

WOLVERINE WORLD WIDE INC /DE/  
Form 10-Q  
April 30, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the first twelve week accounting period ended March 22, 2014

OR

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

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WOLVERINE WORLD WIDE, INC.  
(Exact Name of Registrant as Specified in its Charter)

Delaware 38-1185150  
(State or Other Jurisdiction of (IRS Employer  
Incorporation or Organization) Identification No.)

9341 Courtland Drive N.E., Rockford, Michigan 49351  
(Address of Principal Executive Offices) (Zip Code)  
(616) 866-5500  
(Registrant's Telephone Number, Including Area Code)

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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  No

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  No

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  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

There were 101,422,670 shares of common stock, \$1 par value, outstanding as of April 21, 2014.



Table of Contents

Table of Contents

|          |                                                                                              |           |
|----------|----------------------------------------------------------------------------------------------|-----------|
| PART I   | <u>Financial Information</u>                                                                 | <u>4</u>  |
| Item 1.  | <u>Financial Statements</u>                                                                  | <u>4</u>  |
| Item 2.  | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>29</u> |
| Item 3.  | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>34</u> |
| Item 4.  | <u>Controls and Procedures</u>                                                               | <u>35</u> |
| PART II  | <u>Other Information</u>                                                                     | <u>35</u> |
| Item 1A. | <u>Risk Factors</u>                                                                          | <u>35</u> |
| Item 2.  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>35</u> |
| Item 6.  | <u>Exhibits</u>                                                                              | <u>35</u> |
|          | <u>Signatures</u>                                                                            | <u>36</u> |

Table of Contents

**FORWARD-LOOKING STATEMENTS**

This document contains “forward-looking statements,” which are statements relating to future, not past, events. In this context, forward-looking statements often address management’s current beliefs, assumptions, expectations, estimates and projections about future business and financial performance, national, regional or global political, economic and market conditions, and the Company itself. Such statements often contain words such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “intends,” “is likely,” “plans,” “predicts,” “projects,” “should,” “will,” variations of such words and similar expressions. Forward-looking statements, by their nature, address matters that are, to varying degrees, uncertain. Uncertainties that could cause the Company’s performance to differ materially from what is expressed in forward-looking statements include, but are not limited to, the following:

- changes in national, regional or global economic and market conditions;
- the impact of financial and credit markets on the Company, its suppliers and customers;
- changes in interest rates, tax laws, duties, tariffs, quotas or applicable assessments in countries of import and export;
- the impact of regulation, regulatory and legal proceedings and legal compliance risks;
- currency fluctuations;
- currency restrictions;
- changes in future pension funding requirements and pension expenses;
- the risk of impairment to goodwill and other acquired intangibles;
- the risks of doing business in developing countries, and politically or economically volatile areas;
- the ability to secure and protect owned intellectual property or use licensed intellectual property;
- potential negative effects that could result from a U.S. federal government shutdown, including but not limited to
- delays in importing products at U.S. ports, supply chain disruption, and reduced purchasing by the Department of Defense or other military purchasers;
- changes in consumer preferences, spending patterns, buying patterns, price sensitivity or demand for the Company’s products;
- risks related to the significant investment in, and performance of, the Company’s consumer direct business;
- the impact of seasonality and unpredictable weather conditions;
- changes in relationships with, including the loss of, significant customers;
- the cancellation of orders for future delivery;
- the failure of the U.S. Department of Defense to exercise future purchase options or award new contracts, or the cancellation or modification of existing contracts by the Department of Defense or other military purchasers;
- matters relating to the Company’s 2012 acquisition of the Performance + Lifestyle Group business of Collective Brands, Inc. (“PLG” or “the PLG acquisition”), including the Company’s ability to continue to integrate and realize the benefits of the PLG acquisition or to do so on a timely basis;
- the cost, availability and management of raw materials, inventories, services and labor for owned and contract manufacturers;
- problems affecting the Company’s distribution system, including service interruptions at shipping and receiving ports;
- the failure to maintain the security of personally identifiable and other information of the Company’s customers and employees;
- the inability for any reason to effectively compete in global footwear, apparel and consumer direct markets; and
- strategic actions, including new initiatives and ventures, acquisitions and dispositions, and the Company’s success in integrating acquired businesses and implementing new initiatives and ventures.

These uncertainties could cause a material difference between an actual outcome and a forward-looking statement. The uncertainties included here are not exhaustive and are described in more detail in Part I, Item 1A, “Risk Factors” of the Company’s Form 10-K for the fiscal year ended December 28, 2013, and any information regarding such Risk Factors included in the Company’s subsequent filings with the Securities and Exchange Commission, including Part II, Item 1A of this Quarterly Report on Form 10-Q. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company does not undertake an 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

(Unaudited)

| (In millions, except share data)          | March 22,<br>2014 | December 28,<br>2013 | March 23,<br>2013 |
|-------------------------------------------|-------------------|----------------------|-------------------|
| <b>ASSETS</b>                             |                   |                      |                   |
| Current assets:                           |                   |                      |                   |
| Cash and cash equivalents                 | \$ 166.8          | \$ 214.2             | \$ 82.0           |
| Accounts receivable, less allowances:     |                   |                      |                   |
| March 22, 2014 – \$34.6                   |                   |                      |                   |
| December 28, 2013 – \$37.8                |                   |                      |                   |
| March 23, 2013 – \$28.2                   | 484.1             | 398.1                | 470.7             |
| Inventories:                              |                   |                      |                   |
| Finished products, net                    | 443.5             | 406.0                | 455.4             |
| Raw materials and work-in-process, net    | 22.1              | 22.2                 | 31.9              |
| Total inventories                         | 465.6             | 428.2                | 487.3             |
| Deferred income taxes                     | 28.3              | 29.1                 | 27.3              |
| Prepaid expenses and other current assets | 40.3              | 48.4                 | 46.6              |
| Total current assets                      | 1,185.1           | 1,118.0              | 1,113.9           |
| Property, plant and equipment:            |                   |                      |                   |
| Gross cost                                | 414.9             | 416.1                | 388.9             |
| Accumulated depreciation                  | (267.3            | ) (264.2             | ) (242.1          |
| Property, plant and equipment, net        | 147.6             | 151.9                | 146.8             |
| Other assets:                             |                   |                      |                   |
| Goodwill                                  | 442.3             | 445.3                | 456.1             |
| Indefinite-lived intangibles              | 690.2             | 690.5                | 679.8             |
| Amortizable intangibles, net              | 123.7             | 126.7                | 147.5             |
| Deferred income taxes                     | 3.4               | 3.4                  | 0.2               |
| Deferred financing costs, net             | 21.0              | 22.0                 | 37.4              |
| Other                                     | 66.1              | 64.4                 | 55.4              |
| Total other assets                        | 1,346.7           | 1,352.3              | 1,376.4           |
| Total assets                              | \$2,679.4         | \$2,622.2            | \$2,637.1         |

See accompanying notes to consolidated condensed financial statements.

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Balance Sheets – continued

(Unaudited)

| (In millions, except share data)                                                                           | March 22,<br>2014 | December 28,<br>2013 | March 23,<br>2013 |
|------------------------------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                |                   |                      |                   |
| Current liabilities:                                                                                       |                   |                      |                   |
| Accounts payable                                                                                           | \$137.4           | \$135.2              | \$136.6           |
| Accrued salaries and wages                                                                                 | 27.3              | 41.5                 | 46.7              |
| Other accrued liabilities                                                                                  | 110.2             | 99.3                 | 93.0              |
| Current maturities of long-term debt                                                                       | 43.6              | 53.3                 | 33.9              |
| Borrowings under revolving credit agreement                                                                | 34.0              | —                    | 41.0              |
| Total current liabilities                                                                                  | 352.5             | 329.3                | 351.2             |
| Long-term debt, less current maturities                                                                    | 1,096.7           | 1,096.7              | 1,183.4           |
| Accrued pension liabilities                                                                                | 74.5              | 74.2                 | 166.3             |
| Deferred income taxes                                                                                      | 256.7             | 253.9                | 239.6             |
| Other liabilities                                                                                          | 27.4              | 26.7                 | 23.1              |
| Stockholders' equity                                                                                       |                   |                      |                   |
| Wolverine World Wide, Inc. stockholders' equity:                                                           |                   |                      |                   |
| Common stock – par value \$1, authorized 160,000,000 shares; shares issued (including shares in treasury): |                   |                      |                   |
| March 22, 2014 – 101,784,796 shares                                                                        |                   |                      |                   |
| December 28, 2013 – 100,817,972 shares                                                                     |                   |                      |                   |
| March 23, 2013 – 100,314,496 shares                                                                        | 101.8             | 100.8                | 100.3             |
| Additional paid-in capital                                                                                 | 14.9              | 5.0                  | —                 |
| Retained earnings                                                                                          | 774.3             | 743.1                | 665.4             |
| Accumulated other comprehensive loss                                                                       | (12.1             | ) (9.2               | ) (91.4           |
| Cost of shares in treasury:                                                                                |                   |                      |                   |
| March 22, 2014 – 396,690 shares                                                                            |                   |                      |                   |
| December 28, 2013 – 72,514 shares                                                                          |                   |                      |                   |
| March 23, 2013 – 77,072 shares                                                                             | (11.1             | ) (2.1               | ) (2.1            |
| Total Wolverine World Wide, Inc. stockholders' equity                                                      | 867.8             | 837.6                | 672.2             |
| Non-controlling interest                                                                                   | 3.8               | 3.8                  | 1.3               |
| Total stockholders' equity                                                                                 | 871.6             | 841.4                | 673.5             |
| Total liabilities and stockholders' equity                                                                 | \$2,679.4         | \$2,622.2            | \$2,637.1         |
| See accompanying notes to consolidated condensed financial statements.                                     |                   |                      |                   |

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES  
 Consolidated Condensed Statements of Operations and Comprehensive Income  
 (Unaudited)

|                                                                        | 12 Weeks Ended    |                   |
|------------------------------------------------------------------------|-------------------|-------------------|
|                                                                        | March 22,<br>2014 | March 23,<br>2013 |
| (In millions, except per share data)                                   |                   |                   |
| Revenue                                                                | \$627.6           | \$645.9           |
| Cost of goods sold                                                     | 371.4             | 383.8             |
| Restructuring costs                                                    | 0.4               | —                 |
| Gross profit                                                           | 255.8             | 262.1             |
| Selling, general and administrative expenses                           | 190.5             | 196.0             |
| Acquisition-related integration costs                                  | 1.6               | 15.2              |
| Operating profit                                                       | 63.7              | 50.9              |
| Other expenses:                                                        |                   |                   |
| Interest expense, net                                                  | 10.9              | 12.9              |
| Other expense, net                                                     | 0.8               | 0.3               |
| Total other expenses                                                   | 11.7              | 13.2              |
| Earnings before income taxes                                           | 52.0              | 37.7              |
| Income taxes                                                           | 14.8              | 7.9               |
| Net earnings                                                           | 37.2              | 29.8              |
| Less: net earnings attributable to non-controlling interest            | 0.1               | —                 |
| Net earnings attributable to Wolverine World Wide, Inc.                | \$37.1            | \$29.8            |
| Net earnings per share (see Note 3):                                   |                   |                   |
| Basic                                                                  | \$0.37            | \$0.30            |
| Diluted                                                                | \$0.36            | \$0.30            |
| Comprehensive income                                                   | \$34.3            | \$25.9            |
| Less: comprehensive loss attributable to non-controlling interest      | (0.1              | ) —               |
| Comprehensive income attributable to Wolverine World Wide, Inc.        | \$34.4            | \$25.9            |
| Cash dividends declared per share                                      | \$0.06            | \$0.06            |
| See accompanying notes to consolidated condensed financial statements. |                   |                   |



Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Statements of Cash Flow

(Unaudited)

| (In millions)                                                                   | 12 Weeks Ended    |                   |
|---------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                 | March 22,<br>2014 | March 23,<br>2013 |
| <b>OPERATING ACTIVITIES</b>                                                     |                   |                   |
| Net earnings                                                                    | \$37.2            | \$29.8            |
| Adjustments to reconcile net earnings to net cash used in operating activities: |                   |                   |
| Depreciation and amortization                                                   | 12.6              | 14.2              |
| Deferred income taxes                                                           | 2.2               | (2.4)             |
| Stock-based compensation expense                                                | 4.6               | 7.2               |
| Excess tax benefits from stock-based compensation                               | (3.5)             | (0.4)             |
| Pension contribution                                                            | (0.6)             | —                 |
| Pension expense                                                                 | 3.0               | 8.6               |
| Restructuring costs                                                             | 0.4               | —                 |
| Cash payments related to restructuring costs                                    | (0.4)             | —                 |
| Other                                                                           | 2.6               | 1.2               |
| Changes in operating assets and liabilities:                                    |                   |                   |
| Accounts receivable                                                             | (88.0)            | (120.3)           |
| Inventories                                                                     | (39.6)            | (23.3)            |
| Other operating assets                                                          | 8.9               | 8.1               |
| Accounts payable                                                                | 2.6               | (23.9)            |
| Other operating liabilities                                                     | 1.9               | 11.9              |
| Net cash used in operating activities                                           | (56.1)            | (89.3)            |
| <b>INVESTING ACTIVITIES</b>                                                     |                   |                   |
| Additions to property, plant and equipment                                      | (5.6)             | (5.3)             |
| Proceeds from sale of property, plant and equipment                             | —                 | 2.8               |
| Investment in joint venture                                                     | (0.7)             | (0.6)             |
| Other                                                                           | (0.4)             | —                 |
| Net cash used in investing activities                                           | (6.7)             | (3.1)             |
| <b>FINANCING ACTIVITIES</b>                                                     |                   |                   |
| Net borrowings under revolving credit agreement                                 | 34.0              | 41.0              |
| Payments of long-term debt                                                      | (9.7)             | (32.7)            |
| Cash dividends paid                                                             | (6.3)             | (5.9)             |
| Purchases of shares under employee stock plans                                  | (9.3)             | —                 |
| Proceeds from the exercise of stock options                                     | 2.8               | 1.6               |
| Excess tax benefits from stock-based compensation                               | 3.5               | 0.4               |
| Net cash provided by financing activities                                       | 15.0              | 4.4               |
| Effect of foreign exchange rate changes                                         | 0.4               | (1.4)             |
| Decrease in cash and cash equivalents                                           | (47.4)            | (89.4)            |
| Cash and cash equivalents at beginning of the year                              | 214.2             | 171.4             |
| Cash and cash equivalents at end of the period                                  | \$166.8           | \$82.0            |
| See accompanying notes to consolidated condensed financial statements.          |                   |                   |

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

March 22, 2014 and March 23, 2013

(Unaudited)

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 footwear and apparel; performance outdoor and athletic footwear and apparel; children's footwear; industrial work shoes, boots and apparel; and uniform shoes and boots. The Company's portfolio of owned and licensed brands includes: Bates®, Cat® Footwear, Chaco®, Cushe®, Harley-Davidson® Footwear, Hush Puppies®, HyTest®, Keds®, Merrell®, Patagonia® Footwear, Saucony®, Sebago®, Soft Style®, Sperry Top-Sider®, Stride Rite® and Wolverine®. Licensing and distribution arrangements with third-parties extend the global reach of the Company's brand portfolio. The Company also operates a consumer direct division to market both its own brands and branded footwear and apparel from other manufacturers, as well as a leathers division that markets Wolverine Performance Leathers™.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") 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 U.S. GAAP 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 December 28, 2013.

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 from 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. Retail store revenue is recognized at time of sale.

The Company records provisions for estimated sales returns and allowances at the time of sale based on historical rates of returns and allowances and specific identification of outstanding returns not yet received from customers. However, estimates of actual returns and allowances in any future period are inherently uncertain and actual returns and allowances may differ from these estimates. If actual or expected future returns and allowances were significantly greater or lower than established reserves, a reduction or increase to net revenues would be recorded in the period this determination was made.

Cost of Goods Sold

Cost of goods sold includes the actual product costs, including inbound and certain outbound freight charges, purchasing, sourcing, inspection and receiving costs. Warehousing costs are included in selling, general and administrative expenses with the exception of certain consumer direct warehousing costs that are included in cost of goods sold.

Seasonality

The Company's business is subject to seasonal influences and the Company's fiscal year has 12 weeks in each of the first three fiscal quarters and, depending on the fiscal calendar, 16 or 17 weeks in the fourth fiscal quarter. Both of these 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.

2. NEW ACCOUNTING STANDARDS

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax

Credit Carryforward Exists (“ASU 2013-11”). ASU 2013-11 provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. ASU 2013-11 is effective prospectively for reporting periods beginning after December 15, 2013. The Company adopted ASU 2013-11 in the first quarter of fiscal 2014, and the adoption did not affect the Company’s consolidated financial position, results of operations or cash flows.

Table of Contents**3. EARNINGS PER SHARE**

The Company calculates earnings per share in accordance with FASB Accounting Standards Codification (“ASC”) Topic 260, Earnings Per Share (“ASC 260”). ASC 260 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. Under the guidance in ASC 260, the Company’s unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and must be included in the computation of earnings per share pursuant to the two-class method.

On July 11, 2013, the Company’s Board of Directors approved a two-for-one stock split in the form of a stock dividend which was paid on November 1, 2013 to stockholders of record on October 1, 2013. All share and per share data in this Quarterly Report on Form 10-Q has been presented to reflect the split.

The following table sets forth the computation of basic and diluted earnings per share:

| (In millions, except share and per share data)                              | 12 Weeks Ended    |                   |
|-----------------------------------------------------------------------------|-------------------|-------------------|
|                                                                             | March 22,<br>2014 | March 23,<br>2013 |
| Numerator:                                                                  |                   |                   |
| Net earnings attributable to Wolverine World Wide, Inc.                     | \$37.1            | \$29.8            |
| Adjustment for earnings allocated to non-vested restricted common stock     | (0.7              | ) (0.5            |
| Net earnings used in calculating basic earnings per share                   | 36.4              | 29.3              |
| Adjustment for earnings reallocated from non-vested restricted common stock | —                 | —                 |
| Net earnings used in calculating diluted earnings per share                 | \$36.4            | \$29.3            |
| Denominator:                                                                |                   |                   |
| Weighted average shares outstanding                                         | 100,961,065       | 99,461,352        |
| Adjustment for non-vested restricted common stock                           | (3,141,330        | ) (2,920,912      |
| Shares used in calculating basic earnings per share                         | 97,819,735        | 96,540,440        |
| Effect of dilutive stock options                                            | 2,056,789         | 1,626,720         |
| Shares used in calculating diluted earnings per share                       | 99,876,524        | 98,167,160        |
| Net earnings per share:                                                     |                   |                   |
| Basic                                                                       | \$0.37            | \$0.30            |
| Diluted                                                                     | \$0.36            | \$0.30            |

For the 12 weeks ended March 22, 2014 and March 23, 2013, options relating to 589,579 and 1,211,768 shares of common stock outstanding, respectively, have not been included in the denominator for the computation of diluted earnings per share because they were anti-dilutive.

**4. GOODWILL AND INDEFINITE-LIVED INTANGIBLES**

The changes in the carrying amount of goodwill and indefinite-lived intangibles are as follows:

| (In millions)                        | Goodwill | Indefinite-lived<br>intangibles | Total     |
|--------------------------------------|----------|---------------------------------|-----------|
| Balance at December 29, 2012         | \$459.9  | \$679.8                         | \$1,139.7 |
| Acquisition adjustments              | (0.7     | ) —                             | (0.7      |
| Foreign currency translation effects | (3.1     | ) —                             | (3.1      |
| Balance at March 23, 2013            | \$456.1  | \$679.8                         | \$1,135.9 |
| Balance at December 28, 2013         | \$445.3  | \$690.5                         | \$1,135.8 |
| Foreign currency translation effects | (3.0     | ) (0.3                          | ) (3.3    |
| Balance at March 22, 2014            | \$442.3  | \$690.2                         | \$1,132.5 |

Table of Contents

## 5. INDEBTEDNESS

Total borrowings consist of the following obligations:

| (In millions)                                       | March 22,<br>2014 | December 28,<br>2013 | March 23,<br>2013 |
|-----------------------------------------------------|-------------------|----------------------|-------------------|
| Term Loan A, due October 10, 2018                   | \$765.3           | \$775.0              | \$543.1           |
| Term Loan B, due October 9, 2019                    | —                 | —                    | 299.2             |
| Public Bonds, 6.125% interest, due October 15, 2020 | 375.0             | 375.0                | 375.0             |
| Borrowings under revolving credit agreement         | 34.0              | —                    | 41.0              |
| Total interest-bearing debt                         | 1,174.3           | 1,150.0              | 1,258.3           |
| Less: current maturities of long-term debt          | 43.6              | 53.3                 | 33.9              |
| Less: borrowings under revolving credit agreement   | 34.0              | —                    | 41.0              |
| Long-term debt, less current maturities             | \$1,096.7         | \$1,096.7            | \$1,183.4         |

The Company's credit agreement (the "Credit Agreement") originally provided the Company with two term loans (a "Term Loan A Facility" and a "Term Loan B Facility") and a revolving credit agreement ("Revolving Credit Facility"). On October 10, 2013, the Company amended its Credit Agreement (the "Amendment") resulting in the payoff of the Term Loan B Facility while establishing a principal balance of \$775.0 million for the Term Loan A Facility. The Amendment provided for a lower effective interest rate on the term loan debt, and a one-year extension on both the Term Loan A Facility and the Revolving Credit Facility, both of which are now due October 10, 2018. In addition, the Amendment provided for increased maximum debt capacity (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed \$1,350.0 million.

The interest rates applicable to amounts outstanding under the Term Loan A Facility and to U.S. dollar denominated amounts outstanding under the Revolving Credit Facility will be, at the Company's option, either (1) the Alternate Base Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 0.375% to 1.25%, or (2) the Eurocurrency Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 1.375% to 2.25% (all capitalized terms used in this sentence are as defined in the Credit Agreement). As required by the Credit Agreement, the Company has an interest rate swap arrangement that reduces the Company's exposure to fluctuations in interest rates on its variable rate debt.

The Revolving Credit Facility allows the Company to borrow up to an aggregate amount of \$200.0 million and includes a \$100.0 million foreign currency subfacility under which borrowings may be made, subject to certain conditions, in Canadian dollars, British pounds, euros, Hong Kong dollars, Swedish kronor, Swiss francs and such additional currencies as are determined in accordance with the Credit Agreement. The Revolving Credit Facility also includes a \$50.0 million swingline subfacility and a \$50.0 million letter of credit subfacility.

The Company had outstanding letters of credit under the Revolving Credit Facility of \$3.3 million, \$3.5 million and \$1.9 million as of March 22, 2014, December 28, 2013 and March 23, 2013, respectively. These outstanding letters of credit reduce the borrowing capacity under the Revolving Credit Facility.

The obligations of the Company pursuant to the Credit Agreement are guaranteed by substantially all of the Company's material domestic subsidiaries and secured by substantially all of the personal and real property of the Company and its material domestic subsidiaries, subject to certain exceptions.

The Credit Agreement also contains certain affirmative and negative covenants, including covenants that limit the ability of the Company and its Restricted Subsidiaries to, among other things: incur or guarantee indebtedness; incur liens; pay dividends or repurchase stock; enter into transactions with affiliates; consummate asset sales, acquisitions or mergers; prepay certain other indebtedness; or make investments, as well as covenants restricting the activities of certain foreign subsidiaries of the Company that hold intellectual property related assets. Further, the Credit Agreement requires compliance with the following financial covenants: a maximum Consolidated Leverage Ratio; a maximum Consolidated Secured Leverage Ratio; and a minimum Consolidated Interest Coverage Ratio (all capitalized terms used in this paragraph are as defined in the Credit Agreement). As of March 22, 2014, the Company was in compliance with all covenants and performance ratios and expects to continue to be in compliance in future periods.

The Company has outstanding a total of \$375.0 million in senior notes that may be traded in the public market (the "Public Bonds") which are due on October 15, 2020. The Public Bonds bear interest at 6.125% with the related interest payments due semi-annually. The Public Bonds are guaranteed by substantially all of the Company's domestic subsidiaries.

