

THE FOOTWEAR INDUSTRY REPORT

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INDUSTRY 9

Friday, April 28, 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 |
|----------------------|---------------|-----------------|
| Corporate Mobsters | 118 | +11 |
| A Dim Sum Delight | 102 | +13 |
| Kicks | 74 | +9 |
| Go-Time2Sports-BU | 71 | +4 |
| Dynamic Shoes | 68 | -6 |
| Fresh Footwear | 59 | +40 |
| Lasting | 27 | -2 |
| Excellent Speedtrack | 22 | -1 |
| Helluva Shoe | 18 | -1 |
| B (deleted) | 0 | 0 |
| I (deleted) | 0 | 0 |
| J (deleted) | 0 | 0 |

OVERALL INVESTOR CONFIDENCE AVERAGE

| Company Name | G-T-D Index | Change from Y19 |
|----------------------|-------------|-----------------|
| Corporate Mobsters | 101 | +2 |
| A Dim Sum Delight | 91 | +1 |
| Go-Time2Sports-BU | 89 | -2 |
| Kicks | 76 | 0 |
| Dynamic Shoes | 62 | +1 |
| Helluva Shoe | 49 | -3 |
| Lasting | 45 | -2 |
| Excellent Speedtrack | 39 | -1 |
| Fresh Footwear | 35 | +3 |
| B (deleted) | 0 | 0 |
| I (deleted) | 0 | 0 |
| J (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 |
|----------------------|---------------|-----------------|
| Corporate Mobsters | 97 | +6 |
| A Dim Sum Delight | 64 | +14 |
| Kicks | 47 | +4 |
| Dynamic Shoes | 45 | -4 |
| Fresh Footwear | 41 | +28 |
| Go-Time2Sports-BU | 37 | +1 |
| Lasting | 20 | -1 |
| Excellent Speedtrack | 15 | -1 |
| Helluva Shoe | 11 | -2 |
| B (deleted) | 0 | 0 |
| I (deleted) | 0 | 0 |
| J (deleted) | 0 | 0 |

