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

## FORM 8-K

## CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 16, 2016**

# WOLVERINE WORLD WIDE, INC.
(Exact name of registrant as specified in its charter)

| **Delaware** | **001-06024** | **38-1185150** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| **9341 Courtland Drive N.E., Rockford, Michigan** | **49351** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(616) 866-5500**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 8.01 Other Events**

Wolverine World Wide, Inc. (the “Company”) is filing this Current Report on Form 8-K ("the “8-K”) to provide its historical financial results by reportable segment for fiscal years 2013, 2014 and 2015 to reflect the organizational changes occurring during the first quarter of fiscal 2016.

During the first quarter of fiscal 2016, the Company’s portfolio of brands was realigned into four operating segments, which the Company has determined to be reportable operating segments. The Company began to report under the new structure effective with the filing of its Quarterly Report on Form 10-Q for the 12 weeks ended March 26, 2016.

During the first quarter of fiscal 2016, the Company adopted new accounting guidance regarding the simplification of the presentation of debt issuance costs. This newly issued accounting guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability. Adoption of this new guidance results only in changes to the presentation of certain notes in the financial statement and reclassification of certain financial statement line items in the consolidated balance sheets. The Company began to report under the new accounting guidance effective with the filing of its Quarterly Report on Form 10-Q for the 12 weeks ended March 26, 2016.

This Current Report on Form 8-K (this “Form 8-K”) updates and supersedes the information in Items 1, 7 and 8 on Form 10-K for the year ended January 2, 2016 (the “2015 10-K”) to reflect retrospective application of the new segments and reclassified historical results to conform to the new presentation and the retrospective application of the new accounting guidance regarding the change in accounting for debt issuance costs for all periods presented. These adjustments had no impact on net income, comprehensive income, cash flows or equity.

Except as specifically provided, the information in this Form 8-K does not reflect any event or development occurring after March 1, 2016, the date the Company filed the 2015 Form 10-K. For a discussion of events and developments subsequent to the filing of the 2015 Form 10-K, please refer to the Company’s Securities and Exchange Commission (“SEC”) filings since that date. In the Company’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 26, 2016 and June 18, 2016, the Company adjusted the unaudited consolidated financial statements for the 12 weeks ended March 28, 2015 and for the 12 and 24 weeks ended June 20, 2015 to reflect the retrospective application of the Company’s new segments and adjusted the March 28, 2015 and June 20, 2015 unaudited consolidated balance sheets for the adoption of the new accounting guidance. Accordingly, The Company is filing this Form 8-K so that the annual financial statement information for years prior to January 3, 2016 incorporated by reference in any document that the Company has filed or may file from time to time with the SEC would reflect the Company’s realigned operating segments and adoption of the new accounting guidance.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits:

| | |
|---|---|
| 23.1 | Consent of Ernst & Young LLP. |
| 99.1 | Items from Wolverine World Wide, Inc. Annual Report on Form 10-K for the year ended January 2, 2016, revised to reflect recast segment information: Business (Item 1), Management’s Discussion and Analysis of Financial Condition and Results of Operations (Item 7) and Financial Statements and Supplementary Data (Item 8). |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

## 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 hereunto duly authorized.

| | |
|---|---|
| Dated: August 16, 2016 | WOLVERINE WORLD WIDE, INC.<br>(Registrant) |
| | /s/ Brendan M. Gibbons |
| | Brendan M. Gibbons<br>Senior Vice President, General Counsel and Secretary |

## EXHIBIT INDEX

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**Exhibit 23.1**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-4 No., 333-190076 and Form S-8 Nos., 33-55213, 33-63689, 33-64854, 333-49523, 333-93563, 333-67462, 333-88898, 333-97917, 333-106973, 333-129202, 333-165201, 333-186914) pertaining to the 6.125% Senior Notes due 2020 of Wolverine World Wide, Inc. and the various stock option, incentive and deferred compensation plans of Wolverine World Wide, Inc. of our report dated March 1, 2016 (except for Notes 2, 7, 10, 15 and 18 as to which the date is August 16, 2016), with respect to the consolidated financial statements and schedule of Wolverine World Wide, Inc., included in this Current Report on Form 8-K.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
August 16, 2016

## Item 1. Business

### General

Wolverine World Wide, Inc. (the “Company”) is a leading designer, manufacturer and marketer of branded footwear, apparel and accessories. The Company, a Delaware corporation, is the successor of a Michigan corporation of the same name, originally organized in 1906, which, in turn, was the successor of a footwear business established in Grand Rapids, Michigan in 1883. The Company’s products are marketed worldwide in approximately 200 countries and territories through owned operations in the U.S., Canada, the United Kingdom and certain countries in continental Europe and Asia Pacific. In other regions (Latin America, portions of Europe and Asia Pacific, the Middle East and Africa), the Company relies on a network of third-party distributors, licensees and joint ventures.

Today, the Company sources and markets a broad range of footwear styles, including shoes, boots and sandals under many recognizable brand names, including *Bates®*, *Cat®*, *Chaco®*, *Harley-Davidson®*, *Hush Puppies®*, *HyTest®*, *Keds®*, *Merrell®*, *Saucony®*, *Sebago®*, *Sperry®*, *Stride Rite®* and *Wolverine®*. The Company also markets *Merrell®* and *Wolverine®* brand apparel and accessories and licenses some of its brands for use on non-footwear products, including *Hush Puppies®* apparel, eyewear, watches, socks, handbags and plush toys; *Wolverine®* eyewear and gloves; *Keds®* apparel; *Saucony®* apparel; *Sperry®* apparel; and *Stride Rite®* apparel. *Cat®* is a registered trademark of Caterpillar Inc. and *Harley-Davidson®* is a registered trademark of H-D U.S.A., LLC.

The Company’s products generally feature contemporary styling with proprietary technologies designed to provide maximum comfort and performance. The Company believes that its primary competitive advantages are its well-recognized brand names, patented proprietary designs, diverse product offerings and comfort technologies, wide range of distribution channels and diversified manufacturing and sourcing base. The Company combines quality materials and skilled workmanship to produce footwear according to its specifications at both Company-owned and third-party manufacturing facilities. The Company’s brands are sold at various price points targeting a wide range of consumers of casual, work, outdoor and athletic footwear and apparel.

During the first quarter of fiscal 2016, the Company’s portfolio of brands was realigned into the following four operating segments, which the Company has determined to be reportable operating segments.

