</b>	<b>254</b>	<b>4,501</b>
<b>Net Y20 Production</b> (after rejects)	<b>30,771</b>	<b>9,855</b>	<b>63,001</b>	<b>7,342</b>	<b>110,969</b>
<b>Superior Materials Usage</b>	<b>36.9%</b>	<b>27.1%</b>	<b>45.9%</b>	<b>54.9%</b>	<b>42.3%</b>
<b>Capacity Utilization</b> (branded + P-L prod.)	<b>119.3%</b>	<b>120.0%</b>	<b>117.5%</b>	<b>103.3%</b>	<b>117.2%</b>

**MATERIALS PRICES** (\$ per pair)

	Base Price	Year 20 Price Adjustments for		Year 20 Price
		Materials Usage	Capacity Utilization	
<b>Standard Materials</b>	<b>6.00</b>	<b>+ 0.92</b>	<b>+ 0.43</b>	<b>7.35</b>
<b>Superior Materials</b>	<b>15.00</b>	<b>- 0.58</b>	<b>+ 1.08</b>	<b>15.50</b>

**BRANDED WAREHOUSES** (000s of pairs)

	N.A. Market	E-A Market	A-P Market	L.A. Market	Industry Total
<b>Ending Y19 Inventories</b>	<b>7,228</b>	<b>4,657</b>	<b>4,686</b>	<b>4,677</b>	<b>21,248</b>
– Pairs Cleared (inventory clearance)	<b>1,556</b>	<b>774</b>	<b>789</b>	<b>596</b>	<b>3,715</b>
<b>Beginning Y20 Inventories</b>	<b>5,672</b>	<b>3,883</b>	<b>3,897</b>	<b>4,081</b>	<b>17,533</b>
+ New Production (shipped from plants)	<b>23,066</b>	<b>23,334</b>	<b>23,244</b>	<b>23,582</b>	<b>93,226</b>
<b>Pairs Available for Sale in Y20</b>	<b>28,738</b>	<b>27,217</b>	<b>27,141</b>	<b>27,663</b>	<b>110,759</b>

**BRANDED DEMAND & SALES** (000s of pair)

	N.A. Market	E-A Market	A-P Market	L.A. Market	Industry Total
<b>Projected 20 Demand</b> (see Y19 FIR)	<b>23,806</b>	<b>24,055</b>	<b>22,684</b>	<b>22,663</b>	<b>93,208</b>
<b>Actual Year 20 Demand</b>	<b>24,070</b>	<b>24,040</b>	<b>23,020</b>	<b>22,850</b>	<b>93,980</b>
<b>Branded Pairs Sold</b>	<b>24,071</b>	<b>24,036</b>	<b>22,985</b>	<b>22,851</b>	<b>93,943</b>
<b>Required Y20 Ending Inventories</b>	<b>2,201</b>	<b>1,866</b>	<b>1,815</b>	<b>1,974</b>	<b>7,856</b>
<b>Inventory Surplus (Shortfall)</b>	<b>2,171</b>	<b>896</b>	<b>2,039</b>	<b>2,793</b>	<b>7,899</b>

**COMMENTARY**

→ Pairs produced before rejects  
 → Average reject rate = 3.9%  
 → Available for shipment to warehouses  
 → % usage up by 16.7 points over Y19  
 → % utilization up by 3.3 points over Y19

Lower than normal (42.3% industrywide) superior materials usage led to superior materials prices that were 3.9% below the base and standard materials prices that were 15.4% above the base. Industrywide capacity utilization above 110% resulted in materials price increases of 7.2% from the base.

→ Average inventory clearance of 17.5%

→ 17.9% higher than Y20 demand

→ Overall Y20 demand was 0.8% greater than expected.

→ Needed to achieve delivery times

→ { Okay in N.A.    Okay in E-A  
           Okay in A-P    High in L.A.

