

# THE FOOTWEAR INDUSTRY REPORT

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INDUSTRY 7

Friday, December 15, 2006

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
Excel	118	+5
Gazzy Shoes	117	+5
Invincible	115	+9
Just do it !	115	0
A Schumacher	113	+1
B Company	111	+14
Homare Footwear	91	+4
Kash Money	72	-11
Lucky Kicks	45	-5
Deluxe Delights	23	0
C (deleted)	0	0
F (deleted)	0	0

### OVERALL INVESTOR CONFIDENCE AVERAGE

Company Name	G-T-D Index	Change from Y19
Just do it !	109	+1
Excel	108	+2
Gazzy Shoes	107	+1
A Schumacher	97	+1
B Company	97	+1
Invincible	90	+3
Homare Footwear	79	+1
Kash Money	70	0
Lucky Kicks	53	0
Deluxe Delights	25	0
C (deleted)	0	0
F (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
Excel	99	+22
Just do it !	89	-8
Gazzy Shoes	80	+7
B Company	74	+17
Invincible	72	+8
A Schumacher	72	-1
Homare Footwear	54	-3
Kash Money	46	-6
Lucky Kicks	34	-2
Deluxe Delights	18	+1
C (deleted)	0	0
F (deleted)	0	0

### GAME-TO-DATE PERFORMANCE RANKINGS

Company Name	G-T-D Score	Change from Y19
Excel	96	+12
Just do it !	95	-2
Gazzy Shoes	83	+5
A Schumacher	73	+1
B Company	73	+8
Invincible	71	+6
Homare Footwear	58	-1
Kash Money	46	-6
Lucky Kicks	40	-1
Deluxe Delights	14	+2
C (deleted)	0	0
F (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 (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	2.02	<b>2.99</b>	2.27	3.11	<b>4.47</b>	3.64	<b>4.13</b>	<b>5.15</b>	<b>6.32</b>	<b>7.49</b>	<b>3.99</b>	12	12	A
B	2.23	<b>4.85</b>	3.01	<b>3.72</b>	<b>3.61</b>	<b>4.63</b>	3.30	<b>5.58</b>	<b>4.80</b>	<b>8.92</b>	<b>4.34</b>	14	13	B
C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	C
D	1.52	0.87	-0.80	-3.01	-6.23	-8.31	-12.08	-14.08	-4.55	-3.23	-4.82	0	0	D
E	<b>4.51</b>	<b>4.79</b>	<b>3.52</b>	<b>5.26</b>	<b>4.97</b>	<b>4.61</b>	3.70	<b>6.62</b>	<b>7.03</b>	<b>12.47</b>	<b>5.75</b>	<b>20</b>	18	E
F	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	F
G	<b>3.34</b>	<b>5.37</b>	<b>3.52</b>	<b>3.27</b>	3.05	<b>4.26</b>	<b>4.11</b>	<b>6.54</b>	<b>6.28</b>	<b>8.80</b>	<b>4.74</b>	14	15	G
H	<b>3.15</b>	<b>4.64</b>	1.45	1.70	1.62	1.55	1.06	2.03	2.95	3.33	2.29	5	7	H
I	<b>3.78</b>	1.97	0.83	2.24	2.28	3.05	2.42	<b>4.22</b>	<b>4.45</b>	<b>6.37</b>	3.10	10	10	I
J	<b>3.38</b>	<b>4.33</b>	<b>3.36</b>	<b>4.96</b>	<b>5.66</b>	<b>7.03</b>	<b>7.12</b>	<b>10.12</b>	<b>10.64</b>	<b>10.97</b>	<b>6.52</b>	18	<b>20</b>	J
K	2.29	<b>2.98</b>	-1.12	0.96	1.12	1.89	1.52	2.34	2.62	2.28	1.66	4	5	K
L	<b>3.90</b>	<b>4.68</b>	-0.22	-1.94	-0.38	0.77	-0.01	0.99	0.42	0.23	0.72	0	2	L