- **Wolverine Outdoor & Lifestyle Group**, consisting of *Merrell®* footwear and apparel, *Cat®* footwear, *Hush Puppies®* footwear and apparel, *Chaco®* footwear and *Sebago®* footwear and apparel;
- **Wolverine Boston Group**, consisting of *Sperry®* footwear and apparel, *Saucony®* footwear and apparel and *Keds®* footwear and apparel;
- **Wolverine Heritage Group**, consisting of *Wolverine®* footwear and apparel, *Bates®* uniform footwear, *Harley-Davidson®* footwear and *HyTest®* safety footwear; and
- **Wolverine Multi-Brand Group**, consisting of *Stride Rite®* footwear and apparel and the Company's multi-brand consumer-direct businesses.

The reportable segments are engaged in designing, manufacturing, sourcing, marketing, licensing and distributing branded footwear, apparel and accessories. Revenue of the operating segments includes revenue from the sale of branded footwear, apparel and accessories to third-party customers; royalty income from the licensing of the Company’s trademarks; revenue from distribution arrangements with third-party distributors; and revenue from the Company’s mono-branded consumer-direct businesses, including revenue from eCommerce websites.

The Company also reports “Other” and “Corporate” categories. The Other category consists of the Company’s leather marketing operations and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses, including restructuring and impairment costs. The Company’s operating segments are determined on the basis of how the Company internally reports and evaluates financial information used to make operating decisions.

The Company’s Global Operations Group is responsible for manufacturing, sourcing, distribution, logistics and customer support. The Company directly sells its products in the United States ("U.S."), Canada and certain countries in Europe to a wide range of customers, including department stores, national chains, catalog retailers, specialty retailers, mass merchants and internet retailers, and to governments and municipalities.

For financial information regarding the Company, see the consolidated financial statements and the accompanying notes, which are included in Item 8: "Financial Statements and Supplementary Data". Financial information regarding the Company’s reportable segments and other operating categories and financial information by geographic area is found in Note 15 to the consolidated financial statements of the Company which are included in Item 8: "Financial Statements and Supplementary Data".

The Company's operating segments and related brands are described in more detail below.

1. **<u>Wolverine Outdoor & Lifestyle Group</u>**

   ***Merrell®:*** *Merrell®* footwear is designed to inspire and encourage participation in the outdoors. Known for quality, durability and comfort, *Merrell®* uses a variety of proprietary designs and technologies to create footwear with distinctive styling, performance and comfort features for use on the trail or in town. *Merrell®* footwear products offer a wide range of styles, from technical hiking and trail-inspired footwear to versatile lifestyle products for more casual outdoor adventures for men and women. *Merrell®* footwear products are sold primarily through outdoor specialty retailers, sporting goods chains, department stores, internet retailers, catalog retailers, as well as *Merrell®* stores and an eCommerce site. *Merrell®* apparel extends the *Merrell®* commitment to an active outdoor lifestyle with a versatile line of apparel built for the summit or the street. *Merrell®* apparel features stylized lifestyle silhouettes built with the technical, high performance, weather fighting materials that consumers expect from a premium outdoor brand. *Merrell®* also markets accessories for men and women, including packs, bags and luggage.

   ***Cat® Footwear:*** *Cat®* footwear comes from a world of industry and action. The Company is the exclusive global footwear licensee of Caterpillar Inc., and for over two decades, *Cat®* footwear has been designing and engineering quality footwear that lives up to the hard-working reputation of the Caterpillar® brand. *Cat®* footwear originally created a small collection of rugged work boots designed to provide workers with comfort and durability that met the challenges of the worksite. Today, *Cat®* footwear offers a wide range of footwear, including work boots, casual shoes and women's fashion product - sold through a global distribution network. *Cat®*, *Caterpillar®*, *Build For It®*, "Caterpillar Yellow" and "Power Edge" are registered trademarks of Caterpillar Inc.

   ***Hush Puppies®:*** In 1958, *Hush Puppies®* introduced the world to shoes with casual style and an easygoing attitude made to relax in. The desire to create customers' "favorite pair of shoes" remains the measurement of success for *Hush Puppies®*. Inspired by its beloved basset hound icon, *Hush Puppies®* is easygoing and fun. Built-in comfort and fit features and proprietary technologies have made *Hush Puppies®* a brand well known for comfort. In addition to a wholesale and licensed footwear business, the *Hush Puppies®* brand is licensed to third parties engaged in the manufacturing, marketing and distribution of apparel, handbags, eyewear, socks, watches and plush toys sold around the world.

   ***Chaco®:*** The *Chaco®* footwear line focuses primarily on performance sandals and closed-toe products for the outdoor enthusiast, including the *Chaco®* proprietary LUVSEAT™ footbed for premium comfort. The brand's products are distributed primarily through leading outdoor and footwear specialty retailers, as well as the *Chaco®* eCommerce site. *Chaco®* also features MyChacos custom designs for sandals.

   ***Sebago®:*** Established in 1946, *Sebago®* shares its New England heritage and tradition with those who inspire to make the journey with them. *Sebago®* creates timeless, handcrafted dress and casual products from quality materials, all with a sense of purpose and style. The original, handsewn Classic penny loafer and *Docksides®* boat shoe remain unchanged since first crafted by *Sebago®* decades ago. While embracing its heritage, *Sebago®* has a true passion for taking the best of the past and evolving with today's consumer in mind. Along with authentic classics, the brand also offers new, modern footwear silhouettes and apparel and accessories.

2. **<u>Wolverine Boston Group</u>**

   ***Sperry®:*** *Sperry®* is a leading global nautical performance and lifestyle brand offering footwear, apparel and accessories to a broad range of consumers. The brand has been an American favorite since 1935 with the introduction of the industry's first boat shoe. Today, *Sperry®* remains the leader in the boat shoe category, but has also expanded its business into casuals, dress casuals, wet weather, boots and vulcanized product categories. *Sperry®* has evolved into a well-balanced, multi-category (footwear, apparel and accessories) and year-round lifestyle brand for men and women. *Sperry®* also offers sport-specific and athlete-tested performance footwear solutions for sailors, boaters, anglers and multi-water sports enthusiasts. The Advance Water Technologies ™ product collection featuring A*SV™ (Anti-Shock and Vibration)*, *Grip X3 Technology®* and *SON-R Technology®* has allowed *Sperry®* to reinforce its position as an innovation leader in these categories. The brand is primarily distributed through leading premium and better lifestyle retailers, as well as through Company-owned specialty retail stores and website.