**DEMAND FORECAST** (000s of pair)

	Year 21	Year 22	Year 23	Year 24
<b>Branded</b> — North America (internet + wholesale)	<b>25,033</b>	<b>26,034</b>	<b>27,075</b>	<b>28,158</b>
Europe-Africa	<b>25,002</b>	<b>26,002</b>	<b>27,042</b>	<b>28,124</b>
Asia-Pacific	<b>24,401</b>	<b>25,865</b>	<b>27,417</b>	<b>29,062</b>
Latin America	<b>24,221</b>	<b>25,674</b>	<b>27,214</b>	<b>28,847</b>
<b>Total</b>	<b>98,657</b>	<b>103,575</b>	<b>108,748</b>	<b>114,191</b>
<b>Private-Label</b> — North America	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
Europe-Africa	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
Asia-Pacific	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
Latin America	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
<b>Total</b>	<b>18,800</b>	<b>18,800</b>	<b>18,800</b>	<b>18,800</b>

**GLOBAL SUPPLY / DEMAND ANALYSIS FOR YEAR 21**

<b>Supply</b> — Beginning Year 21 Inventory (000s)	<b>15,755</b>
<b>Potential Production</b> (at max OT)	<b>118,260</b>
<b>Potential Global Supply</b>	<b>134,015</b>
<b>Demand</b> — Branded Sales Forecast (000s)	<b>98,657</b>
<b>Private-Label Sales Forecast</b>	<b>18,800</b>
<b>Expected Global Demand</b>	<b>117,457</b>
<b>Conclusion:</b>	Currently, there is a good balance between supply and demand, given available capacity w/OT. However, growth-minded companies should consider construction of new capacity now to meet future demand.

**PLANT CAPACITY** (000s of pairs w/o overtime)

	Capacity at Beginning of Year 20				Capacity Purchased (Sold)				Capacity Available for Y20 Production					Construction Initiated in Year 20	
	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	Total		
<b>A</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>A</b>
<b>B</b>	4,500	1,000	2,000	0	0	0	0	0	4,500	1,000	2,000	0	7,500	0	<b>B</b>
<b>C</b>	0	0	5,100	3,350	0	0	0	0	0	0	5,100	3,350	8,450	0	<b>C</b>
<b>D</b>	3,000	0	5,000	0	0	0	0	0	3,000	0	5,000	0	8,000	0	<b>D</b>
<b>E</b>	0	0	7,500	0	0	0	0	0	0	0	7,500	0	7,500	0	<b>E</b>
<b>F</b>	3,600	3,500	4,000	2,700	1,000	0	0	-2,700	4,600	3,500	4,000	0	12,100	0	<b>F</b>
<b>G</b>	3,500	0	6,500	0	0	0	0	0	3,500	0	6,500	0	10,000	0	<b>G</b>
<b>H</b>	0	0	5,000	0	1,400	0	0	0	1,400	0	5,000	0	6,400	0	<b>H</b>
<b>I</b>	0	1,000	6,300	0	0	0	0	0	0	1,000	6,300	0	7,300	0	<b>I</b>
<b>J</b>	1,000	0	6,600	1,000	1,000	0	0	0	2,000	0	6,600	1,000	9,600	0	<b>J</b>
<b>K</b>	8,000	3,000	7,700	3,000	0	0	0	0	8,000	3,000	7,700	3,000	21,700	0	<b>K</b>
<b>Total</b>	<b>23,600</b>	<b>8,500</b>	<b>55,700</b>	<b>10,050</b>	<b>3,400</b>	<b>0</b>	<b>0</b>	<b>-2,700</b>	<b>27,000</b>	<b>8,500</b>	<b>55,700</b>	<b>7,350</b>	<b>98,550</b>	<b>0</b>	

**INCOME STATEMENT DATA (\$000s)**

	Net Sales Revenues	Cost of Pairs Sold	Warehse Expenses	Marketing Expenses	Admin Expenses	Operating Profit	Interest Exp (Inc)	Pre-Tax Profit	Income Taxes	Net Profit	Dividends Paid	
A	0	0	0	0	0	0	0	0	0	0	0	A
B	341,966	200,713	29,953	27,533	9,919	73,848	545	73,303	21,991	51,312	22,500	B
C	470,058	239,926	30,660	138,941	10,869	49,662	18,678	30,984	9,295	21,689	15,000	C
D	441,660	292,334	39,897	15,682	10,418	83,329	14,734	68,595	20,579	48,016	41,250	D
E	456,914	247,324	37,299	108,188	9,920	54,183	2,380	51,803	15,541	36,262	15,040	E
F	667,173	333,887	46,302	130,503	14,519	141,962	20,554	121,408	36,422	84,986	8,680	F
G	578,968	345,193	41,503	123,708	12,419	56,145	9,050	47,095	14,129	32,966	30,000	G
H	327,620	197,651	24,892	19,051	8,818	77,208	4,427	72,781	21,834	50,947	18,200	H
I	426,994	257,518	26,533	67,128	9,718	66,097	9,268	56,829	17,049	39,780	45,000	I
J	540,058	322,083	43,888	83,551	12,018	78,518	6,301	72,217	21,665	50,552	0	J
K	1,036,501	573,629	75,940	180,356	24,122	182,454	16,210	166,244	49,873	116,371	15,000	K
	528,791	301,026	39,687	89,464	12,274	86,341	10,215	76,126	22,838	53,288	21,067	

