WOLVERINE WORLD WIDE INC /DE/
Form 10-Q
October 22, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the third twelve week accounting period ended September 12, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-06024

WOLVERINE WORLD WIDE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**38-1185150**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
9341 Courtland Drive, Rockford, Michigan	**49351**
(Address of Principal Executive Offices)	(Zip Code)

(616) 866-5500

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date.

There were 62,728,603 shares of Common Stock, $1 par value, outstanding as of October 16, 2009, of which 13,160,103 shares are held as Treasury Stock.

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on management s beliefs, assumptions, current expectations, estimates and projections about, among other things, the footwear business, worldwide economics and Wolverine World Wide, Inc. (the Company) itself. Forward-looking statements include, without limitation, those related to:

- future revenue, earnings, margins, growth, cash flows, operating measurements, tax rates and tax benefits;
- expected economic returns;
- projected 2009 operating results, restructuring and other transition costs and dividend rates;
- future share repurchase activity;
- the effect of new accounting rules and guidance;
- future brand positioning;
- seasonal sales patterns and capital requirements;
- ability to arrange adequate alternative sources of supply;
- the outcome of litigation;
- achievement of the Company vision;
- future pension expenses, contributions and costs;
- future marketing investments;
- the ability to successfully extend into new lines or categories of products, including the extension into Merrell® Apparel;
- the ability to integrate acquired brands or businesses, including the acquired Chaco® Footwear and Cushe™ Footwear businesses;
- future growth or success in specific countries, categories or market sectors;
- foreign exchange fluctuations, including volatility of the U.S. dollar versus the British pound, euro, Canadian dollar and other currencies;
- liquidity;
- capital resources; and
- market risk.

In addition, words such as anticipates, believes, estimates, expects, forecasts, intends, is likely, pl projects, should, will, variations of such words and similar expressions are intended to identify forward-lookin statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (Risk Factors) that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements.

Risk Factors include, but are not limited to:

- uncertainties relating to changes in demand for the Company s products;
- changes in consumer preferences or spending patterns;
- changes in local, domestic or international economic and market conditions;
- the impact of competition and pricing by the Company s competitors;
- the cost and availability of inventories, services, labor and equipment furnished to the Company;
- the ability of the Company to manage and forecast its growth and inventories;
- increased costs of future pension funding requirements;
- changes in duty structures in countries of import and export;
- changes in interest rates, tax laws, duties, tariffs, quotas or applicable assessments;
- foreign currency fluctuation in valuations compared to the U.S. dollar;
- changes in monetary controls and valuations of the Chinese yuan and the relative value to the U.S. dollar;

Table of Contents

- the risk of doing business in developing countries and economically volatile areas;
- the cost and availability of contract manufacturers;
- the cost and availability of raw materials, including leather and petroleum based materials;
- changes in planned consumer demand or at-once orders;
- loss of significant customers;
- bankruptcies of significant vendors or customers;
- customer order cancellations;
- the exercise of future purchase options by the U.S. Department of Defense on previously awarded contracts;
- the impact of a global recession on demand for the Company s products;
- the impact of credit risk on the Company s suppliers, distributors and customers;
- the success of new business initiatives, including apparel initiatives;
- changes in business strategy or development plans;
- integration of operations of newly acquired businesses;
- relationships with international distributors and licensees;
- the ability to secure and protect trademarks, patents and other intellectual property;
- technological developments;
- the ability to attract and retain qualified personnel;
- the size and growth of footwear markets;
- service interruptions at shipping and receiving ports;
- changes in the amount or severity of inclement weather;
- changes due to the growth of Internet commerce;
- the popularity of particular designs and categories of footwear;
- the Company s ability to adapt and compete in global apparel and accessory markets;
- the ability to retain rights to brands licensed by the Company;
- the impact of the Company s 2009 restructuring plan;
- the Company s ability to implement and recognize benefits from tax planning strategies;
- the Company s ability to meet at-once orders;
- changes in government and regulatory policies;
- retail buying patterns;
- consolidation in the retail sector; and
- the acceptance of U.S. brands in international markets.

Additionally, concerns regarding acts of terrorism, the wars in the Middle East, and subsequent events have created significant global economic and political uncertainties that may have material and adverse effects on consumer demand, foreign sourcing of footwear, shipping and transportation, product imports and exports and the sale of products in foreign markets. These matters are representative of the Risk Factors that could cause a difference between an ultimate actual outcome and the potential outcome described in a forward-looking statement. Historical operating results are not necessarily indicative of the results that may be expected in the future. The Risk Factors included here are not exhaustive. Investors should review the Risk Factors identified in Item 1A of the Company s Annual Report on Form 10-K for the fiscal year ended January 3, 2009. Other Risk Factors exist, and new Risk Factors emerge from time-to-time, that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Furthermore, the Company undertakes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(Thousands of dollars)