GAME-TO-DATE PERFORMANCE RANKINGS

| Company Name | G-T-D Score | Change from Y19 |
|----------------------|-------------|-----------------|
| Corporate Mobsters | 98 | +7 |
| A Dim Sum Delight | 63 | +7 |
| Kicks | 52 | -1 |
| Dynamic Shoes | 44 | -4 |
| Go-Time2Sports-BU | 43 | -2 |
| Fresh Footwear | 30 | +16 |
| Lasting | 24 | -3 |
| Excellent Speedtrack | 16 | 0 |
| Helluva Shoe | 14 | -8 |
| B (deleted) | 0 | 0 |
| I (deleted) | 0 | 0 |
| J (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 | 3.06 | 2.16 | 2.27 | 3.52 | 5.15 | 2.77 | 6.17 | 7.25 | 5.21 | 9.01 | 4.49 | 11 | 11 | A |
| B | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | B |
| C | 5.34 | 3.47 | 3.45 | 4.36 | 7.08 | 5.43 | 11.02 | 10.22 | 12.37 | 16.47 | 7.94 | 20 | 20 | C |
| D | 1.67 | 1.04 | 0.10 | 0.80 | 1.47 | -0.85 | 2.20 | 3.39 | 2.10 | 2.03 | 1.32 | 2 | 3 | D |
| E | 3.77 | 2.46 | -0.37 | -7.62 | -4.85 | -4.02 | -2.93 | -0.11 | -0.76 | -0.98 | -1.55 | 0 | 0 | E |
| F | 1.67 | 0.96 | 0.82 | -0.70 | -0.48 | -2.86 | -0.31 | -0.21 | -0.15 | 0.79 | -0.01 | 1 | 0 | F |
| G | 3.35 | 3.28 | 2.49 | 1.88 | 4.45 | 3.88 | 6.37 | 3.67 | 3.94 | 4.14 | 3.61 | 5 | 9 | G |
| H | 3.41 | 3.04 | 2.02 | 1.93 | 1.12 | 0.89 | 0.51 | -0.83 | -5.70 | -6.03 | 0.15 | 0 | 0 | H |
| I | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | I |
| J | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | J |
| K | 3.70 | 1.13 | 1.12 | 2.02 | 1.98 | 2.05 | 3.58 | 2.77 | 1.42 | 2.11 | 2.16 | 3 | 5 | K |
| L | 2.24 | 0.65 | 0.14 | -0.72 | 1.09 | 0.30 | 1.83 | 1.94 | -0.80 | -1.37 | 0.54 | 0 | 1 | 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 (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 | 18.7 | 11.8 | 11.5 | 15.5 | 20.9 | 10.6 | 21.3 | 21.0 | 13.2 | 20.2 | 16.2 | 18 | 16 | A |
| B | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | B |
| C | 32.6 | 25.4 | 21.6 | 21.9 | 27.7 | 17.0 | 27.6 | 19.8 | 19.7 | 22.3 | 20.8 | 20 | 20 | C |
| D | 10.8 | 6.4 | 0.6 | 4.7 | 8.0 | -4.3 | 11.3 | 14.8 | 9.5 | 8.4 | 6.9 | 8 | 7 | D |
| E | 22.8 | 16.1 | -3.6 | -86.3 | -186.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -240.0 | 0 | 0 | E |
| F | 10.8 | 5.8 | 4.8 | -4.1 | -2.9 | -19.2 | -3.4 | -2.8 | -2.0 | 10.7 | -0.1 | 10 | 0 | F |
| G | 20.6 | 16.5 | 10.3 | 7.2 | 16.0 | 15.4 | 29.3 | 12.8 | 8.5 | 9.9 | 12.9 | 9 | 12 | G |
| H | 21.1 | 17.2 | 9.6 | 9.9 | 5.3 | 4.3 | 2.5 | -4.1 | -33.2 | -53.4 | 0.9 | 0 | 1 | H |
| I | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | I |
| J | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | J |
| K | 23.4 | 8.2 | 6.4 | 10.6 | 9.4 | 8.9 | 13.2 | 9.5 | 5.0 | 7.8 | 9.7 | 7 | 9 | K |
| L | 13.7 | 3.6 | 1.0 | -4.6 | 6.9 | 1.8 | 10.5 | 9.8 | -7.3 | -14.0 | 3.6 | 0 | 3 | 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 | 43.16 | 23.52 | 25.36 | 42.50 | 80.82 | 35.71 | 86.47 | 97.15 | 63.01 | 135.27 | +16 % | 9 | 9 | A |
| B | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | B |
| C | 91.77 | 50.52 | 40.13 | 50.04 | 100.07 | 65.72 | 165.60 | 123.03 | 173.90 | 289.21 | +25 | 20 | 20 | C |
| D | 16.68 | 9.59 | 6.58 | 6.51 | 15.45 | 8.92 | 29.13 | 45.82 | 25.92 | 21.79 | -3 | 2 | 2 | D |
| E | 72.36 | 33.97 | 18.89 | 11.33 | 6.80 | 4.83 | 4.84 | 5.56 | 4.60 | 5.04 | -16 | 0 | 0 | E |
| F | 17.17 | 10.31 | 7.09 | 4.85 | 5.12 | 4.75 | 5.28 | 4.65 | 5.31 | 10.30 | -10 | 1 | 1 | F |
| G | 65.97 | 54.17 | 31.26 | 20.78 | 71.84 | 55.16 | 108.64 | 44.11 | 39.33 | 39.37 | +3 | 3 | 3 | G |
| H | 61.61 | 36.85 | 22.36 | 20.22 | 11.43 | 8.04 | 5.28 | 4.65 | 5.38 | 4.55 | -17 | 0 | 0 | H |
| I | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | I |
| J | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 0 | J |
| K | 47.60 | 25.08 | 14.37 | 19.47 | 22.27 | 22.53 | 42.64 | 29.80 | 16.80 | 22.93 | -3 | 2 | 2 | K |
| L | 22.89 | 13.78 | 8.04 | 5.06 | 12.75 | 7.93 | 22.22 | 21.11 | 12.11 | 7.04 | -14 % | 0 | 0 | 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 | A- | B | B- | C+ | C+ | C- | C | C | C | C+ | High | 8 | 8 | A |
| B | 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 | C | C | C | C | C- | C+ | C+ | B- | A | Low | 19 | 19 | C |
| D | B | B | C- | A- | A | C | A+ | A | B+ | B | High | 14 | 14 | D |
| E | A- | B | C- | C- | C- | C- | C- | C- | C- | C- | N/A | 0 | 0 | E |
| F | B | C | C | C- | C- | C- | C- | C- | C- | B+ | Medium | 17 | 17 | F |
| G | A- | A- | B+ | B | B | C | C | C | C- | C- | High | 0 | 0 | G |
| H | B- | B- | C- | C- | C- | C- | C | C- | C- | C- | N/A | 0 | 0 | H |
| I | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 | 0 | I |
| J | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 | 0 | J |
| K | B- | C | C+ | B | B | B+ | A- | B+ | A | A+ | Low | 20 | 20 | K |
| L | B+ | C | C | C- | C+ | C | B- | C- | C- | C- | High | 0 | 0 | L |