   ***Saucony®:*** *Saucony®* is a leading performance running brand with roots dating back to 1898. *Saucony®* targets both elite and casual runners through award winning design, innovation and performance technology. The brand is focused on meeting the biomechanical needs of runners while maximizing comfort and protection, bringing to market innovations such as: *EVERUN®*, a cushioning technology system; *PowerGrid™* and PWRGRID+™

midsole technologies; *Sauc-Fit®*, *ComfortLite Sock Liner™, HydraMAX™* and ISO-Fit™ upper technologies; and *iBR+™* and *XT-900™* outsole material innovations. *Saucony®* offers five categories of footwear products – technical, natural motion, race, trail and lifestyle "Originals". *Saucony®* also offers the Total Run System™, a complete line of performance running apparel. Through the Find Your Strong™ brand platform, *Saucony®* is strengthening connections with consumers and elevating the positioning of the brand. The brand's products are distributed primarily through leading run specialty, sporting goods retailers, as well as *Saucony®* stores and an eCommerce site.

***Keds®:*** *Keds®* is an authentic casual lifestyle brand with a foundation in canvas footwear. This iconic American brand was founded in 1916 with the introduction of the *Champion®* sneaker. The simple and chic design ignited a style revolution, from fashion icons to the girl next door. Today, *Keds®* is fueled by a passion for imagination, inspiring a new generation of girls to stay authentic, optimistic and brave. The brand targets teen girl consumers through an extensive collection of *Champion®* originals, as well as a wide assortment of fashion sneakers and slip-ons. The brand's product architecture consists of both core offerings and seasonal iterations featuring updated prints, patterns, materials and constructions.

3. **Wolverine Heritage Group**

***Wolverine®:*** The *Wolverine®* brand offers high-quality boots and shoes that incorporate innovative technologies to deliver comfort and durability. The *Wolverine®* brand, in existence since 1883, markets footwear in three categories: (i) work and industrial; (ii) rugged outdoor for hunting; and (iii) lifestyle and heritage. The development of *DuraShocks®, MultiShox®*, *Wolverine Fusion®* and *Wolverine Compressor®* technologies, as well as the development of the *Contour Welt®* line, allows the *Wolverine®* brand to offer a broad line of footwear with a focus on comfort. The *Wolverine®* work product line targets industrial workers and focuses on work boots and shoes with protective features such as toe caps, metatarsal guards and electrical hazard protection. The *Wolverine®* rugged outdoor product lines incorporate *DuraShocks®*, *Wolverine iCS®* and other technologies and comfort features into products designed outdoor sport use and to meet the needs of hunters, fishermen and other active outdoor sports enthusiasts. The brand's lifestyle and heritage line targets consumers that have active lifestyles. The brand also markets a line of work and rugged casual *Wolverine®* brand apparel, and licenses its *Wolverine®* brand for use on eyewear, gloves and socks.

***Bates®:*** The *Bates®* brand is a leader in supplying footwear to military and civilian uniform wearers. *Bates®* utilizes *DuraShocks®*, *Bates iCS®*, *Bates Endurance Performance System* and other proprietary comfort technologies in the design of its footwear. *Bates®* supplies military footwear to the U.S. Department of Defense and the military branches of several foreign countries. Civilian uniform users include police officers, security and emergency medical services workers, and others in light industrial occupations. *Bates®* products are distributed through sporting goods chains, department stores, uniform specialty retailers and catalog retailers.

***Harley-Davidson® Footwear:*** Pursuant to a license arrangement with the Harley-Davidson Motor Company, Inc., the Company has footwear marketing and distribution rights for *Harley-Davidson®* branded footwear. *Harley-Davidson®* branded footwear products include motorcycle, casual, fashion, work and western footwear for men, women and children. *Harley-Davidson®* footwear is sold globally through a network of independent *Harley-Davidson®* dealerships and other retail outlets. *Harley-Davidson®* is a registered trademark of H-D U.S.A., LLC.

***HyTest® Safety Footwear:*** The *HyTest®* product line consists of high-quality work boots and shoes that incorporate various specialty safety features designed to protect against hazards of the workplace, including steel toe, composite toe, metatarsal guards, electrical hazard protection, static dissipating and conductive footwear. *HyTest®* footwear is distributed primarily through a network of independently-owned *Shoemobile®* mobile truck retail outlets providing direct sales of the Company's occupational and work footwear brands to workers at industrial facilities and also through direct sales arrangements with large industrial customers.

4. **Wolverine Multi-Brand Group**

***Stride Rite®:*** With a history dating back to 1919, *Stride Rite®* is an industry leader in children's footwear. *Stride Rite®* is focused on delivering the best possible footwear across a range of categories for children under nine years of age. All *Stride Rite®* products benefit from nearly a century of in-depth knowledge and understanding of how children walk and grow. Every new material and component is rigorously tested to ensure safety, proper fit and durability for children. *Stride Rite®* sells product under its own namesake brand, as well as children's footwear offerings from *Saucony®*, *Sperry®*, *Keds®*, *Merrell®* and select other footwear brands, through a network of Company-owned mall-based specialty retail stores and a consumer-direct website. *Stride Rite®* also distributes children's footwear through better department stores, independent retailers, sporting goods chains, mall specialty retailers, internet retailers and national family footwear stores.

**Multi-brand Consumer-Direct:** The multi-brand consumer-direct division includes brick and mortar and eCommerce operations that sell and distribute footwear and apparel from the Company's brand portfolio and other brands.

**Other Businesses**

In addition to its reportable segments, the Company also operates a performance leather business.

**Wolverine Leathers Division:** The Wolverine Leathers Division markets pigskin leather for use primarily in the footwear industry. The Company believes pigskin leather offers superior performance and other advantages over cowhide leather. The Company’s waterproof and stain resistant leathers are featured in some of the Company’s footwear lines and also sold to external footwear brands.

**Marketing**

The Company’s marketing strategy is to develop brand-specific plans and related promotional materials that foster a consistent message for each of the Company’s core brands across the globe. Each operating segment has dedicated marketing personnel who develop the marketing strategies for specific brands. Marketing campaigns and strategies vary by brand, but are generally designed to target consumers in order to increase awareness of, and affinity for, the Company’s brands. The Company’s advertisements typically emphasize fashion, comfort, quality, durability, functionality and other performance and lifestyle attributes of the Company’s brands and products. Components of brand-specific marketing plans vary and may include print and radio advertising, search engine optimization, social networking sites, event sponsorships, in-store point-of-purchase displays, promotional materials and sales and technical assistance.

In addition to the Company’s internal marketing efforts, each brand provides its third-party licensees and distributors with creative direction, brand images and other materials to convey globally consistent brand messaging, including (i) direction on the categories of footwear and apparel to be promoted; (ii) photography and layouts; (iii) broadcast advertising, including commercials and film footage; (iv) point-of-purchase specifications, blueprints and packaging; (v) sales materials; and (vi) consulting services regarding retail store layout and design. The Company believes its brand names represent a competitive advantage, and the Company, along with its licensees and distributors, make significant marketing investments to promote and enhance the market position of its products and drive brand awareness.