**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 (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	12.5	<b>16.0</b>	10.6	12.8	<b>15.8</b>	12.9	14.3	<b>16.1</b>	<b>17.7</b>	<b>18.9</b>	14.5	13	14	A
B	13.8	<b>25.0</b>	12.9	13.7	12.1	13.9	9.2	13.9	10.7	<b>16.6</b>	13.2	12	12	B
C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	C
D	9.8	5.6	-5.3	-22.7	-72.0	-712.6	0.0	0.0	0.0	0.0	0.0	0	0	D
E	<b>28.5</b>	<b>34.7</b>	<b>19.6</b>	<b>23.5</b>	<b>18.1</b>	<b>15.4</b>	11.8	<b>18.7</b>	<b>17.7</b>	<b>28.1</b>	<b>19.7</b>	<b>20</b>	19	E
F	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	F
G	<b>20.1</b>	<b>28.0</b>	<b>16.5</b>	14.1	11.8	13.2	12.6	<b>17.6</b>	<b>15.1</b>	<b>18.9</b>	<b>15.7</b>	13	15	G
H	<b>19.8</b>	<b>28.6</b>	7.2	7.2	6.4	5.8	3.8	6.9	8.6	9.3	8.7	7	8	H
I	<b>22.9</b>	11.2	4.6	11.6	10.6	12.6	9.1	13.8	13.3	<b>17.6</b>	12.5	13	12	I
J	<b>20.7</b>	<b>23.8</b>	<b>16.1</b>	<b>20.6</b>	<b>20.0</b>	<b>21.2</b>	<b>19.7</b>	<b>25.9</b>	<b>25.3</b>	<b>24.2</b>	<b>21.2</b>	17	<b>20</b>	J
K	14.5	<b>17.6</b>	-6.3	5.4	6.0	9.5	7.1	10.3	10.6	9.5	8.4	7	8	K
L	<b>24.0</b>	<b>29.6</b>	-1.2	-11.4	-3.4	5.7	-0.1	6.9	2.9	1.6	4.9	1	5	L

**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	19.55	32.53	21.96	35.30	<b>59.68</b>	<b>45.46</b>	<b>54.28</b>	<b>68.81</b>	<b>108.01</b>	<b>135.28</b>	+16 %	13	13	A
B	23.90	<b>85.79</b>	<b>37.77</b>	<b>48.89</b>	40.42	<b>58.86</b>	33.71	<b>69.02</b>	51.23	<b>154.65</b>	+18	15	15	B
C	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	C
D	16.50	10.28	6.08	4.85	5.65	4.75	4.91	5.24	4.60	5.58	-16	1	1	D
E	<b>74.43</b>	<b>75.07</b>	<b>41.69</b>	<b>69.34</b>	<b>59.21</b>	<b>64.60</b>	42.14	<b>92.87</b>	<b>96.87</b>	<b>204.09</b>	+21	<b>20</b>	<b>20</b>	E
F	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	F
G	<b>54.29</b>	<b>108.37</b>	<b>43.91</b>	35.02	30.58	<b>48.39</b>	<b>47.35</b>	<b>112.12</b>	<b>91.16</b>	<b>141.04</b>	+17	14	14	G
H	<b>45.91</b>	<b>88.87</b>	<b>38.34</b>	20.36	15.54	15.60	10.17	24.43	40.99	50.81	+5	5	5	H
I	<b>68.45</b>	32.54	17.74	22.20	25.62	39.70	27.11	<b>69.81</b>	<b>67.39</b>	<b>131.27</b>	+16	13	13	I
J	<b>56.02</b>	<b>78.72</b>	<b>43.59</b>	<b>72.13</b>	<b>77.72</b>	<b>109.96</b>	<b>94.96</b>	<b>156.90</b>	<b>149.80</b>	<b>181.17</b>	+20	18	18	J
K	25.75	<b>40.54</b>	21.47	12.52	9.50	24.29	19.43	37.88	36.95	28.61	-1	3	3	K
L	<b>58.59</b>	<b>72.88</b>	33.75	18.27	10.61	6.51	4.70	13.66	8.62	5.78	-15 %	1	1	L

**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	<b>B+</b>	<b>B+</b>	B	<b>B+</b>	<b>A</b>	B	B	<b>B+</b>	<b>A-</b>	<b>A-</b>	Medium	18	18	<b>A</b>
B	B-	<b>B+</b>	B	<b>B+</b>	B	B	B	<b>A-</b>	<b>A-</b>	<b>A-</b>	Medium	18	18	<b>B</b>
C	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	<b>C</b>
D	B-	C	C-	C-	C-	C-	C-	C-	C-	C-	N/A	0	0	<b>D</b>
E	B	B	B	<b>B+</b>	B	C	B	<b>B+</b>	<b>B+</b>	<b>A</b>	Medium	19	19	<b>E</b>
F	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	<b>F</b>
G	<b>A-</b>	<b>A</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>B+</b>	<b>A</b>	<b>A-</b>	<b>A</b>	Medium	19	19	<b>G</b>
H	B-	<b>B+</b>	C+	B	<b>A-</b>	B	<b>B+</b>	<b>A</b>	<b>A</b>	<b>A</b>	Medium	19	19	<b>H</b>
I	<b>B+</b>	B-	C	<b>A</b>	<b>A</b>	<b>A+</b>	<b>A-</b>	<b>A+</b>	<b>A+</b>	<b>A+</b>	Low	<b>20</b>	<b>20</b>	<b>I</b>
J	B	B-	C+	B-	B	B	B	<b>B+</b>	<b>B+</b>	<b>B+</b>	Medium	17	17	<b>J</b>
K	B-	<b>B+</b>	C-	B-	B	<b>B+</b>	<b>A-</b>	<b>A+</b>	<b>A</b>	<b>B</b>	Medium	14	14	<b>K</b>
L	B	C+	C-	C-	C-	C+	C	<b>A</b>	<b>A-</b>	<b>A-</b>	Medium	18	18	<b>L</b>