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 | 64 | 70 | 81 | 82 | 84 | 85 | 87 | 90 | 91 | 91 | 91 | 18 | 19 | A |
| B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | B |
| C | 70 | 79 | 80 | 88 | 84 | 97 | 94 | 94 | 99 | 89 | 94 | 18 | 19 | C |
| D | 59 | 67 | 68 | 53 | 53 | 45 | 77 | 86 | 80 | 96 | 87 | 19 | 18 | D |
| E | 77 | 58 | 49 | 48 | 100 | 71 | 61 | 77 | 77 | 73 | 76 | 15 | 16 | E |
| F | 59 | 76 | 92 | 92 | 87 | 77 | 72 | 64 | 58 | 59 | 60 | 12 | 12 | F |
| G | 67 | 66 | 71 | 77 | 78 | 86 | 81 | 87 | 82 | 100 | 90 | 20 | 19 | G |
| H | 76 | 93 | 89 | 90 | 81 | 78 | 78 | 74 | 61 | 55 | 63 | 11 | 13 | H |
| I | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | I |
| J | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | J |
| K | 79 | 79 | 88 | 84 | 81 | 80 | 82 | 86 | 77 | 75 | 79 | 15 | 16 | K |
| L | 63 | 64 | 86 | 91 | 90 | 99 | 99 | 91 | 100 | 100 | 97 | 20 | 20 | L |

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 | 106 | 81 | 78 | 92 | 102 | 67 | 98 | 99 | 89 | | | |
| B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/A | B |
| C | 108 | 95 | 91 | 97 | 98 | 93 | 103 | 102 | 107 | 118 | 101 | Excellent | C |
| D | 70 | 57 | 25 | 51 | 64 | 21 | 84 | 101 | 74 | 68 | 62 | Subpar | D |
| E | 115 | 91 | 24 | 20 | 27 | 22 | 19 | 23 | 23 | 22 | 39 | Subpar | E |
| F | 71 | 46 | 42 | 25 | 24 | 23 | 22 | 20 | 19 | 59 | 35 | Subpar | F |
| G | 112 | 108 | 87 | 70 | 105 | 89 | 98 | 79 | 67 | 71 | 89 | Good | G |
| H | 104 | 98 | 61 | 58 | 40 | 36 | 33 | 23 | 19 | 18 | 49 | Subpar | H |
| I | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/A | I |
| J | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/A | J |
| K | 105 | 59 | 55 | 74 | 73 | 74 | 99 | 81 | 65 | 74 | 76 | Fair | K |
| L | 87 | 40 | 32 | 26 | 52 | 36 | 70 | 55 | 29 | 27 | 45 | Subpar | L |

FOOTWEAR PRODUCTION (000s of pairs)

| | N.A. Plant | E-A Plant | A-P Plant | L.A. Plant | Industry Total |
|---|---------------|---------------|---------------|---------------|----------------|
| Total Year 20 Production | 25,500 | 15,720 | 46,605 | 16,140 | 103,965 |
| – Pairs Rejected | 689 | 614 | 2,042 | 785 | 4,130 |
| Net Y20 Production (after rejects) | 24,811 | 15,106 | 44,563 | 15,355 | 99,835 |
| Superior Materials Usage | 60.5% | 33.9% | 40.6% | 32.8% | 43.3% |
| Capacity Utilization (branded + P-L prod.) | 109.9% | 120.0% | 118.9% | 120.0% | 116.9% |

MATERIALS PRICES (\$ per pair)

| | Base Price | Year 20 Price Adjustments for | | Year 20 Price |
|---------------------------|--------------|-------------------------------|----------------------|---------------|
| | | Materials Usage | Capacity Utilization | |
| Standard Materials | 8.00 | + 1.07 | + 0.55 | 9.62 |
| Superior Materials | 14.00 | - 0.47 | + 0.97 | 14.50 |

BRANDED WAREHOUSES (000s of pairs)

| | N.A. Market | E-A Market | A-P Market | L.A. Market | Industry Total |
|--|---------------|---------------|---------------|---------------|----------------|
| Ending Y19 Inventories | 7,846 | 7,586 | 7,239 | 6,017 | 28,688 |
| – Pairs Cleared (inventory clearance) | 1,717 | 1,366 | 1,345 | 1,430 | 5,858 |
| Beginning Y20 Inventories | 6,129 | 6,220 | 5,894 | 4,587 | 22,830 |
| + New Production (shipped from plants) | 20,411 | 23,890 | 19,676 | 22,431 | 86,408 |
| Pairs Available for Sale in Y20 | 26,540 | 30,110 | 25,570 | 27,018 | 109,238 |

BRANDED DEMAND & SALES (000s of pair)

| | N.A. Market | E-A Market | A-P Market | L.A. Market | Industry Total |
|---|---------------|---------------|---------------|---------------|----------------|
| Projected Y20 Demand (see Y19 FIR) | 22,314 | 22,380 | 20,383 | 19,833 | 84,910 |
| Actual Year 20 Demand | 22,527 | 22,131 | 20,881 | 19,997 | 85,536 |
| Branded Pairs Sold | 22,524 | 22,128 | 20,886 | 19,998 | 85,536 |
| Required Y20 Ending Inventories | 1,462 | 1,345 | 1,362 | 1,197 | 5,366 |
| Inventory Surplus (Shortfall) | 2,355 | 6,637 | 3,322 | 5,823 | 18,137 |

COMMENTARY

- Pairs produced before rejects
- Average reject rate = 4.0%
- Available for shipment to warehouses
- % usage up by 2.3 points over Y19
- % utilization up by 3.5 points over Y19

Lower than normal (43.3% industrywide) superior materials usage led to superior materials prices that were 3.4% below the base and standard materials prices that were 13.4% above the base. Industrywide capacity utilization above 110% resulted in materials price increases of 6.9% from the base.