	September 12, 2009 (Unaudited)	January 3, 2009 (Audited)	September 6, 2008 (Unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ **78,539**	$ 89,502	$ 74,310
Accounts receivable, less allowances			
September 12, 2009 $15,414			
January 3, 2009 $15,161			
September 6, 2008 $15,684	**223,453**	167,949	240,522
Inventories:			
Finished products	**168,781**	177,801	177,530
Raw materials and work in process	**15,202**	18,976	16,532
	183,983	196,777	194,062
Deferred income taxes	**12,220**	8,127	10,122
Prepaid expenses and other current assets	**12,132**	11,487	11,581
TOTAL CURRENT ASSETS	**510,327**	473,842	530,597
PROPERTY, PLANT AND EQUIPMENT			
Gross cost	**303,533**	298,438	291,488
Less accumulated depreciation	**227,792**	212,681	208,230
	75,741	85,757	83,258
OTHER ASSETS			
Goodwill and other non-amortizable intangibles	**56,646**	41,567	45,534
Cash surrender value of life insurance	**36,252**	35,531	34,349
Pension assets			18,289
Other	**28,638**	28,083	9,667
	121,536	105,181	107,839
TOTAL ASSETS	$ **707,604**	$ 664,780	$ 721,694

The accompanying notes are an integral part of the consolidated condensed financial statements

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets continued
(Thousands of dollars, except share data)

	September 12, 2009 (Unaudited)	January 3, 2009 (Audited)	September 6, 2008 (Unaudited)
LIABILITIES AND STOCKHOLDERS EQUITY			
CURRENT LIABILITIES			
Accounts payable	**$ 42,005**	$ 45,320	$ 54,284
Accrued salaries and wages	**21,026**	22,702	19,436
Accrued pension liabilities	**2,044**	28,144	1,828
Restructuring reserve	**4,768**		
Other accrued liabilities	**78,555**	35,658	69,025
Current maturities of long-term debt	**556**	5	10,725
Revolving credit agreement	**9,900**	59,500	70,897
TOTAL CURRENT LIABILITIES	**158,854**	191,329	226,195
Long-term debt (less current maturities)	**1,112**		
Deferred compensation	**5,616**	7,714	7,782
Accrued pension liabilities	**67,548**	34,777	24,418
Other non-current liabilities	**1,979**	1,038	1,114
STOCKHOLDERS EQUITY			
Common Stock par value $1, authorized 160,000,000 shares; shares issued (including shares in treasury): September 12, 2009 62,588,558 shares; January 3, 2009 61,655,814 shares; September 6, 2008 61,589,057 shares	**62,589**	61,656	61,589
Additional paid-in capital	**73,892**	64,696	60,628
Retained earnings	**695,100**	666,027	647,253
Accumulated other comprehensive income (loss)	**(33,995)**	(42,834)	10,943
Cost of shares in treasury: September 12, 2009 13,163,115 shares; January 3, 2009 12,748,721 shares; September 6, 2008 12,678,680 shares	**(325,091)**	(319,623)	(318,228)
TOTAL STOCKHOLDERS EQUITY	**472,495**	429,922	462,185
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 707,604**	**$** 664,780	$ 721,694

The accompanying notes are an integral part of the consolidated condensed financial statements

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Operations
(Thousands of dollars, except per share data)
(Unaudited)

	12 Weeks Ended		36 Weeks Ended	
	September 12, 2009	September 6, 2008	**September 12, 2009**	September 6, 2008
Revenue	**$ 286,764**	$ 318,852	**$ 788,526**	$ 874,452
Cost of products sold	**171,498**	190,122	**474,939**	521,762
Restructuring and other transition costs	**1,301**		**4,639**	
GROSS PROFIT	**113,965**	128,730	**308,948**	352,690
Selling, general and administrative expenses	**74,015**	82,389	**222,158**	244,192
Restructuring and other transition costs	**3,787**		**22,826**	
Operating expenses	**77,802**	82,389	**244,984**	244,192
OPERATING INCOME	**36,163**	46,341	**63,964**	108,498
Other expenses (income):				
Interest expense	**70**	675	**500**	1,839
Interest income	**(55)**	(366)	**(277)**	(1,165)
Other (income) expense	**(333)**	(880)	**79**	(1)
	(318)	(571)	**302**	673
EARNINGS BEFORE INCOME TAXES	**36,481**	46,912	**63,662**	107,825
Income taxes	**9,687**	15,721	**18,467**	36,121
NET EARNINGS	**$ 26,794**	$ 31,191	**$ 45,195**	$ 71,704
Net earnings per share:				
Basic	**$ 0.54**	$ 0.64	**$ 0.92**	$ 1.44
Diluted	**$ 0.54**	$ 0.62	**$ 0.91**	$ 1.41
Cash dividends per share	**$ 0.11**	$ 0.11	**$ 0.33**	$ 0.33

The accompanying notes are an integral part of the consolidated condensed financial statements

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
(Thousands of dollars)
(Unaudited)

	36 Weeks Ended	
	September 12, 2009	September 6, 2008
OPERATING ACTIVITIES		
Net earnings	**$ 45,195**	$ 71,704
Adjustments necessary to reconcile net earnings to net cash provided by operating activities:		
Depreciation	**11,852**	13,040
Amortization	**1,159**	948
Deferred income taxes	**(822)**	(631)
Stock-based compensation expense	**6,356**	5,873
Excess tax benefits from stock-based compensation		(1,471)
Pension expense	**6,671**	25
Restructuring and other transition costs	**27,465**	
Cash payments related to restructuring	**(14,608)**	
Other	**(11,376)**	9,651
Changes in operating assets and liabilities:		
Accounts receivable	**(46,979)**	(71,205)
Inventories	**19,417**	(32,248)
Other operating assets	**(216)**	114
Accounts payable and other liabilities	**26,959**	33,600
Net cash provided by operating activities	**71,073**	29,400
INVESTING ACTIVITIES		
Business acquisitions	**(7,954)**	
Additions to property, plant and equipment	**(7,440)**	(12,635)
Other	**(1,876)**	(3,931)
Net cash used in investing activities	**(17,270)**	(16,566)
FINANCING ACTIVITIES		
Net borrowings (payments) under revolver	**(49,600)**	70,897
Payments of capital lease obligations	**(5)**	(6)
Cash dividends paid	**(16,105)**	(15,468)
Purchase of common stock for treasury	**(6,197)**	(74,658)
Proceeds from shares issued under stock incentive plans	**3,876**	5,529
Excess tax benefits from stock-based compensation		1,471