**SELECTED BALANCE SHEET DATA (\$000s)**

**DIVIDEND DATA**

	Cash on Hand	Current Assets	Total Assets	Current Liabilities	Long-Term Debt	Shareholder Equity				Year 20 Dividend (\$ / share)	No. of Changes (+ / -)	
						Beginning Equity	Stock Sales (Purchases)	Earnings Retained	Ending Equity			
A	0	0	0	0	0	0	0	0	0	0.00	0 / 0	A
B	18,364	129,969	311,440	29,757	40,000	308,388	-95,519	28,814	241,683	3.00	4 / 3	B
C	29,596	177,978	398,673	59,979	162,000	170,006	0	6,688	176,694	2.00	5 / 2	C
D	0	189,106	339,371	82,402	80,000	170,204	0	6,765	176,969	5.50	4 / 4	D
E	0	161,293	342,582	50,411	13,500	309,108	-51,660	21,223	278,671	1.60	9 / 1	E
F	22,714	205,408	480,037	45,683	147,000	272,558	-61,512	76,308	287,354	1.12	10 / 0	F
G	0	214,726	444,128	75,384	18,000	364,142	-16,365	2,967	350,744	4.00	2 / 2	G
H	0	111,948	259,716	72,672	0	154,298	0	32,746	187,044	2.00	6 / 2	H
I	0	160,938	343,848	63,348	200,000	385,122	-299,400	-5,222	80,500	6.00	2 / 1	I
J	0	193,054	471,370	56,562	72,000	371,717	-79,459	50,550	342,808	0.00	3 / 5	J
K	2,146	319,022	899,278	107,712	396,000	603,624	-309,430	101,372	395,566	2.00	8 / 2	K
	7,282	186,344	429,044	64,391	112,850	310,917	-91,335	32,221	251,803	2.72	5 / 2	

**SELECTED FINANCIAL AND OPERATING STATISTICS**

**CREDIT RATING DATA**

	Costs and Profits as a % of Net Revenues						Current Ratio	Shares of Stock (000s)	Interest Coverage Ratio	Debt to Assets Ratio	Default Risk Ratio	Default Risk	
	Cost of Prs. Sold	Whse. Expenses	Mktn. Expenses	Admin. Expenses	Operating Profit	Net Profit							
A	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.00	0	0.00	0.00	0.00	N/A	A
B	58.7	8.8	8.1	2.9	21.6	15.0	4.37	7,500	135.50	0.18	2.83	Medium	B
C	51.0	6.5	29.6	2.3	10.6	4.6	2.97	7,500	2.66	0.50	0.74	High	C
D	66.2	9.0	3.6	2.4	18.9	10.9	2.29	7,500	5.66	0.39	0.49	High	D
E	54.1	8.2	23.7	2.2	11.9	7.9	3.20	9,400	22.77	0.11	1.54	Medium	E
F	50.0	6.9	19.6	2.2	21.3	12.7	4.50	7,750	6.91	0.35	4.95	Low	F
G	59.6	7.2	21.4	2.1	9.7	5.7	2.85	7,500	6.20	0.14	0.61	High	G
H	60.3	7.6	5.8	2.7	23.6	15.6	1.54	9,100	17.44	0.22	0.85	High	H
I	60.3	6.2	15.7	2.3	15.5	9.3	2.54	7,500	7.13	0.71	0.27	High	I
J	59.6	8.1	15.5	2.2	14.5	9.4	3.41	7,500	12.46	0.22	2.34	Medium	J
K	55.3	7.3	17.4	2.3	17.6	11.2	2.96	7,500	11.26	0.50	3.00	Low	K
	56.9 %	7.5 %	16.9 %	2.3 %	16.3 %	10.1 %	2.89	7,875	22.80	0.33	1.76	Medium	