**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	61	65	62	61	65	57	67	68	<b>72</b>	<b>73</b>	<b>71</b>	16	16	<b>A</b>
B	63	68	69	67	<b>70</b>	69	68	<b>71</b>	<b>70</b>	69	<b>70</b>	15	15	<b>B</b>
C	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>C</b>
D	65	51	53	51	53	61	48	23	<b>74</b>	<b>80</b>	59	17	13	<b>D</b>
E	<b>75</b>	<b>81</b>	<b>82</b>	<b>81</b>	<b>88</b>	<b>86</b>	<b>96</b>	<b>86</b>	<b>91</b>	<b>90</b>	<b>89</b>	<b>20</b>	<b>20</b>	<b>E</b>
F	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>F</b>
G	<b>73</b>	<b>79</b>	<b>77</b>	<b>82</b>	<b>85</b>	<b>80</b>	<b>88</b>	<b>89</b>	<b>87</b>	<b>92</b>	<b>89</b>	<b>20</b>	<b>20</b>	<b>G</b>
H	<b>70</b>	<b>71</b>	<b>75</b>	<b>88</b>	<b>84</b>	<b>91</b>	<b>94</b>	<b>86</b>	<b>91</b>	<b>81</b>	<b>86</b>	18	19	<b>H</b>
I	<b>75</b>	65	64	67	60	66	<b>70</b>	<b>77</b>	<b>73</b>	<b>75</b>	<b>75</b>	16	16	<b>I</b>
J	67	<b>72</b>	<b>81</b>	<b>80</b>	<b>90</b>	<b>93</b>	<b>91</b>	<b>90</b>	<b>93</b>	<b>89</b>	<b>91</b>	19	<b>20</b>	<b>J</b>
K	<b>74</b>	<b>77</b>	58	<b>71</b>	60	63	64	68	<b>72</b>	<b>81</b>	<b>74</b>	18	16	<b>K</b>
L	<b>75</b>	<b>82</b>	<b>85</b>	<b>73</b>	64	68	64	65	66	64	65	14	14	<b>L</b>

**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	81	99	75	91	<b>110</b>	89	97	107	112			
B	80	111	93	100	91	101	79	109	97	111	97	Very Good	<b>B</b>
C	0	0	0	0	0	0	0	0	0	0	0	N/A	<b>C</b>
D	65	38	18	17	18	19	16	9	23	23	25	Subpar	<b>D</b>
E	109	110	104	<b>114</b>	109	93	93	112	113	<b>118</b>	108	Excellent	<b>E</b>
F	0	0	0	0	0	0	0	0	0	0	0	N/A	<b>F</b>
G	112	<b>116</b>	<b>106</b>	99	90	102	101	<b>116</b>	112	117	107	Excellent	<b>G</b>
H	101	112	69	69	69	62	58	74	87	91	79	Fair	<b>H</b>
I	<b>113</b>	79	43	82	79	95	79	107	106	115	90	Very Good	<b>I</b>
J	106	104	94	105	<b>110</b>	<b>111</b>	<b>110</b>	115	<b>115</b>	115	<b>109</b>	Excellent	<b>J</b>
K	85	105	29	51	52	72	65	85	83	72	70	Fair	<b>K</b>
L	109	102	40	29	23	42	24	62	50	45	53	Subpar	<b>L</b>

**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>32,400</b>	<b>7,322</b>	<b>58,310</b>	<b>18,000</b>	<b>116,032</b>
– Pairs Rejected	<b>2,156</b>	<b>621</b>	<b>3,226</b>	<b>988</b>	<b>6,991</b>
<b>Net Y20 Production</b> (after rejects)	<b>30,244</b>	<b>6,701</b>	<b>55,084</b>	<b>17,012</b>	<b>109,041</b>
<b>Superior Materials Usage</b>	<b>37.2%</b>	<b>62.8%</b>	<b>40.3%</b>	<b>28.7%</b>	<b>39.1%</b>
<b>Capacity Utilization</b> (branded + P-L prod.)	<b>120.0%</b>	<b>87.2%</b>	<b>114.1%</b>	<b>120.0%</b>	<b>114.3%</b>