**Domestic Sales and Distribution**

The Company uses a variety of means to support sales to a variety of domestic distribution channels:

- The Company uses a dedicated sales force and customer service team, third party sales representatives and point-of-purchase materials to support domestic sales.
- The Company maintains core in-stock inventories to service department stores, national chains, specialty retailers, catalog retailers, independent retailers, uniform outlets and its own consumer-direct business.
- The Company uses volume direct programs to ship products directly to the retail customer without going through a Company distribution center and provide products at competitive prices to service major retail, catalog, mass merchant and government customers.
- The Company uses a network of independent *Shoemobile®* distribution outlets to distribute certain of the Company’s work and occupational footwear brands at industrial facilities.
- The Company solicits all branches of the U.S. military and submits bids for contracts to supply specific footwear products.

In addition to its wholesale activities, the Company also operates a mono- and multi-brand consumer-direct distribution channel, as described above.

A broad distribution base insulates the Company from dependence on any one customer. No single customer accounted for more than 10% of the Company’s consolidated revenue in fiscal 2015.

**Seasonality**

The Company experiences moderate fluctuations in sales volume during the year, as reflected in quarterly revenue (and taking into consideration the 16 weeks or 17 weeks included in the Company’s fiscal fourth quarter versus the 12 weeks included in each of the first three fiscal quarters). The Company expects current seasonal sales patterns to continue in future years. The Company also experiences some fluctuation in its levels of working capital, typically including an increase in net working capital requirements near the end of the first and third fiscal quarters. The Company meets its working capital requirements through internal free cash flow and, as needed, the Revolving Credit Facility, as discussed in more detail under the caption "Liquidity and Capital Resources" in Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations".

**International Operations and Global Licensing**

The Company's foreign-sourced revenue is generated from a combination of (i) sales of branded footwear and apparel through the Company's owned operations in Canada, the United Kingdom and certain countries in continental Europe; (ii) revenue from third-party distributors for certain markets and businesses; (iii) revenue from a network of third-party licensees; and (iv) revenue and income from joint ventures that market the Company's branded products in certain countries in South America and Asia, as well as in Mexico. The Company's international owned operations are located in markets where the Company believes it can gain a strategic advantage by directly controlling the sale of its products into retail accounts. License and distribution arrangements enable the Company to generate sales in other markets without the capital commitment required to maintain related foreign operations, employees, inventories or localized marketing programs. The Company believes that joint ventures will provide it with a more meaningful ownership stake and near-term brand impact in fast-growing markets than its traditional licensee and distributor arrangements.

The Company continues to develop its international network of third-party licensees and distributors to market its branded products. The Company assists its licensees in designing products that are appropriate to each foreign market, yet consistent with global brand positioning. Pursuant to license or distribution agreements, third-party licensees and distributors either purchase goods directly from the Company and authorized third-party manufacturers or manufacture branded products themselves, consistent with Company standards. Distributors and licensees are responsible for independently marketing and distributing the Company's branded products in their respective territories, with product and marketing support from the Company.

**Manufacturing and Sourcing**

The Company directly controls the majority of the units of footwear and apparel manufactured or sourced under the Company's brand names. The Company's licensees directly control the balance. A substantial majority of the units sourced or manufactured by the Company are procured from third parties, with the remainder of the manufacturing produced at a Company-owned facility. The Company sources a majority of its footwear from numerous third-party manufacturers in the Asia Pacific region. The Company maintains offices in the Asia Pacific region to develop and facilitate sourcing strategies. The Company has established guidelines for each of its third-party manufacturers in order to monitor product quality, labor practices and financial viability. The Company has adopted "Engagement Criteria for Partners and Sources," a policy that requires the Company's domestic and foreign manufacturers, licensees and distributors to use ethical business standards, comply with all applicable health and safety laws and regulations, commit to use environmentally safe practices, treat employees fairly with respect to wages, benefits and working conditions and not use child or prison labor. The Company's third-party sourcing strategy allows the Company to (i) benefit from lower manufacturing costs and state-of-the-art manufacturing facilities; (ii) source high quality raw materials from around the world; and (iii) avoid capital expenditures necessary for additional owned factories. The Company believes that its overall global manufacturing strategy provides the flexibility to properly balance the need for timely shipments, high quality products and competitive pricing. Footwear manufactured by the Company is produced at a Company-operated facility located in Michigan.

The Company's principal raw material is quality leather, which it purchases from a select group of domestic and foreign suppliers. The widespread availability of common upper materials and specialty leathers eliminates reliance by the Company on a single supplier.

The Company currently purchases all of the raw pigskins used for its Wolverine Leathers Division from one domestic source, which has been a reliable and consistent supplier to the Company for over 40 years. Alternative sources of raw pigskin are available, but the Company believes these sources offer less advantageous pricing, quality and compatibility with the Company's processing method. The Company purchases all of its other raw materials and component parts from a variety of sources and does not believe that any of these sources are a dominant supplier.

**Trademarks, Licenses and Patents**

The Company holds a significant portfolio of registered and common law trademarks that identify its branded products and technologies. The Company's owned trademarks include *Hush Puppies*®, Dog Likeness (registered design trademark), *Wolverine*®, *Bates*®, *Chaco*®, *Soft Style*®, *Wolverine Fusion*®, *DuraShocks*®, *MultiShox*®, *Wolverine Compressor*®, *Wolverine ICS*®, *Hidden Tracks*®, *iTechnology*™, *Bounce*®, *Comfort Curve*®, *HyTest*®, *Merrell*®, M Circle Design (registered design trademark), *Continuum*®, *Sebago*®, *Q Form*®, *Sperry*®, *Saucony*®, *Stride Rite*® and *Keds*®. The Company's Wolverine Leathers Division markets its pigskin leathers under the trademarks *Wolverine Warrior Leather*®, *Weather Tight*® and *All Season Weather Leathers*™. The Company has footwear marketing and distribution rights under the *Cat*® and *Harley-Davidson*® trademarks pursuant to license arrangements with the respective trademark owners. The *Cat*® license extends for more than five years and the *Harley-Davidson*® license has a term through December 31, 2020. Both licenses are subject to early termination for breach.

The Company believes that consumers identify its products by the Company's trademarks and that its trademarks are valuable assets. The Company has a policy of registering its primary trademarks and vigorously defending its trademarks against infringement or other threats whenever practicable. The Company also holds many design and utility patents, copyrights and various other proprietary rights. The Company protects its proprietary rights under applicable laws.