Table of Contents

The Company included in interest expense the amortization of deferred financing costs of approximately \$1.0 million and \$1.5 million for the 12 weeks ended March 22, 2014 and March 23, 2013, respectively.

Cash flows from operating activities, along with borrowings on the Revolving Credit Facility, if any, are expected to be sufficient to meet the Company's working capital needs for the foreseeable future. Any excess cash flows from operating activities are expected to be used to reduce debt, fund internal and external growth initiatives, purchase property, plant and equipment, pay dividends or repurchase the Company's common stock.

**6. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Accumulated other comprehensive income (loss) represents net earnings and any revenue, expenses, gains and losses that, under U.S. GAAP, are excluded from net earnings and recognized directly as a component of stockholders' equity.

The change in accumulated other comprehensive income (loss) during the 12 weeks ended March 22, 2014 and March 23, 2013 is as follows:

| (In millions)                                                                    | Foreign<br>currency<br>translation<br>adjustments | Foreign<br>exchange<br>contracts | Interest<br>rate<br>swap | Pension<br>adjustments | Total              |
|----------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------|--------------------------|------------------------|--------------------|
| Balance of accumulated other comprehensive income (loss) as of December 29, 2012 | \$5.9                                             | \$(1.7 )                         | \$(1.0 )                 | \$(90.7 )              | \$(87.5 )          |
| Other comprehensive income (loss) before reclassifications                       | (9.6 )                                            | 0.7                              | 0.3                      | —                      | (8.6 )             |
| Amounts reclassified from accumulated other comprehensive income (loss)          | —                                                 | 0.2                              | <sup>(1)</sup> —         | 7.0                    | <sup>(2)</sup> 7.2 |
| Income tax expense (benefit)                                                     | —                                                 | (0.1 )                           | —                        | (2.4 )                 | (2.5 )             |
| Net reclassifications                                                            | —                                                 | 0.1                              | —                        | 4.6                    | 4.7                |
| Net current-period other comprehensive income (loss)                             | (9.6 )                                            | 0.8                              | 0.3                      | 4.6                    | (3.9 )             |
| Balance of accumulated other comprehensive income (loss) as of March 23, 2013    | \$(3.7 )                                          | \$(0.9 )                         | \$(0.7 )                 | \$(86.1 )              | \$(91.4 )          |
| Balance of accumulated other comprehensive income (loss) as of December 28, 2013 | \$0.5                                             | \$(0.8 )                         | \$0.6                    | \$(9.5 )               | \$(9.2 )           |
| Other comprehensive income (loss) before reclassifications                       | (5.8 )                                            | 1.3                              | 0.1                      | —                      | (4.4 )             |
| Amounts reclassified from accumulated other comprehensive income (loss)          | —                                                 | 0.6                              | <sup>(1)</sup> —         | 1.7                    | <sup>(2)</sup> 2.3 |
| Income tax expense (benefit)                                                     | —                                                 | (0.2 )                           | —                        | (0.6 )                 | (0.8 )             |
| Net reclassifications                                                            | —                                                 | 0.4                              | —                        | 1.1                    | 1.5                |
| Net current-period other comprehensive income (loss)                             | (5.8 )                                            | 1.7                              | 0.1                      | 1.1                    | (2.9 )             |
| Balance of accumulated other comprehensive income (loss) as of March 22, 2014    | \$(5.3 )                                          | \$0.9                            | \$0.7                    | \$(8.4 )               | \$(12.1 )          |

<sup>(1)</sup>Amounts reclassified are included in cost of goods sold.

<sup>(2)</sup>Amounts reclassified are included in the computation of net pension expense.

Table of Contents

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company follows FASB ASC Topic 820, Fair Value Measurements and Disclosures (“ASC 820”), which provides a consistent definition of fair value, focuses on exit price, prioritizes the use of market-based inputs over entity-specific inputs for measuring fair value and establishes a three-tier hierarchy for fair value measurements. ASC 820 requires fair value measurements to be classified and disclosed in one of the following three categories:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Fair value is measured using either direct or indirect inputs, other than quoted prices included within Level 1, which are observable for similar assets or liabilities.

Level 3: Fair value is measured using valuation techniques in which one or more significant inputs are unobservable.

The Company’s financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts payable, foreign currency forward exchange contracts, an interest rate swap arrangement, borrowings under the Company’s Revolving Credit Facility and interest-bearing debt. The carrying amount of the Company’s financial instruments is historical cost, which approximates fair value, except for the interest rate swap and foreign currency forward exchange contracts, which are carried at fair value. The carrying value and the fair value of the Company’s long-term debt, including current maturities, are as follows:

| (In millions)  | March 22, 2014 | December 28,<br>2013 | March 23, 2013 |
|----------------|----------------|----------------------|----------------|
| Carrying value | \$1,140.3      | \$1,150.0            | \$1,217.3      |
| Fair value     | 1,175.5        | 1,183.8              | 1,271.6        |

The fair value of the fixed-rate debt was based on third-party quotes (Level 2). The fair value of the variable-rate debt was calculated by discounting the future cash flows to their present value using a discount rate based on the risk free rate of the same maturity (Level 3).

The Company follows FASB ASC Topic 815, Derivatives and Hedging (“ASC 815”), which is intended to improve transparency in financial reporting and requires that all derivative instruments be recorded on the consolidated condensed balance sheets at fair value by establishing criteria for designation and effectiveness of hedging relationships. The Company utilizes foreign currency forward exchange contracts to manage the volatility associated with U.S. dollar inventory purchases made by non-U.S. wholesale operations in the normal course of business.

The Company has one interest rate swap arrangement which exchanges floating rate for fixed rate interest payments over the life of the agreement without the exchange of the underlying notional amounts. This derivative instrument, which, unless otherwise terminated, will mature on October 6, 2017, has been designated as a cash flow hedge of the debt. The notional amounts of the interest rate swap arrangement are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The Company does not hold or issue financial instruments for trading purposes.

The notional amounts of the Company's derivative instruments are as follows:

|                               | March 22, 2014 | December 28,<br>2013 | March 23, 2013 |
|-------------------------------|----------------|----------------------|----------------|
| Foreign exchange contracts:   |                |                      |                |
| Notional amount (in millions) | \$97.0         | \$129.1              | \$104.4        |
| Maturities (in days)          | 308            | 364                  | 392            |
| Interest rate swap:           |                |                      |                |
| Notional amount (in millions) | \$443.6        | \$455.5              | \$462.2        |

The following table sets forth financial assets and liabilities measured at fair value in the consolidated condensed balance sheets and the respective pricing levels to which the fair value measurements are classified within the fair value hierarchy.

Fair Value Measurements  
Quoted Prices With Other Observable Inputs (Level 2)



| (In millions)                        | March 22, 2014 | December 28,<br>2013 | March 23, 2013 |
|--------------------------------------|----------------|----------------------|----------------|
| Financial assets:                    |                |                      |                |
| Foreign exchange contracts asset     | \$2.2          | \$1.7                | \$0.9          |
| Interest rate swap asset             | 1.0            | 0.9                  | —              |
| Financial liabilities:               |                |                      |                |
| Foreign exchange contracts liability | 1.0            | 2.3                  | —              |
| Interest rate swap liability         | —              | —                    | 1.1            |

12

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Table of Contents

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 goods sold caption of the consolidated condensed statements of operations and comprehensive income. Hedge ineffectiveness was not material to the Company's consolidated financial statements for the 12 weeks ended March 22, 2014 and March 23, 2013. 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.

The differential paid or received on the interest rate swap arrangement is recognized as interest expense. In accordance with ASC 815, the Company formally documented the relationship between the interest rate swap and the variable rate borrowings, as well as its risk management objective and strategy for undertaking the hedge transaction. This process included linking the derivative to the specific liability or asset on the balance sheet. The Company also assessed at the hedge's inception, and continues to assess on an ongoing basis, whether the derivative used in the hedging transaction is highly effective in offsetting changes in the cash flows of the hedged item. The effective portion of unrealized gains (losses) is deferred as a component of accumulated other comprehensive income (loss) and will be recognized in earnings at the time the hedged item affects earnings. Any ineffective portion of the change in fair value will be immediately recognized in earnings.

**8. STOCK-BASED COMPENSATION**

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of FASB ASC Topic 718, Compensation – Stock Compensation (“ASC 718”). The Company recognized compensation expense of \$4.6 million and related income tax benefits of \$1.5 million for grants under its stock-based compensation plans for the 12 weeks ended March 22, 2014. The Company recognized compensation expense of \$7.2 million and related income tax benefits of \$2.4 million for grants under its stock-based compensation plans for the 12 weeks ended March 23, 2013.

Stock-based compensation expense recognized in the consolidated condensed statements of operations and comprehensive income is based on awards ultimately expected to vest and, as such, has been reduced for estimated forfeitures. ASC 718 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 12 weeks ended March 22, 2014 and March 23, 2013 was \$6.19 and \$5.20, respectively, with the following weighted-average assumptions:

|                                                 | 12 Weeks Ended    |                   |   |
|-------------------------------------------------|-------------------|-------------------|---|
|                                                 | March 22,<br>2014 | March 23,<br>2013 |   |
| Expected market price volatility <sup>(1)</sup> | 29.6              | % 33.4            | % |
| Risk-free interest rate <sup>(2)</sup>          | 1.1               | % 0.6             | % |
| Dividend yield <sup>(3)</sup>                   | 0.9               | % 1.2             | % |
| Expected term <sup>(4)</sup>                    | 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 the four years prior to the grant.

(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.

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

The Company issued 1,227,651 and 1,602,170 shares of common stock in connection with new restricted stock grants made and the exercise of stock options during the 12 weeks ended March 22, 2014 and March 23, 2013, respectively. During the 12 weeks ended March 22, 2014 and March 23, 2013, the Company canceled 252,213 and 11,688 shares,

respectively, of common stock issued under restricted stock awards as a result of forfeitures.

13

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Table of Contents

## 9. RETIREMENT PLANS

A summary of net pension and Supplemental Executive Retirement Plan expense recognized by the Company is as follows:

|                                                              | 12 Weeks Ended    |                   |
|--------------------------------------------------------------|-------------------|-------------------|
|                                                              | March 22,<br>2014 | March 23,<br>2013 |
| Service cost pertaining to benefits earned during the period | \$1.7             | \$2.1             |
| Interest cost on projected benefit obligations               | 4.7               | 4.3               |
| Expected return on pension assets                            | (5.1              | ) (4.8            |
| Net amortization loss                                        | 1.7               | 7.0               |
| Net pension expense                                          | \$3.0             | \$8.6             |

## 10. INCOME TAXES

The Company's effective tax rate for the 12 weeks ended March 22, 2014 and March 23, 2013 was 28.5% and 20.9%, respectively. The lower effective tax rate for the 12 weeks ended March 23, 2013 versus the current year reflects the prior year benefit from the deductibility of the acquisition-related integration costs occurring primarily in high statutory tax rate jurisdictions. The lower effective tax rate in the first quarter of fiscal 2013 also reflected the benefit from the retroactive reinstatement of the research and development federal tax credit for 2012 and extension of the credit through 2013. The research and development tax credit has now expired and is not available for 2014.

The Company maintains certain strategic management and operational activities in overseas subsidiaries, and its foreign earnings are taxed at rates that are generally lower than the U.S. federal statutory income tax rate. A significant amount of the Company's earnings are generated by its Canadian, European and Asia Pacific subsidiaries and, to a lesser extent, in other foreign jurisdictions that are not subject to income tax. The Company has not provided for U.S. taxes for earnings generated in foreign jurisdictions because it plans to reinvest these earnings indefinitely outside the U.S. However, if certain foreign earnings previously treated as permanently reinvested are repatriated, the additional U.S. tax liability could have a material adverse effect on the Company's after-tax results of operations and financial position.

The Company is subject to periodic audits by domestic and foreign tax authorities. Currently, the Company is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of the audits; however, any payment of tax is not expected to be significant to the consolidated financial statements.

For the majority of tax jurisdictions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2009.