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

	Base Price	Year 20 Price Adjustments for		Year 20 Price
		Materials Usage	Capacity Utilization	
<b>Standard Materials</b>	<b>7.00</b>	<b>+ 1.53</b>	<b>+ 0.30</b>	<b>8.83</b>
<b>Superior Materials</b>	<b>14.00</b>	<b>- 0.76</b>	<b>+ 0.60</b>	<b>13.84</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>2,033</b>	<b>1,990</b>	<b>1,890</b>	<b>1,806</b>	<b>7,719</b>
– Pairs Cleared (inventory clearance)	<b>264</b>	<b>252</b>	<b>228</b>	<b>180</b>	<b>924</b>
<b>Beginning Y20 Inventories</b>	<b>1,769</b>	<b>1,738</b>	<b>1,662</b>	<b>1,626</b>	<b>6,795</b>
+ New Production (shipped from plants)	<b>24,289</b>	<b>22,369</b>	<b>22,519</b>	<b>22,266</b>	<b>91,443</b>
<b>Pairs Available for Sale in Y20</b>	<b>26,058</b>	<b>24,107</b>	<b>24,181</b>	<b>23,892</b>	<b>98,238</b>

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

	N.A. Market	E-A Market	A-P Market	L.A. Market	Industry Total
<b>Projected Y20 Demand</b> (see Y19 FIR)	<b>23,838</b>	<b>23,131</b>	<b>22,310</b>	<b>22,169</b>	<b>91,448</b>
<b>Actual Year 20 Demand</b>	<b>23,697</b>	<b>23,130</b>	<b>22,497</b>	<b>22,747</b>	<b>92,071</b>
<b>Branded Pairs Sold</b>	<b>23,598</b>	<b>22,076</b>	<b>22,174</b>	<b>21,958</b>	<b>89,806</b>
<b>Required Y20 Ending Inventories</b>	<b>2,017</b>	<b>2,031</b>	<b>1,943</b>	<b>1,925</b>	<b>7,916</b>
<b>Inventory Surplus (Shortfall)</b>	<b>46</b>	<b>-1,263</b>	<b>-544</b>	<b>-1,040</b>	<b>-2,801</b>

**COMMENTARY**

- Pairs produced before rejects
- Average reject rate = 6.0%
- Available for shipment to warehouses
- % usage down by 1.6 points from Y19
- % utilization down by 0.7 points from Y19

Lower than normal (39.1% industrywide) superior materials usage led to superior materials prices that were 5.5% below the base and standard materials prices that were 21.8% above the base. Industrywide capacity utilization above 110% resulted in materials price increases of 4.3% from the base.

- Average inventory clearance of 12.0%
- 6.7% higher than Y20 demand
- Actual demand in Year 20 was 0.7% greater than expected.
- Needed to achieve delivery times

{ Okay in N.A. Low in E-A  
 { Low in A-P Low in L.A.

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

	Year 21	Year 22	Year 23	Year 24
<b>Branded</b> — North America (internet + wholesale)	<b>24,645</b>	<b>25,631</b>	<b>26,656</b>	<b>27,722</b>
Europe-Africa	<b>24,055</b>	<b>25,017</b>	<b>26,018</b>	<b>27,059</b>
Asia-Pacific	<b>23,847</b>	<b>25,278</b>	<b>26,795</b>	<b>28,403</b>
Latin America	<b>24,111</b>	<b>25,558</b>	<b>27,091</b>	<b>28,716</b>
<b>Total</b>	<b>96,658</b>	<b>101,484</b>	<b>106,560</b>	<b>111,900</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>4,660</b>	<b>4,660</b>	<b>4,660</b>	<b>4,660</b>
Asia-Pacific	<b>4,660</b>	<b>4,660</b>	<b>4,660</b>	<b>4,660</b>
Latin America	<b>4,720</b>	<b>4,720</b>	<b>4,720</b>	<b>4,720</b>
<b>Total</b>	<b>18,740</b>	<b>18,740</b>	<b>18,740</b>	<b>18,740</b>

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

<b>Supply</b> — Beginning Year 21 Inventory (000s)	<b>7,962</b>
<b>Potential Production</b> (at max OT)	<b>129,840</b>
<b>Potential Global Supply</b>	<b>137,802</b>
<b>Demand</b> — Branded Sales Forecast (000s)	<b>96,658</b>
<b>Private-Label Sales Forecast</b>	<b>18,740</b>
<b>Expected Global Demand</b>	<b>115,398</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	4,100	6,000	0	0	0	0	0	0	4,100	6,000	10,100	0	<b>A</b>
<b>B</b>	3,000	0	5,200	3,200	0	0	0	0	3,000	0	5,200	3,200	11,400	0	<b>B</b>
<b>C</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>C</b>
<b>D</b>	2,000	4,000	4,000	0	0	0	0	0	2,000	4,000	4,000	0	10,000	5,000	<b>D</b>
<b>E</b>	3,300	0	9,000	0	0	0	0	0	3,300	0	9,000	0	12,300	0	<b>E</b>
<b>F</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>F</b>
<b>G</b>	3,900	2,000	5,100	0	0	0	0	0	3,900	2,000	5,100	0	11,000	1,500	<b>G</b>
<b>H</b>	0	0	5,200	3,300	0	0	0	0	0	0	5,200	3,300	8,500	0	<b>H</b>
<b>I</b>	3,400	0	4,400	0	0	0	0	0	3,400	0	4,400	0	7,800	0	<b>I</b>
<b>J</b>	7,000	1,400	7,200	0	0	0	0	0	7,000	1,400	7,200	0	15,600	0	<b>J</b>
<b>K</b>	2,900	1,000	4,200	1,000	0	0	0	0	2,900	1,000	4,200	1,000	9,100	0	<b>K</b>
<b>L</b>	1,500	0	2,700	1,500	0	0	0	0	1,500	0	2,700	1,500	5,700	200	<b>L</b>
<b>Total</b>	<b>27,000</b>	<b>8,400</b>	<b>51,100</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,000</b>	<b>8,400</b>	<b>51,100</b>	<b>15,000</b>	<b>101,500</b>	<b>6,700</b>	

