

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the third twelve week accounting period ended September 11, 2004

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: 1-6024

**WOLVERINE WORLD WIDE, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

**38-1185150**

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(State or Other Jurisdiction of Incorporation or Organization)

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(IRS Employer Identification No.)

**9341 Courtland Drive, Rockford, Michigan**

**49351**

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(Address of Principal Executive Offices)

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(Zip Code)

**(616) 866-5500**

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(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

There were 47,414,101 shares of Common Stock, \$1 par value, outstanding as of October 11, 2004, of which 9,176,640 shares are held as Treasury Stock.

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## **FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the footwear business, worldwide economics and the Company itself including, without limitation, statements regarding the impact and scope of the Merrell® shop-in-shop concept, future retail store openings, the impact of research and development tax credits, estimated tax rates, the use of excess cash flows, stock repurchase activity, expected systems implementation, statements in Part I, Item 2 regarding the overview, the Company's financial condition, liquidity and capital resources and statements in Part I, Item 3 regarding market risk. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "plans," "predicts," "projects," "should," "will," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Risk Factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements.

Risk Factors include, but are not limited to, uncertainties relating to changes in demand for the Company's products; changes in consumer preferences or spending patterns; the cost and availability of inventories, services, labor and equipment furnished to the Company; labor and power shortages in Chinese factories; the cost and availability of contract manufacturers; the cost and availability of raw materials, including leather; the cost of oil and the related impact on transportation and petroleum based raw material costs; the impact of competition and pricing by the Company's competitors; changes in government and regulatory policies; foreign currency fluctuations; changes in trading policies or import and export regulations; changes in interest rates, tax laws, duties, tariffs, quotas or applicable assessments; technological developments; changes in local, domestic or international economic and market conditions; the size and growth of footwear markets; service interruptions at shipping and receiving ports; changes in the amount or severity of inclement weather; changes due to the growth of Internet commerce; popularity of particular designs and categories of footwear; the ability of the Company to manage and forecast its growth and inventories; the ability to secure and protect trademarks, patents and other intellectual property; integration of operations of newly acquired businesses; changes in business strategy or development plans; the ability to complete and profitably operate planned growth initiatives; the ability to attract and retain qualified personnel; the ability to retain rights to brands licensed by the Company; loss of significant customers; dependence on international distributors and licensees; the risk of cancellation or non-shipment of amounts included in the Company's order backlog; the Company's ability to meet at-once orders; the exercise of future purchase options by the U.S. Department of Defense on previously awarded contracts; the risk of doing business in developing countries and economically volatile areas; retail buying patterns; consolidation in the retail sector; and the acceptability of U.S. brands in international markets. Additionally, concerns regarding acts of terrorism, the war in Iraq and subsequent events have created significant global economic and political uncertainties that may have material and adverse effects on consumer demand, foreign sourcing of footwear, shipping and transportation, product imports and exports and the sale of products in foreign markets. These matters are representative of the Risk Factors that could cause a difference between an ultimate actual outcome and a forward-looking statement. Historical operating results are not necessarily indicative of the results that may be expected in the future. The Risk Factors included here are not exhaustive. Other Risk Factors exist, and new Risk Factors emerge from time-to-time, that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Furthermore, the Company undertakes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

## PART I. FINANCIAL INFORMATION

### ITEM 1. Financial Statements

#### WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

##### Consolidated Condensed Balance Sheets (Thousands of dollars)

|  | <u>September 11,<br/>2004<br/>(Unaudited)</u> | <u>January 3,<br/>2004<br/>(Audited)</u> | <u>September 6,<br/>2003<br/>(Unaudited)</u> |
|--|---|--|--|
| <b>ASSETS</b>                                  |   |  |  |
| <b>CURRENT ASSETS</b>                          |   |  |  |
| Cash and cash equivalents                      | \$ 39,136                                     | \$ 55,356                                | \$ 18,274                                    |
| Accounts receivable, less allowances           |   |  |  |
| September 11, 2004 - \$10,738                  |   |  |  |
| January 3, 2004 - \$10,462                     |   |  |  |
| September 6, 2003 - \$10,806                   | 191,926                                       | 146,879                                  | 191,366                                      |
| Inventories:                                   |   |  |  |
| Finished products                              | 163,232                                       | 143,127                                  | 161,252                                      |
| Raw materials and work in process              | 18,786  | 21,777                                   | 19,706                                       |
|  | <u>182,018</u>                                | <u>164,904</u>                           | <u>180,958</u>                               |
| Other current assets                           | 21,041  | 19,497                                   | 12,571                                       |
|  | <u>434,121</u>                                | <u>386,636</u>                           | <u>403,169</u>                               |
| <b>TOTAL CURRENT ASSETS</b>                    |   |  |  |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>           |   |  |  |
| Gross cost                                     | 247,810                                       | 238,350                                  | 233,087                                      |
| Less accumulated depreciation                  | 153,108                                       | 142,343                                  | 137,425                                      |
|  | <u>94,702</u>                                 | <u>96,007</u>                            | <u>95,662</u>                                |
| <b>OTHER ASSETS</b>                            |   |  |  |
| Goodwill and other non-amortizable intangibles | 41,590  | 42,130                                   | 33,521                                       |
| Prepaid pension costs                          | 20,269  | 19,451                                   | -  |
| Other  | 34,623  | 34,657                                   | 38,244                                       |
|  | <u>96,482</u>                                 | <u>96,238</u>                            | <u>71,765</u>                                |
|  | <u>\$ 625,305</u>                             | <u>\$ 578,881</u>                        | <u>\$ 570,596</u>                            |
| <b>TOTAL ASSETS</b>                            |   |  |  |

See notes to consolidated condensed financial statements



**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**

**Consolidated Condensed Balance Sheets - Continued**

(Thousands of dollars, except share data)

|   | September 11,<br>2004<br>(Unaudited) | January 3,<br>2004<br>(Audited) | September 6,<br>2003<br>(Unaudited) |
|---|--------------------------------------|---------------------------------|-------------------------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                      |                                 |                                     |
| <b>CURRENT LIABILITIES</b>  |                                      |                                 |                                     |
| Accounts payable  | \$ 51,564                            | \$ 26,328                       | \$ 36,130                           |
| Accrued salaries and wages  | 19,692                               | 16,696                          | 16,434                              |
| Other accrued liabilities   | 50,132                               | 26,722                          | 32,195                              |
| Current maturities of long-term debt  | 11,730                               | 16,020                          | 15,030                              |
|   | <hr/>                                | <hr/>                           | <hr/>                               |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>133,118</b>                       | <b>85,766</b>                   | <b>99,789</b>                       |
| Long-term debt (less current maturities)  | 43,894                               | 43,903                          | 53,603                              |
| Deferred compensation   | 6,805                                | 5,736                           | 5,441                               |
| Accrued pension liability   | -                                    | -                               | 16,394                              |
| Deferred income taxes   | 13,068                               | 13,068                          | 80                                  |
| Minority interest   | 433                                  | 314                             | 290                                 |
| <b>STOCKHOLDERS' EQUITY</b>   |                                      |                                 |                                     |
| Common Stock - par value \$1, authorized<br>80,000,000 shares; shares issued<br>(including shares in treasury): |                                      |                                 |                                     |
| September 11, 2004 - 47,355,642 shares  |                                      |                                 |                                     |
| January 3, 2004 - 46,662,593 shares   |                                      |                                 |                                     |
| September 6, 2003 - 46,559,784 shares   | 47,356                               | 46,663                          | 46,560                              |
| Additional paid-in capital  | 109,021                              | 101,706                         | 98,755                              |
| Retained earnings   | 420,327                              | 382,603                         | 366,121                             |
| Accumulated other comprehensive income (loss)   | 9,912                                | 8,540                           | (22,099)                            |
| Unearned compensation   | (6,319)                              | (4,138)                         | (4,754)                             |
| Cost of shares in treasury:   |                                      |                                 |                                     |
| September 11, 2004 - 9,176,640 shares   |                                      |                                 |                                     |
| January 3, 2004 - 7,209,313 shares  |                                      |                                 |                                     |
| September 6, 2003 - 6,439,820 shares  | (152,310)                            | (105,280)                       | (89,584)                            |
|   | <hr/>                                | <hr/>                           | <hr/>                               |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   | <b>427,987</b>                       | <b>430,094</b>                  | <b>394,999</b>                      |
|   | <hr/>                                | <hr/>                           | <hr/>                               |
| <b>TOTAL LIABILITIES AND<br/>STOCKHOLDERS' EQUITY</b>   | <b>\$ 625,305</b>                    | <b>\$ 578,881</b>               | <b>\$ 570,596</b>                   |
|   | <hr/>                                | <hr/>                           | <hr/>                               |

( ) - Denotes deduction.