- Average inventory clearance of 20.4%
- 27.7% higher than Y20 demand
- Actual demand in Year 20 was 0.7% greater than expected.
- Needed to achieve delivery times
- High in N.A. Very high in E-A
- High in A-P Very high in L.A.

DEMAND FORECAST (000s of pair)

| | Year 21 | Year 22 | Year 23 | Year 24 |
|---|---------------|---------------|---------------|----------------|
| Branded — North America (internet + wholesale) | 23,428 | 24,365 | 25,340 | 26,354 |
| Europe-Africa | 23,016 | 23,937 | 24,894 | 25,890 |
| Asia-Pacific | 22,134 | 23,462 | 24,870 | 26,362 |
| Latin America | 21,197 | 22,469 | 23,817 | 25,246 |
| Total | 89,775 | 94,233 | 98,921 | 103,852 |
| Private-Label — North America | 4,266 | 4,266 | 4,266 | 4,266 |
| Europe-Africa | 4,212 | 4,212 | 4,212 | 4,212 |
| Asia-Pacific | 4,212 | 4,212 | 4,212 | 4,212 |
| Latin America | 4,212 | 4,212 | 4,212 | 4,212 |
| Total | 16,902 | 16,902 | 16,902 | 16,902 |

GLOBAL SUPPLY / DEMAND ANALYSIS FOR YEAR 21

| | |
|--|--|
| Supply — Beginning Year 21 Inventory (000s) | 23,503 |
| Potential Production (at max OT) | 106,740 |
| Potential Global Supply | 130,243 |
| Demand — Branded Sales Forecast (000s) | 89,775 |
| Private-Label Sales Forecast | 16,902 |
| Expected Global Demand | 106,677 |
| Conclusion: | Excess supply of 22.1% is likely to intensify competition in Year 21 until market growth absorbs the excess. |

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 | | |
| A | 0 | 3,000 | 8,000 | 3,000 | 0 | 0 | 1,300 | 700 | 0 | 3,000 | 9,300 | 3,700 | 16,000 | 0 | A |
| B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | B |
| C | 0 | 4,000 | 10,000 | 3,250 | 0 | -1,000 | -2,000 | 0 | 0 | 3,000 | 8,000 | 3,250 | 14,250 | 0 | C |
| D | 5,400 | 0 | 0 | 0 | 3,700 | 0 | 0 | 0 | 9,100 | 0 | 0 | 0 | 9,100 | 0 | D |
| E | 2,300 | 1,500 | 1,500 | 0 | 0 | 0 | 0 | 0 | 2,300 | 1,500 | 1,500 | 0 | 5,300 | 0 | E |
| F | 0 | 0 | 2,000 | 0 | 0 | 0 | 1,200 | 0 | 0 | 0 | 3,200 | 0 | 3,200 | 0 | F |
| G | 6,000 | 4,500 | 6,000 | 2,000 | 0 | 100 | 1,100 | 1,500 | 6,000 | 4,600 | 7,100 | 3,500 | 21,200 | 0 | G |
| H | 2,000 | 0 | 4,000 | 2,000 | -1,000 | 0 | 0 | 0 | 1,000 | 0 | 4,000 | 2,000 | 7,000 | 0 | H |
| I | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | I |
| J | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | J |
| K | 1,400 | 1,000 | 1,100 | 1,000 | 0 | 0 | 0 | 0 | 1,400 | 1,000 | 1,100 | 1,000 | 4,500 | 0 | K |
| L | 3,900 | 0 | 6,000 | 0 | -500 | 0 | -1,000 | 0 | 3,400 | 0 | 5,000 | 0 | 8,400 | 0 | L |
| Total | 21,000 | 14,000 | 38,600 | 11,250 | 2,200 | -900 | 600 | 2,200 | 23,200 | 13,100 | 39,200 | 13,450 | 88,950 | 0 | |