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

	Net Sales Revenues	Cost of Pairs Sold	Warehse Expenses	Marketing Expenses	Admin Expenses	Operating Profit	Interest Exp (Inc)	Income Taxes	Net Profit	Total Dividend Payment (\$000s)	Shares of Stock (000s of shares outstanding)	
A	587,665	292,439	37,950	153,180	12,519	91,577	11,308	24,081	56,188	30,000	7,500	A
B	595,696	326,414	38,276	114,049	13,820	103,137	7,545	28,678	66,914	18,750	7,500	B
C	0	0	0	0	0	0	0	0	0	0	0	C
D	251,097	235,216	7,812	0	0	8,069	72,656	0	-64,587	0	20,000	D
E	727,373	371,771	39,055	154,254	14,719	147,574	14,002	40,072	93,500	48,750	7,500	E
F	0	0	0	0	0	0	0	0	0	0	0	F
G	603,239	350,833	35,216	101,740	13,419	102,031	7,795	28,271	65,965	7,500	7,500	G
H	559,758	260,647	32,738	210,233	10,920	45,220	6,168	11,716	27,336	2,870	8,200	H
I	468,311	225,598	30,025	129,549	10,219	72,920	-692	22,084	51,528	40,450	8,090	I
J	837,757	412,683	54,602	208,903	18,017	143,552	25,974	35,273	82,305	22,200	7,500	J
K	470,354	332,032	34,771	60,454	11,519	31,578	7,192	7,316	17,070	11,250	7,500	K
L	300,160	187,998	20,586	78,472	8,118	4,986	909	1,223	2,854	6,300	12,600	L
	540,141	299,563	33,103	121,083	11,327	75,064	15,286	19,871	39,907	18,807	9,389	

**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	3,869	181,989	469,217	56,916	101,500	284,611	0	26,190	310,801	4.00	3 / 1	A
B	15,766	199,664	538,308	68,151	87,629	423,001	-88,639	48,166	382,528	2.50	6 / 3	B
C	0	0	0	0	0	0	0	0	0	0.00	0 / 0	C
D	0	62,774	417,822	767,840	75,000	-365,262	17,250	-77,006	-425,018	0.00	0 / 1	D
E	30,827	261,190	540,099	60,040	125,000	310,309	0	44,750	355,059	6.50	4 / 2	E
F	0	0	0	0	0	0	0	0	0	0.00	0 / 0	F
G	76,773	254,377	556,602	67,389	110,744	320,005	0	58,464	378,469	1.00	4 / 4	G
H	21,467	171,302	402,218	39,718	66,500	293,277	-21,745	24,468	296,000	0.35	8 / 2	H
I	3,157	124,613	300,784	20,981	0	304,505	-35,780	11,079	279,803	5.00	4 / 2	I
J	0	255,638	640,474	80,989	189,463	309,917	0	60,105	370,022	2.96	5 / 2	J
K	4,626	150,542	353,881	54,313	163,000	224,346	-93,600	5,822	136,568	1.50	8 / 1	K
L	12,261	94,114	210,339	23,916	5,000	184,873	0	-3,450	181,423	0.50	2 / 1	L
	16,875	175,620	442,974	124,025	92,384	228,958	-22,251	19,859	226,565	2.43	4 / 2	