See notes to consolidated condensed financial statements



**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**

**Consolidated Condensed Statements of Operations**  
(Thousands of dollars, except share data)  
(Unaudited)

|  | 12 Weeks Ended        |                      | 36 Weeks Ended        |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | September 11,<br>2004 | September 6,<br>2003 | September 11,<br>2004 | September 6,<br>2003 |
| Revenue  | \$ 260,897            | \$ 230,571           | \$ 684,541            | \$ 606,096           |
| Cost of products sold                                  | 162,720               | 143,857              | 425,410               | 384,462              |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| GROSS MARGIN   | 98,177                | 86,714               | 259,131               | 221,634              |
| Selling and administrative expenses                    | 65,188                | 60,424               | 189,842               | 168,129              |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| OPERATING INCOME                                       | 32,989                | 26,290               | 69,289                | 53,505               |
| Other expenses/(income):                               |                       |                      |                       |                      |
| Interest expense                                       | 882                   | 1,354                | 2,925                 | 4,109                |
| Interest income  | (215)                 | (97)                 | (430)                 | (304)                |
| Other - net  | (88)                  | 605                  | 157                   | 501                  |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
|  | 579                   | 1,862                | 2,652                 | 4,306                |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| EARNINGS BEFORE INCOME TAXES<br>AND MINORITY INTEREST  | 32,410                | 24,428               | 66,637                | 49,199               |
| Income taxes   | 10,329                | 7,904                | 21,289                | 15,944               |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| EARNINGS BEFORE MINORITY<br>INTEREST                   | 22,081                | 16,524               | 45,348                | 33,255               |
| Minority interest                                      | 135                   | 110                  | 119                   | 147                  |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| NET EARNINGS   | \$ 21,946             | \$ 16,414            | \$ 45,229             | \$ 33,108            |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| Net earnings per share:                                |                       |                      |                       |                      |
| Basic  | \$ .58                | \$ .42               | \$ 1.17               | \$ .84               |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| Diluted  | \$ .55                | \$ .40               | \$ 1.12               | \$ .81               |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| Cash dividends per share                               | \$ .065               | \$ .055              | \$ .195               | \$ .165              |
|  | <hr/>                 | <hr/>                | <hr/>                 | <hr/>                |
| Shares used for net earnings per share<br>computation: |                       |                      |                       |                      |
| Basic  | 38,033,578            | 39,347,416           | 38,524,072            | 39,234,460           |
| Diluted  | 39,870,154            | 40,981,887           | 40,436,943            | 40,644,809           |

See notes to consolidated condensed financial statements



**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**  
**Consolidated Condensed Statement of Stockholders' Equity**  
(Thousands of dollars, except share data)  
(Unaudited)

|   | <b>36 Weeks<br/>Ended</b>     |
|---|-------------------------------|
|   | <b>September 11,<br/>2004</b> |
| <b>COMMON STOCK</b>   |                               |
| Balance at beginning of the year  | \$ 46,663                     |
| Common stock issued under stock incentive plans                         | 693                           |
|   | \$ 47,356                     |
| <b>ADDITIONAL PAID-IN CAPITAL</b>                                       |                               |
| Balance at beginning of the year  | \$ 101,706                    |
| Amounts associated with common stock issued under stock incentive plans | 7,446                         |
| Issuance of treasury shares (7,135 shares)                              | 62                            |
| Net change in notes receivable  | (193)                         |
|   | \$ 109,021                    |
| <b>RETAINED EARNINGS</b>  |                               |
| Balance at beginning of the year  | \$ 382,603                    |
| Net earnings  | 45,229                        |
| Cash dividends  | (7,505)                       |
|   | \$ 420,327                    |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>                           |                               |
| Balance at beginning of the year  | \$ 8,540                      |
| Foreign currency translation adjustments                                | 137                           |
| Change in fair value of foreign exchange contracts, net of taxes        | 1,235                         |
|   | \$ 9,912                      |
| <b>UNEARNED COMPENSATION</b>  |                               |
| Balance at beginning of the year  | \$ (4,138)                    |
| Awards under restricted stock incentive plans                           | (4,114)                       |
| Compensation expense  | 1,933                         |
|   | \$ (6,319)                    |
| <b>COST OF SHARES IN TREASURY</b>                                       |                               |
| Balance at beginning of the year  | \$ (105,280)                  |
| Common stock repurchased for treasury (1,974,462 shares)                | (47,138)                      |
| Issuance of treasury shares (7,135 shares)                              | 108                           |
|   | \$ (152,310)                  |

Balance at end of the period

\$ (152,310)

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TOTAL STOCKHOLDERS' EQUITY AT END OF THE PERIOD

\$ 427,987

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See notes to consolidated condensed financial statements

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**

**Consolidated Condensed Statements of Cash Flows**  
(Thousands of dollars)  
(Unaudited)

|   | 36 Weeks Ended        |                      |
|---|-----------------------|----------------------|
|   | September 11,<br>2004 | September 6,<br>2003 |
|   | -----                 | -----                |
| <b>OPERATING ACTIVITIES</b>   |                       |                      |
| Net earnings  | \$ 45,229             | \$ 33,108            |
| Adjustments necessary to reconcile net earnings to net cash provided by operating activities: |                       |                      |
| Depreciation  | 13,276                | 11,955               |
| Amortization  | 245                   | 374                  |
| Other   | 5,012                 | (2,105)              |
| Changes in operating assets and liabilities:  |                       |                      |
| Accounts receivable   | (46,175)              | (33,992)             |
| Inventories   | (18,394)              | (10,663)             |
| Other assets  | 88                    | (854)                |
| Accounts payable and other accrued liabilities  | 50,419                | 18,302               |
|   | -----                 | -----                |
| Net cash provided by operating activities   | 49,700                | 16,125               |
| <b>INVESTING ACTIVITIES</b>   |                       |                      |
| Additions to property, plant and equipment  | (12,795)              | (11,125)             |
| Other   | (131)                 | 685                  |
|   | -----                 | -----                |
| Net cash used in investing activities   | (12,926)              | (10,440)             |
| <b>FINANCING ACTIVITIES</b>   |                       |                      |
| Proceeds from long-term debt  | 29,957                | 30,032               |
| Payments of long-term debt  | (34,256)              | (34,314)             |
| Cash dividends  | (7,505)               | (6,462)              |
| Purchase of common stock for treasury   | (47,138)              | (9,727)              |
| Proceeds from shares issued under stock incentive plans                                       | 4,002                 | 5,903                |
|   | -----                 | -----                |
| Net cash used in financing activities   | (54,940)              | (14,568)             |
| Effect of foreign exchange rate changes on cash   | 1,946                 | 79                   |
|   | -----                 | -----                |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>  | (16,220)              | (8,804)              |
| Cash and cash equivalents at beginning of the period  | 55,356                | 27,078               |
|   | -----                 | -----                |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>   | <b>\$ 39,136</b>      | <b>\$ 18,274</b>     |
|   | -----                 | -----                |

( ) - Denotes reduction in cash and cash equivalents.  
See notes to consolidated condensed financial statements



## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

### Notes to Consolidated Condensed Financial Statements September 11, 2004 and September 6, 2003

#### 1. Summary of Significant Accounting Policies

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

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

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

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

All significant accounting policies are described in Footnote 1 of the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2004.