## 11. 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, it is management's opinion that the outcome of these matters will not have a material adverse effect on the Company's consolidated financial position, 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 and liabilities that have been recorded along with applicable insurance, it is management's opinion that the outcome of these items will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.



Table of Contents

The Company has future minimum royalty and advertising obligations due under the terms of certain licenses held by the Company. These minimum future obligations are as follows:

| (In millions)       | 2014  | 2015  | 2016 | 2017 | 2018 | Thereafter |
|---------------------|-------|-------|------|------|------|------------|
| Minimum royalties   | \$1.6 | \$1.8 | \$—  | \$—  | \$—  | \$—        |
| Minimum advertising | 8.1   | 9.1   | 3.2  | 2.8  | 2.9  | 6.1        |

Minimum royalties are based on both fixed obligations and assumptions regarding 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 \$0.6 million and \$0.4 million for the 12 weeks ended March 22, 2014 and March 23, 2013, respectively.

The terms of certain license agreements also require the Company to make advertising expenditures based on the level of sales of the licensed products. In accordance with these agreements, the Company incurred advertising expense of \$1.0 million and \$1.1 million for the 12 weeks ended March 22, 2014 and March 23, 2013, respectively.

**12. BUSINESS SEGMENTS**

The Company's portfolio of 16 brands is organized into the following three operating segments, which the Company has determined are reportable operating segments.

• Lifestyle Group, consisting of Sperry Top-Sider® footwear and apparel, Stride Rite® footwear and apparel, Hush Puppies® footwear and apparel, Keds® footwear and apparel and Soft Style® footwear;

• Performance Group, consisting of Merrell® footwear and apparel, Saucony® footwear and apparel, Chaco® footwear, Patagonia® footwear and Cushe® footwear; and

• Heritage Group, consisting of Wolverine® footwear and apparel, Cat® footwear, Bates® uniform footwear, Sebago® footwear and apparel, Harley-Davidson® footwear and HyTest® Safety footwear.

The reportable segments are engaged in designing, manufacturing, sourcing, marketing, licensing and distributing branded footwear, apparel and accessories. Reported revenue of the reportable operating segments includes revenue from the sale of branded footwear, apparel and accessories to third-party customers; income from a network of third-party licensees and distributors; and revenue from the Company's mono-branded consumer direct business.

The Company also reports an Other and Corporate category. The Other category consists of the Company's multi-brand consumer direct business, leather marketing operations and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses including acquisition-related integration costs and restructuring costs. The Company's operating segments are determined based on how the Company internally reports and evaluates financial information used to make operating decisions.

Company management uses various financial measures to evaluate the performance of the reportable operating segments. The following is a summary of certain key financial measures for the respective fiscal periods indicated.

| (In millions)            | 12 Weeks Ended    |                   |
|--------------------------|-------------------|-------------------|
|                          | March 22,<br>2014 | March 23,<br>2013 |
| Revenue:                 |                   |                   |
| Lifestyle Group          | \$238.0           | \$270.2           |
| Performance Group        | 248.8             | 240.5             |
| Heritage Group           | 120.7             | 118.6             |
| Other                    | 20.1              | 16.6              |
| Total                    | \$627.6           | \$645.9           |
| Operating profit (loss): |                   |                   |
| Lifestyle Group          | \$25.0            | \$46.1            |
| Performance Group        | 58.0              | 50.9              |
| Heritage Group           | 17.7              | 15.3              |
| Other                    | (1.4              | ) (1.0            |
| Corporate                | (35.6             | ) (60.4           |
| Total                    | \$63.7            | \$50.9            |



Table of Contents

| (In millions)     | March 22,<br>2014 | December 28,<br>2013 | March 23,<br>2013 |
|-------------------|-------------------|----------------------|-------------------|
| Total assets:     |                   |                      |                   |
| Lifestyle Group   | \$1,482.6         | \$1,431.1            | \$1,465.1         |
| Performance Group | 554.9             | 476.4                | 571.7             |
| Heritage Group    | 219.9             | 247.2                | 266.9             |
| Other             | 60.4              | 56.9                 | 66.0              |
| Corporate         | 361.6             | 410.6                | 267.4             |
| Total             | \$2,679.4         | \$2,622.2            | \$2,637.1         |
| Goodwill:         |                   |                      |                   |
| Lifestyle Group   | \$326.1           | \$329.0              | \$345.7           |
| Performance Group | 92.8              | 92.8                 | 87.0              |
| Heritage Group    | 23.4              | 23.5                 | 23.4              |
| Total             | \$442.3           | \$445.3              | \$456.1           |

**13. BUSINESS ACQUISITIONS**

On October 9, 2012, the Company acquired all of the outstanding equity interests of PLG as well as certain other assets. Consideration paid to acquire PLG was approximately \$1,249.5 million in cash. PLG markets casual and athletic footwear, apparel and related accessories for adults and children under well-known brand names including Sperry Top-Sider®, Saucony®, Stride Rite® and Keds®. The acquisition was accounted for under the acquisition method of accounting. The related assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The operating results for PLG are included in the Company's consolidated results of operations beginning October 9, 2012.

The Company funded the transaction using a combination of approximately \$88.8 million of cash on hand and new borrowings. The Company's debt financing included net proceeds from the term loan debt associated with the Credit Agreement and net proceeds from the Public Bonds.

For the 12 weeks ended March 22, 2014, the Company incurred \$1.6 million of acquisition-related integration costs. These costs include compensation expenses (\$0.8 million) and other integration costs (\$0.8 million). For the 12 weeks ended March 23, 2013, the Company incurred \$15.2 million of acquisition-related integration costs. These costs include compensation expense (\$10.1 million), amortization related to short-lived intangible assets (\$2.4 million), other purchased services (\$1.8 million) and professional and legal fees (\$0.9 million).



Table of Contents

The following table summarizes the final fair values of the assets acquired and liabilities assumed in connection with the PLG acquisition:

(In millions)

|                               |           |
|-------------------------------|-----------|
| Cash                          | \$23.6    |
| Accounts receivable           | 151.2     |
| Inventories                   | 203.5     |
| Deferred income taxes         | 13.6      |
| Other current assets          | 13.2      |
| Property, plant and equipment | 77.1      |
| Goodwill                      | 408.8     |
| Intangible assets             | 821.8     |
| Other                         | 11.2      |
| Total assets acquired         | 1,724.0   |
| Accounts payable              | 97.4      |
| Other accrued liabilities     | 42.2      |
| Deferred income taxes         | 287.2     |
| Accrued pension liabilities   | 37.7      |
| Other liabilities             | 10.0      |
| Total liabilities assumed     | 474.5     |
| Net assets acquired           | \$1,249.5 |

The excess of the purchase price over the fair value of net assets acquired of \$408.8 million was recorded as goodwill in the consolidated condensed balance sheets and has been assigned to the Performance Group and Lifestyle Group reportable operating segments as follows:

(In millions)

|                   |         |
|-------------------|---------|
| Performance Group | \$82.5  |
| Lifestyle Group   | 326.3   |
| Total             | \$408.8 |

The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of PLG.

Substantially all of the goodwill is not amortizable for income tax purposes.

Intangible assets acquired in the PLG acquisition were valued as follows:

(In millions)

|                                  | Intangible asset | Useful life |
|----------------------------------|------------------|-------------|
| Trade names and trademarks       | \$671.8          | Indefinite  |
| Customer lists                   | 100.5            | 3-20 years  |
| Licensing agreements             | 28.8             | 4-5 years   |
| Developed product technology     | 14.9             | 3-5 years   |
| Backlog                          | 5.2              | 6 months    |
| Net favorable leases             | 0.6              | 10 years    |
| Total intangible assets acquired | \$821.8          |             |

The Company assigned fair values to the identifiable intangible assets through a combination of the relief from royalty and the excess earnings methods.

At the time of the acquisition, a step-up in the value of inventory of \$4.0 million was recorded in the allocation of the purchase price based on valuation estimates, all of which was charged to cost of sales in the fourth quarter of fiscal 2012 as the inventory was deemed sold. In addition, fixed assets were written up by approximately \$18.8 million to their estimated fair market value based on a valuation method that included both cost and market approaches. This additional step-up in value is being depreciated over the estimated remaining useful lives of the assets.

Table of Contents

## 14. RESTRUCTURING ACTIVITIES

On October 4, 2013, the Board of Directors of the Company approved a plan to restructure the Company's Dominican Republic manufacturing operations in a manner intended to lower the Company's cost of goods sold, as described below (the "Restructuring Plan"). During the fourth quarter of fiscal 2013, the Company sold a manufacturing facility in the Dominican Republic and closed a second manufacturing facility. The Company no longer maintains any Company-owned manufacturing operations in the Dominican Republic. The Company recognized \$7.6 million of restructuring costs in fiscal 2013 and restructuring costs of \$0.4 million for the 12 weeks ended March 22, 2014. The Company does not expect to recognize any further significant costs for the Restructuring Plan. All costs incurred have been recognized in the Company's Corporate category and are included in the Restructuring costs line item in the consolidated condensed statements of operations and comprehensive income.

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.

| (In millions)                | Severance and<br>employee related | Costs associated<br>with exit or<br>disposal activities | Total  |
|------------------------------|-----------------------------------|---------------------------------------------------------|--------|
| Balance at December 28, 2013 | \$—                               | \$0.5                                                   | \$0.5  |
| Restructuring costs          | 0.1                               | 0.3                                                     | 0.4    |
| Amounts paid                 | (0.1                              | ) (0.3                                                  | ) (0.4 |
| Charges against assets       | —                                 | (0.2                                                    | ) (0.2 |
| Balance at March 22, 2014    | \$—                               | \$0.3                                                   | \$0.3  |

## 15. SUBSEQUENT EVENT

On April 24, 2014, the Company amended its Restated Certificate of Incorporation to increase the Company's authorized capital stock from 162,000,000 shares, of which 160,000,000 are shares of common stock, \$1 par value per share, to 322,000,000 shares, of which 320,000,000 would be shares of common stock. The purpose of the amendment is to provide additional shares for possible future issuance.

Table of Contents

## 16. SUBSIDIARY GUARANTORS OF THE PUBLIC BONDS

The following tables present consolidated condensed financial information for (a) the Company (for purposes of this discussion and table, “Parent”); (b) the guarantors of the Public Bonds, which include substantially all of the domestic, 100% owned subsidiaries of the Parent (“Subsidiary Guarantors”); and (c) the wholly- and partially-owned foreign subsidiaries of the Parent, which do not guarantee the Public Bonds (“Non-Guarantor Subsidiaries”). Separate financial statements of the Subsidiary Guarantors are not presented because they are fully and unconditionally, jointly and severally liable under the guarantees, except for normal and customary release provisions.