Net cash used in financing activities		**(68,031)**		(12,235)
Effect of foreign exchange rate changes		**3,265**		(2,376)
DECREASE IN CASH AND CASH EQUIVALENTS		**(10,963)**		(1,777)
Cash and cash equivalents at beginning of the period		**89,502**		76,087
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**$**	**78,539**	$	74,310

The accompanying notes are an integral part of the consolidated condensed financial statements

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
September 12, 2009 and September 6, 2008

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

Wolverine World Wide, Inc. is a leading designer, manufacturer and marketer of a broad range of quality casual shoes, performance outdoor footwear, apparel, work shoes and boots, and uniform shoes and boots. The Company s global portfolio of owned and licensed brands includes: Bates®, Cat® Footwear, Chaco®, Cushe™, Harley-Davidson® Footwear, Hush Puppies®, HyTest®, Merrell®, Patagonia® Footwear, Sebago®, Soft Style®, and Wolverine®. Licensing programs are utilized to extend the global reach of the Company s owned brands. The Company also operates a retail division to market its brands and branded footwear and apparel from other manufacturers; a leathers division that markets Wolverine Performance Leathers ; and a pigskin procurement operation.

BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for a complete presentation of the financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included in the accompanying financial statements. For further information, refer to the consolidated financial statements and footnotes included in the Company s Annual Report on Form 10-K for the fiscal year ended January 3, 2009.

REVENUE RECOGNITION

Revenue is recognized on the sale of products manufactured or sourced by the Company when the related goods have been shipped, legal title has passed to the customer and collectability is reasonably assured. Revenue generated through programs with licensees and distributors involving products bearing the Company s trademarks is recognized as earned according to stated contractual terms upon either the purchase or shipment of branded products by licensees and distributors.

The Company records provisions against gross revenue for estimated stock returns and cash discounts in the period when the related revenue is recorded. These estimates are based on factors that include, but are not limited to, historical stock returns, historical discounts taken and analysis of credit memorandum activity.

COST OF PRODUCTS SOLD

Cost of products sold for the Company s operations include the actual product costs, including inbound freight charges, purchasing, sourcing, inspection and receiving costs. Warehousing costs are included in selling, general and administrative expenses.

SEASONALITY

The Company s business is subject to seasonal influences and the Company s fiscal year has twelve weeks in each of the first three quarters and sixteen or seventeen weeks in the fourth quarter. Both factors can cause significant differences in revenue, earnings and cash flows from quarter to quarter; however, the differences have followed a consistent pattern in previous years.

RECLASSIFICATIONS

Certain prior period amounts on the consolidated condensed financial statements have been reclassified to conform to current period presentation. These reclassifications did not affect net earnings.

SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through October 22, 2009, the date the financial statements were issued.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (thousands of dollars, except share and per share data):

	12 Weeks Ended		36 Weeks Ended	
	September 12, 2009	September 6, 2008	**September 12, 2009**	September 6, 2008
Numerator:				
Net earnings	**$ 26,794**	$ 31,191	**$ 45,195**	$ 71,704
Adjustment for earnings allocated to nonvested restricted common stock	**(503)**	(302)	**(741)**	(777)
Net earnings used in calculating basic earnings per share	**26,291**	30,889	**44,454**	70,927
Adjustment for earnings reallocated to nonvested restricted common stock	**7**	6	**6**	15
Net earnings used in calculating diluted earnings per share	**$ 26,298**	$ 30,895	**$ 44,460**	$ 70,942
Denominator:				
Weighted average shares outstanding	**49,234,656**	48,985,866	**49,079,465**	49,641,783
Adjustment for nonvested restricted common stock	**(981,530)**	(474,650)	**(904,990)**	(538,217)
Shares used in calculating basic earnings per share	**48,253,126**	48,511,216	**48,174,475**	49,103,566
Effect of dilutive stock options	**832,674**	1,183,955	**574,947**	1,297,718
Shares used in calculating diluted earnings per share	**49,085,800**	49,695,171	**48,749,422**	50,401,284
Net earnings per share:				
Basic	**$ 0.54**	$ 0.64	**$ 0.92**	$ 1.44
Diluted	**$ 0.54**	$ 0.62	**$ 0.91**	$ 1.41

Options to purchase 1,357,240 and 3,248,232 shares of common stock for the 12 and 36 weeks ended September 12, 2009, respectively, and 1,336,589 and 1,224,173 shares for the 12 and 36 weeks ended September 6, 2008, respectively, have not been included in the denominator for the computation of diluted earnings per share because the related exercise prices were greater than the average market price for the period and, therefore, they were anti-dilutive.