**Order Backlog**

At February 20, 2016, the Company had an order backlog of approximately $1,032 million compared to an order backlog of approximately $1,182 million at February 21, 2015. Substantially all of the backlog relates to orders for products expected to ship in fiscal 2016. Orders in the backlog are subject to cancellation by customers and to changes in planned customer demand or at-once orders. The backlog at any particular time is affected by a number of factors, including seasonality, retail conditions, expected customer demand, product availability and the schedule for the manufacture and shipment of products. Accordingly, a comparison of backlog from period to period is not necessarily meaningful and may not be predictive of eventual actual shipments. The February 21, 2015 backlog contained approximately $30 million in orders that were placed earlier than normal to avoid potential shipping delays as a result of the West Coast port slow down and threatened strike, and approximately $15 million of orders related primarily to the Cushe business exit. Longer production lead times also influenced order timing in 2015.

**Competition**

The Company markets its footwear and apparel lines in a highly competitive and fragmented environment. The Company competes with numerous domestic and international footwear marketers, some of whom are larger and have greater resources than the Company. The Company has a significant number of major competitors for its brands of footwear and apparel. Product performance and quality, including technological improvements, product identity, competitive pricing and ability to control costs and the ability to adapt to style changes are all important elements of competition in the footwear and apparel markets served by the Company. The footwear and apparel industries are subject to changes in consumer preferences. The Company strives to maintain its competitive position through promotions designed to increase brand awareness, manufacturing and sourcing efficiencies, and the style, comfort and value of its products. Future sales by the Company will be affected by its continued ability to sell its products at competitive prices and to meet shifts in consumer preferences.

Because of the lack of reliable published statistics, the Company is unable to state with certainty its competitive position in the overall footwear and apparel industries. The non-athletic footwear and apparel markets are highly fragmented and no one company has a dominant market position.

**Research and Development**

In addition to normal and recurring product development, design and styling activities, the Company engages in research and development activities related to the development of new production techniques and to the improvement of the function, performance, reliability and quality of its branded footwear and other products. For example, the Company's continuing relationship with the Biomechanics Evaluation Laboratory at Michigan State University has helped validate and refine specific biomechanical design concepts, such as *Bounce®*, *DuraShocks®* and *Hidden Tracks®* comfort technologies that have been incorporated into the Company's footwear. The Company also utilizes the research and testing capabilities of the *Saucony®* human performance and innovation lab, with a particular focus on quantifying the interaction between footwear and runners' strides. While the Company expects to continue to be a leading developer of footwear innovations, research and development costs do not represent a material portion of operating expenses.

**Environmental Matters**

Compliance with foreign and domestic federal, state and local requirements regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, have not had, nor are they expected to have, any material effect on the capital expenditures, earnings or competitive position of the Company. The Company uses and generates certain substances and wastes that are regulated or may be deemed hazardous to the environment under certain federal, state and local regulations. The Company works with foreign and domestic federal, state and local agencies from time to time to resolve cleanup issues at various sites and other regulatory issues.

**Employees**

As of January 2, 2016, the Company had approximately 6,550 domestic and foreign production, office and sales employees. Approximately 45 employees were covered by a single union contract that expires on December 31, 2017. The Company presently considers its employee relations to be good.

**Available Information**

Information about the Company, including the Company's Code of Conduct & Compliance, Corporate Governance Guidelines, Director Independence Standards, Accounting and Finance Code of Ethics, Audit Committee Charter, Compensation Committee

Charter, and Governance Committee Charter, is available at its website at *www.wolverineworldwide.com/investor-relations/corporate-governance*. Printed copies of the documents listed above are available upon request, without charge, by writing to the Company at 9341 Courtland Drive, N.E., Rockford, Michigan 49351, Attention: General Counsel.

The Company also makes available on or through its website at *www.wolverineworldwide.com/investor-relations*, free of charge, the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports (along with certain other Company filings with the Securities and Exchange Commission ("SEC")), as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. These materials are also accessible on the SEC's website at *www.sec.gov*.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the Company's results of operations and liquidity and capital resources. This section should be read in conjunction with the Company's consolidated financial statements and related notes which are included in Item 8: "Financial Statements and Supplementary Data".

## OVERVIEW

### BUSINESS OVERVIEW

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

The Company's brands are marketed in approximately 200 countries and territories at January 2, 2016, including through owned operations in the U.S., Canada, the United Kingdom and certain countries in continental Europe. In other regions (Asia Pacific, Latin America, portions of Europe, the Middle East and Africa), the Company relies on a network of third-party distributors, licensees and joint ventures. At January 2, 2016, the Company operated 390 retail stores in the U.S. and Canada and 70 consumer-direct websites.

### 2015 FINANCIAL OVERVIEW

- Revenue for fiscal 2015 was $2,691.6 million, a decrease of 2.5% compared to fiscal 2014. The decrease reflects the negative impact of foreign exchange ($65.6 million), the closure of retail stores ($37.9 million) and the exit of the *Patagonia®* footwear business ($22.0 million), which were partially offset by revenue growth, primarily within the Boston Group.
- Gross margin for fiscal 2015 was 39.1%, a decrease of 20 basis points from fiscal 2014. The gross margin decline was driven primarily by the negative impact of foreign exchange and a negative mix shift in international markets, which were partially offset by select selling price increases and product cost reductions as well as fewer inventory markdowns.
- Operating expenses decreased $5.8 million in fiscal 2015, to $850.6 million. Operating expenses were favorably impacted by the impact of foreign exchange, lower acquisition-related integration costs associated with the integration of the PLG business, lower incentive compensation expense and lower selling expenses, which were partially offset by incremental brand investments, higher pension expense and incremental restructuring and impairment costs.
- The effective tax rate in fiscal 2015 was 25.2% compared to 26.2% in fiscal 2014. The lower effective tax rate in fiscal 2015 reflects a lower proportion of income generated in higher tax jurisdictions, primarily the U.S., compared to fiscal 2014, which was partially offset by fewer favorable discrete items in fiscal 2015 compared to fiscal 2014.
- Cash provided by operating activities was $215.5 million during fiscal 2015, which allowed the Company to repurchase $92.6 million of Company common stock, make payments on its long-term debt of $80.9 million and make investments in growth initiatives including infrastructure improvements.
- The Company declared cash dividends of $0.24 per share, in both fiscal 2015 and fiscal 2014.