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

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

#### 2. Earnings Per Share

The following table sets forth the reconciliation of weighted average shares used in the computation of basic and diluted earnings per share:

|   | 12 Weeks Ended        |                      | 36 Weeks Ended        |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | September 11,<br>2004 | September 6,<br>2003 | September 11,<br>2004 | September 6,<br>2003 |
| Weighted average<br>shares outstanding        | 38,755,795            | 40,052,083           | 39,250,101            | 39,961,583           |
| Adjustment for<br>nonvested restricted stock  | (722,217)             | (704,667)            | (726,029)             | (727,123)            |
| Denominator for<br>basic earnings per share   | 38,033,578            | 39,347,416           | 38,524,072            | 39,234,460           |
| Effect of dilutive stock options              | 1,376,979             | 1,172,896            | 1,449,937             | 952,377              |
| Adjustment for<br>nonvested restricted stock  | 459,597               | 461,575              | 462,934               | 459,972              |
| Denominator for diluted<br>earnings per share | 39,870,154            | 40,981,887           | 40,436,943            | 40,644,809           |

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

### Notes to Consolidated Condensed Financial Statements - continued September 11, 2004 and September 6, 2003

Options to purchase 528,323 and 479,406 shares of common stock for the 12 and 36 weeks ended September 11, 2004, respectively, and 595,152 and 795,943 shares for the 12 and 36 weeks ended September 6, 2003, respectively, have not been included in the denominator for the computation of diluted earnings per share because the related exercise prices were greater than the average market price for the period and, therefore, were anti-dilutive.

#### **3. Goodwill and other non-amortizable intangibles**

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

|                                      | Goodwill         | Trademarks      | Total            |
|--------------------------------------|------------------|-----------------|------------------|
| Balance at September 6, 2003         | \$ 30,504        | \$ 3,017        | \$ 33,521        |
| Intangibles acquired                 | 820              | 4,722           | 5,542            |
| Purchase accounting adjustments      | 117              | -               | 117              |
| Foreign currency translation effects | 2,950            | -               | 2,950            |
| Balance at January 3, 2004           | 34,391           | 7,739           | 42,130           |
| Intangibles acquired                 | -                | 154             | 154              |
| Purchase accounting adjustments      | (684)            | -               | (684)            |
| Foreign currency translation effects | (10)             | -               | (10)             |
| Balance at September 11, 2004        | <b>\$ 33,697</b> | <b>\$ 7,893</b> | <b>\$ 41,590</b> |

#### **4. Comprehensive Income (Loss)**

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

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

|   | September 11,<br>2004 | January 3,<br>2004 | September 6,<br>2003 |
|---|-----------------------|--------------------|----------------------|
| Foreign currency translation adjustments            | \$ 14,197             | \$ 14,060          | \$ 4,700             |
| Foreign currency cash flow hedge adjustments        | (402)                 | (1,637)            | (383)                |
| Minimum pension liability adjustments, net of taxes | (3,883)               | (3,883)            | (26,416)             |
| Accumulated other comprehensive income (loss)       | <b>\$ 9,912</b>       | <b>\$ 8,540</b>    | <b>\$ (22,099)</b>   |

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

|   | 12 Weeks Ended        |                      | 36 Weeks Ended        |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | September 11,<br>2004 | September 6,<br>2003 | September 11,<br>2004 | September 6,<br>2003 |
| Net earnings  | \$ 21,946             | \$ 16,414            | \$ 45,229             | \$ 33,108            |
| Other comprehensive income (loss):  |                       |                      |                       |                      |
| Foreign currency translation adjustments                                  | (1,057)               | (3,305)              | 137                   | 1,562                |
| Change in fair value of foreign currency exchange contracts, net of taxes | 509                   | 642                  | 1,235                 | (139)                |



## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

### Notes to Consolidated Condensed Financial Statements - continued September 11, 2004 and September 6, 2003

#### 5. Business Segments

The Company has one reportable segment that is engaged in manufacturing, sourcing, marketing, licensing and distribution of branded footwear and licensed apparel and accessories to the retail sector, including casual shoes, slippers, moccasins, dress shoes, boots, uniform shoes, work shoes, performance outdoor footwear and apparel and accessories. Revenue of this segment is derived from the sale of branded footwear to external customers as well as royalty income from the licensing of the Company's trademarks and brand names to licensees and distributors. The business units comprising the branded footwear and licensing segment manufacture or source, market and distribute products in a similar manner. Branded footwear and licensed products are distributed through wholesale channels and under licensing and distributor arrangements.

The other business units in the following table consist of the Company's retail, tannery and pigskin procurement operations. The Company operated 68 domestic retail stores and 3 consumer direct internet sites at September 11, 2004 that sell Company-manufactured and sourced products, as well as footwear manufactured by unaffiliated companies. The other business units distribute products through retail and wholesale channels.

There have been no material changes in the way the Company measures segment profits or in its basis of determining business segments.

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

|  | Branded<br>Footwear<br>and<br>Licensing | Other<br>Businesses | Corporate | Consolidated |
|--|---|---------------------|-----------|--------------|
| <b>12 weeks ended September 11, 2004</b>                     |   |                     |           |              |
| Revenue from external customers                              | \$ 240,275                              | \$ 20,622           | \$ -      | \$ 260,897   |
| Intersegment revenue   | 8,462                                   | 861                 | -         | 9,323        |
| Earnings (loss) before income taxes<br>and minority interest | 35,443                                  | 962                 | (3,995)   | 32,410       |
| <b>36 weeks ended September 11, 2004</b>                     |   |                     |           |              |
| Revenue from external customers                              | \$ 625,704                              | \$ 58,837           | \$ -      | \$ 684,541   |
| Intersegment revenue   | 21,629                                  | 1,914               | -         | 23,543       |
| Earnings (loss) before income taxes<br>and minority interest | 74,183                                  | 2,737               | (10,283)  | 66,637       |
| <b>12 weeks ended September 6, 2003</b>                      |   |                     |           |              |
| Revenue from external customers                              | \$ 214,784                              | \$ 15,787           | \$ -      | \$ 230,571   |
| Intersegment revenue   | 8,145                                   | 582                 | -         | 8,727        |
| Earnings (loss) before income taxes<br>and minority interest | 29,356                                  | (317)               | (4,611)   | 24,428       |
| <b>36 weeks ended September 6, 2003</b>                      |   |                     |           |              |
| Revenue from external customers                              | \$ 556,425                              | \$ 49,671           | \$ -      | \$ 606,096   |
| Intersegment revenue   | 18,846                                  | 1,677               | -         | 20,523       |
| Earnings (loss) before income taxes<br>and minority interest | 56,729                                  | 236                 | (7,766)   | 49,199       |



## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

### Notes to Consolidated Condensed Financial Statements - continued September 11, 2004 and September 6, 2003

#### **6. Financial Instruments and Risk Management**

The Company's financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts and notes payable and long-term debt. Except for fixed-rate, long-term debt at September 11, 2004 with a carrying value of \$53,571,700 and a fair value of \$56,521,700, the Company's estimate of the fair values of these financial instruments approximates their carrying amounts at September 11, 2004. Fair value was determined using discounted cash flow analyses and current interest rates for similar instruments. The Company does not hold or issue financial instruments for trading purposes.

The Company follows Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS Nos. 137 and 138, which requires that all derivative instruments be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The Company utilizes foreign currency forward exchange contracts to manage the volatility associated with foreign currency inventory purchases made by non-U.S. wholesale operations in the normal course of business. At September 11, 2004 and September 6, 2003, foreign exchange contracts with a notional value of \$17,048,500 and \$18,373,000, respectively, were outstanding to purchase various currencies (principally U.S. dollars) with maturities ranging up to one year. These contracts have been designated as cash flow hedges. As of September 11, 2004 and September 6, 2003, a liability of \$61,500 and an asset of \$39,000 have been recorded for the fair value of the foreign exchange contracts, respectively.