**SELECTED FINANCIAL AND OPERATING STATISTICS**

**CREDIT RATING DATA**

	Costs and Profits as a % of Net Revenues						Current Ratio	Days of Inventory	Interest Coverage Ratio	Debt to Assets Ratio	Default Risk Ratio	Default Risk	
	Cost of Prs. Sold	Whse. Expenses	Mktnng. Expenses	Admin. Expenses	Operating Profit	Net Profit							
A	49.8 %	6.5 %	26.1 %	2.1 %	15.6 %	9.6 %	3.20	39	8.10	0.29	1.52	Medium	A
B	54.8	6.4	19.1	2.3	17.3	11.2	2.93	39	13.67	0.23	2.09	Medium	B
C	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0	0.00	0.00	0.00	N/A	C
D	93.7	3.1	0.0	0.0	3.2	-25.7	0.08	0	0.11	1.95	0.00	N/A	D
E	51.1	5.4	21.2	2.0	20.3	12.9	4.35	54	10.54	0.28	2.90	Medium	E
F	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0	0.00	0.00	0.00	N/A	F
G	58.2	5.8	16.9	2.2	16.9	10.9	3.77	32	13.09	0.26	2.29	Medium	G
H	46.6	5.8	37.6	2.0	8.1	4.9	4.31	15	7.33	0.20	2.95	Medium	H
I	48.2	6.4	27.7	2.2	15.6	11.0	5.94	8	100.00	0.00	10.00	Low	I
J	49.3	6.5	24.9	2.2	17.1	9.8	3.16	46	5.53	0.37	2.10	Medium	J
K	70.6	7.4	12.9	2.4	6.7	3.6	2.77	38	4.39	0.52	1.35	Medium	K
L	62.6	6.9	26.1	2.7	1.7	1.0	3.94	13	5.49	0.05	1.81	Medium	L
	55.5 %	6.1 %	22.4 %	2.1 %	13.9 %	7.4 %	1.42	28	16.83	0.42	2.70	Medium	

**Bold** = best in industry         = 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		8.24	<b>8.34</b>	10.42	<b>10.38</b>	14.44	<b>14.34</b>	
	Private-Label Footwear		7.83	<b>7.68</b>	9.62	<b>10.08</b>	14.58	<b>14.38</b>	
Labor — North America Europe Africa Asia Pacific Latin America	Total Compensation (\$/year)		17,234	<b>17,579</b>	21,526	<b>21,600</b>	25,326	<b>24,440</b>	
		Productivity (pairs/worker/year)		3,453	<b>3,481</b>	4,782	<b>4,814</b>	5,715	<b>5,740</b>
			Labor Cost (\$/pair produced)		3.50	<b>3.58</b>	4.98	<b>4.92</b>	6.17
	Total Compensation (\$/year)				15,302	<b>15,302</b>	16,946	<b>16,823</b>	20,156
		Productivity (pairs/worker/year)			3,157	<b>3,185</b>	4,305	<b>4,370</b>	5,290
			Labor Cost (\$/pair produced)		3.66	<b>3.57</b>	4.71	<b>4.63</b>	5.45
	Total Compensation (\$/year)				3,211	<b>3,275</b>	4,937	<b>5,018</b>	6,259
		Productivity (pairs/worker/year)			2,091	<b>2,097</b>	2,988	<b>3,042</b>	3,981
			Labor Cost (\$/pair produced)		1.14	<b>1.32</b>	1.76	<b>1.76</b>	2.35
	Total Compensation (\$/year)				4,411	<b>3,315</b>	5,448	<b>5,161</b>	6,430
		Productivity (pairs/worker/year)			2,638	<b>2,683</b>	3,051	<b>3,093</b>	4,028
			Labor Cost (\$/pair produced)		1.30	<b>1.43</b>	1.84	<b>1.77</b>	2.38
TQM / 6Σ Quality Expenditures (\$ per pair of capacity)	Year 20			0.00	<b>0.00</b>	0.78	<b>0.77</b>	1.93	<b>1.86</b>
	Cumulative	0.32		<b>0.29</b>	0.82	<b>0.80</b>	1.43	<b>1.49</b>	
Reject Rates	Branded Production		2.4%	<b>1.9%</b>	5.8%	<b>5.7%</b>	10.9%	<b>10.7%</b>	
	Private-Label Production		1.6%	<b>1.8%</b>	3.9%	<b>4.8%</b>	7.5%	<b>10.0%</b>	
Total Manufacturing Costs (\$/pair produced)	Branded	N.A.	22.09	<b>22.00</b>	27.19	<b>27.15</b>	31.94	<b>31.95</b>	
		E-A	30.80	<b>29.94</b>	30.80	<b>29.94</b>	30.80	<b>29.94</b>	
		A-P	18.90	<b>19.03</b>	22.79	<b>22.88</b>	28.61	<b>28.58</b>	
		L.A.	20.34	<b>19.72</b>	22.91	<b>29.23</b>	25.32	<b>58.39</b>	
	Private-Label	N.A.	18.60	<b>18.98</b>	22.50	<b>22.16</b>	27.41	<b>27.41</b>	
		E-A	19.04	<b>19.35</b>	26.41	<b>26.22</b>	33.77	<b>33.58</b>	
		A-P	16.66	<b>15.85</b>	19.95	<b>19.84</b>	26.53	<b>24.42</b>	
		L.A.	18.14	<b>20.46</b>	18.14	<b>21.66</b>	18.14	<b>22.86</b>	