## RESULTS OF OPERATIONS

| | Fiscal Year | | | Percent Change vs. Prior Year | |
|---|---|---|---|---|---|
| (In millions, except per share data) | **2015** | 2014 | 2013 | 2015 | 2014 |
| Revenue | **$ 2,691.6** | $ 2,761.1 | $ 2,691.1 | (2.5)% | 2.6 % |
| Cost of goods sold | **1,636.9** | 1,673.8 | 1,619.0 | (2.2) | 3.4 |
| Restructuring costs | **3.0** | 1.0 | 7.6 | 200.0 | (86.8) |
| Gross profit | **1,051.7** | 1,086.3 | 1,064.5 | (3.2) | 2.0 |
| Selling, general and administrative expenses | **816.0** | 815.2 | 830.0 | 0.1 | (1.8) |
| Acquisition-related integration costs | **—** | 15.2 | 41.5 | (100.0) | (63.4) |
| Restructuring and impairment costs | **34.6** | 26.0 | 0.7 | 33.1 | 3,614.3 |
| Operating profit | **201.1** | 229.9 | 192.3 | (12.5) | 19.6 |
| Interest expense, net | **38.2** | 45.4 | 52.0 | (15.9) | (12.7) |
| Debt extinguishment costs | **1.6** | 1.3 | 13.1 | 23.1 | (90.1) |
| Other expense (income), net | **(3.3)** | 1.7 | (0.5) | (294.1) | 440.0 |
| Earnings before income taxes | **164.6** | 181.5 | 127.7 | (9.3) | 42.1 |
| Income tax expense | **41.4** | 47.6 | 26.7 | (13.0) | 78.3 |
| Net earnings | **123.2** | 133.9 | 101.0 | (8.0) | 32.6 |
| Less: net earnings attributable to noncontrolling interest | **0.4** | 0.8 | 0.6 | (50.0) | 33.3 |
| Net earnings attributable to Wolverine World Wide, Inc. | **$ 122.8** | $ 133.1 | $ 100.4 | (7.7)% | 32.6 % |
| Diluted earnings per share | **$ 1.20** | $ 1.30 | $ 0.99 | (7.7)% | 31.3 % |

### REVENUE

Revenue was $2,691.6 million for fiscal 2015, representing a decrease of 2.5% versus the prior year's revenue of $2,761.1 million. The decrease reflects the negative impact of foreign exchange ($65.6 million), the closure of retail stores ($37.9 million) and the exit of the *Patagonia®* footwear business ($22.0 million), which were partially offset by revenue growth, primarily within the Boston Group. International revenue represented 27.9%, 27.9% and 26.2% of total reported revenues in fiscal years 2015, 2014 and 2013, respectively.

Revenue was $2,761.1 million for fiscal 2014, representing an increase of 2.6% versus the prior year's revenue of $2,691.1 million. Mid single-digit growth from the Heritage Group and low single-digit growth from the Boston Group and Outdoor & Lifestyle Group. Changes in foreign exchange rates decreased reported revenue by $6.2 million in fiscal 2014.

### GROSS MARGIN

For fiscal 2015, the Company's gross margin was 39.1% compared to 39.3% in fiscal 2014. The gross margin decline was driven primarily by a the negative impact of foreign exchange (50 basis points) and a negative mix shift in international markets (40 basis points), which were partially offset by select selling price increases and product cost reductions (40 basis points) as well as fewer inventory markdowns (30 basis points).

For fiscal 2014, the Company's gross margin was 39.3% compared to 39.6% in fiscal 2013. The decrease was driven by higher product costs (30 basis points), a negative mix shift in international markets (30 basis points), incremental LIFO expense (10 basis points), impact of inventory liquidation related to retail store closures (10 basis points) and negative foreign currency impact (10 basis points), which were partially offset by select selling price increases (60 basis points).

### OPERATING EXPENSES

Operating expenses decreased $5.8 million in fiscal 2015, to $850.6 million. Operating expenses were favorably impacted by foreign exchange ($19.8 million), the lack of acquisition-related integration costs associated with the integration of the PLG business ($15.2 million), lower incentive compensation expenses ($13.6 million) and lower selling expenses ($6.1 million), which were partially offset by incremental brand investments ($24.3 million), higher pension expense ($16.0 million) and incremental restructuring and impairment costs ($8.6 million).

Operating expenses decreased $15.8 million in fiscal 2014, to $856.4 million. Operating expenses were favorably impacted by lower acquisition-related integration costs associated with the integration of the PLG business ($26.3 million), lower pension expense ($25.4 million) and lower incentive compensation expenses ($5.8 million). Partially offsetting these declines were incremental restructuring costs ($25.3 million), incremental selling expenses ($6.5 million) and incremental brand building expense ($8.8 million). Changes in foreign exchange rates had a $1.8 million favorable impact on reported operating expenses.

**INTEREST, OTHER AND TAXES**

Net interest expense was $38.2 million in fiscal 2015 compared to $45.4 million in fiscal 2014. The decrease was due primarily to lower average principal balances on the Company's outstanding debt.

Net interest expense was $45.4 million in fiscal 2014 compared to $52.0 million in fiscal 2013. The decrease reflects the benefits of the amendment to the Credit Agreement executed in the fourth quarter of fiscal 2013 and lower average principal balances.

The Company incurred $1.6 million of debt extinguishment costs during the third quarter of fiscal 2015 in connection with the refinancing of the Company's debt. The Company incurred $1.3 million of debt extinguishment costs during the fourth quarter of fiscal 2014 due to accelerating the amortization of capitalized deferred financing fees in relation to debt repayments. The Company incurred $13.1 million of debt extinguishment costs during the fourth quarter of fiscal 2013 in connection with the refinancing of the Company's debt. These costs represent a write-off of previously capitalized deferred financing fees.

The Company's effective tax rates in fiscal 2015 and fiscal 2014 were 25.2% and 26.2%, respectively. The lower effective tax rate in fiscal 2015 reflects a lower proportion of income generated in higher tax jurisdictions, primarily the U.S., compared to fiscal 2014, which was partially offset by fewer favorable discrete items in fiscal 2015 compared to fiscal 2014.

The Company's effective tax rates in fiscal 2014 and fiscal 2013 were 26.2% and 20.9%, respectively. The higher effective tax rate in fiscal 2014 reflects a greater proportion of income generated in higher tax jurisdictions, primarily the U.S., compared to 2013. In addition, the 2013 tax rate reflects higher acquisition-related integration costs that are deductible primarily in high statutory tax rate jurisdictions.

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

**REPORTABLE OPERATING SEGMENTS**

During the first quarter of fiscal 2016, the Company's portfolio of brands was realigned into the following four operating segments, which the Company has determined to be reportable operating segments.

- **Wolverine Outdoor & Lifestyle Group**, consisting of *Merrell®* footwear and apparel, *Cat®* footwear, *Hush Puppies®* footwear and apparel, *Chaco®* footwear, *Sebago®* footwear and apparel and *Cushe®* footwear;
- **Wolverine Boston Group**, consisting of *Sperry®* footwear and apparel, *Saucony®* footwear and apparel and *Keds®* footwear and apparel;
- **Wolverine Heritage Group**, consisting of *Wolverine®* footwear and apparel, *Bates®* uniform footwear, *Harley-Davidson®* footwear and *HyTest®* safety footwear; and
- **Wolverine Multi-Brand Group**, consisting of *Stride Rite®* footwear and apparel and the Company's multi-brand consumer-direct businesses.