**Bold** = best in industry

**Yellow** = needs management attention

PLANT AND PRODUCTION BENCHMARKS			Industry Low		Industry Average		Industry High	
			Year 19	Year 20	Year 19	Year 20	Year 19	Year 20
Materials Costs (\$ per pair produced)	Branded Footwear		8.23	<b>6.89</b>	9.13	<b>9.53</b>	9.82	<b>12.29</b>
	Private-Label Footwear		7.85	<b>6.46</b>	8.68	<b>7.76</b>	9.50	<b>9.33</b>
Labor — North America	Total Compensation (\$/year)		16,760	<b>16,471</b>	21,420	<b>22,708</b>	26,154	<b>27,523</b>
	Productivity (pairs/worker/year)		2,330	<b>2,684</b>	4,646	<b>5,279</b>	6,363	<b>7,070</b>
	Labor Cost (\$/pair produced)		3.63	<b>3.24</b>	5.12	<b>4.67</b>	8.05	<b>7.21</b>
Europe Africa	Total Compensation (\$/year)		15,914	<b>15,914</b>	19,128	<b>18,918</b>	23,253	<b>23,425</b>
	Productivity (pairs/worker/year)		2,860	<b>2,805</b>	3,925	<b>3,887</b>	5,986	<b>6,003</b>
	Labor Cost (\$/pair produced)		3.32	<b>4.04</b>	5.11	<b>5.31</b>	6.43	<b>6.55</b>
Asia Pacific	Total Compensation (\$/year)		4,303	<b>4,355</b>	5,086	<b>5,372</b>	6,186	<b>7,099</b>
	Productivity (pairs/worker/year)		2,756	<b>2,799</b>	3,126	<b>3,211</b>	3,655	<b>3,801</b>
	Labor Cost (\$/pair produced)		1.52	<b>1.50</b>	1.68	<b>1.70</b>	1.85	<b>2.21</b>
Latin America	Total Compensation (\$/year)		4,432	<b>4,429</b>	4,863	<b>5,026</b>	5,580	<b>6,082</b>
	Productivity (pairs/worker/year)		2,911	<b>2,701</b>	3,376	<b>3,201</b>	3,817	<b>3,971</b>
	Labor Cost (\$/pair produced)		1.10	<b>1.64</b>	1.51	<b>1.76</b>	1.93	<b>1.90</b>
TQM / 6σ Quality Expenditures (\$ per pair of capacity)	Year 20		0.44	<b>0.20</b>	1.43	<b>1.38</b>	2.50	<b>2.50</b>
	Cumulative		0.74	<b>0.73</b>	1.39	<b>1.35</b>	2.18	<b>2.21</b>
Reject Rates	Branded Production		2.3%	<b>2.0%</b>	4.2%	<b>4.3%</b>	7.7%	<b>7.7%</b>
	Private-Label Production		1.8%	<b>1.8%</b>	2.4%	<b>2.5%</b>	3.6%	<b>3.7%</b>
Total Manufacturing Costs (\$/pair produced)	Branded — N.A.		20.42	<b>18.15</b>	26.12	<b>26.79</b>	32.06	<b>33.25</b>
	E-A		18.89	<b>17.49</b>	25.52	<b>23.29</b>	32.29	<b>26.88</b>
	A-P		17.43	<b>16.10</b>	22.35	<b>23.31</b>	27.51	<b>38.58</b>
	L.A.		16.26	<b>24.25</b>	21.23	<b>24.68</b>	23.72	<b>25.10</b>
	Private-Label — N.A.		21.52	<b>16.88</b>	23.08	<b>19.19</b>	24.63	<b>21.87</b>
	E-A		20.32	<b>20.99</b>	22.33	<b>22.31</b>	23.34	<b>23.48</b>
	A-P		18.87	<b>16.43</b>	19.91	<b>17.76</b>	22.16	<b>18.83</b>
	L.A.		18.65	<b>17.85</b>	19.43	<b>24.45</b>	20.75	<b>36.41</b>