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 | 916,618 | 521,397 | 68,596 | 175,056 | 18,419 | 133,150 | 36,576 | 28,972 | 67,602 | 30,000 | 7,500 | A |
| B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | B |
| C | 908,115 | 516,097 | 66,293 | 101,174 | 16,669 | 207,882 | 31,404 | 52,943 | 123,535 | 15,000 | 7,500 | C |
| D | 413,091 | 324,628 | 27,562 | 23,516 | 11,518 | 25,867 | 4,077 | 6,537 | 15,253 | 0 | 7,500 | D |
| E | 247,578 | 145,337 | 19,038 | 66,680 | 7,719 | 8,804 | 31,928 | 0 | -23,124 | 0 | 23,600 | E |
| F | 236,923 | 137,555 | 23,351 | 50,544 | 5,617 | 19,856 | 2,706 | 1,696 | 15,454 | 9,750 | 19,500 | F |
| G | 1,030,011 | 675,227 | 69,972 | 152,548 | 23,620 | 108,644 | 62,101 | 13,963 | 32,580 | 2,361 | 7,870 | G |
| H | 306,720 | 194,505 | 24,313 | 104,668 | 9,420 | -26,186 | 22,054 | 0 | -48,240 | 0 | 8,000 | H |
| I | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | I |
| J | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | J |
| K | 262,347 | 151,353 | 20,571 | 61,020 | 6,919 | 22,484 | -144 | 6,788 | 15,840 | 22,500 | 7,500 | K |
| L | 518,819 | 312,120 | 29,083 | 150,840 | 10,820 | 15,956 | 28,329 | 0 | -12,373 | 0 | 9,000 | L |
| | 537,802 | 330,913 | 38,753 | 98,450 | 12,302 | 57,384 | 24,337 | 12,322 | 20,725 | 8,846 | 10,886 | |

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 | 316,961 | 817,003 | 137,680 | 357,500 | 347,733 | -63,513 | 37,603 | 321,823 | 4.00 | 6 / 1 | A |
| B | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 / 0 | B |
| C | 15,671 | 320,367 | 683,334 | 70,628 | 5,000 | 499,172 | 0 | 108,534 | 607,706 | 2.00 | 3 / 2 | C |
| D | 0 | 155,390 | 404,962 | 76,871 | 139,000 | 173,838 | 0 | 15,253 | 189,091 | 0.00 | 0 / 2 | D |
| E | 0 | 112,541 | 210,661 | 303,031 | 0 | -69,247 | 0 | -23,123 | -92,370 | 0.00 | 0 / 1 | E |
| F | 0 | 100,713 | 171,081 | 23,449 | 0 | 141,932 | 0 | 5,700 | 147,632 | 0.50 | 1 / 1 | F |
| G | 0 | 510,413 | 1,112,327 | 247,807 | 521,800 | 312,500 | 0 | 30,220 | 342,720 | 0.30 | 9 / 1 | G |
| H | 0 | 126,575 | 270,712 | 129,497 | 75,000 | 114,454 | 0 | -48,240 | 66,215 | 0.00 | 4 / 3 | H |
| I | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 / 0 | I |
| J | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 / 0 | J |
| K | 15,850 | 110,151 | 215,992 | 15,121 | 0 | 207,532 | 0 | -6,661 | 200,871 | 3.00 | 2 / 1 | K |
| L | 0 | 180,947 | 354,078 | 73,267 | 198,800 | 94,382 | 0 | -12,371 | 82,011 | 0.00 | 0 / 1 | L |
| | 3,502 | 214,895 | 471,128 | 119,706 | 144,122 | 202,477 | -7,057 | 11,879 | 207,300 | 1.09 | 3 / 1 | |