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Statements of Operations and Comprehensive Income

For the 12 Weeks Ended March 22, 2014

(Unaudited)

| (In millions)                                                              | Parent  | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|----------------------------------------------------------------------------|---------|-----------------------|----------------------------|--------------|--------------|
| Revenue                                                                    | \$114.5 | \$939.7               | \$199.8                    | \$(626.4)    | ) \$627.6    |
| Cost of goods sold                                                         | 77.0    | 798.2                 | 109.3                      | (613.1)      | ) 371.4      |
| Restructuring costs                                                        | —       | —                     | 0.4                        | —            | 0.4          |
| Gross profit                                                               | 37.5    | 141.5                 | 90.1                       | (13.3)       | ) 255.8      |
| Selling, general and administrative expenses                               | 38.4    | 104.9                 | 60.6                       | (13.4)       | ) 190.5      |
| Acquisition-related integration costs                                      | 1.0     | 0.6                   | —                          | —            | 1.6          |
| Operating profit (loss)                                                    | (1.9)   | ) 36.0                | 29.5                       | 0.1          | 63.7         |
| Other expenses:                                                            |         |                       |                            |              |              |
| Interest expense, net                                                      | 10.8    | 0.1                   | —                          | —            | 10.9         |
| Other expense (income), net                                                | (0.4)   | ) —                   | 1.2                        | —            | 0.8          |
| Total other expenses                                                       | 10.4    | 0.1                   | 1.2                        | —            | 11.7         |
| Earnings (loss) before income taxes                                        | (12.3)  | ) 35.9                | 28.3                       | 0.1          | 52.0         |
| Income tax expense (benefit)                                               | (4.6)   | ) 13.5                | 5.9                        | —            | 14.8         |
| Earnings (loss) before equity in earnings of consolidated subsidiaries     | (7.7)   | ) 22.4                | 22.4                       | 0.1          | 37.2         |
| Equity in earnings of consolidated subsidiaries                            | 44.8    | 59.6                  | 33.6                       | (138.0)      | ) —          |
| Net earnings                                                               | 37.1    | 82.0                  | 56.0                       | (137.9)      | ) 37.2       |
| Less: net earnings attributable to non-controlling interest                | —       | —                     | 0.1                        | —            | 0.1          |
| Net earnings attributable to Wolverine World Wide, Inc.                    | \$37.1  | \$82.0                | \$55.9                     | \$(137.9)    | ) \$37.1     |
| Comprehensive income                                                       | \$34.2  | \$81.8                | \$51.9                     | \$(133.6)    | ) \$34.3     |
| Less: comprehensive income (loss) attributable to non-controlling interest | (0.2)   | ) —                   | 0.1                        | —            | (0.1)        |
| Comprehensive income attributable to Wolverine World Wide, Inc.            | \$34.4  | \$81.8                | \$51.8                     | \$(133.6)    | ) \$34.4     |

Table of Contents

WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES  
 Consolidated Condensed Statements of Operations and Comprehensive Income  
 For the 12 Weeks Ended March 23, 2013  
 (Unaudited)

| (In millions)                                                             | Parent   | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---------------------------------------------------------------------------|----------|--------------------------|-------------------------------|--------------|--------------|
| Revenue                                                                   | \$ 114.2 | \$ 933.1                 | \$ 181.3                      | \$(582.7)    | ) \$ 645.9   |
| Cost of goods sold                                                        | 83.1     | 772.0                    | 95.7                          | (567.0)      | ) 383.8      |
| Gross profit                                                              | 31.1     | 161.1                    | 85.6                          | (15.7)       | ) 262.1      |
| Selling, general and administrative<br>expenses                           | 40.3     | 113.7                    | 56.9                          | (14.9)       | ) 196.0      |
| Acquisition-related integration costs                                     | 5.1      | 9.9                      | 0.2                           | —            | ) 15.2       |
| Operating profit (loss)                                                   | (14.3)   | ) 37.5                   | 28.5                          | (0.8)        | ) 50.9       |
| Other expenses:                                                           |          |                          |                               |              |              |
| Interest expense (income), net                                            | 13.1     | 0.1                      | (0.3)                         | ) —          | ) 12.9       |
| Other expense, net                                                        | 0.2      | —                        | 0.1                           | —            | ) 0.3        |
| Total other expenses (income)                                             | 13.3     | 0.1                      | (0.2)                         | ) —          | ) 13.2       |
| Earnings (loss) before income taxes                                       | (27.6)   | ) 37.4                   | 28.7                          | (0.8)        | ) 37.7       |
| Income tax expense (benefit)                                              | (10.7)   | ) 14.6                   | 4.0                           | —            | ) 7.9        |
| Earnings (loss) before equity in earnings<br>of consolidated subsidiaries | (16.9)   | ) 22.8                   | 24.7                          | (0.8)        | ) 29.8       |
| Equity in earnings of consolidated<br>subsidiaries                        | 46.7     | 100.6                    | 43.1                          | (190.4)      | ) —          |
| Net earnings                                                              | 29.8     | 123.4                    | 67.8                          | (191.2)      | ) 29.8       |
| Less: net earnings attributable to<br>non-controlling interest            | —        | —                        | —                             | —            | —            |
| Net earnings attributable to Wolverine<br>World Wide, Inc.                | \$ 29.8  | \$ 123.4                 | \$ 67.8                       | \$(191.2)    | ) \$ 29.8    |
| Comprehensive income                                                      | \$ 25.9  | \$ 123.4                 | \$ 59.0                       | \$(182.4)    | ) \$ 25.9    |
| Less: comprehensive income attributable<br>to non-controlling interest    | —        | —                        | —                             | —            | —            |
| Comprehensive income attributable to<br>Wolverine World Wide, Inc.        | \$ 25.9  | \$ 123.4                 | \$ 59.0                       | \$(182.4)    | ) \$ 25.9    |

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Balance Sheets

As of March 22, 2014

(Unaudited)

| (In millions)                             | Parent    | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------|-----------|--------------------------|-------------------------------|--------------|--------------|
| <b>ASSETS</b>                             |           |                          |                               |              |              |
| Current assets:                           |           |                          |                               |              |              |
| Cash and cash equivalents                 | \$(0.8    | ) \$3.8                  | \$ 163.8                      | \$—          | \$166.8      |
| Accounts receivable, net                  | 38.8      | 288.2                    | 157.1                         | —            | 484.1        |
| Inventories:                              |           |                          |                               |              |              |
| Finished products, net                    | 58.9      | 304.7                    | 79.9                          | —            | 443.5        |
| Raw materials and work-in-process, net    | 0.6       | 1.0                      | 20.5                          | —            | 22.1         |
| Total inventories                         | 59.5      | 305.7                    | 100.4                         | —            | 465.6        |
| Deferred income taxes                     | 15.3      | 12.6                     | 0.4                           | —            | 28.3         |
| Prepaid expenses and other current assets | 20.4      | 5.9                      | 14.0                          | —            | 40.3         |
| Total current assets                      | 133.2     | 616.2                    | 435.7                         | —            | 1,185.1      |
| Property, plant and equipment:            |           |                          |                               |              |              |
| Gross cost                                | 225.0     | 145.2                    | 44.7                          | —            | 414.9        |
| Accumulated depreciation                  | (175.1    | ) (62.4                  | ) (29.8                       | ) —          | (267.3       |
| Property, plant and equipment, net        | 49.9      | 82.8                     | 14.9                          | —            | 147.6        |
| Other assets:                             |           |                          |                               |              |              |
| Goodwill                                  | 7.8       | 354.3                    | 80.2                          | —            | 442.3        |
| Indefinite-lived intangibles              | 4.3       | 674.6                    | 11.3                          | —            | 690.2        |
| Amortizable intangibles, net              | 0.4       | 123.1                    | 0.2                           | —            | 123.7        |
| Deferred income taxes                     | —         | —                        | 3.4                           | —            | 3.4          |
| Deferred financing costs, net             | 21.0      | —                        | —                             | —            | 21.0         |
| Other                                     | 48.2      | 12.4                     | 5.5                           | —            | 66.1         |
| Intercompany accounts receivable          | —         | 1,553.1                  | 420.8                         | (1,973.9     | ) —          |
| Investment in affiliates                  | 3,095.7   | 593.3                    | 425.9                         | (4,114.9     | ) —          |
| Total other assets                        | 3,177.4   | 3,310.8                  | 947.3                         | (6,088.8     | ) 1,346.7    |
| Total assets                              | \$3,360.5 | \$4,009.8                | \$ 1,397.9                    | \$(6,088.8   | ) \$2,679.4  |

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets - continued

As of March 22, 2014

(Unaudited)

| (In millions)                                      | Parent    | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|----------------------------------------------------|-----------|--------------------------|-------------------------------|--------------|--------------|
| <b>LIABILITIES AND STOCKHOLDERS'<br/>EQUITY</b>    |           |                          |                               |              |              |
| Current liabilities:                               |           |                          |                               |              |              |
| Accounts payable                                   | \$28.9    | \$68.5                   | \$40.0                        | \$—          | \$137.4      |
| Accrued salaries and wages                         | 11.0      | 8.4                      | 7.9                           | —            | 27.3         |
| Other accrued liabilities                          | 43.0      | 27.3                     | 39.9                          | —            | 110.2        |
| Current maturities of long-term debt               | 43.6      | —                        | —                             | —            | 43.6         |
| Borrowings under revolving credit<br>agreement     | 34.0      | —                        | —                             | —            | 34.0         |
| Total current liabilities                          | 160.5     | 104.2                    | 87.8                          | —            | 352.5        |
| Long-term debt, less current maturities            | 1,096.7   | —                        | —                             | —            | 1,096.7      |
| Accrued pension liabilities                        | 62.1      | 12.4                     | —                             | —            | 74.5         |
| Deferred income taxes                              | (35.3     | ) 287.6                  | 4.4                           | —            | 256.7        |
| Other liabilities                                  | 12.7      | 12.1                     | 2.6                           | —            | 27.4         |
| Intercompany accounts payable                      | 1,196.0   | 292.1                    | 485.8                         | (1,973.9     | ) —          |
| Stockholders' equity                               |           |                          |                               |              |              |
| Wolverine World Wide, Inc.<br>stockholders' equity | 867.8     | 3,301.4                  | 813.5                         | (4,114.9     | ) 867.8      |
| Non-controlling interest                           | —         | —                        | 3.8                           | —            | 3.8          |
| Total stockholders' equity                         | 867.8     | 3,301.4                  | 817.3                         | (4,114.9     | ) 871.6      |
| Total liabilities and stockholders' equity         | \$3,360.5 | \$4,009.8                | \$1,397.9                     | \$(6,088.8   | ) \$2,679.4  |

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Balance Sheets

As of December 28, 2013

(Unaudited)

| (In millions)                             | Parent    | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------|-----------|--------------------------|-------------------------------|--------------|--------------|
| <b>ASSETS</b>                             |           |                          |                               |              |              |
| Current assets:                           |           |                          |                               |              |              |
| Cash and cash equivalents                 | \$18.8    | \$15.0                   | \$180.4                       | \$—          | \$214.2      |
| Accounts receivable, net                  | 63.9      | 213.2                    | 121.0                         | —            | 398.1        |
| Inventories:                              |           |                          |                               |              |              |
| Finished products, net                    | 55.0      | 270.8                    | 81.0                          | (0.8 )       | 406.0        |
| Raw materials and work-in-process, net    | (0.1 )    | 0.9                      | 21.4                          | —            | 22.2         |
| Total inventories                         | 54.9      | 271.7                    | 102.4                         | (0.8 )       | 428.2        |
| Deferred income taxes                     | 15.3      | 12.6                     | 1.2                           | —            | 29.1         |
| Prepaid expenses and other current assets | 26.9      | 11.1                     | 10.4                          | —            | 48.4         |
| Total current assets                      | 179.8     | 523.6                    | 415.4                         | (0.8 )       | 1,118.0      |
| Property, plant and equipment:            |           |                          |                               |              |              |
| Gross cost                                | 223.7     | 143.2                    | 49.2                          | —            | 416.1        |
| Accumulated depreciation                  | (174.4 )  | (57.4 )                  | (32.4 )                       | —            | (264.2 )     |
| Property, plant and equipment, net        | 49.3      | 85.8                     | 16.8                          | —            | 151.9        |
| Other assets:                             |           |                          |                               |              |              |
| Goodwill                                  | 7.7       | 354.3                    | 83.3                          | —            | 445.3        |
| Indefinite-lived intangibles              | 4.4       | 674.7                    | 11.4                          | —            | 690.5        |
| Amortizable intangibles, net              | 0.2       | 126.4                    | 0.1                           | —            | 126.7        |
| Deferred income taxes                     | —         | —                        | 3.4                           | —            | 3.4          |
| Deferred financing costs, net             | 22.0      | —                        | —                             | —            | 22.0         |
| Other                                     | 46.0      | 12.3                     | 5.3                           | 0.8          | 64.4         |
| Intercompany accounts receivable          | —         | 1,445.4                  | 347.5                         | (1,792.9 )   | —            |
| Investment in affiliates                  | 3,033.2   | 555.6                    | 393.5                         | (3,982.3 )   | —            |
| Total other assets                        | 3,113.5   | 3,168.7                  | 844.5                         | (5,774.4 )   | 1,352.3      |
| Total assets                              | \$3,342.6 | \$3,778.1                | \$1,276.7                     | \$(5,775.2 ) | \$2,622.2    |