The fair value of the foreign currency forward exchange contracts represents the estimated receipts or payments necessary to terminate the contracts. Hedge effectiveness is evaluated by the hypothetical derivative method. Any hedge ineffectiveness is reported within the cost of products sold caption of the consolidated condensed statements of operations. Hedge ineffectiveness was approximately \$199,000 and \$958,000 for the third quarter and first three quarters ended September 11, 2004, respectively, and was not material to the consolidated financial statements at September 6, 2003. If, in the future, the foreign exchange contracts are determined to be ineffective hedges or are 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 Company does not generally require collateral or other security on trade accounts and notes receivable.

#### **7. Stock-Based Compensation**

The Company has elected to follow Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, in accounting for its stock incentive plans because the alternative fair value accounting provided under SFAS No. 123, *Accounting for Stock-Based Compensation*, requires the use of option valuation models that were not specifically developed for valuing the types of stock incentives maintained by the Company. Under APB Opinion No. 25, compensation expense would be recognized if the market price of the stock underlying an award on the date of grant exceeds any related exercise price.

Pro forma information regarding net earnings and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its stock awards using the fair value method. The fair value of these awards was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the first three quarters of 2004: risk-free interest rate of 3.28% (2.7% in 2003); dividend yield of 1.5% (1.3% in 2003); expected market price volatility factor of 0.33 (0.40 in 2003); and an expected option life of four years.

The estimated weighted-average fair value for each option granted was \$6.35 and \$5.09 for the first three quarters of 2004 and 2003, respectively.

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

### Notes to Consolidated Condensed Financial Statements - continued September 11, 2004 and September 6, 2003

For purposes of pro forma disclosures, the estimated fair values of stock options are amortized to expense over the related vesting periods. The Company's pro forma information under SFAS No. 123 is as follows (thousands of dollars, except per share data):

|   | 12 Weeks Ended        |                      | 36 Weeks Ended        |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | September 11,<br>2004 | September 6,<br>2003 | September 11,<br>2004 | September 6,<br>2003 |
| Net earnings, as reported   | \$ 21,946             | \$ 16,414            | \$ 45,229             | \$ 33,108            |
| Add: Total stock-based employee compensation expense included in reported net income, net of related tax effects                      | -                     | 8                    | 27                    | 21                   |
| Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects | 760                   | 647                  | 2,747                 | 2,247                |
| Pro forma net earnings  | \$ 21,186             | \$ 15,775            | \$ 42,509             | \$ 30,882            |
| Net earnings per share:   |                       |                      |                       |                      |
| Basic - as reported   | \$ .58                | \$ 0.42              | \$ 1.17               | \$ 0.84              |
| Basic - pro forma   | .56                   | 0.40                 | 1.10                  | 0.78                 |
| Diluted - as reported   | .55                   | 0.40                 | 1.12                  | 0.81                 |
| Diluted - pro forma   | .53                   | 0.39                 | 1.06                  | 0.76                 |

#### **8. Pension Expense**

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

|  | 12 Weeks Ended        |                      | 36 Weeks Ended        |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | September 11,<br>2004 | September 6,<br>2003 | September 11,<br>2004 | September 6,<br>2003 |
| Service cost pertaining to benefits earned during the period | \$ 922                | \$ 736               | \$ 2,766              | \$ 2,208             |
| Interest cost on projected benefit obligations               | 2,081                 | 1,959                | 6,243                 | 5,877                |
| Expected return on pension assets                            | (2,756)               | (2,308)              | (8,268)               | (6,924)              |
| Net amortization loss  | 1,285                 | 1,245                | 3,855                 | 3,735                |
| Net pension expense  | \$ 1,532              | \$ 1,632             | \$ 4,596              | \$ 4,896             |

#### **9. Litigation and Contingencies**

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

results of operations.

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

### Notes to Consolidated Condensed Financial Statements - continued September 11, 2004 and September 6, 2003

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

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

|                   | 2004    | 2005  | 2006  | 2007  | 2008  | Thereafter |
|-------------------|---------|-------|-------|-------|-------|------------|
| Minimum royalties | \$1,012 | \$911 | \$811 | \$844 | \$877 | \$ -       |

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 \$2,312,000 and \$2,061,000 for the first three quarters of 2004 and 2003, respectively.

The terms of certain license agreements also require advertising expenditures based on the level of sales. In accordance with these agreements, the Company's advertising obligations, based on actual sales, totaled \$1,559,000 and \$1,831,000 for the first three quarters of 2004 and 2003, respectively.

#### **10. Business Acquisitions**

On November 3, 2003, the Company acquired certain operating assets of Sebago, Inc., an international distributor of performance nautical and American-inspired footwear, consisting of accounts receivable, inventory, fixed assets, trademarks and other amortizable intangible assets totaling approximately \$18,645,000 and assumed liabilities of approximately \$1,987,000. Subject to certain post-closing adjustments, the total purchase price of Sebago, Inc., was \$16,870,000, which consisted of \$14,870,000 paid in cash and a note payable for \$2,000,000 (\$1,000,000 due in both 2004 and 2005), resulting in goodwill of \$212,000 after allocation of the preliminary purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Future adjustments to the preliminary purchase price allocation will result in a corresponding adjustment to goodwill. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the results of operations since November 3, 2003 are included in the Company's consolidated condensed statements of operations.

Immediately after the acquisition was consummated, management of the Company began to implement an integration plan for the Sebago operation. In conjunction with the integration plan, the Company recorded additional liabilities of approximately \$1,792,000, which were included in the acquisition cost allocation in accordance with Emerging Issues Task Force Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. The additional liabilities include approximately \$1,496,000 for severance and related costs for approximately 100 manufacturing and administrative employees in Maine, and \$296,000 related to exit costs for specific product lines of Sebago, Inc. At September 11, 2004, \$540,000 of the liabilities remained.

The following table is a summary of the activity in the reserves by category:

|  | Employee<br>Severance | Exit Costs | Total    |
|--|-----------------------|------------|----------|
| Amounts recognized in 2003<br>and accrued at January 3, 2004 | \$ 1,496              | \$ 296     | \$ 1,792 |
| Payments   | (1,252)               | -          | (1,252)  |
| Balance at September 11, 2004                                | \$ 244                | \$ 296     | \$ 540   |

## WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES

### Notes to Consolidated Condensed Financial Statements - continued September 11, 2004 and September 6, 2003

#### 11. New Accounting Standards

On March 31, 2004, the Financial Accounting Standards Board (FASB) issued an Exposure Draft, *Share-Based Payments*, which is a proposed amendment to SFAS No. 123, *Accounting for Stock-Based Compensation*. The Exposure Draft would require all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. The FASB recently announced that a final standard will be effective for public companies for fiscal periods beginning after June 15, 2005. The final standard offers the Company alternative methods of adopting this final rule. At the present time, the Company has not yet determined which alternative method it will use.

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

##### **OVERVIEW**

Wolverine World Wide, Inc. (the "Company") achieved record results for the third quarter of 2004. Revenue increased 13.2%, totaling \$260.9 million as compared to \$230.6 million for the third quarter of 2003. Earnings per share for the third quarter of 2004 were \$0.55, a 37.5% increase over the \$0.40 reported for the third quarter of 2003. Revenue for the first three quarters of 2004 grew 12.9% to \$684.5 million from \$606.1 million for the same period of 2003. Earnings per share grew to \$1.12 per share during the first three quarters of 2004 compared to \$0.81 per share reported for the same period last year, an increase of 38.3%.

The Outdoor Group led the revenue growth for the third quarter of 2004 as the global Merrell® business reported a strong increase in shipments. The acquisition of Sebago® also added to the consolidated revenue increase. The Wolverine Footwear Group experienced an increase in shipments, which was driven by the accelerated demand for military product. Wolverine Leathers generated strong revenue growth during the third quarter due to increased demand for sueded pigskin. The product and distribution channel repositioning efforts in the global Hush Puppies® wholesale businesses also contributed to the quarterly revenue gain, although a decline was recognized by the U.S. business. The Caterpillar Footwear Group and Retail operations also generated revenue growth.

Gross margin for the third quarter of 2004 of 37.6% was even with the same period of the prior year. The year-to-date gross margin has increased 130 basis points compared to the same period of 2003 driven by improvements in the Company's product mix as well as inventory management programs.