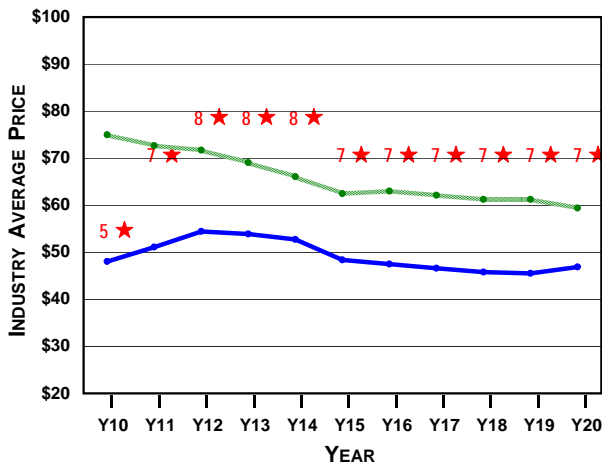
OPERATING BENCHMARKS			Industry Low		Industry Average		Industry High	
			Year 19	Year 20	Year 19	Year 20	Year 19	Year 20
Branded Market Segments	Costs of Pairs Sold (\$/pair sold. Includes manufacturing, shipping, import tariffs, and exchange rate adjustments.)	N.A.	22.26	<b>20.68</b>	26.42	<b>26.75</b>	30.24	<b>33.83</b>
		E-A	20.74	<b>19.49</b>	30.36	<b>30.26</b>	33.97	<b>35.43</b>
		A-P	19.26	<b>18.16</b>	24.51	<b>24.99</b>	30.78	<b>38.87</b>
		L.A.	19.04	<b>20.77</b>	29.26	<b>29.18</b>	35.52	<b>35.17</b>
Warehouse Expenses - Internet (\$ per pair sold)	Wholesale		12.84	<b>12.80</b>	13.29	<b>13.18</b>	13.60	<b>13.57</b>
			1.92	<b>1.88</b>	2.56	<b>2.43</b>	3.05	<b>3.03</b>
Marketing Expenses — Internet (\$ per pair sold)	Wholesale		7.70	<b>7.06</b>	14.47	<b>13.56</b>	24.18	<b>27.06</b>
			2.02	<b>0.59</b>	9.46	<b>8.43</b>	15.49	<b>17.87</b>
Administrative Expenses (\$/pair sold)		0.97	<b>1.11</b>	1.39	<b>1.36</b>	2.01	<b>2.23</b>	
Operating Profit (\$ per pair sold)	Internet	N.A.	6.77	<b>7.61</b>	16.18	<b>16.22</b>	23.09	<b>24.73</b>
		E-A	-0.29	<b>6.56</b>	12.30	<b>12.32</b>	25.55	<b>26.55</b>
		A-P	2.63	<b>2.63</b>	19.24	<b>19.48</b>	27.25	<b>28.63</b>
		L.A.	3.01	<b>11.49</b>	13.03	<b>17.21</b>	26.53	<b>28.05</b>
Wholesale	N.A.	-0.87	<b>0.21</b>	4.47	<b>6.68</b>	13.05	<b>15.05</b>	
	E-A	-0.93	<b>0.25</b>	3.29	<b>6.21</b>	13.96	<b>19.34</b>	
	A-P	1.01	<b>4.87</b>	7.84	<b>10.07</b>	18.97	<b>21.61</b>	
	L.A.	-2.52	<b>5.18</b>	3.70	<b>8.92</b>	8.86	<b>19.75</b>	
Private-Label Market Segments	Production Costs (\$/pair sold. Includes manufacturing, shipping, import tariffs, and exchange rate adjustments.)	N.A.	22.56	<b>18.63</b>	23.40	<b>20.97</b>	24.83	<b>23.62</b>
		E-A	22.95	<b>23.75</b>	25.69	<b>24.31</b>	28.63	<b>25.23</b>
		A-P	20.62	<b>18.18</b>	21.21	<b>19.51</b>	21.65	<b>20.58</b>
		L.A.	20.40	<b>19.60</b>	23.95	<b>25.32</b>	28.90	<b>38.16</b>
Warehouse Expenses (\$ per pair sold)		0.77	<b>0.43</b>	0.99	<b>1.01</b>	1.12	<b>1.46</b>	
Margin Over Direct Costs (\$ per pair sold)		N.A.	0.87	<b>2.20</b>	3.71	<b>3.29</b>	6.15	<b>4.15</b>
		E-A	1.04	<b>1.22</b>	4.20	<b>3.32</b>	8.10	<b>5.46</b>
		A-P	1.01	<b>0.38</b>	5.21	<b>2.13</b>	7.99	<b>3.13</b>
		L.A.	-0.73	<b>-5.98</b>	2.75	<b>1.05</b>	7.10	<b>3.73</b>