Effective January 4, 2009, the Company implemented the Financial Accounting Standards Board (FASB) Staff Position (FSP) EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1) (FASB Accounting Standards Codification (FASB ASC) Topic 260). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the earnings allocation in computing earnings per share under the two-class method as described in Statement of Financial Accounting Standards (SFAS) No. 128, *Earnings per Share* (FASB ASC Section 260-10-55). Under the guidance of FSP EITF 03-6-1, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. For the 12 weeks ended September 12, 2009 the application of this standard reduced basic net earnings per share by $0.02, and had no impact on diluted net earnings per share. The application of this standard had no impact on basic or diluted net earnings per share for the 12 weeks ended September 6, 2008. For the 36 weeks ended September 12, 2009 the application of this standard reduced basic net earnings per share by $0.02, and reduced diluted net earnings per share by $0.01. For the 36 weeks ended September 6, 2008, the application of this standard reduced basic net earnings per share by $0.02 and had no impact on diluted net earnings per share.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

3. Goodwill and Other Non-Amortizable Intangibles

The changes in the net carrying amounts of goodwill and trademarks are as follows (thousands of dollars):

	Goodwill	Trademarks	Total
Balance at September 6, 2008	$ 36,387	$ 9,147	$ 45,534
Intangibles acquired		127	127
Intangibles disposed		(17)	(17)
Foreign currency translation effects	(4,077)		(4,077)
Balance at January 3, 2009	32,310	9,257	41,567
Intangibles acquired	**5,351**	**6,894**	**12,245**
Foreign currency translation effects	**2,834**		**2,834**
Balance at September 12, 2009	**$ 40,495**	**16,151**	**56,646**

4. Comprehensive Income (Loss)

Comprehensive income (loss) represents net earnings and any revenue, expenses, gains and losses that, under accounting principles generally accepted in the United States, are excluded from net earnings and recognized directly as a component of stockholders equity.

The ending accumulated other comprehensive income (loss) is as follows (thousands of dollars):

	September 12, 2009	January 3, 2009	September 6, 2008
Foreign currency translation adjustments	**$ 16,735**	$ (872)	$ 20,005
Foreign currency cash flow hedge adjustments, net of taxes	**(4,845)**	3,923	2,048
Pension adjustments, net of taxes	**(45,885)**	(45,885)	(11,110)
Accumulated other comprehensive income (loss)	**$ (33,995)**	$ (42,834)	$ 10,943

The reconciliation from net earnings to comprehensive income is as follows (thousands of dollars):

	12 Weeks Ended		36 Weeks Ended	
	September 12, 2009	September 6, 2008	**September 12, 2009**	September 6, 2008
Net earnings	**$ 26,794**	$ 31,191	**$ 45,195**	$ 71,704
Other comprehensive income (loss):				
Foreign currency translation adjustments	**6,764**	(14,065)	**17,607**	(15,428)
Change in fair value of foreign currency cash flow hedges, net of taxes	**(3,203)**	2,875	**(8,768)**	4,103
Comprehensive income	**$ 30,355**	$ 20,001	**$ 54,034**	$ 60,379

5. Business Segments

The Company has one reportable segment that is engaged in manufacturing, sourcing, marketing, licensing, and distributing branded footwear, apparel, and accessories to the retail sector. Revenues earned from the operation of this segment is derived from the sale of branded footwear and apparel to external customers as well as receipt of royalty income from the licensing of the Company s trademarks and brand names to licensees and distributors. The business units comprising the branded footwear, apparel, and licensing segment manufacture or source, market, and distribute products in a similar manner. Branded footwear and apparel products are distributed through wholesale channels and under licensing and distributor arrangements.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

The other business units in the following tables consist of the Company s retail, leathers, and pigskin procurement operations. These other operations do not collectively form a reportable segment because their respective operations are dissimilar. The Company operated 94 retail stores and 23 consumer-direct internet sites at September 12, 2009 that sell Company-manufactured and sourced products, as well as footwear and apparel from unaffiliated companies. The other business units distribute products through retail and wholesale channels.

The Company measures segment profits as earnings before income taxes. The accounting policies used to determine profitability and total assets of the branded footwear, apparel, and licensing segment and other business units are the same as disclosed in Note 1.

Business segment information is as follows (thousands of dollars):

	Branded Footwear, Apparel and Licensing	Other Business Units	Corporate	Consolidated
	12 Weeks Ended September 12, 2009			
Revenue	**$ 262,803**	**$ 23,961**	**$**	**$ 286,764**
Intersegment revenue	**16,937**	**445**		**17,382**
Earnings (loss) before income taxes	**40,471**	**(1,083)**	**(2,907)**	**36,481**
Total assets	**563,847**	**36,836**	**106,921**	**707,604**
	36 Weeks Ended September 12, 2009			
Revenue	**$ 716,026**	**$ 72,500**	**$**	**$ 788,526**
Intersegment revenue	**38,858**	**1,911**		**40,769**
Earnings (loss) before income taxes	**89,038**	**(11,564)**	**(13,812)**	**63,662**
Total assets	**563,847**	**36,836**	**106,921**	**707,604**

	Branded Footwear, Apparel and Licensing	Other Business Units	Corporate	Consolidated
	12 Weeks Ended September 6, 2008			
Revenue	$ 292,485	$ 26,367	$	$ 318,852
Intersegment revenue	13,543	641		14,184
Earnings (loss) before income taxes	53,302	154	(6,544)	46,912
Total assets	539,093	50,462	132,139	721,694
	36 Weeks Ended September 6, 2008			
Revenue	$ 796,100	$ 78,352	$	$ 874,452
Intersegment revenue	35,005	2,638		37,643
Earnings (loss) before income taxes	121,871	954	(15,000)	107,825
Total assets	539,093	50,462	132,139	721,694

6. Financial Instruments and Risk Management

The Company follows SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) (FASB ASC Topic 820), which, among other things, establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. As of September 12, 2009 and September 6, 2008, a liability of $3,834,000 and an asset of $2,894,000, respectively, have been recognized for the fair value of the Company s foreign exchange contracts. In accordance with SFAS No. 157, these assets and liabilities fall within Level 2 of the fair value hierarchy. The Company did not have any additional assets or liabilities that were measured at fair value on a recurring basis at September 12, 2009.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

Effective January 4, 2009, the Company adopted the provisions of FSP FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2) (FASB ASC Section 820-10-65). FSP 157-2 delayed the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Company s consolidated financial statements.