The Company also reports "Other" and "Corporate" categories. The Other category consists of the Company's leather marketing operations and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses, including restructuring and impairment costs.

The reportable operating segment results for fiscal years 2015, 2014 and 2013 are as follows:

| | Fiscal Year | | | | Fiscal Year | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions) | **2015** | 2014 | Change | Percent Change | 2014 | 2013 | Change | Percent Change |
| **REVENUE** | | | | | | | | |
| Wolverine Outdoor & Lifestyle Group | **$ 957.5** | $ 1,024.6 | $ (67.1) | (6.5)% | $ 1,024.6 | $ 998.4 | $ 26.2 | 2.6 % |
| Wolverine Boston Group | **942.8** | 906.1 | 36.7 | 4.1 % | 906.1 | 887.4 | 18.7 | 2.1 % |
| Wolverine Heritage Group | **370.5** | 369.7 | 0.8 | 0.2 % | 369.7 | 352.9 | 16.8 | 4.8 % |
| Wolverine Multi-Brand Group | **351.2** | 399.0 | (47.8) | (12.0)% | 399.0 | 402.0 | (3.0) | (0.7)% |
| Other | **69.6** | 61.7 | 7.9 | 12.8 % | 61.7 | 50.4 | 11.3 | 22.4 % |
| Total | **$ 2,691.6** | $ 2,761.1 | $ (69.5) | (2.5)% | $ 2,761.1 | $ 2,691.1 | $ 70.0 | 2.6 % |

| (In millions) | Fiscal Year 2015 | 2014 | Change | Percent Change | Fiscal Year 2014 | 2013 | Change | Percent Change |
|---|---|---|---|---|---|---|---|---|
| **OPERATING PROFIT (LOSS)** | | | | | | | | |
| Wolverine Outdoor & Lifestyle Group | **$ 197.7** | $ 216.0 | $ (18.3) | (8.5)% | $ 216.0 | $ 201.3 | $ 14.7 | 7.3 % |
| Wolverine Boston Group | **132.9** | 132.9 | — | — % | 132.9 | 153.4 | (20.5) | (13.4)% |
| Wolverine Heritage Group | **54.6** | 59.5 | (4.9) | (8.2)% | 59.5 | 54.3 | 5.2 | 9.6 % |
| Wolverine Multi-Brand Group | **5.2** | 14.3 | (9.1) | (63.6)% | 14.3 | 21.2 | (6.9) | (32.5)% |
| Other | **5.6** | 4.4 | 1.2 | 27.3 % | 4.4 | 3.7 | 0.7 | 18.9 % |
| Corporate | **(194.9)** | (197.2) | 2.3 | 1.2 % | (197.2) | (241.6) | 44.4 | 18.4 % |
| Total | **$ 201.1** | $ 229.9 | $ (28.8) | (12.5)% | $ 229.9 | $ 192.3 | $ 37.6 | 19.6 % |

Further information regarding the reportable operating segments can be found in Note 15 to the consolidated financial statements.

**Wolverine Outdoor & Lifestyle Group**

The Outdoor & Lifestyle Group's revenue decreased $67.1 million, or 6.5%, in fiscal 2015 compared to fiscal 2014. The decline was due partially to a low twenties decline for *Hush Puppies*®, a mid single-digit decline from *Merrell*®, a mid single-digit decline from *Cat*®, a high teen decline from *Sebago*® and the the exit of the *Patagonia*® footwear license, which were partially offset by growth in the low fifties from *Chaco*®. The *Chaco*® increase was due to increased demand for its core sandal product. The decrease from *Merrell*® was driven by the negative impact of foreign exchange while the *Hush Puppies*® decline was due to strategic reductions in the U.S. department store channel. The *Cat*® decrease resulted from the negative impact of foreign exchange while the *Sebago*® decline was due to the negative impact of foreign exchange and higher inventory levels at key retail partners in the second half of fiscal 2015

The Outdoor & Lifestyle Group's operating profit decreased $18.3 million, or 8.5%, in fiscal 2015 compared to fiscal 2014. The operating profit decrease was due primarily to the revenue decreases for *Merrell*®, *Cat*® and *Patagonia*® and gross margin decreases from *Merrell*® and *Cat*®. These decreases were partially offset by the revenue increase from *Chaco*® and higher a gross margin from *Chaco*® due to fewer close-out sales. The gross margin decrease from *Merrell*® was due to unfavorable foreign currency forward contracts. The lower gross margin for *Cat*® was due to a negative mix shift in international markets and higher domestic closeout sales.

The Outdoor & Lifestyle Group's revenue increased $26.2 million, or 2.6%, in fiscal 2014 compared to fiscal 2013. The increase was driven by a high teen growth from *Cat*®, low single-digit growth from *Merrell*® and growth in the mid twenties from *Chaco*®. These increases were partially offset by a high single-digit revenue decline for *Hush Puppies*® and a revenue decline in the mid teens for *Sebago*®. *Cat*® benefited from strong global demand and a higher mix of top-line international revenue while *Merrell*® benefited from growth in its Performance Outdoor product category and *Chaco*® experienced increased demand for its core sandal product. The *Hush Puppies*® decline was due to strategic reductions in the U.S. department store channel, while the Sebago decline was due to poor sell through of key product categories.

The Outdoor & Lifestyle Group's operating profit increased $14.7 million, or 7.3%, in fiscal 2014 compared to fiscal 2013. The increase was due primarily to the revenue increases for *Merrell*®, *Cat*® and *Chaco*® and gross margin expansion from *Merrell*® and *Chaco*® due to a reduction in low margin close-out sales.

**Wolverine Boston Group**

The Boston Group's revenue increased $36.7 million, or 4.1%, in fiscal 2015 compared to fiscal 2014. The growth was driven by high single-digit growth from *Saucony*® and by low single-digit revenue increases for *Sperry*® and *Keds*®. The *Saucony*® increase was due to growth in its lifestyle oriented Originals product and Technical Running product, partially offset by the negative impact from foreign exchange. The *Keds*® increase was driven by growth in the Asia Pacific region due to new distributor arrangements. The *Sperry*® increase was a result of strong eCommerce revenue growth and new retail stores.

The Boston Group's operating profit remained constant in fiscal 2015 compared to fiscal 2014. *Saucony*® drove higher operating profit due to the increased revenues, which were offset by lower gross margins due to unfavorable foreign currency forward contracts. *Sperry*® had higher gross margin due primarily to higher selling prices and favorable product mix which was more than offset by increased advertising costs.