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets - continued

As of December 28, 2013

(Unaudited)

| (In millions)                                      | Parent    | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|----------------------------------------------------|-----------|--------------------------|-------------------------------|--------------|--------------|
| <b>LIABILITIES AND STOCKHOLDERS'<br/>EQUITY</b>    |           |                          |                               |              |              |
| Current liabilities:                               |           |                          |                               |              |              |
| Accounts payable                                   | \$31.6    | \$61.7                   | \$41.9                        | \$—          | \$135.2      |
| Accrued salaries and wages                         | 27.0      | 8.6                      | 5.9                           | —            | 41.5         |
| Other accrued liabilities                          | 40.8      | 22.1                     | 36.4                          | —            | 99.3         |
| Current maturities of long-term debt               | 53.3      | —                        | —                             | —            | 53.3         |
| Total current liabilities                          | 152.7     | 92.4                     | 84.2                          | —            | 329.3        |
| Long-term debt, less current maturities            | 1,096.7   | —                        | —                             | —            | 1,096.7      |
| Accrued pension liabilities                        | 60.9      | 13.3                     | —                             | —            | 74.2         |
| Deferred income taxes                              | (38.2     | ) 287.7                  | 4.4                           | —            | 253.9        |
| Other liabilities                                  | 12.4      | 11.5                     | 2.8                           | —            | 26.7         |
| Intercompany accounts payable                      | 1,220.5   | 153.7                    | 418.7                         | (1,792.9     | ) —          |
| Stockholders' equity                               |           |                          |                               |              |              |
| Wolverine World Wide, Inc.<br>stockholders' equity | 837.6     | 3,219.5                  | 762.8                         | (3,982.3     | ) 837.6      |
| Non-controlling interest                           | —         | —                        | 3.8                           | —            | 3.8          |
| Total stockholders' equity                         | 837.6     | 3,219.5                  | 766.6                         | (3,982.3     | ) 841.4      |
| Total liabilities and stockholders' equity         | \$3,342.6 | \$3,778.1                | \$1,276.7                     | \$(5,775.2   | ) \$2,622.2  |



Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Balance Sheets

As of March 23, 2013

(Unaudited)

| (In millions)                             | Parent    | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |   |
|-------------------------------------------|-----------|--------------------------|-------------------------------|--------------|--------------|---|
| <b>ASSETS</b>                             |           |                          |                               |              |              |   |
| Current assets:                           |           |                          |                               |              |              |   |
| Cash and cash equivalents                 | \$(1.2    | ) \$1.0                  | \$ 82.2                       | \$—          | \$82.0       |   |
| Accounts receivable, net                  | 97.0      | 225.9                    | 147.8                         | —            | 470.7        |   |
| Inventories:                              |           |                          |                               |              |              |   |
| Finished products, net                    | 65.8      | 298.5                    | 92.8                          | (1.7         | ) 455.4      |   |
| Raw materials and work-in-process, net    | 0.9       | 1.0                      | 30.0                          | —            | 31.9         |   |
| Total inventories                         | 66.7      | 299.5                    | 122.8                         | (1.7         | ) 487.3      |   |
| Deferred income taxes                     | 9.7       | 17.0                     | 0.6                           | —            | 27.3         |   |
| Prepaid expenses and other current assets | 27.6      | 6.8                      | 12.2                          | —            | 46.6         |   |
| Total current assets                      | 199.8     | 550.2                    | 365.6                         | (1.7         | ) 1,113.9    |   |
| Property, plant and equipment:            |           |                          |                               |              |              |   |
| Gross cost                                | 214.7     | 121.6                    | 52.6                          | —            | 388.9        |   |
| Accumulated depreciation                  | (167.0    | ) (40.8                  | ) (34.3                       | ) —          | (242.1       | ) |
| Property, plant and equipment, net        | 47.7      | 80.8                     | 18.3                          | —            | 146.8        |   |
| Other assets:                             |           |                          |                               |              |              |   |
| Goodwill                                  | 7.4       | 364.6                    | 84.1                          | —            | 456.1        |   |
| Indefinite-lived intangibles              | 4.2       | 664.4                    | 11.2                          | —            | 679.8        |   |
| Amortizable intangibles, net              | 0.3       | 147.1                    | 0.1                           | —            | 147.5        |   |
| Deferred income taxes                     | 0.2       | —                        | —                             | —            | 0.2          |   |
| Deferred financing costs, net             | 37.4      | —                        | —                             | —            | 37.4         |   |
| Other                                     | 42.3      | 10.1                     | 3.0                           | —            | 55.4         |   |
| Intercompany accounts receivable          | —         | 1,114.4                  | 95.6                          | (1,210.0     | ) —          |   |
| Investment in affiliates                  | 2,621.2   | 318.8                    | 388.8                         | (3,328.8     | ) —          |   |
| Total other assets                        | 2,713.0   | 2,619.4                  | 582.8                         | (4,538.8     | ) 1,376.4    |   |
| Total assets                              | \$2,960.5 | \$3,250.4                | \$ 966.7                      | \$(4,540.5   | ) \$2,637.1  |   |

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets - continued

As of March 23, 2013

(Unaudited)

| (In millions)                                   | Parent    | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------------|-----------|--------------------------|-------------------------------|--------------|--------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>     |           |                          |                               |              |              |
| <b>Current liabilities:</b>                     |           |                          |                               |              |              |
| Accounts payable                                | \$17.8    | \$86.3                   | \$32.5                        | \$—          | \$136.6      |
| Accrued salaries and wages                      | 8.4       | 31.3                     | 7.0                           | —            | 46.7         |
| Other accrued liabilities                       | 39.3      | 25.9                     | 29.5                          | (1.7)        | 93.0         |
| Current maturities of long-term debt            | 33.9      | —                        | —                             | —            | 33.9         |
| Borrowings under revolving credit agreement     | 41.0      | —                        | —                             | —            | 41.0         |
| Total current liabilities                       | 140.4     | 143.5                    | 69.0                          | (1.7)        | 351.2        |
| Long-term debt, less current maturities         | 1,183.4   | —                        | —                             | —            | 1,183.4      |
| Accrued pension liabilities                     | 129.3     | 37.0                     | —                             | —            | 166.3        |
| Deferred income taxes                           | (52.5)    | ) 290.7                  | 1.4                           | —            | 239.6        |
| Other liabilities                               | 9.7       | 10.2                     | 3.2                           | —            | 23.1         |
| Intercompany accounts payable                   | 878.0     | 20.9                     | 311.1                         | (1,210.0)    | —            |
| <b>Stockholders' equity</b>                     |           |                          |                               |              |              |
| Wolverine World Wide, Inc. stockholders' equity | 672.2     | 2,748.1                  | 580.7                         | (3,328.8)    | 672.2        |
| Non-controlling interest                        | —         | —                        | 1.3                           | —            | 1.3          |
| Total stockholders' equity                      | 672.2     | 2,748.1                  | 582.0                         | (3,328.8)    | 673.5        |
| Total liabilities and stockholders' equity      | \$2,960.5 | \$3,250.4                | \$966.7                       | \$(4,540.5)  | \$2,637.1    |

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Statements of Cash Flow

For the 12 Weeks Ended March 22, 2014

(Unaudited)

| (In millions)                                      | Parent  | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|----------------------------------------------------|---------|--------------------------|-------------------------------|--------------|--------------|
| Net cash used in operating activities              | \$(32.0 | ) \$(8.2                 | ) \$(15.9                     | ) \$—        | \$(56.1 )    |
| Investing activities                               |         |                          |                               |              |              |
| Additions to property, plant and equipment         | (2.2    | ) (3.0                   | ) (0.4                        | ) —          | (5.6 )       |
| Investment in joint venture                        | —       | —                        | (0.7                          | ) —          | (0.7 )       |
| Other                                              | (0.4    | ) —                      | —                             | —            | (0.4 )       |
| Net cash used in investing activities              | (2.6    | ) (3.0                   | ) (1.1                        | ) —          | (6.7 )       |
| Financing activities                               |         |                          |                               |              |              |
| Net borrowings under revolving credit agreement    | 34.0    | —                        | —                             | —            | 34.0         |
| Payments of long-term debt                         | (9.7    | ) —                      | —                             | —            | (9.7 )       |
| Cash dividends paid                                | (6.3    | ) —                      | —                             | —            | (6.3 )       |
| Purchases of shares under employee stock plans     | (9.3    | ) —                      | —                             | —            | (9.3 )       |
| Proceeds from the exercise of stock options        | 2.8     | —                        | —                             | —            | 2.8          |
| Excess tax benefits from stock-based compensation  | 3.5     | —                        | —                             | —            | 3.5          |
| Net cash provided by financing activities          | 15.0    | —                        | —                             | —            | 15.0         |
| Effect of foreign exchange rate changes            | —       | —                        | 0.4                           | —            | 0.4          |
| Decrease in cash and cash equivalents              | (19.6   | ) (11.2                  | ) (16.6                       | ) —          | (47.4 )      |
| Cash and cash equivalents at beginning of the year | 18.8    | 15.0                     | 180.4                         | —            | 214.2        |
| Cash and cash equivalents at end of the period     | \$(0.8  | ) \$3.8                  | \$ 163.8                      | \$—          | \$166.8      |

Table of Contents

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

## Consolidated Condensed Statements of Cash Flow

For the 12 Weeks Ended March 23, 2013

(Unaudited)

| (In millions)                                       | Parent  | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------|---------|--------------------------|-------------------------------|--------------|--------------|
| Net cash used in operating activities               | \$(22.6 | ) \$(45.4                | ) \$(21.3                     | ) \$—        | \$(89.3 )    |
| Investing activities                                |         |                          |                               |              |              |
| Additions to property, plant and equipment          | (4.3    | ) (2.1                   | ) 1.1                         | —            | (5.3 )       |
| Proceeds from sale of property, plant and equipment | —       | —                        | 2.8                           | —            | 2.8          |
| Investment in joint venture                         | —       | —                        | (0.6                          | ) —          | (0.6 )       |
| Net cash (used in) provided by investing activities | (4.3    | ) (2.1                   | ) 3.3                         | —            | (3.1 )       |
| Financing activities                                |         |                          |                               |              |              |
| Net borrowings under revolving credit agreement     | 41.0    | —                        | —                             | —            | 41.0         |
| Payments of long-term debt                          | (32.7   | ) —                      | —                             | —            | (32.7 )      |
| Cash dividends paid                                 | (5.9    | ) —                      | —                             | —            | (5.9 )       |
| Proceeds from the exercise of stock options         | 1.6     | —                        | —                             | —            | 1.6          |
| Excess tax benefits from stock-based compensation   | 0.4     | —                        | —                             | —            | 0.4          |
| Net cash provided by financing activities           | 4.4     | —                        | —                             | —            | 4.4          |
| Effect of foreign exchange rate changes             | —       | —                        | (1.4                          | ) —          | (1.4 )       |
| Decrease in cash and cash equivalents               | (22.5   | ) (47.5                  | ) (19.4                       | ) —          | (89.4 )      |
| Cash and cash equivalents at beginning of the year  | 21.3    | 48.5                     | 101.6                         | —            | 171.4        |
| Cash and cash equivalents at end of the period      | \$(1.2  | ) \$1.0                  | \$ 82.2                       | \$—          | \$82.0       |

Table of Contents

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

OVERVIEW

BUSINESS OVERVIEW

The Company is a leading global designer, manufacturer and marketer of branded footwear, apparel and accessories. The Company's stated vision is to "To build a family of the most admired performance and lifestyle brands on earth." The Company seeks to fulfill this vision by offering innovative products and compelling brand propositions; complementing its footwear brands with strong apparel and accessories offerings; expanding its global consumer direct footprint; and delivering supply chain excellence.

The Company's portfolio consists of 16 brands that were marketed in approximately 200 countries and territories at March 22, 2014. The Company believes that this diverse brand portfolio and broad geographic reach position it for continued strong organic growth. The Company's brands are distributed into the marketplace via owned operations in the United States, Canada, the United Kingdom and certain countries in continental Europe. In other regions (Asia Pacific, Latin America, Europe, the Middle East and Africa), the Company relies on a network of third-party distributors, licensees and joint ventures. At March 22, 2014, the Company operated 463 retail stores in the United States, Canada and the United Kingdom and 63 consumer direct websites.