The Company's balance sheet metrics improved during the third quarter of 2004 when compared to the same period of 2003. Accounts receivable were up only 0.3% and inventory levels were up only 0.6% despite a 12.9% increase in year-to-date revenue. Additionally, the Company ended the third quarter of 2004 with \$39.1 million in cash on hand and debt outstanding of \$55.6 million.

The Company's strategic growth plan, as discussed in the Company's Form 10-K for the fiscal year ended January 3, 2004, is focused on making Wolverine World Wide, Inc. the premier company in the non-athletic segment of the global footwear market. Achievements during the first three quarters of 2004 include:

- **An increased presence in Europe**-The European-based Branded Footwear and Licensing operations recorded a 14.9% revenue increase in the first three quarters of 2004 as compared to the same period of 2003.
- **Achieving product excellence from design through execution**-The Company has invested in new product initiatives which include the Merrell® "Continuum" collection, Wolverine MultiShox™ technology, CAT® i-Technology, an entirely new spring 2005 Sebago® collection and an upgraded U.S. Hush Puppies® product offering.

- **Additional sources of revenue growth-** The Sebago® business, acquired in November of 2003, added to the revenue growth for the first three quarters of 2004 and produced a positive earnings contribution. There have been fifty-one Merrell® shop-in-shops installed in the U.S. this year and two in Europe. Four Track 'N Trail® retail concept stores have been opened year to date with three more scheduled to open before the end of the year, for a total of eleven stores.
- **Providing "Best in Class" service to customers-**Investments in business systems continue to leverage customer service into a competitive advantage. During the third quarter, the Company extended the online ordering system into Europe. This allows access to order information twenty-four hours a day. This will be available in Canada by year end. In addition, Canadian operations are being migrated to new systems so that the Company operates the same business systems globally.
- **Driving the global growth of the Company's brands through investments in marketing and product development-**The Company increased its investment in marketing and product development by 19.8% for the first three quarters of 2004 when compared to the same period in 2003.

The following is a discussion of the Company's results of operations and liquidity and capital resources for the third quarter and first three quarters of 2004. This section should be read in conjunction with the consolidated condensed financial statements and notes included in this report and the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2004.

**Results of Operations - Comparisons of the 12 Weeks Ended September 11, 2004 (third quarter of 2004) to the 12 Weeks Ended September 6, 2003 (third quarter of 2003)**

**Financial Summary - Third Quarter of 2004 versus Third Quarter of 2003**

|   | 2004    |        | 2003    |        | Change |         |
|---|---------|--------|---------|--------|--------|---------|
|   | \$      | %      | \$      | %      | \$     | %       |
| <i>(Millions of Dollars, Except Per Share Data)</i> |         |        |         |        |        |         |
| Revenue   |         |        |         |        |        |         |
| Branded Footwear and Licensing                      | \$240.3 | 92.1%  | \$214.8 | 93.2%  | \$25.5 | 11.9%   |
| Other business units                                | 20.6    | 7.9%   | 15.8    | 6.8%   | 4.8    | 30.6%   |
| Total revenue                                       | \$260.9 | 100.0% | \$230.6 | 100.0% | \$30.3 | 13.2%   |
| Gross margin  |         |        |         |        |        |         |
| Branded Footwear and Licensing                      | \$90.9  | 37.8%  | \$81.6  | 38.0%  | \$9.3  | 11.4%   |
| Other business units                                | 7.3     | 35.5%  | 5.1     | 32.5%  | 2.2    | 43.1%   |
| Total gross margin                                  | \$98.2  | 37.6%  | \$86.7  | 37.6%  | \$11.5 | 13.2%   |
| Selling and administrative expenses                 | \$65.2  | 25.0%  | \$60.4  | 26.2%  | \$4.8  | 7.9%    |
| Interest expense-net                                | 0.7     | 0.3%   | 1.3     | 0.5%   | (0.6)  | (46.9%) |
| Other income-net                                    | (0.1)   | 0.0%   | 0.6     | 0.3%   | (0.7)  | -       |
| Earnings before income taxes and minority interest  | 32.4    | 12.4%  | 24.4    | 10.6%  | 8.0    | 32.7%   |
| Net earnings  | 21.9    | 8.4%   | 16.4    | 7.1%   | 5.5    | 33.7%   |
| Diluted earnings per share                          | \$0.55  |        | \$0.40  |        | \$0.15 | 37.5%   |

The Company has one reportable segment that is engaged in manufacturing, sourcing, marketing and distributing branded products. Within the Branded Footwear and Licensing segment, the Company has identified five branded footwear and licensing operating units, consisting of the Wolverine Footwear Group (comprised of the Wolverine®, Hystest®, Stanley®, Harley-Davidson® and Bates® brands), the Outdoor Group (comprised of the Merrell® and Sebago® brands), The Hush Puppies Company, CAT Footwear and Other Branded Products. The Company's other business units consist of the Retail operations, Wolverine Leathers and Wolverine Procurement. The following is supplemental information on revenue of the Branded Footwear and Licensing operating units:

## Revenue - Branded Footwear and Licensing Operating Units - Third Quarter

|   | 2004           | 2003           | Change        |              |
|---|----------------|----------------|---------------|--------------|
| (Millions of Dollars)                               | \$             | \$             |               | %            |
| Wolverine Footwear Group                            | \$ 77.3        | \$ 69.6        | \$ 7.7        | 11.0%        |
| Outdoor Group                                       | 74.3           | 57.9           | 16.4          | 28.3%        |
| The Hush Puppies Company                            | 43.8           | 45.1           | (1.3)         | (2.9%)       |
| CAT Footwear  | 34.4           | 31.5           | 2.9           | 9.3%         |
| Other Branded Footwear and Licensing                | 10.5           | 10.7           | (0.2)         | (1.9%)       |
| <b>Total Branded Footwear and Licensing revenue</b> | <b>\$240.3</b> | <b>\$214.8</b> | <b>\$25.5</b> | <b>11.9%</b> |

### REVENUE

Revenue growth in the third quarter was driven by three primary factors. Increases in unit volume, changes in product mix and changes in average selling price resulted in a \$19.9 million total revenue increase for the third quarter of 2004. The impact of translating foreign denominated revenue to U.S. dollars improved revenue by \$4.8 million. The acquisition of Sebago® added \$5.6 million to total revenue.

The Wolverine Footwear Group's revenue increase in the third quarter was generated primarily by the Bates® division accounting for 94% of the increase. The Bates® brand revenue improved due to accelerated shipments of combat boots under contracts with the U.S. Department of Defense as well as strong civilian shipments. Stanley® recognized an increase in revenue as its largest customer, Payless Shoe Source, replenished its depleted stock. Revenue from the Harley-Davidson® footwear brand improved as a major new product introduction was shipped. Wolverine® Boots and Shoes (including Hytest®) revenue remained even with the same period of the prior year.

The Outdoor Group reported double digit revenue growth for the third quarter of 2004. Sebago®, which was purchased in November 2003, accounted for \$5.6 million of the Outdoor Group increase. The Merrell® European, Canadian and International Licensing business increase was driven by strong consumer demand for the products. In addition, strong U.S. shipments were a result of increased retailer demand for deliveries in the third quarter of 2004 to maximize on selling opportunities during the Fall/Winter season.

The Hush Puppies Company experienced a revenue decrease for the quarter. Increases in the U.K., International Licensing and Canada were more than offset by decreases in Hush Puppies slipper deliveries and lower U.S. wholesale revenues. The decline in the U.S. business for the quarter reflects the global repositioning of the brand's product and distribution strategy resulting in reduced shipments to the lower-end discount channels.

The Caterpillar Footwear group experienced a revenue increase for the quarter. The CAT® U.S. business recorded a significant increase as retailers respond to new products targeting the industrial/work segment. The CAT® European and International Licensing business also recorded increases in the quarter. The increase was driven by global acceptance of new product initiatives resulting in increased royalties in Russia, Saudi Arabia, South Africa and the Pacific Rim.