Effective January 4, 2009, the Company adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment of SFAS No. 133*, (SFAS No. 161) (FASB ASC Topic 815), which is intended to improve transparency in financial reporting. As required by SFAS No. 161, the Company enhanced its disclosure relating to derivative instruments and hedging activities and their effects on the Company s financial position, financial performance and cash flows.

The Company follows SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS Nos. 137, 138, and 161 (FASB ASC Topic 815), which requires that all derivative instruments be recorded on the consolidated condensed balance sheets at fair value and establishes criteria for designation and effectiveness of hedging relationships. The Company utilizes foreign currency forward exchange contracts to manage the volatility associated with inventory purchases made by non-U.S. wholesale operations in U.S. dollars in the normal course of business. At September 12, 2009 and September 6, 2008, foreign currency forward exchange contracts with a notional value of $55,407,000 and $47,603,000, respectively, were outstanding to purchase U.S. dollars with maturities ranging up to 308 days. These contracts have been designated as cash flow hedges.

The fair value of the foreign currency forward exchange contracts represents the estimated receipts or payments necessary to terminate the contracts. Hedge effectiveness is evaluated by the hypothetical derivative method. Any hedge ineffectiveness is reported within the cost of products sold caption of the consolidated condensed statements of operations. Hedge ineffectiveness was not material to the consolidated condensed financial statements for the quarters ended September 12, 2009 and September 6, 2008. If, in the future, the foreign exchange contracts are determined to be ineffective hedges or terminated before their contractual termination dates, the Company would be required to reclassify into earnings all or a portion of the unrealized amounts related to the cash flow hedges that are currently included in accumulated other comprehensive income (loss) within stockholders equity. For the 12 weeks ended September 12, 2009 and September 6, 2008, the Company recognized a loss of $2,031,000 and a gain of $293,000, respectively, in accumulated other comprehensive income (loss) related to the effective portion of its foreign exchange contracts. For the 12 weeks ended September 12, 2009 and September 6, 2008, the Company reclassified a loss of $1,161,000 and a gain of $946,000, respectively, from accumulated other comprehensive income (loss) into cost of products sold related to the effective portion of its foreign exchange contracts designated and qualifying as cash flow hedges. For the 36 weeks ended September 12, 2009 and September 6, 2008, the Company recognized a gain of $1,136,000 and a loss of $1,233,000, respectively, in accumulated other comprehensive income (loss) related to the effective portion of its foreign exchange contracts. For the 36 weeks ended September 12, 2009 and September 6, 2008, the Company reclassified a loss of $5,148,000 and a gain of $2,256,000, respectively, from accumulated other comprehensive income (loss) into cost of products sold related to the effective portion of its foreign exchange contracts designated and qualifying as cash flow hedges.

The Company s other financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts and notes payable and long-term debt. The Company s estimate of the fair values of these financial instruments approximates their carrying amounts at September 12, 2009. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and because interest rates approximate current market rates for debt. The Company does not hold or issue financial instruments for trading purposes.

The Company does not generally require collateral or other security on trade accounts and notes receivable.

13

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

7. Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment* (FASB ASC Topic 718). The Company recognized compensation costs of $2,326,000 and $6,356,000, respectively, and related income tax benefits of $661,000 and $1,579,000, respectively, for grants under its stock-based compensation plans in the statements of operations for the 12 and 36 weeks ended September 12, 2009. For the 12 and 36 weeks ended September 6, 2008, the Company recognized compensation costs of $1,960,000 and $5,873,000, respectively, and related income tax benefits of $438,000 and $1,237,000, respectively, for grants under its stock-based compensation plans.

Stock-based compensation expense recognized in the consolidated condensed statements of operations for the 12 and 36 weeks ended September 12, 2009 and September 6, 2008 has been reduced for estimated forfeitures, as it is based on awards ultimately expected to vest. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

The Company estimated the fair value of employee stock options on the date of grant using the Black-Scholes model. The estimated weighted-average fair value for each option granted during the 36 weeks ended September 12, 2009 and September 6, 2008 was $4.38 and $5.68 per share, respectively, with the following weighted-average assumptions:

	12 Weeks Ended		36 Weeks Ended	
	September 12, 2009	September 6, 2008	**September 12, 2009**	September 6, 2008
Expected market price volatility (1)	**37.0%**	30.9%	**34.8%**	28.8%
Risk-free interest rate (2)	**2.0%**	3.0%	**1.6%**	2.5%
Dividend yield (3)	**2.1%**	1.7%	**1.8%**	1.6%
Expected term (4)	**4 years**	4 years	**4 years**	4 years

(1) Based on historical volatility of the Company s common stock. The expected volatility is based on the daily percentage change in the price of the stock over four years.