2014 FINANCIAL OVERVIEW

Revenue for the first quarter of fiscal 2014 was \$627.6 million, a decrease of 2.8% compared to the first quarter of fiscal 2013. First quarter revenue was tempered by soft retail store traffic, unusually high temporary store closings due to extreme weather conditions, the impact of the shift in timing of the Easter holiday and continued overall deceleration in the U.S. casual footwear category.

Gross margin for the first quarter of fiscal 2014 was 40.8%, an increase of 20 basis points from the first quarter of fiscal 2013.

Operating expenses as a percentage of revenue decreased to 30.6% for the first quarter of fiscal 2014 compared to 32.7% for the first quarter of fiscal 2013. The year-over-year decrease was due primarily to lower acquisition-related integration costs, pension expense and incentive compensation expense.

The effective tax rate in the first quarter of fiscal 2014 was 28.5% compared to 20.9% in the first quarter of fiscal 2013. The increase in the effective tax rate was due to a higher mix of earnings in the United States and the expiration in the current year of the research and development federal tax credit.

Reported diluted earnings per share for the first quarter of fiscal 2014, were \$0.36 compared to \$0.30 per share for the first quarter of fiscal 2013.

The Company declared cash dividends of \$0.06 per share in both the first quarter of fiscal 2014 and the first quarter of fiscal 2013.

Table of Contents

The following is a discussion of the Company's results of operations and liquidity and capital resources. This section should be read in conjunction with the Company's consolidated condensed financial statements and related notes included elsewhere in this Quarterly Report.

**RESULTS OF OPERATIONS**

| (In millions, except per share data)                        | 12 Weeks Ended    |                   | Percent<br>Change |    |
|-------------------------------------------------------------|-------------------|-------------------|-------------------|----|
|                                                             | March 22,<br>2014 | March 23,<br>2013 |                   |    |
| Revenue                                                     | \$627.6           | \$645.9           | (2.8              | )% |
| Cost of goods sold                                          | 371.4             | 383.8             | (3.2              | )  |
| Restructuring costs                                         | 0.4               | —                 | —                 |    |
| Gross profit                                                | 255.8             | 262.1             | (2.4              | )  |
| Selling, general and administrative expenses                | 190.5             | 196.0             | (2.8              | )  |
| Acquisition-related integration costs                       | 1.6               | 15.2              | (89.5             | )  |
| Operating profit                                            | 63.7              | 50.9              | 25.1              |    |
| Interest expense, net                                       | 10.9              | 12.9              | (15.5             | )  |
| Other expense, net                                          | 0.8               | 0.3               | 166.7             |    |
| Earnings before income taxes                                | 52.0              | 37.7              | 37.9              |    |
| Income taxes                                                | 14.8              | 7.9               | 87.3              |    |
| Net earnings                                                | 37.2              | 29.8              | 24.8              |    |
| Less: net earnings attributable to non-controlling interest | 0.1               | —                 | —                 |    |
| Net earnings attributable to Wolverine World Wide, Inc.     | \$37.1            | \$29.8            | 24.5              |    |
| Diluted earnings per share                                  | \$0.36            | \$0.30            | 20.0              | %  |

**REVENUE**

Revenue was \$627.6 million for the first quarter of fiscal 2014, a modest decline of 2.8% from the first quarter of fiscal 2013. Solid performance from the Performance Group and Heritage Group was offset by softness in the Lifestyle Group. Changes in foreign exchange rates reduced reported revenues by approximately \$1.5 million for the first quarter of fiscal 2014.

**GROSS MARGIN**

For the first quarter of fiscal 2014, the Company's gross margin was 40.8% compared to 40.6% in the first quarter of fiscal 2013. Gross margin benefited from product mix improvements of approximately 60 basis points, which was partially offset by declines attributable to higher product costs and unfavorable foreign exchange rates of 20 basis points each.

**OPERATING EXPENSES**

Operating expenses decreased \$19.1 million, from \$211.2 million in the first quarter of fiscal 2013 to \$192.1 million in the first quarter of fiscal 2014. Approximately \$13.6 million of the decrease is due to lower acquisition-related integration costs associated with the acquisition and integration of PLG. These costs were \$1.6 million in the first quarter of fiscal 2014, consisting of compensation expenses (\$0.8 million) and other integration costs (\$0.8 million). Lower pension expense (\$5.6 million) and incentive compensation expense (\$3.0 million), which were partially offset by higher brand building investments, also contributed to the decrease in operating expenses.

**INTEREST, OTHER AND TAXES**

Net interest expense was \$10.9 million in the first quarter of fiscal 2014 compared to \$12.9 million in the first quarter of fiscal 2013. The \$2.0 million decrease reflects the benefits of the amendment to the Credit Agreement executed in the fourth quarter of fiscal 2013 and lower average principal balances.

The Company's effective tax rate was 28.5% in the first quarter of fiscal 2014, compared to 20.9% in the first quarter of fiscal 2013. The lower effective tax rate for the first quarter of fiscal 2013 reflects the benefit from the deductibility of higher acquisition-related integration costs in high statutory tax rate jurisdictions, and the benefit of a retroactive reinstatement of the research and development federal tax credit for 2012 and extension of the credit through 2013.

The research and development federal tax credit has now expired and is not available for 2014. The Company

maintains certain strategic management and operational activities

30

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Table of Contents

in overseas subsidiaries, and its foreign earnings are taxed at rates that are generally lower than the U.S. federal statutory income tax rate. A significant amount of the Company's earnings are generated by its Canadian, European and Asia Pacific subsidiaries and, to a lesser extent, in other foreign jurisdictions that are not subject to income tax. The Company has not provided for U.S. taxes for earnings generated in foreign jurisdictions because it plans to reinvest these earnings indefinitely outside the U.S. However, if certain foreign earnings previously treated as permanently reinvested are repatriated, the additional U.S. tax liability could have a material adverse effect on the Company's after-tax results of operations and financial position.

**REPORTABLE OPERATING SEGMENTS**

The Company has three reportable operating segments. The Company's operating segments are determined based on how the Company internally reports and evaluates financial information used to make operating decisions. The Company's reportable operating segments are:

• Lifestyle Group, consisting of Sperry Top-Sider® footwear and apparel, Stride Rite® footwear and apparel, Hush Puppies® footwear and apparel, Keds® footwear and apparel and Soft Style® footwear;

• Performance Group, consisting of Merrell® footwear and apparel, Saucony® footwear and apparel, Chaco® footwear, Patagonia® footwear and Cushe® footwear; and

• Heritage Group, consisting of Wolverine® footwear and apparel, Cat® footwear, Bates® uniform footwear, Sebago® footwear and apparel, Harley-Davidson® footwear and HyTest® Safety footwear.

The Company also reports an Other and Corporate category. The Other category consists of the Company's multi-brand consumer direct business, leather marketing operations and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses, including acquisition-related integration costs and restructuring costs.

The current quarter and prior year reportable operating segment results are as follows:

| (In millions)     | 12 Weeks Ended |                | Change   | Percent Change |
|-------------------|----------------|----------------|----------|----------------|
|                   | March 22, 2014 | March 23, 2013 |          |                |
| Revenue:          |                |                |          |                |
| Lifestyle Group   | \$238.0        | \$270.2        | \$(32.2) | (11.9)%        |
| Performance Group | 248.8          | 240.5          | 8.3      | 3.5            |
| Heritage Group    | 120.7          | 118.6          | 2.1      | 1.8            |
| Other             | 20.1           | 16.6           | 3.5      | 21.1           |
| Total             | \$627.6        | \$645.9        | \$(18.3) | (2.8)%         |

| (In millions)            | 12 Weeks Ended |                | Change   | Percent Change |
|--------------------------|----------------|----------------|----------|----------------|
|                          | March 22, 2014 | March 23, 2013 |          |                |
| Operating profit (loss): |                |                |          |                |
| Lifestyle Group          | \$25.0         | \$46.1         | \$(21.1) | (45.8)%        |
| Performance Group        | 58.0           | 50.9           | 7.1      | 13.9           |
| Heritage Group           | 17.7           | 15.3           | 2.4      | 15.7           |
| Other                    | (1.4)          | (1.0)          | (0.4)    | (40.0)         |
| Corporate                | (35.6)         | (60.4)         | 24.8     | 41.1           |
| Total                    | \$63.7         | \$50.9         | \$12.8   | 25.1%          |

Further information regarding the reportable operating segments can be found in Note 12 to the consolidated condensed financial statements.

**Lifestyle Group**

The Lifestyle Group's revenue decreased \$32.2 million, or 11.9%, in the first quarter of fiscal 2014 compared to the first quarter of fiscal 2013. The decrease was driven by the Sperry Top-Sider® and Stride Rite® brands, which both experienced a revenue decline in the high and mid teens, respectively. The Sperry Top-Sider® brand decrease was due to a deceleration in the boat shoe category, the delayed delivery of certain seasonal products and the strategic



realignment of certain U.S. distribution points. The Stride Rite® brand revenue decline was attributable to reduced store traffic and the impact of a later Easter holiday season. The Keds® brand experienced revenue growth in the mid teens driven by the continued expansion of its women's lifestyle category.

Table of Contents

The Lifestyle Group's operating profit decreased \$21.1 million, or 45.8%, in the first quarter of fiscal 2014 compared to the first quarter of fiscal 2013. The operating profit decrease was due to revenue declines for the Sperry Top-Sider® and Stride Rite® brands, as well as a mid single digit increase in selling, general and administrative expenses due to incremental new store openings and other brand building investments.

**Performance Group**

The Performance Group's revenue increased \$8.3 million, or 3.5%, in the first quarter of fiscal 2014 compared to the first quarter of fiscal 2013. The increase was driven by growth from Merrell® (low single digits) and Saucony® (mid single digits). The Saucony® brand benefited from its Performance Running product and the more lifestyle-oriented Originals product. In addition, the Chaco® brand experienced a strong mid twenties growth rate due to an increase in at-once orders.

The Performance Group's operating profit increased \$7.1 million, or 13.9%, in the first quarter of fiscal 2014 compared to the first quarter of fiscal 2013. The improvement was driven by revenue growth from Merrell®, Saucony® and Chaco® as noted above, and by an improvement in Merrell® gross margins (140 basis points), driven by favorable product mix and favorable gross margins for Chaco® (220 basis points) due to lower close-out sales.

**Heritage Group**

The Heritage Group's revenue and operating profit increased \$2.1 million and \$2.4 million, respectively, in the first quarter of fiscal 2014 compared to the first quarter of fiscal 2013. The Heritage Group's operating income was favorably impacted by a 140 basis point improvement in gross margins due to higher selling prices.

**Corporate**

Corporate expenses were \$35.6 million in the first quarter of fiscal 2014 compared to \$60.4 million in the first quarter of fiscal 2013. The \$24.8 million decrease was driven by lower acquisition-related integration costs (\$13.6 million), pension expense (\$5.6 million) and incentive compensation expense (\$3.0 million).

**LIQUIDITY AND CAPITAL RESOURCES**

| (In millions)                                      | March 22, 2014 | December 28,<br>2013 | March 23, 2013 |
|----------------------------------------------------|----------------|----------------------|----------------|
| Cash and cash equivalents                          | \$166.8        | \$214.2              | \$82.0         |
| Interest-bearing debt                              | 1,174.3        | 1,150.0              | 1,258.3        |
| Available revolving credit facility <sup>(1)</sup> | 162.7          | 196.5                | 157.1          |
|                                                    | 12 Weeks Ended |                      |                |
| Net cash used in operating activities              | \$(56.1)       |                      | \$(89.3)       |
| Net cash used in investing activities              | (6.7)          |                      | (3.1)          |
| Net cash provided by financing activities          | 15.0           |                      | 4.4            |
| Additions to property, plant and equipment         | 5.6            |                      | 5.3            |
| Depreciation and amortization                      | 12.6           |                      | 14.2           |

<sup>(1)</sup> Amounts shown are net of outstanding letters of credit, which are applied against availability under the Revolving Credit Facility.

**Liquidity**

Cash and cash equivalents of \$166.8 million as of March 22, 2014 were \$84.8 million higher compared to March 23, 2013. In addition, the Company had \$162.7 million of borrowing capacity available under the Revolving Credit Facility as of March 22, 2014.