Other branded footwear and licensing revenue decreased slightly in the third quarter due to planned lower shipments of private label footwear.

Within the Company's other business units, Wolverine Leathers recorded a significant increase in revenue due to increased demand for sueded products. The Retail operations generated a same store sales increase of 1.9% and an internet sales increase of 45.1%.

### GROSS MARGIN

The total Gross Margin level for the third quarter of 2004 of 37.6% was even with the same period of the prior year. The Branded Footwear and Licensing segment reflected a 20 basis point erosion due to the heavier weighting of lower margin military business. The margin increase in the other business units was a result of improved process efficiencies at Wolverine Leathers.

### SELLING AND ADMINISTRATIVE EXPENSES

The Operating expenses as a percentage of revenue improved by 120 basis points in the third quarter of 2004. The leverage resulted from incremental revenues in the quarter along with strong expense controls. The dollar increase (\$4.8 million) was the result of the addition of Sebago® (\$2.1 million) with the balance

related to higher product development, marketing, employee benefit costs and other volume related selling costs.

#### INTEREST, OTHER AND TAXES

The decrease in interest expense reflects lower average outstanding amounts on senior notes and minimal borrowing under the Company's revolving credit facility.

The change in other income primarily relates to the change in realized gains or losses on foreign currency transactions.

The Company's third quarter of 2004 effective income tax rate was 31.9% compared to 32.4% for the third quarter of 2003. This reduced effective tax rate reflects the weighting of profits from the Company's foreign entities and the impact of research and development tax credits expected in 2004. The Company expects the research and development tax credits to have an ongoing positive effect. The estimated annualized effective tax rate for fiscal 2004 is 32.0%.

#### Results of Operations - Comparisons of the 36 Weeks Ended September 11, 2004 (first three quarters of 2004) to the 36 Weeks Ended September 6, 2003 (first three quarters of 2003)

##### Financial Summary - First Three Quarters of 2004 versus First Three Quarters of 2003

|   | 2004    |        | 2003    |        | Change |         |
|---|---------|--------|---------|--------|--------|---------|
|   | \$      | %      | \$      | %      | \$     | %       |
| <i>(Millions of Dollars, Except Per Share Data)</i> |         |        |         |        |        |         |
| Revenue   |         |        |         |        |        |         |
| Branded Footwear and Licensing                      | \$625.7 | 91.4%  | \$556.4 | 91.8%  | \$69.3 | 12.5%   |
| Other business units                                | 58.8    | 8.6%   | 49.7    | 8.2%   | 9.1    | 18.5%   |
| Total revenue                                       | \$684.5 | 100.0% | \$606.1 | 100.0% | \$78.4 | 12.9%   |
| Gross margin  |         |        |         |        |        |         |
| Branded Footwear and Licensing                      | \$239.0 | 38.2%  | \$205.0 | 36.8%  | \$34.0 | 16.6%   |
| Other business units                                | 20.1    | 34.1%  | 16.6    | 33.4%  | 3.5    | 21.1%   |
| Total gross margin                                  | \$259.1 | 37.9%  | \$221.6 | 36.6%  | \$37.5 | 16.9%   |
| Selling and administrative expenses                 | \$189.8 | 27.7%  | \$168.1 | 27.7%  | \$21.7 | 12.9%   |
| Interest expense-net                                | 2.5     | 0.4%   | 3.8     | 0.6%   | (1.3)  | (34.4%) |
| Other income-net                                    | 0.2     | 0.0%   | 0.5     | 0.1%   | (0.3)  | (68.7%) |
| Earnings before income taxes and minority interest  | 66.6    | 9.7%   | 49.2    | 8.1%   | 17.4   | 35.4%   |
| Net earnings  | 45.2    | 6.6%   | 33.1    | 5.5%   | 12.1   | 36.6%   |
| Diluted earnings per share                          | \$1.12  |        | \$0.81  |        | \$0.31 | 38.3%   |

The following is supplemental information on revenue of the Branded Footwear and Licensing operating units:

##### Revenue - Branded Footwear and Licensing Operating Units - First Three Quarters

|  | 2004    |   | 2003    |   | Change |         |
|--|---------|---|---------|---|--------|---------|
|  | \$      | % | \$      | % | \$     | %       |
| <i>(Millions of Dollars)</i>                 |         |   |         |   |        |         |
| Wolverine Footwear Group                     | \$214.8 |   | \$197.5 |   | \$17.3 | 8.7%    |
| Outdoor Group                                | 208.1   |   | 155.4   |   | 52.7   | 33.9%   |
| The Hush Puppies Company                     | 108.9   |   | 106.4   |   | 2.5    | 2.3%    |
| CAT Footwear                                 | 75.2    |   | 75.2    |   | -      | 0.1%    |
| Other Branded Footwear and Licensing         | 18.7    |   | 21.9    |   | (3.2)  | (14.6%) |
| Total Branded Footwear and Licensing revenue | \$625.7 |   | \$556.4 |   | \$69.3 | 12.5%   |





## REVENUE

The revenue increase for the first three quarters of 2004 was driven by revenue from Sebago® of \$22.9 million (which was acquired in November of 2003); the impact of translating foreign denominated revenue into U.S. dollars of approximately \$14.1 million and increases in unit volume, changes in product mix and changes in selling price of \$41.4 million.

The Wolverine Footwear Group's year-to-date revenue increase was due to the success of the Bates® and Harley-Davidson® brands. The Bates® increase was a result of strong demand from both the military and civilian uniform accounts. Revenue from the Harley-Davidson® footwear brand improved due to strong reorders from the Harley-Davidson® dealerships, as well as new and expanded distribution. Wolverine® Boots and Shoes (including Hytest®) experienced an increase in unit growth but downward price pressure continues to impact average price per pair.

The Outdoor Group reported a \$52.7 million increase for the first three quarters of 2004. Sebago®, which was purchased in November 2003, accounted for approximately \$22.3 million of the increase. The Merrell® European and Canadian wholesale businesses both contributed to the increase as a result of the expansion of multi-sport and casual footwear product sales in these markets. The Merrell U.S. footwear business also increased, with growth coming from the outdoor/sporting goods and department store distribution channels. In the first three quarters of 2004, fifty-one new Merrell® shop-in-shops were installed in the United States and two shop-in-shops were installed in Europe. Sales to retailers where these shops have been installed are up significantly for the first three quarters of 2004 as compared to the same period in 2003. Revenue from the Merrell® International business increased as a result of higher global demand from distributors, with a 135% increase generated in Russia, Panama, Chili and Saudi Arabia.

The Hush Puppies Company's revenue increase was driven by Hush Puppies U.K. as well as the Hush Puppies international business. This increase was partially offset by a decrease in U.S. wholesale revenue and the impact of the realignment of the Hush Puppies® slipper product line. The decline in the U.S. business for the first three quarters of 2004 reflects the global repositioning of the brand's product and distribution strategy resulting in reduced shipments to the lower-end discount channels.

CAT® U.S. wholesale revenue was up slightly as a result of increases in shipments in the industrial/work collection to large key accounts. CAT® international royalty revenue also improved, reflecting an increase in demand in Russia, South Africa, Saudi Arabia and the Pacific Rim. Additionally, several new distributors have been added to strengthen the business. The CAT® European business recognized a decrease in revenue reflecting slower sell-through of the spring/summer product line.

Other branded footwear and licensing revenue decreased in the first three quarters of 2004 due to lower planned shipments of private label footwear.

Within the Company's other business units, the Retail operations reported an increase in revenue as a result of same store revenue increases of 1.9% and a consumer-direct sales increase of 40.1%. The new Track 'N Trail® retail concept had a same store sales increase of 13.8%. Wolverine Leathers also recorded an increase in revenue due to increased demand for sueded products from existing customers. Wolverine Procurement reported a slight decline in revenue.

As a result of increases in customer orders for future delivery, the Company ended the first three quarters of 2004 with an order backlog 19.1% above the 2003 level. The Sebago® brand represents 2.1% of the backlog and the effect of foreign denominated backlog represents 4.1% of the total backlog.