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 | Mktn. Expenses | Admin. Expenses | Operating Profit | Net Profit | Net Profit | | | | | | | |
| A | 56.9 % | 7.5 % | 19.1 % | 2.0 % | 14.5 % | 7.4 % | 2.30 | 64 | 3.64 | 0.54 | 0.87 | High | A | |
| B | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.00 | 0 | 0.00 | 0.00 | 0.00 | N/A | B | |
| C | 56.8 | 7.3 | 11.1 | 1.8 | 22.9 | 13.6 | 4.54 | 60 | 6.62 | 0.05 | 4.68 | Low | C | |
| D | 78.6 | 6.7 | 5.7 | 2.8 | 6.3 | 3.7 | 2.02 | 90 | 6.34 | 0.45 | 0.74 | High | D | |
| E | 58.7 | 7.7 | 26.9 | 3.1 | 3.6 | -9.3 | 0.37 | 126 | 0.28 | 1.36 | 0.00 | N/A | E | |
| F | 58.1 | 9.9 | 21.3 | 2.4 | 8.4 | 6.5 | 4.29 | 122 | 7.34 | 0.06 | 1.11 | Medium | F | |
| G | 65.6 | 6.8 | 14.8 | 2.3 | 10.5 | 3.2 | 2.06 | 180 | 1.75 | 0.63 | 0.42 | High | G | |
| H | 63.4 | 7.9 | 34.1 | 3.1 | -8.5 | -15.7 | 0.98 | 206 | -1.19 | 0.69 | 0.00 | N/A | H | |
| I | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.00 | 0 | 0.00 | 0.00 | 0.00 | N/A | I | |
| J | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.00 | 0 | 0.00 | 0.00 | 0.00 | N/A | J | |
| K | 57.7 | 7.8 | 23.3 | 2.6 | 8.6 | 6.0 | 7.28 | 68 | 100.00 | 0.00 | 10.00 | Low | K | |
| L | 60.2 | 5.6 | 29.1 | 2.1 | 3.1 | -2.4 | 2.47 | 64 | 0.56 | 0.70 | 0.14 | High | L | |
| | 61.5 % | 7.2 % | 18.3 % | 2.3 % | 10.7 % | 3.9 % | 1.80 | 109 | 13.93 | 0.50 | 2.00 | 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 | | 8.85 | 8.85 | 11.18 | 11.57 | 13.44 | 13.77 |
| | Private-Label Footwear | | 8.25 | 8.21 | 10.07 | 10.39 | 11.16 | 11.44 |
| Labor — North America | Total Compensation (\$/year) | | 16,249 | 16,337 | 20,022 | 20,467 | 24,588 | 24,846 |
| | Productivity (pairs/worker/year) | | 3,855 | 4,078 | 4,983 | 5,236 | 5,792 | 5,902 |
| | Labor Cost (\$/pair produced) | | 3.76 | 3.66 | 4.26 | 3.98 | 4.79 | 4.35 |
| Europe Africa | Total Compensation (\$/year) | | 19,890 | 21,737 | 22,688 | 23,761 | 26,173 | 26,653 |
| | Productivity (pairs/worker/year) | | 4,305 | 4,364 | 4,780 | 4,905 | 5,463 | 5,666 |
| | Labor Cost (\$/pair produced) | | 3.73 | 4.12 | 4.62 | 4.83 | 5.33 | 5.29 |
| Asia Pacific | Total Compensation (\$/year) | | 3,891 | 3,895 | 4,475 | 4,635 | 5,005 | 5,275 |
| | Productivity (pairs/worker/year) | | 2,511 | 2,522 | 2,846 | 2,896 | 3,090 | 3,198 |
| | Labor Cost (\$/pair produced) | | 1.49 | 1.22 | 1.67 | 1.62 | 1.89 | 1.90 |
| Latin America | Total Compensation (\$/year) | | 3,972 | 4,041 | 4,634 | 4,892 | 5,104 | 5,402 |
| | Productivity (pairs/worker/year) | | 2,719 | 2,833 | 2,858 | 3,006 | 3,021 | 3,188 |
| | Labor Cost (\$/pair produced) | | 1.44 | 1.41 | 1.61 | 1.60 | 1.84 | 1.84 |
| TQM / 6σ Quality Expenditures (\$ per pair of capacity) | Year 20 | | 0.43 | 0.40 | 1.35 | 1.35 | 2.50 | 2.50 |
| | Cumulative | | 0.42 | 0.41 | 1.42 | 1.41 | 2.27 | 2.29 |
| Reject Rates | Branded Production | | 1.2% | 1.2% | 3.4% | 3.5% | 5.4% | 5.5% |
| | Private-Label Production | | 2.2% | 2.3% | 2.8% | 2.9% | 3.3% | 3.6% |
| Total Manufacturing Costs (\$/pair produced) | Branded — N.A. | | 23.38 | 25.18 | 26.40 | 27.10 | 28.20 | 31.76 |
| | E-A | | 24.56 | 25.45 | 27.71 | 26.81 | 29.31 | 28.07 |
| | A-P | | 20.75 | 21.06 | 23.54 | 23.55 | 26.31 | 27.30 |
| | L.A. | | 19.88 | 19.93 | 23.48 | 23.07 | 25.38 | 24.81 |
| | Private-Label — N.A. | | 30.55 | 23.07 | 30.55 | 23.67 | 30.55 | 24.27 |
| | E-A | | 19.40 | 22.21 | 21.57 | 23.09 | 23.73 | 23.96 |
| | A-P | | 19.75 | 19.95 | 29.42 | 21.19 | 58.38 | 22.20 |
| | L.A. | | 22.04 | 21.96 | 25.26 | 22.95 | 30.83 | 23.93 |