(2) Represents the U.S. Treasury yield curve in effect for the expected term of the option at

the time of grant.

(3) Represents the Company s cash dividend yield for the expected term.

(4) Represents the period of time that options granted are expected to be outstanding. As part of the determination of the expected term, the Company concluded that all employee groups exhibit similar exercise and post-vesting termination behavior.

The Company issued 163,756 and 979,825 shares of common stock in connection with the exercise of stock options and new restricted stock grants during the 12 and 36 weeks ended September 12, 2009, respectively. The Company cancelled 3,800 and 15,634 shares of common stock for restricted stock awards as a result of forfeitures during the 12 and 36 weeks ended September 12, 2009, respectively.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

8. Pension Expense

A summary of net pension and Supplemental Executive Retirement Plan costs recognized by the Company is as follows (thousands of dollars):

	12 Weeks Ended		36 Weeks Ended	
	September 12, 2009	September 6, 2008	**September 12, 2009**	September 6, 2008
Service cost pertaining to benefits earned during the period	**$ 1,046**	$ 1,122	**$ 3,201**	$ 3,365
Interest cost on projected benefit obligations	**2,756**	2,635	**8,433**	7,903
Expected return on pension assets	**(2,444)**	(3,212)	**(7,480)**	(9,635)
Net amortization loss	**2,149**	915	**6,577**	2,746
Net pension expense	**$ 3,507**	$ 1,460	**$ 10,731**	$ 4,379

9. Litigation and Contingencies

The Company is involved in various environmental claims and other legal actions arising in the normal course of business. The environmental claims include sites where the U.S. Environmental Protection Agency has notified the Company that it is a potentially responsible party with respect to environmental remediation. These remediation claims are subject to ongoing environmental impact studies, assessment of remediation alternatives, allocation of costs between responsible parties, and concurrence by regulatory authorities and have not yet advanced to a stage where the Company s liability is fixed. However, after taking into consideration legal counsel s evaluation of all actions and claims against the Company, management is currently of the opinion that their outcome will not have a material adverse effect on the Company s consolidated financial condition, results of operations, or cash flows.

The Company is involved in routine litigation incidental to its business and is a party to legal actions and claims, including, but not limited to, those related to employment and intellectual property. Some of the legal proceedings include claims for compensatory as well as punitive damages. While the final outcome of these matters cannot be predicted with certainty, considering, among other things, the meritorious legal defenses available to the Company and liabilities that have been recorded along with applicable insurance, it is currently the opinion of the Company s management that these items will not have a material adverse effect on the Company s consolidated financial condition, results of operations, or cash flows.

Pursuant to certain of the Company s lease agreements, the Company has provided financial guarantees to third parties in the form of indemnification provisions. These provisions require the Company to indemnify and reimburse the third parties for specified costs, including but not limited to adverse judgments in lawsuits, taxes and operating costs. The terms of the guarantees are equal to the terms of the related lease agreements. The Company is not able to calculate the maximum potential amount of future payments it could be required to make under these guarantees, as the potential payment is dependent upon the occurrence of future unknown events.

The Company has future minimum royalty and other obligations due under the terms of certain licenses held by the Company. These minimum future obligations are as follows (thousands of dollars):

	2009	2010	2011	2012	2013	Thereafter
Minimum royalties	$ 1,328	$ 1,544	$ 1,772	$ 970	$ 999	$ 1,029
Minimum advertising	2,121	2,208	2,275	2,343	2,413	1,125

Minimum royalties are based on both fixed obligations and assumptions related to the consumer price index. Royalty obligations in excess of minimum requirements are based upon future sales levels. In accordance with these agreements, the Company incurred royalty expense of $702,000 and $2,046,000, respectively, for the 12 and 36 weeks ended September 12, 2009. The Company has met the minimum royalty requirements for 2009. For the 12 and 36 weeks ended September 6, 2008, the Company incurred royalty expense of $916,000 and $2,270,000, respectively.

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

The terms of certain license agreements also require the Company to make advertising expenditures based on the level of sales. In accordance with these agreements, the Company incurred advertising expense of $733,000 and $1,782,000, respectively, for the 12 and 36 weeks ended September 12, 2009. For the 12 and 36 weeks ended September 6, 2008, the Company incurred advertising expense of $834,000 and $2,418,000, respectively.

10. Restructuring and Other Transition Costs

On January 8, 2009 the Company announced a strategic restructuring plan designed to create significant operating efficiencies, improve its supply chain and create a stronger global brand platform. The Company is consolidating key manufacturing, distribution and global operations functions. On October 7, 2009, the Company announced that this plan has been expanded to include consolidating domestic manufacturing into the Company s Big Rapids, Michigan facility and significant improvements in the Outdoor Group s footwear and apparel product creation activities. The total costs to implement these programs are now expected to be $35,000,000 to $38,000,000. The Company expects to complete the restructuring plan in the first half of 2010. The amount expected to be incurred during 2009 is estimated to range from $33,000,000 to $36,000,000. These estimates are preliminary and differences may arise between these estimates and the actual costs incurred. The Company incurred restructuring and other transition costs of $5,088,000 ($3,735,000 on an after-tax basis), or $0.08 per diluted share, and $27,465,000 ($19,500,000 on an after-tax basis), or $0.40 per diluted share, for the 12 and 36 weeks ended September 12, 2009, respectively.