## GROSS MARGIN

The gross margin percentage for the first three quarters of 2004 of 37.9% represents a 130 basis point improvement over the same period of the prior year. The improvement was a result of increased shipments of the Company's high-margin lifestyle products (90 basis points), benefits from favorable foreign exchange rate (15 basis points), improvements from the 2003 realignment in the slipper operation (10 basis points), and the 2003 closure of the Mexican manufacturing facility (5 basis points). The Other business units also contributed to the increase (10 basis points).

## SELLING AND ADMINISTRATIVE EXPENSES

Operating expenses as a percentage of revenue for the first three quarters of 2004 remained even with the same period of the prior year. The dollar increase consisted of the addition of Sebago® (\$7.3 million) with the balance related to product development, marketing and employee benefit costs.

## INTEREST, OTHER AND TAXES

The decrease in interest expense reflects lower average outstanding amounts on senior notes and minimal borrowing under the Company's revolving credit facility.

The change in other income primarily relates to the change in realized gains or losses on foreign currency transactions.

The Company's effective income tax rate for the first three quarters of 2004 was 31.9% compared to 32.4% for the first three quarters of 2003. This reduced effective tax rate reflects the overall profit mix from the Company's foreign entities and the impact of research and development tax credits expected in 2004. The Company expects the research and development tax credits will have an ongoing positive effect. The estimated annualized effective tax rate for fiscal 2004 is 32.0%.

## LIQUIDITY AND CAPITAL RESOURCES

|   | September 11,<br>2004 | January 3,<br>2004 | September 6,<br>2003 | Change from        |                      |
|---|-----------------------|--------------------|----------------------|--------------------|----------------------|
|   |                       |                    |                      | January 3,<br>2004 | September 6,<br>2003 |
| <i>(Millions of Dollars)</i>                  |                       |                    |                      |                    |                      |
| Cash  | \$ 39.1               | \$ 55.4            | \$ 18.3              | \$ (16.3)          | \$ 20.8              |
| Accounts receivable                           | 191.9                 | 146.9              | 191.4                | 45.0               | 0.5                  |
| Inventories                                   | 182.0                 | 164.9              | 181.0                | 17.1               | 1.0                  |
| Accounts payable                              | 51.6                  | 26.3               | 36.1                 | 25.3               | 15.5                 |
| Accrued salaries and wages                    | 19.7                  | 16.7               | 16.4                 | 3.0                | 3.3                  |
| Other accrued liabilities                     | 50.1                  | 26.7               | 32.2                 | 23.4               | 17.9                 |
| Debt  | 55.6                  | 59.9               | 68.6                 | (4.3)              | (13.0)               |
| Cash provided by                              |                       |                    |                      |                    |                      |
| operating activities                          | 49.7                  |                    | 16.1                 |                    |                      |
| Additions to property, plant<br>and equipment | 12.8                  |                    | 11.1                 |                    |                      |
| Depreciation and amortization                 | 13.5                  |                    | 12.3                 |                    |                      |

Cash of \$14.1 million was used to fund working capital investments during the first three quarters of 2004 compared to \$27.2 million used during the first three quarters of 2003. The Company continued to improve its balance sheet. Accounts receivable increased 0.3% as compared to the third quarter of 2003 and the number of days' sales outstanding was reduced by 8.7% since year end 2003. Inventory levels were up only 0.6% on a 12.9% increase in revenue for the first three quarters of 2004 over the same period last year; inventory turns improved 9.7% and SKU (stock keeping unit) levels were reduced by 1.2%, excluding Sebago®, for the third quarter of 2004. No single customer accounted for more than 5% of the outstanding accounts receivable balance at September 11, 2004.

The increase in accounts payable was primarily attributable to the timing of inventory purchases from contract suppliers. The increase in other accrued liabilities was primarily attributable to adjustments made for foreign currency forward exchange contracts and increases in employee benefit accruals.

The majority of capital expenditures were for information system enhancements, consumer-direct initiatives, distribution equipment and building improvements. The Company leases machinery, equipment and certain warehouse, office and retail store space under operating lease agreements that expire at various dates through 2018.

The Company has a long-term revolving credit agreement that expires in May 2006 and allows for borrowings up to \$150.0 million, of which \$10.0 million is allocated to the Company's Canadian subsidiary. Of the remaining \$140.0 million facility, \$35.0 million can be utilized by the Company's European subsidiaries. The revolving credit facility is used to support working capital requirements. No amount was outstanding under revolving credit facilities at September 11, 2004 or September 6, 2003. The Company was in

compliance with all debt covenant requirements at September 11, 2004. Proceeds from existing credit facilities and anticipated renewals, along with cash flows from operations, are expected to be sufficient to meet capital needs in the foreseeable future. Any excess cash flows from operating activities are expected to be used to purchase property, plant and equipment, pay down existing debt, fund internal and external growth initiatives, pay dividends or repurchase the Company's common stock.

The decrease in debt at September 11, 2004 compared to September 6, 2003 was the result of annual principal payments on the Company's senior notes. The Company had commercial letter of credit facilities outstanding of \$1.3 million and \$4.1 million at September 11, 2004 and September 6, 2003, respectively. The decrease in letters of credit is due to the elimination of letter-of-credit requirements in favor of open account terms for a majority of the Company's footwear suppliers. The total debt to total capital ratio for the Company was 11.5% for the 2004 third quarter, 14.8% for the 2003 third quarter and 12.2% for the 2003 fiscal year.

Included in other assets are assets held for exchange in the amount of \$2.8 million representing barter credits that were acquired in exchange for inventories in December 1997. Such credits are redeemable for a percentage of supplies purchased from certain vendors through 2005 with an option for a two-year extension. The Company evaluates the recoverability of such assets on a quarterly basis and expects to utilize all available credits prior to their expiration. Barter credits of \$5.1 million have been utilized through September 11, 2004.

The Company's pension benefit costs and credits are based upon actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected returns on plan assets. The Company is required to consider market conditions, including changes in interest rates, in selecting these assumptions. Pre-tax charges resulting from the Company's defined benefit pension plans decreased \$0.3 million for the first three quarters of 2004 when compared to the same period of 2003.

The Company's Board of Directors approved common stock repurchase programs on October 5, 2004, December 9, 2003 and August 19, 2002. Each program authorizes the repurchase of 2.0 million shares of common stock over a 24-month period commencing on the effective date of the program. There were 1,082,900 shares (\$24.7 million in market value) repurchased during the 2004 third quarter of 2004 and 1,923,112 shares (\$45.8 million in market value) repurchased during the first three quarters of 2004 under these programs. There are 2,217,888 shares remaining in these programs available for future repurchases. The primary purpose of these stock repurchase programs is to increase stockholder value. The Company intends to continue to repurchase shares of its common stock in open market or privately negotiated transactions, from time to time, depending upon market conditions and other factors. Additional information about stock repurchases is included in Part II, Item 2 of this Form 10-Q.

The Company declared dividends of \$2.5 million in the third quarter of 2004, or \$.065 per share. This represents an 18.2% increase over the \$.055 per share declared in the third quarter of 2003. The quarterly dividend is payable on November 1, 2004 to stockholders of record on October 1, 2004.

On November 3, 2003, the Company acquired certain operating assets of Sebago, Inc., an international distributor of performance nautical and American-inspired footwear, consisting of accounts receivable, inventory, fixed assets, trademarks and other amortizable intangible assets totaling approximately \$18.6 million and assumed liabilities of approximately \$2.0 million. Subject to certain post-closing adjustments, the total purchase price of Sebago, Inc., was \$16.9 million, which consisted of \$14.9 million paid in cash and a note payable for \$2.0 million (\$1.0 million due in both 2004 and 2005), resulting in goodwill of \$0.2 million.

#### **Critical Accounting Policies**

The preparation of the Company's consolidated condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, 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 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 Management's Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report on Form 10-K for the fiscal year ended January 3, 2004. Management believes there have been no 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 January 3, 2004, 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 and to the extent that its long-term debt requirements are affected by changes in interest rates. The Company manages these risks by attempting to denominate contractual and other foreign arrangements in U.S. dollars and by maintaining a significant percentage of fixed-rate debt. 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 Form 10-Q Quarterly Report, the Company does not know of or expect there to be any material change in the general nature of its primary market risk exposure in the near term.