**CELEBRITY ENDORSEMENTS**

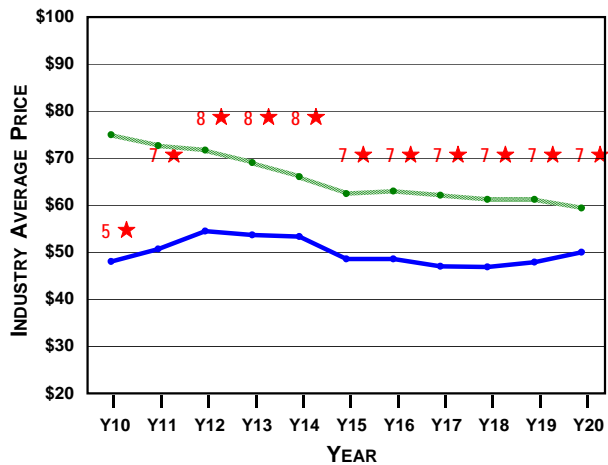
CELEBRITY	CONSUMER APPEAL				CURRENTLY SIGNED BY	CONTRACT (\$000s/year)	YEAR SIGNED	CONTRACT LENGTH	MOST RECENT ROUND OF BIDDING				
	NA	EA	AP	LA					# OF BIDS	HIGH BID	2ND BID	AVG BID	LOW BID
Payton Manyon	85	45	35	40	Company K	18,000	Y19	2 years	4	18,000	13,500	13,291	9,999
Oprah Letterman	100	70	65	75	[unsigned]	0	N/A	3 years	1	12,000	0	12,000	12,000
Annika Stockholm	70	100	70	55	Company K	16,666	Y16	5 years	7	16,666	16,611	12,297	5,102
Tiger Green	95	80	85	75	[unsigned]	0	N/A	2 years	1	14,000	0	14,000	14,000
José Montaña	60	50	60	95	Company E	17,500	Y18	3 years	6	17,999	17,500	15,510	9,999
Karioki Footsu	55	60	95	90	Company K	17,000	Y20	4 years	1	17,000	0	17,000	17,000
Jaques LaFeet	50	90	50	85	[unsigned]	0	N/A	1 year	1	11,000	0	11,000	11,000
Serenus Willson	70	65	55	60	Company K	17,000	Y19	3 years	4	17,000	15,550	14,392	9,999
Natalie Kwan	75	80	95	50	Company G	17,777	Y17	4 years	8	17,777	16,999	15,309	9,999
Sergio Milano	45	85	60	100	Company C	18,519	Y19	2 years	4	18,519	18,000	15,380	9,999
Lance deFrance	80	85	75	70	Company K	16,000	Y20	3 years	1	16,000	0	16,000	16,000
Yao KungPao	60	35	100	50	Company E	17,500	Y18	4 years	7	17,999	17,500	15,437	9,999

**BRANDED PRICE AND S/Q RATING TRENDS**

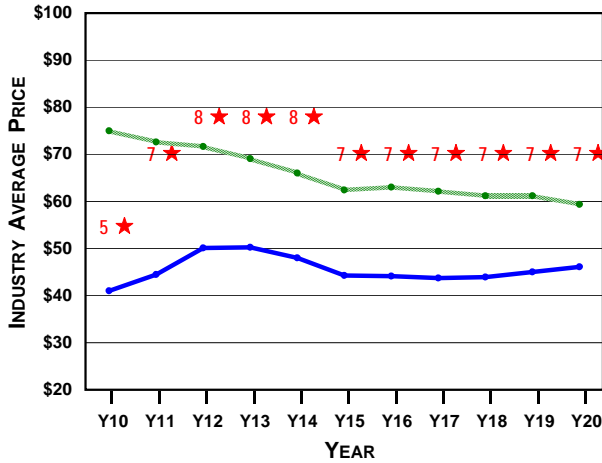
**NORTH AMERICA**



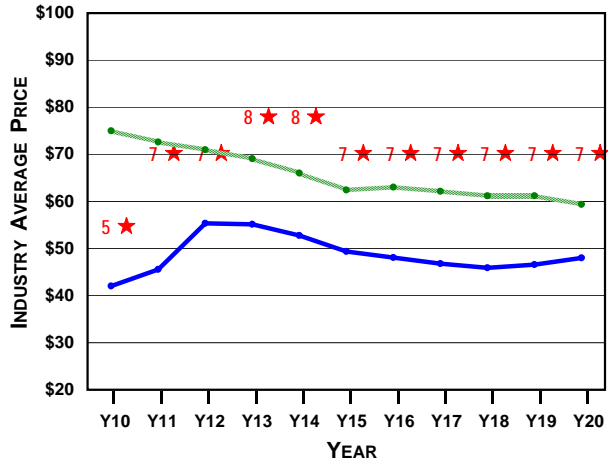
**EUROPE-AFRICA**



**ASIA-PACIFIC**



**LATIN AMERICA**



----- Internet Price (industry average)     
 ————— Wholesale Price (industry average)     
 ★ S/Q Rating (industry average)