The following is a summary of the restructuring and other transition costs recorded as of September 12, 2009 (thousands of dollars):

	12 Weeks Ended **September 12, 2009**	36 Weeks Ended **September 12, 2009**
Restructuring	**$ 3,567**	**$ 22,771**
Other transition costs	**1,521**	**4,694**
Total restructuring and other transition costs	**$ 5,088**	**$ 27,465**

Restructuring

The Company incurred restructuring charges of $3,567,000 ($2,618,000 on an after-tax basis), or $0.05 per diluted share, for the 12 weeks ended September 12, 2009. The Company incurred restructuring charges of $22,771,000 ($16,167,000 on an after-tax basis), or $0.33 per diluted share, for the 36 weeks ended September 12, 2009.

The following is a summary of the activity with respect to a reserve established by the Company in connection with the restructuring plan, by category of costs (thousands of dollars):

	Severance and employee related	Non-cash charges related to property and equipment	Facility exit costs	Consulting and other restructuring	Total
Balance at January 3, 2009	$	$	$	$	$
Charges incurred	10,971	6,196	689	1,348	19,204
Amounts paid or utilized	(8,587)	(6,196)	(23)	(1,283)	(16,089)

Balance at June 20, 2009	$	2,384	$		$	666	$	65	$	3,115
Charges incurred		**2,049**		**754**		**467**		**297**		**3,567**
Amounts paid or utilized		**(596)**		**(754)**		**(305)**		**(259)**		**(1,914)**
Balance at September 12, 2009	**$**	**3,837**	**$**		**$**	**828**	**$**	**103**	**$**	**4,768**

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

Other Transition Costs

Incremental costs incurred related to the restructuring plan that do not qualify as restructuring costs under the provisions of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS No. 146) (FASB ASC Topic 420), have been included in the Company s consolidated condensed statements of operations on the line titled Restructuring and other transition costs . These primarily include costs related to inventory markdowns resulting from closure of facilities, new employee training and transition to outsourced services. All costs included in this caption were solely related to the transition and implementation of the restructuring plan and do not include ongoing business operating costs. Other transition costs for the 12 and 36 weeks ended September 12, 2009, were $1,521,000 ($1,116,000 on an after-tax basis) and $4,694,000 ($3,333,000 on an after-tax basis), respectively.

11. Business Acquisitions

On January 8, 2009, the Company announced the acquisition of the Cushe™ footwear brand. The purchase price consisted of $1,669,000 cash, a $1,669,000 note payable over three years and contingent consideration of $948,000. The Company acquired assets valued at $309,000, consisting primarily of property, plant, and equipment and inventory, and assumed operating liabilities valued at $328,000, resulting in goodwill and intangibles of $4,304,000 at September 12, 2009. Amounts relating to the acquisition are subject to changes in foreign currency exchange rates.

On January 22, 2009, the Company acquired the Chaco® footwear brand and certain assets for cash of $6,910,000 and assumed operating liabilities valued at $4,662,000. The Company acquired assets valued at $3,912,000, consisting primarily of accounts receivable and inventory. The purchase resulted in goodwill and intangibles recorded at September 12, 2009 of $7,660,000.

Using the purchase method of accounting, the purchase price in each of these acquisitions is allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the effective date of the acquisition. The excess purchase price over the assets and liabilities is recorded as goodwill. The purchase price allocation was finalized during the third quarter of 2009 and a final determination of all purchase accounting adjustments was made upon finalization of asset valuations and acquisition costs. Pro forma results of operations have not been presented because the effects of these acquisitions, individually and in the aggregate, were not material to the Company s consolidated results of operations. Both of the brands have been consolidated into the Company s results of operations since their respective acquisition dates.

12. New Accounting Standards

On December 30, 2008, the FASB issued FSP SFAS No. 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* (FSP SFAS No. 132(R)-1) (FASB ASC Section 715-20-65). This FSP amends FASB Statement No. 132 (Revised 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits* (SFAS No. 132(R)), to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by FSP SFAS No. 132(R)-1 shall be provided for fiscal years ending after December 15, 2009 (fiscal 2009 for the Company). Upon initial application, the additional disclosure under FSP SFAS No. 132(R)-1 is not required for earlier periods that are presented for comparative purposes. Earlier application of the provisions of FSP SFAS No. 132(R)-1 is permitted. Since FSP SFAS No. 132(R)-1 requires only additional disclosures concerning plan assets, adoption of FSP SFAS No. 132(R)-1 will not affect the Company s consolidated financial condition, results of operations, or cash flows.

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements continued
September 12, 2009 and September 6, 2008

In April 2009, the FASB issued Staff Position FAS No. 107-1 and Accounting Principles Bulletin (APB) No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP No. 107-1 and APB No. 28-1) (FASB ASC Section 825-10-65), to require, on an interim basis, disclosures about the fair value of financial instruments for public entities. FSP No. 107-1 and APB No. 28-1 are expected to improve the transparency and quality of information provided to financial statement users by increasing the frequency of disclosures about fair value for interim periods as well as annual periods. FSP No. 107-1 and APB No. 28-1 are effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company has been disclosing this information on an interim basis and the adoption did not affect the Company s consolidated financial condition, results of operations, or cash flows.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS No. 165) (FASB ASC Topic 855). The objective of this statement is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165, among other things, sets forth the period after the balance sheet date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures an entity should make about events or transactions that occurred after the balance sheet date. In accordance with this statement, an entity should apply the requirements to interim or annual financial periods ending after June 15, 2009. The Company adopted SFAS No. 165 in the second quarter of 2009 and the adoption did not affect the Company s consolidated financial condition, results of operations, or cash flows.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* (SFAS No. 168) (FASB ASC Topic 105). SFAS No. 168 establishes the *FASB Accounting Standards Codification™* (Codification) as the source of authoritative U.S. generally accepted accounting principles (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. SFAS No. 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009 (year ending January 2, 2010 for the Company).