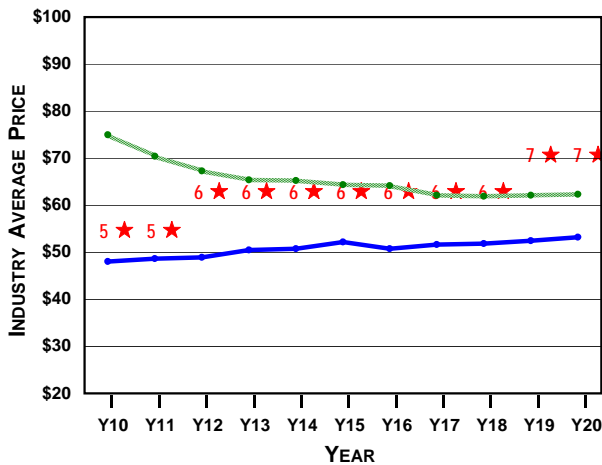
OPERATING BENCHMARKS			Industry Low		Industry Average		Industry High			
			Year 19	Year 20	Year 19	Year 20	Year 19	Year 20		
Branded Market Segments	Costs of Pairs Sold (\$/pair sold. Includes manufacturing, shipping, import tariffs, and exchange rate adjustments.)	N.A.	23.76	<b>23.80</b>	27.93	<b>27.71</b>	33.84	<b>34.10</b>		
		E-A	29.33	<b>29.83</b>	32.86	<b>33.17</b>	39.15	<b>40.32</b>		
		A-P	20.89	<b>21.02</b>	24.83	<b>25.09</b>	31.37	<b>32.63</b>		
		L.A.	22.31	<b>21.78</b>	29.02	<b>28.20</b>	39.02	<b>39.05</b>		
	Warehouse Expenses - Internet (\$ per pair sold)		10.38	<b>10.34</b>	10.51	<b>10.47</b>	10.69	<b>10.67</b>		
		Wholesale	2.08	<b>2.02</b>	2.27	<b>2.22</b>	2.52	<b>2.51</b>		
	Marketing Expenses — Internet (\$ per pair sold)		10.76	<b>10.00</b>	15.52	<b>14.84</b>	20.56	<b>23.04</b>		
		Wholesale	7.87	<b>7.52</b>	13.45	<b>13.22</b>	20.56	<b>23.14</b>		
	Administrative Expenses (\$/pair sold)		1.12	<b>1.09</b>	1.26	<b>1.28</b>	1.40	<b>1.54</b>		
	Operating Profit (\$ per pair sold)	Internet	N.A.	6.11	<b>6.42</b>	12.69	<b>13.87</b>	16.89	<b>17.70</b>	
E-A			4.83	<b>1.22</b>	10.08	<b>8.16</b>	14.54	<b>14.63</b>		
A-P			9.58	<b>7.98</b>	17.28	<b>16.82</b>	22.75	<b>22.42</b>		
L.A.			1.60	<b>4.15</b>	11.35	<b>15.25</b>	18.32	<b>21.80</b>		
Wholesale		N.A.	0.20	<b>-0.08</b>	6.30	<b>7.57</b>	10.69	<b>13.41</b>		
		E-A	0.13	<b>-3.13</b>	5.38	<b>4.27</b>	10.01	<b>9.88</b>		
		A-P	1.57	<b>0.31</b>	5.67	<b>5.93</b>	9.25	<b>12.09</b>		
		L.A.	-1.50	<b>0.53</b>	1.81	<b>5.68</b>	6.52	<b>9.23</b>		
		Private-Label Market Segments	Production Costs (\$/pair sold. Includes manufacturing, shipping, import tariffs, and exchange rate adjustments.)	N.A.	20.60	<b>20.98</b>	24.38	<b>23.55</b>	30.81	<b>28.25</b>
				E-A	21.04	<b>21.35</b>	28.56	<b>28.22</b>	35.77	<b>35.58</b>
A-P	18.66			<b>17.85</b>	21.95	<b>22.19</b>	28.53	<b>26.42</b>		
L.A.	20.14			<b>22.46</b>	25.17	<b>25.20</b>	32.23	<b>31.30</b>		
Warehouse Expenses (\$ per pair sold)			1.00	<b>1.00</b>	1.00	<b>1.00</b>	1.00	<b>1.00</b>		
Margin Over Direct Costs (\$ per pair sold)	N.A.	-0.31	<b>2.75</b>	4.74	<b>5.74</b>	10.39	<b>10.02</b>			
	E-A	-0.24	<b>-4.37</b>	4.40	<b>0.71</b>	9.40	<b>7.91</b>			
	A-P	0.96	<b>-0.01</b>	5.61	<b>4.48</b>	11.10	<b>8.44</b>			
	L.A.	-2.67	<b>0.26</b>	3.74	<b>4.53</b>	9.80	<b>11.24</b>			