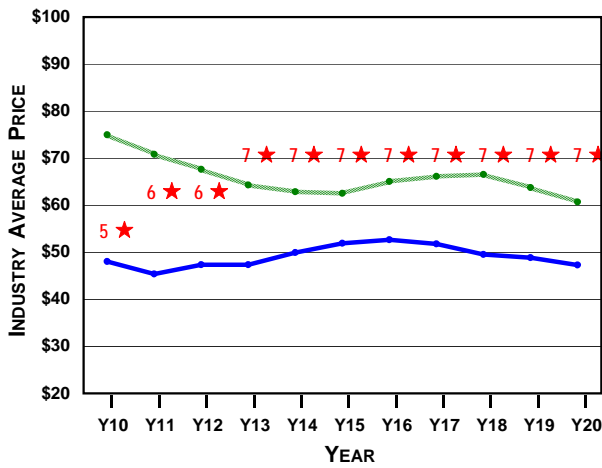
| OPERATING BENCHMARKS | | | Industry Low | | Industry Average | | Industry High | |
|---|---|------|--------------|---------------|------------------|--------------|---------------|--------------|
| | | | Year 19 | Year 20 | Year 19 | Year 20 | Year 19 | Year 20 |
| Branded Market Segments | Costs of Pairs Sold (\$/pair sold. Includes manufacturing, shipping, import tariffs, and exchange rate adjustments.) | N.A. | 24.85 | 25.30 | 28.68 | 28.60 | 31.38 | 33.01 |
| | | E-A | 26.90 | 27.55 | 34.26 | 34.45 | 41.18 | 39.68 |
| | | A-P | 22.65 | 23.23 | 27.41 | 27.33 | 39.68 | 37.91 |
| | | L.A. | 22.38 | 22.43 | 29.13 | 28.80 | 33.75 | 35.37 |
| Warehouse Expenses - Internet (\$ per pair sold) | Wholesale | | 10.64 | 10.48 | 11.29 | 11.25 | 12.37 | 13.57 |
| | | | 2.20 | 2.04 | 3.01 | 2.84 | 4.24 | 3.84 |
| Marketing Expenses — Internet (\$ per pair sold) | Wholesale | | 3.81 | 3.93 | 14.03 | 13.14 | 30.38 | 30.18 |
| | | | 3.13 | 3.85 | 13.47 | 12.56 | 31.06 | 29.45 |
| Administrative Expenses (\$/pair sold) | | | 0.93 | 0.92 | 1.43 | 1.51 | 2.16 | 2.66 |
| Operating Profit (\$ per pair sold) | Internet | N.A. | 8.87 | 5.18 | 16.61 | 14.38 | 23.26 | 23.59 |
| | | E-A | -2.41 | -11.30 | 12.93 | 8.48 | 25.84 | 18.16 |
| | | A-P | 4.52 | 5.98 | 15.50 | 13.19 | 25.00 | 24.49 |
| | | L.A. | 5.31 | -0.96 | 14.62 | 13.34 | 24.32 | 22.54 |
| Wholesale | N.A. | | -7.37 | -9.56 | 2.42 | 2.67 | 12.02 | 11.91 |
| | E-A | | -2.79 | -4.40 | 3.39 | 2.73 | 9.07 | 12.36 |
| | A-P | | -6.88 | -5.96 | 0.77 | 1.81 | 3.60 | 8.47 |
| | L.A. | | -2.75 | -0.83 | 3.02 | 4.92 | 8.67 | 12.34 |
| Private-Label Market Segments | Production Costs (\$/pair sold. Includes manufacturing, shipping, import tariffs, and exchange rate adjustments.) | N.A. | 24.87 | 25.57 | 24.87 | 26.08 | 24.87 | 26.77 |
| | | E-A | 21.90 | 24.71 | 29.38 | 25.59 | 34.97 | 26.46 |
| | | A-P | 22.25 | 22.45 | 22.25 | 23.58 | 22.25 | 24.70 |
| | | L.A. | 24.54 | 24.46 | 30.03 | 27.69 | 36.83 | 31.63 |
| Warehouse Expenses (\$ per pair sold) | | | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Margin Over Direct Costs (\$ per pair sold) | | N.A. | 9.13 | 4.42 | 9.13 | 5.59 | 9.13 | 6.23 |
| | | E-A | 2.33 | 12.16 | 6.85 | 12.36 | 10.48 | 12.55 |
| | | A-P | 0.58 | 0.23 | 0.58 | 0.36 | 0.58 | 0.49 |
| | | L.A. | 4.31 | 5.74 | 8.64 | 8.39 | 13.65 | 11.83 |