Table of Contents

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
OVERVIEW
BUSINESS OVERVIEW

Wolverine World Wide, Inc. (the Company) is a leading global marketer of branded footwear, apparel and accessories. The Company s business strategy is to market a portfolio of lifestyle brands that will: *Excite Consumers Around the World with Innovative Footwear and Apparel that Bring Style to Purpose.* The Company intends to pursue this strategy by offering innovative products and compelling brand propositions, delivering supply chain excellence and operating efficiency, complementing its footwear brands with strong apparel and accessories offerings, and building a more substantial global consumer-direct footprint.

The Company has encountered a difficult economic environment, affecting consumer spending, in most of its major markets in 2009, and expects this environment will continue over the balance of the year. Furthermore, foreign exchange volatility has had a negative impact on the Company s results thus far in 2009, and the Company cannot predict how the U.S. dollar will fare against the British pound, euro and Canadian dollar over the balance of 2009. The Company is proactively taking actions to reduce costs through its strategic restructuring plan, deliver revenue growth via its January 2009 acquisitions of the Chaco® and Cushe™ brands and improve profitability through a thorough examination of all profit levers. To date, 2009 has presented challenges, but the Company planned for tough market conditions and believes that it has taken appropriate measures to combat global uncertainty. The Company remains focused on building strong global lifestyle brands that have a competitive advantage, even in a challenging worldwide economy.

FINANCIAL HIGHLIGHTS

The following represents selected financial performance measures for the third quarter of 2009:

- Revenue for the third quarter of 2009 was $286.8 million, a 10.1% decrease over third quarter 2008 revenue of $318.9 million, with the substantial strengthening of the U.S. dollar contributing to approximately one-third of the revenue decline.
- Diluted earnings per share for the third quarter of 2009 were $0.54 per share compared to $0.62 per share for the same quarter in the prior year, including the impact of $0.08 per share of non-recurring restructuring and other transition costs.
- Accounts receivable decreased 7.1% in the third quarter of 2009 compared to the third quarter of 2008 due in part to the 10.1% decrease in revenue.
- Inventory decreased 5.2% in the third quarter of 2009 compared to the third quarter of 2008.
- The Company ended the third quarter of 2009 with $78.5 million of cash on hand and interest-bearing debt of $11.6 million.
- The Company declared a quarterly cash dividend of $0.11 per share in the third quarter of 2009, payable on November 2, 2009 to stockholders of record on October 1, 2009.

RECENT DEVELOPMENTS

Strategic Restructuring Plan

On January 7, 2009, the Board of Directors of Company approved a strategic restructuring plan focused on generating efficiencies in supply chain, distribution and backroom functions. This plan will allow the Company to create significant operating efficiencies, improve its supply chain, and create a stronger global platform. On October 7, 2009, the Company announced that two initiatives in its restructuring plan had been expanded to include consolidating domestic manufacturing into the Company s Big Rapids, Michigan facility and significant improvements in the Outdoor Group s footwear and apparel product creation activities. The Company now estimates that the total implementation costs relating to the strategic restructuring plan will range from $35 million to $38 million, and all initiatives will be completed in the first half of 2010. Approximately $10 million to $11 million of the estimated costs represent non-cash charges. Year-to-date through the third quarter, $27.5 million of restructuring and other transition costs have been incurred. It is currently estimated that approximately $5.5 million to $8.5 million of restructuring and other transition costs will be incurred in the fourth quarter of 2009. Continuing annualized pretax benefits once all initiatives are fully implemented are estimated to range from $19 million to $21 million, compared to a previous estimate (before the two expanded initiatives were announced) of $17 million to $19 million. The Company estimates that approximately $3.9 million in pre-tax benefits relating to the strategic restructuring plan are reflected in the third quarter s results and $9.3 million have been realized year-to-date.

The Company incurred non-recurring restructuring and other transition costs of approximately $5.1 million, or $0.08 per diluted share, for the twelve weeks ended September 12, 2009.

Effective Tax Rate

The effective tax rate in the third quarter decreased to 26.6%, reflecting the year-to-date benefits from the implementation of tax planning strategies, related primarily to the Company s international operations.

Table of Contents

The following is a discussion of the Company s results of operations and liquidity and capital resources for the third quarter of 2009. This section should be read in conjunction with the consolidated condensed financial statements and notes.

RESULTS OF OPERATIONS THIRD QUARTER 2009 COMPARED TO THIRD QUARTER 2008

FINANCIAL SUMMARY THIRD QUARTER 2009 VERSUS THIRD QUARTER 2008

	2009		2008		Change	
(Millions of dollars, except per share data)	**$**	**% of Total**	$	% of Total	$	%
Revenue						
Branded footwear, apparel and licensing	**$ 262.8**	**91.6%**	$ 292.5	91.7%	$ (29.7)	(10.1%)
Other business units	**24.0**	**8.4%**	26.4	8.3%	(2.4)	