**Operating Activities**

The principal source of the Company's operating cash flow is net earnings, including cash receipts from the sale of the Company's products, net of costs of goods sold.

For the first quarter of fiscal 2014, an increase in net working capital represented a use of cash of \$114.2 million. Working capital balances were negatively impacted by an increase in accounts receivable and inventories of \$88.0 million and \$39.6 million, respectively. This was partially offset by increases in accounts payable and other operating liabilities and a decrease in other operating assets of \$2.6 million, \$2.4 million and \$8.9 million, respectively.



## Table of Contents

For the first quarter of fiscal 2013, changes in the components of working capital drove a use of cash of \$147.5 million. Net cash used in operating activities in the first quarter of fiscal 2013 was driven by investments in working capital, including increases in accounts receivable and inventories of \$120.3 million and \$23.3 million, respectively.

### Investing Activities

The Company made capital expenditures of \$5.6 million in the first quarter of fiscal 2014 compared to \$5.3 million in the first quarter of fiscal 2013. The majority of the capital expenditures were for information system enhancements, manufacturing equipment, building improvements and new retail store openings.

Included in investing activities in the first quarter of fiscal 2013 were net cash proceeds of \$2.8 million from the sale of a distribution facility acquired as part of the PLG acquisition.

### Financing Activities

On October 10, 2013, the Company amended the Credit Agreement resulting in the payoff of the Term Loan B Facility while establishing a principal balance of \$775.0 million for the Term Loan A Facility. The Amendment provided for a lower effective interest rate on term loan debt, and a one-year extension on both the Term Loan A Facility and Revolving Credit Facility, both of which are now due October 10, 2018. In addition, the Amendment provided for increased maximum debt capacity (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed \$1,350.0 million.

As of March 22, 2014, the Company was in compliance with all covenants and performance ratios under the Credit Agreement and expects to continue to be in compliance in future periods.

The Company has outstanding a total of \$375.0 million in Public Bonds that are due on October 15, 2020. The Public Bonds bear interest at 6.125% with the related interest payments due semi-annually. The Public Bonds are guaranteed by substantially all of the Company's domestic subsidiaries.

Interest-bearing debt at March 22, 2014 was \$1,174.3 million compared to \$1,150.0 million at December 28, 2013.

The net increase in interest-bearing debt was a result of net borrowings under the Revolving Credit Facility, which were partially offset by a principal payment on the Term Loan A Facility. As of March 22, 2014, the Company had outstanding standby letters of credit under the Revolving Credit Facility totaling \$3.3 million.

At March 22, 2014, the Company had cash and cash equivalents of \$166.8 million, of which \$163.5 million was located in foreign jurisdictions. The Company intends to permanently reinvest cash in foreign locations.

Cash flow from operating activities, along with borrowings on the Revolving Credit Facility, if any, are expected to be sufficient to meet the Company's working capital needs for the foreseeable future. Any excess cash flows from operating activities are expected to be used to reduce debt, fund internal and external growth initiatives, purchase property, plant and equipment, pay dividends or repurchase the Company's common stock.

On February 12, 2014, the Company's Board of Directors approved a common stock repurchase program that authorizes the repurchase of up to \$200.0 million in common stock over a four-year period. The Company did not repurchase any shares in the first quarter of fiscal 2014 or fiscal 2013. The Company acquired 332,671 shares for \$9.3 million in the first quarter of fiscal 2014 in connection with employee transactions related to stock incentive plans. The Company declared cash dividends of \$0.06 per share, or \$5.9 million for the first quarters of fiscal 2014 and fiscal 2013. The 2014 dividend is payable on May 1, 2014 to shareholders of record on April 1, 2014.

### CRITICAL ACCOUNTING POLICIES

The preparation of the Company's consolidated financial statements, which have been prepared in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates these estimates. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Historically, actual results have not been materially different from the Company's estimates. However, actual results may differ materially from these estimates under different assumptions or conditions.

The Company has identified the critical accounting policies used in determining estimates and assumptions in the amounts reported in its Management Discussion and Analysis of Financial Conditions and Results of Operations in its

Annual Report on Form 10-

33

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Table of Contents

K for the fiscal year ended December 28, 2013. Management believes there have been no material changes in those critical accounting policies.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The information concerning quantitative and qualitative disclosures about market risk contained in the Company's Annual Report on Form 10-K for its fiscal year ended December 28, 2013 is incorporated herein by reference.

The Company faces market risk to the extent that changes in foreign currency exchange rates affect the Company's foreign assets, liabilities and inventory purchase commitments. The Company manages these risks by attempting to denominate contractual and other foreign arrangements in U.S. dollars. The Company does not believe that there has been a material change in the nature of the Company's primary market risk exposures, including the categories of market risk to which the Company is exposed and the particular markets that present the primary risk of loss to the Company. As of the date of this Quarterly Report on Form 10-Q, the Company does not know of or expect there to be any material change in the near-term in the general nature of its primary market risk exposure.

Under the provisions of FASB ASC Topic 815, Derivatives and Hedging, the Company is required to recognize all derivatives on the balance sheet at fair value. Derivatives that are not qualifying hedges must be adjusted to fair value through earnings. If a derivative is a qualifying hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings.

The Company conducts wholesale operations outside of the United States in the United Kingdom, continental Europe and Canada where the functional currencies are primarily the British pound, euro and Canadian dollar, respectively.

The Company utilizes foreign currency forward exchange contracts to manage the volatility associated with U.S. dollar inventory purchases made by non-U.S. wholesale operations in the normal course of business. At March 22, 2014 and March 23, 2013, the Company had outstanding forward currency exchange contracts to purchase U.S. dollars in the amounts of \$97.0 million and \$104.4 million, with maturities ranging up to 308 and 392 days, respectively. The Company also utilizes foreign currency forward exchange contracts to manage volatility associated with euro denominated expenses in the normal course of business.

The Company also has sourcing locations in Asia, where financial statements reflect the U.S. dollar as the functional currency. However, operating costs are paid in the local currency. Royalty revenue generated by the Company from third-party foreign licensees is calculated in the licensees' local currencies, but paid in U.S. dollars. Accordingly, the Company's reported results are subject to foreign currency exposure for this stream of revenue and expenses.

Assets and liabilities outside the United States are primarily located in the United Kingdom, Canada and the Netherlands. The Company's investments in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long-term. Accordingly, the Company currently does not hedge these net investments. At March 22, 2014, a stronger U.S. dollar compared to foreign currencies decreased the value of these investments in net assets by \$5.8 million from their value at December 28, 2013. At March 23, 2013, a stronger U.S. dollar compared to foreign currencies decreased the value of these investments in net assets by \$9.6 million from their value at December 29, 2012. These changes resulted in cumulative foreign currency translation adjustments at March 22, 2014 and March 23, 2013 of accumulated other comprehensive loss of \$5.3 million and \$3.7 million, respectively.

Because the Company markets, sells and licenses its products throughout the world, it could be affected by weak economic conditions in foreign markets that could reduce demand for its products.

The Company is exposed to changes in interest rates primarily as a result of its borrowing under the Credit Agreement. As of March 22, 2014, the Company had \$34.0 million in outstanding borrowings and outstanding letters of credit of \$3.3 million under the Revolving Credit Facility. At March 22, 2014 and December 28, 2013, the Company had \$765.3 million and \$775.0 million, respectively, of variable rate debt outstanding under the Term Loan Facilities under the Credit Agreement. As of March 22, 2014 and December 28, 2013 the Company held one interest rate swap arrangement denominated in U.S. dollars that effectively converted \$443.6 million and \$455.5 million, respectively, of its variable-rate debt to fixed-rate debt.

The Company does not enter into contracts for speculative or trading purposes, nor is it a party to any leveraged derivative instruments.



Table of Contents

## ITEM 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on, and as of the time of such evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as defined in Securities Exchange Act Rule 13a-15(e), were effective as of the end of the period covered by this report. There have been no changes during the quarter ended March 22, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

## ITEM 1A. Risk Factors

There have been no material changes in the assessment of the Company's risk factors from those set forth in the Annual Report on Form 10-K for the year ended December 28, 2013.

## ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding the Company's purchases of its own common stock during the first quarter of fiscal 2014.

## Issuer Purchases of Equity Securities

| Period                                           | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Dollar Amount that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------------------------|----------------------------------|------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Period 1 (December 29, 2013 to January 25, 2014) |                                  |                              |                                                                                  |                                                                             |
| Common Stock Repurchase Program <sup>(1)</sup>   | —                                | —                            | —                                                                                | \$86,416,818                                                                |
| Employee Transactions <sup>(2)</sup>             | 65,104                           | \$32.49                      | —                                                                                |                                                                             |
| Period 2 (January 26, 2014 to February 22, 2014) |                                  |                              |                                                                                  |                                                                             |
| Common Stock Repurchase Program <sup>(1)</sup>   | —                                | —                            | —                                                                                | \$200,000,000                                                               |
| Employee Transactions <sup>(2)</sup>             | 256,546                          | \$26.95                      | —                                                                                |                                                                             |
| Period 3 (February 23, 2014 to March 22, 2014)   |                                  |                              |                                                                                  |                                                                             |
| Common Stock Repurchase Program <sup>(1)</sup>   | —                                | —                            | —                                                                                | \$200,000,000                                                               |
| Employee Transactions <sup>(2)</sup>             | 13,873                           | \$26.36                      | —                                                                                |                                                                             |
| Total for Quarter ended March 22, 2014           |                                  |                              |                                                                                  |                                                                             |
| Common Stock Repurchase Program <sup>(1)</sup>   | —                                | —                            | —                                                                                | \$200,000,000                                                               |
| Employee Transactions <sup>(2)</sup>             | 335,523                          | \$28.00                      | —                                                                                |                                                                             |

The Company's Board of Directors approved a common stock repurchase program on February 11, 2010. This program authorized the repurchase of up to \$200 million of common stock over a four-year period, which ended on February 11, 2014. On February 12, 2014, the Company's Board of Directors approved a common stock repurchase program that authorizes the repurchase of up to \$200 million in common stock over a four-year period. There were no shares repurchased during the period covered by this Quarterly Report on Form 10-Q, other than repurchases pursuant to the "Employee Transactions" set forth above.

Employee transactions include: (1) shares delivered or attested in satisfaction of the exercise price and/or tax withholding obligations by holders of employee stock options who exercised options, and (2) restricted shares withheld to offset statutory minimum tax withholding that occurs upon vesting of restricted shares. The Company's employee stock compensation plans provide that the shares delivered or attested to, or withheld, shall be valued at the closing price of the Company's common stock on the date the relevant transaction occurs.

## ITEM 6. Exhibits

Exhibits filed as a part of this Form 10-Q are listed on the Exhibit Index, which is incorporated by reference herein.





Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WOLVERINE WORLD WIDE, INC.

April 30, 2014

/s/ Blake W. Krueger

Date

Blake W. Krueger  
Chairman, Chief Executive Officer and President  
(Duly Authorized Signatory for Registrant)

April 30, 2014

/s/ Donald T. Grimes

Date

Donald T. Grimes  
Senior Vice President, Chief Financial Officer and  
Treasurer  
(Principal Financial Officer and Duly Authorized Signatory  
for Registrant)

Table of Contents

EXHIBIT INDEX

| Exhibit Number | Document                                                                                                                                                                                |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1            | Amended and Restated Certificate of Incorporation. Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 24, 2014. Here incorporated by reference. |
| 3.2            | Amended and Restated Bylaws. Previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 11, 2013. Here incorporated by reference.                     |
| 31.1           | Certification of Chairman, Chief Executive Officer and President under Section 302 of the Sarbanes-Oxley Act of 2002.                                                                   |
| 31.2           | Certification of Senior Vice President, Chief Financial Officer and Treasurer under Section 302 of the Sarbanes-Oxley Act of 2002.                                                      |
| 32             | Certification pursuant to 18 U.S.C. §1350.                                                                                                                                              |
| 101.INS        | XBRL Instance Document                                                                                                                                                                  |
| 101.SCH        | XBRL Taxonomy Extension Schema Document.                                                                                                                                                |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document.                                                                                                                                  |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document.                                                                                                                                   |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document.                                                                                                                                        |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document.                                                                                                                                 |