CELEBRITY ENDORSEMENTS

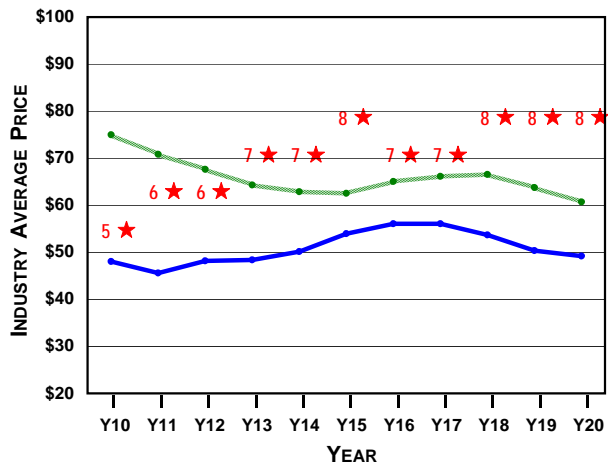
| CELEBRITY | CONSUMER APPEAL | | | | CURRENTLY SIGNED BY | CONTRACT (\$000s/year) | YEAR SIGNED | CONTRACT LENGTH | MOST RECENT ROUND OF BIDDING | | | | |
|------------------|-----------------|-----|-----|-----|---------------------|------------------------|-------------|-----------------|------------------------------|----------|---------|---------|---------|
| | NA | EA | AP | LA | | | | | # OF BIDS | HIGH BID | 2ND BID | AVG BID | LOW BID |
| Payton Manyon | 85 | 45 | 35 | 40 | Company C | 3,351 | Y19 | 2 years | 3 | 12,111 | 10,000 | 8,487 | 3,351 |
| Oprah Letterman | 100 | 70 | 65 | 75 | Company A | 1,111 | Y20 | 3 years | 1 | 1,111 | 0 | 1,111 | 1,111 |
| Annika Stockholm | 70 | 100 | 70 | 55 | Company L | 25,010 | Y16 | 5 years | 5 | 25,010 | 18,754 | 17,728 | 11,555 |
| Tiger Green | 95 | 80 | 85 | 75 | Company A | 1,111 | Y20 | 2 years | 1 | 1,111 | 0 | 1,111 | 1,111 |
| José Montaña | 60 | 50 | 60 | 95 | Company H | 21,598 | Y18 | 3 years | 4 | 25,999 | 21,598 | 20,227 | 16,000 |
| Karioki Footsu | 55 | 60 | 95 | 90 | Company A | 1,111 | Y20 | 4 years | 1 | 1,111 | 0 | 1,111 | 1,111 |
| Jaques LaFeet | 50 | 90 | 50 | 85 | Company A | 1,111 | Y20 | 1 year | 1 | 1,111 | 0 | 1,111 | 1,111 |
| Serenus Willson | 70 | 65 | 55 | 60 | Company A | 14,111 | Y19 | 3 years | 3 | 14,111 | 10,000 | 9,154 | 3,351 |
| Natalie Kwan | 75 | 80 | 95 | 50 | Company A | 19,211 | Y17 | 4 years | 4 | 22,002 | 19,211 | 19,320 | 17,865 |
| Sergio Milano | 45 | 85 | 60 | 100 | Company C | 3,351 | Y19 | 2 years | 3 | 16,311 | 10,000 | 9,887 | 3,351 |
| Lance deFrance | 80 | 85 | 75 | 70 | Company A | 16,311 | Y19 | 3 years | 4 | 16,311 | 10,000 | 9,916 | 3,351 |
| Yao KungPao | 60 | 35 | 100 | 50 | Company H | 18,959 | Y18 | 4 years | 3 | 18,959 | 16,000 | 16,057 | 13,211 |

BRANDED PRICE AND S/Q RATING TRENDS

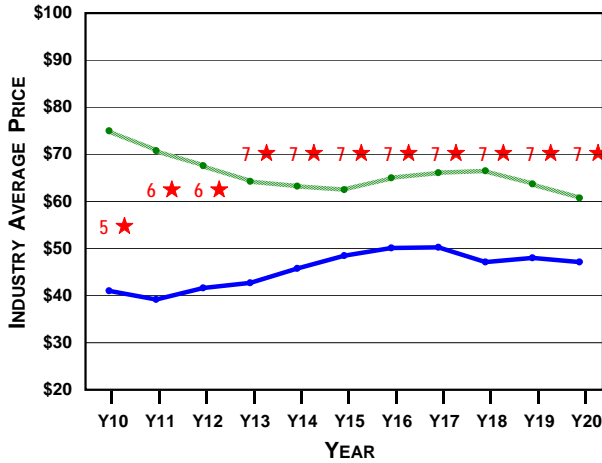
NORTH AMERICA



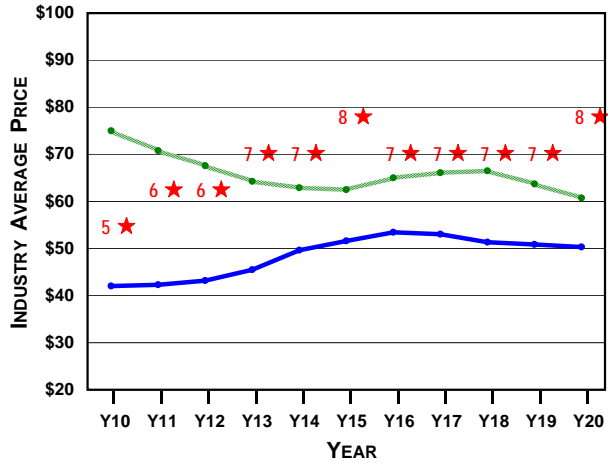
EUROPE-AFRICA



ASIA-PACIFIC



LATIN AMERICA



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