The methods used by the Company to manage its primary market risk exposures, as described in the sections of its annual report incorporated herein by reference in response to this item, have not changed materially during the current year. As of the date of this Form 10-Q Quarterly Report, the Company does not expect to change its methods used to manage its market risk exposures in the near term. However, the Company may change those methods in the future to adapt to changes in circumstances or to implement new techniques.

The Company's market risk exposure is mainly comprised of its vulnerability to changes in foreign currency exchange rates and interest rates. Prevailing rates and rate relationships in the future will be primarily determined by market factors that are outside of the Company's control. All information provided in response to this item consists of forward-looking statements. Reference is made to the section captioned "Forward-Looking Statements" at the beginning of this document for a discussion of the limitations on the Company's responsibility for such statements. For purposes of this item, "near term" means a period of time going forward up to one year from the date of the financial statements included in this report.

The Company applies SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS Nos. 137 and 138, when accounting for derivative instruments. These provisions require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If a derivative is a 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 Europe and Canada where the functional currencies are primarily the British Pound, Canadian Dollar and euro. The Company utilizes foreign currency forward exchange contracts to manage the volatility associated with foreign currency inventory purchases made by non-U.S. wholesale operations in the normal course of business. At September 11, 2004 and September 6, 2003, the Company had outstanding forward currency exchange contracts to purchase \$17.0 million and \$18.4 million, respectively, of various currencies (principally U.S. dollars) with maturities ranging up to one year.

The Company also has production facilities in the Dominican Republic where financial statements are prepared in U.S. dollars as the functional currency; however, operating costs are paid in the local currency. Royalty revenue generated by the Company from certain third-party foreign licensees is calculated in the licensees' local currency, but paid in U.S. dollars. Accordingly, the Company could be subject to related foreign currency remeasurement gains and losses in 2004 and beyond.

## ITEM 4. Controls and Procedures

As of quarter end, 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 such evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings with the Securities and Exchange Commission. There was no change in the Company's internal control over financial reporting that occurred during the twelve-week period ended September 11, 2004 that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

#### Issuer Purchases of Equity Securities

| Period   | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price Paid<br>per Share | Total Number<br>of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Number<br>of Shares that<br>May<br>Yet Be Purchased<br>Under the Plans or<br>Programs |
|--|---|------------------------------------|--|--|
| Period 1 (June 20, 2004 to July 17, 2004)        |   |                                    |  |  |
| Common Stock Repurchase Program <sup>(1)</sup>   | -   | \$ -                               | -  | 1,300,788  |
| Employee Transactions <sup>(2)</sup>             | -   | -                                  | N/A  | N/A  |
| Period 2 (July 18, 2004 to August 14, 2004)      |   |                                    |  |  |
| Common Stock Repurchase Program <sup>(1)</sup>   | 775,800                                   | 22.51                              | 775,800  | 524,988  |
| Employee Transactions <sup>(2)</sup>             | 2,000                                     | 26.24                              | N/A  | N/A  |
| Period 3 (August 15, 2004 to September 11, 2004) |   |                                    |  |  |
| Common Stock Repurchase Program <sup>(1)</sup>   | 307,100                                   | 23.71                              | 307,100  | 217,888  |
| Employee Transactions <sup>(2)</sup>             | 51,421                                    | 24.36                              | N/A  | N/A  |
| Total for Third Quarter ended September 11, 2004 |   |                                    |  |  |
| Common Stock Repurchase Program <sup>(1)</sup>   | 1,082,900                                 | \$ 22.85                           | 1,082,900  | 217,888(3)   |
| Employee Transactions <sup>(2)</sup>             | 53,421                                    | 24.43                              | N/A  | N/A  |

1. The Company's Board of Directors approved two common stock repurchase programs on December 9, 2003 and August 19, 2002. Each program authorizes the repurchase of 2.0 million shares of common stock over a 24-month period commencing on the effective date of the program. All shares repurchased during the period covered by this report were purchased under publicly announced programs.
2. 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 tax withholding that occurs upon vesting of restricted shares. The Company's employee stock compensation plans provides that the value of the shares delivered or attested to, or withheld, shall be the average of the high and low price of the Company's common stock on the date the relevant transaction occurs.
3. The Company's Board of Directors approved another common stock repurchase program on October 5, 2004. This program authorizes the repurchase of 2.0 million shares of common stock over a 24-month period commencing on the effective date of the program. This approval will increase the maximum number of shares that may be purchased to 2,217,888.

## ITEM 5. Other Information

The Company has been made aware that its independent auditor, Ernst & Young, LLP ("E&Y"), has recently notified the SEC and the Public Company Accounting Oversight Board that one non-audit service performed by an E&Y affiliate in China in 2003 has raised a question regarding E&Y's independence with respect to its performance of audit services for the Company. E&Y has disclosed to the Company's Audit Committee that on May 15, 2003, E&Y's affiliate in China received less than two hundred dollars from one of the Company's subsidiaries with specific instructions to transfer the funds on the same day to a Chinese governmental authority for tax withholding due by the Company.

The Audit Committee of the Board of Directors of the Company has reviewed the facts surrounding this one-time payment handling service provided by E&Y and is monitoring the outcome of SEC and PCAOB consideration of this matter. E&Y has informed the Audit Committee that it does not believe that there has been an impairment of E&Y's independence with respect to the Company as a result of this previous non-audit service.

## ITEM 6. Exhibits

Exhibits. The following documents are filed as exhibits to this report on Form 10-Q:

| <u>Exhibit Number</u> | <u>Document</u>  |
|-----------------------|--|
| 3.1                   | Certificate of Incorporation, as amended. Previously filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 7, 2002. Here incorporated by reference. |
| 3.2                   | Amended and Restated Bylaws. Previously filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 7, 2002. Here incorporated by reference.              |
| 31.1                  | Certification of President and Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 31.2                  | Certification of Executive Vice President, Chief Financial Officer and Treasurer under Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 32.1                  | Certification pursuant to 18 U.S.C. §1350.   |

## 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.  
AND SUBSIDIARIES

October 21, 2004

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Date

/s/ Timothy J. O'Donovan

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Timothy J. O'Donovan  
President and Chief Executive Officer  
(Duly Authorized Signatory for Registrant)

October 21, 2004

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Date

/s/ Stephen L. Gulis, Jr.

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Stephen L. Gulis, Jr.  
Executive Vice President, Chief Financial Officer  
and Treasurer  
(Principal Financial Officer and Duly Authorized  
Signatory for Registrant)



EXHIBIT INDEX

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| 32.1                      | Certification pursuant to 18 U.S.C. §1350.   |

**Exhibit 31.1**

**CERTIFICATIONS**

I, Timothy J. O'Donovan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wolverine World Wide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 21, 2004

/s/ Timothy J. O'Donovan

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Timothy J. O'Donovan  
President and Chief Executive Officer  
Wolverine World Wide, Inc.

**Exhibit 31.1**

**CERTIFICATIONS**

I, Stephen L. Gulis, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wolverine World Wide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 21, 2004

/s/ Stephen L. Gulis, Jr.

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Stephen L. Gulis, Jr.  
Executive Vice President, Chief  
Financial Officer and Treasurer  
Wolverine World Wide, Inc.

**Exhibit 31.1**

**CERTIFICATION**

Solely for the purpose of complying with 18 U.S.C. § 1350, each of the undersigned hereby certifies in his capacity as an officer of Wolverine World Wide, Inc. (the "Company") that the Quarterly Report of the Company on Form 10-Q for the accounting period ended September 11, 2004 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Date: October 21, 2004

/s/ Timothy J. O'Donovan

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Timothy J. O'Donovan  
President and Chief Executive Officer

/s/ Stephen L. Gulis, Jr.

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Stephen L. Gulis, Jr.  
Executive Vice President, Chief Financial  
Officer and Treasurer