**CELEBRITY ENDORSEMENTS**

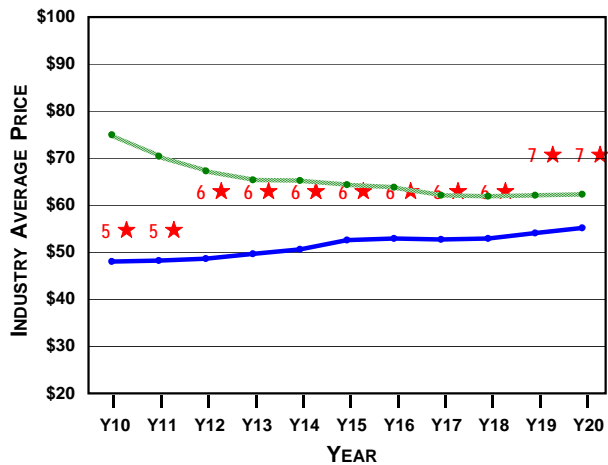
CELEBRITY	CONSUMER APPEAL				CURRENTLY SIGNED BY	CONTRACT (\$000s/year)	YEAR SIGNED	CONTRACT LENGTH	MOST RECENT ROUND OF BIDDING				
	NA	EA	AP	LA					# of BIDS	HIGH BID	2nd BID	AVG BID	Low Bid
Payton Manyon	85	45	35	40	Company A	26,000	Y19	2 years	6	26,000	25,011	22,719	15,000
Oprah Letterman	100	70	65	75	Company G	29,505	Y20	3 years	1	29,505	0	29,505	29,505
Annika Stockholm	70	100	70	55	Company H	24,025	Y16	5 years	7	24,025	21,099	19,133	15,000
Tiger Green	95	80	85	75	Company G	29,125	Y20	2 years	1	29,125	0	29,125	29,125
José Montaña	60	50	60	95	Company J	27,000	Y18	3 years	6	27,000	25,010	22,830	15,000
Karioki Footsu	55	60	95	90	[unsigned]	0	N/A	4 years	1	29,125	0	29,125	29,125
Jaques LaFeet	50	90	50	85	Company L	15,000	Y20	1 year	1	15,000	0	15,000	15,000
Serenus Willson	70	65	55	60	Company A	29,000	Y19	3 years	6	29,000	25,050	23,753	15,000
Natalie Kwan	75	80	95	50	Company H	24,050	Y17	4 years	7	24,050	22,888	21,423	15,002
Sergio Milano	45	85	60	100	Company H	25,050	Y19	2 years	5	28,000	25,050	23,303	15,000
Lance deFrance	80	85	75	70	[unsigned]	0	N/A	3 years	1	28,125	0	28,125	28,125
Yao KungPao	60	35	100	50	Company J	27,000	Y18	4 years	6	27,000	25,010	22,663	15,000

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

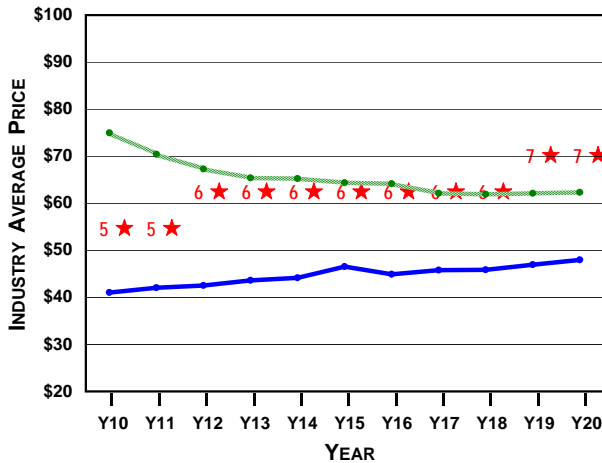
**NORTH AMERICA**



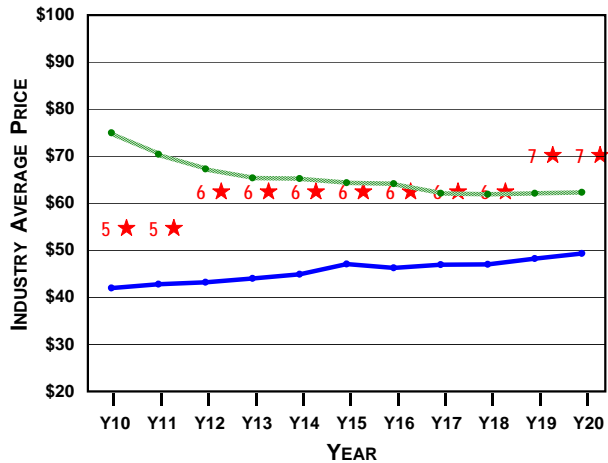
**EUROPE-AFRICA**



**ASIA-PACIFIC**



**LATIN AMERICA**



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