The Boston Group's revenue increased $18.7 million, or 2.1%, in fiscal 2014 compared to fiscal 2013. The positive growth rate was driven by high single-digit growth from *Saucony*® and growth in the high teens for *Keds*®, partially offset by mid single-digit revenue decline for *Sperry*®. *Saucony*® benefited from growth in its franchise products and the lifestyle-oriented Originals product and the increase for *Keds®* was driven by continued marketing investment in support of the brand. The *Sperry®* decline was driven by decreases in the domestic boat shoe category and a distribution channel realignment in the family channel, partially offset by sales from new retail stores.

The Boston Group's operating profit decreased $20.5 million, or 13.4%, in fiscal 2014 compared to fiscal 2013. The operating profit decrease was due primarily to the revenue decline and negative product mix for *Sperry®*. Partially offsetting the decline was a higher operating profit for *Keds®* and *Saucony®* due to higher revenues.

**Wolverine Heritage Group**

The Heritage Group's revenue increased $0.8 million, or 0.2%, in fiscal 2015 compared to fiscal 2014. The slight revenue increase was the result of mid single-digit growth from *Bates®*, partially offset by a low single-digit decline from *Wolverine®*. The *Bates®* increase was driven by increases in its domestic contract business. The *Wolverine®* decline was due primarily to unseasonably warm winter weather and higher inventory levels at key retail partners in the second half of fiscal 2015.

The Heritage Group's operating profit decreased $4.9 million, or 8.2%, in fiscal 2015 compared to fiscal 2014. The operating profit decrease was due primarily to the revenue decrease for *Wolverine®*.

The Heritage Group's revenue increased $16.8 million, or 4.8%, in fiscal 2014 compared to fiscal 2013. The positive growth rate was driven by high single-digit growth from *Wolverine®* and growth in the mid teens from *Harley-Davidson®*. *Wolverine®* benefited from growth in its Work, Outdoor and Heritage product collections.

The Heritage Group's operating profit increased $5.2 million, or 9.6%, in fiscal 2014 compared to fiscal 2013. The operating profit increase was due primarily to the revenue increases for *Wolverine®* and *Harley-Davidson®*.

**Wolverine Multi-Brand Group**

The Multi-Brand Group revenue decreased $47.8 million, or 12.0%, in fiscal 2015 compared to fiscal 2014 and decreased $3.0 million, or 0.7%, in fiscal 2014 compared to fiscal 2013. The decrease in fiscal 2015 was due a low teens revenue decline for *Stride Rite®* due to the planned closure of retail stores. The decrease in fiscal 2014 was due to low single-digit decline for *Stride Rite®* due to lower retail store traffic and negative weather trends.

The Multi-Brand Group's operating profit decreased $9.1 million, or 63.6%, in fiscal 2015 compared to fiscal 2014 and decreased $6.9 million, or 32.5%, in fiscal 2014 compared to fiscal 2013. The decrease in both periods was due lower revenue for *Stride Rite®*and lower gross margins resulting from retail store close-out activities.

**Other**

The Other category's revenues increased $7.9 million, or 12.8%, in fiscal 2015 compared to fiscal 2014 due primarily to low teens growth in the performance leathers business. Revenues increased $11.3 million, or 22.4%, in fiscal 2014 compared to fiscal 2013 due primarily to low twenties growth in the performance leathers business. Increases in operating profit for both fiscal 2015 and fiscal 2014 were due to the increases in revenue.

**Corporate**

Corporate expenses decreased $2.3 million in fiscal 2015 compared to fiscal 2014. Corporate expenses were favorably impacted by the lack of acquisition-related integration costs associated with the integration of the PLG business ($15.2 million) and lower incentive compensation expenses ($13.6 million), which were partially offset by higher pension expense ($16.0 million) and incremental restructuring and impairment costs ($10.6 million).

Corporate expenses decreased $44.4 million in fiscal 2014 compared to fiscal 2013. Corporate expenses were favorably impacted by lower acquisition-related integration costs associated with the integration of the PLG business ($26.3 million), lower pension expense ($25.4 million) and lower incentive compensation expenses ($5.8 million), which were partially offset by incremental restructuring costs ($18.7 million).

## LIQUIDITY AND CAPITAL RESOURCES

| (In millions) | Fiscal Year 2015 | 2014 | 2013 |
|---|---|---|---|
| Cash and cash equivalents | **$ 194.1** | $ 223.8 | $ 214.2 |
| Debt | **809.8** | 887.6 | 1,132.2 |
| Available revolving credit facility (1) | **496.2** | 196.4 | 196.5 |
| Cash provided by operating activities | **215.5** | 314.6 | 202.3 |
| Cash used in investing activities | **(50.0)** | (34.8) | (44.7) |
| Cash used in financing activities | **(187.3)** | (270.4) | (112.8) |
| Additions to property, plant and equipment | **46.4** | 30.0 | 41.7 |
| Depreciation and amortization | **48.7** | 53.3 | 56.2 |

(1) Amounts are net of both borrowings and outstanding standby letters of credit in accordance with the terms of the revolving credit facility.

### Liquidity

Cash and cash equivalents of $194.1 million as of January 2, 2016 were $29.7 million lower compared to January 3, 2015. The Company had $496.2 million available under a revolving credit agreement (the "Revolving Credit Facility") as of January 2, 2016.

At January 2, 2016, the Company had $164.2 million of cash and cash equivalents located in foreign jurisdictions, in which the Company intends to permanently reinvest these funds. The Company had outstanding standby letters of credit under the Revolving Credit Facility of approximately $3.8 million at January 2, 2016.

### Operating Activities

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

Cash from operations during fiscal 2015 was lower compared to fiscal 2014 due primarily to lower earnings performance in the current year and less favorable changes in working capital balances compared to fiscal 2014. During fiscal 2015 working capital balances drove a source of cash of $1.7 million, which includes the negative impact of increased inventories of $68.8 million, which were partially offset by an increase in accounts payable of $52.9 million and decrease in other operating assets of $14.6 million.

Higher earnings performance during fiscal 2014, along with the sale of certain accounts receivable, drove the increase in cash from operations compared to fiscal 2013. During fiscal 2014, a decrease in net working capital represented a source of cash of $86.9 million. Working capital balances were favorably impacted by a decrease in accounts receivable of $76.5 million due primarily to the cash inflow of $65.5 million related to the sales of certain accounts receivable described above, partially offset by an increase in other operating assets of $17.8 million. An increase in accounts payable and other operating liabilities represented a source of cash of $16.2 million and $9.1 million, respectively, in fiscal 2014.

### Investing Activities

The Company made capital expenditures of $46.4 million in fiscal 2015 compared to $30.0 million in fiscal 2014. The increase in capital expenditures during fiscal 2015 was primarily due to higher retail store and distribution center investments. The majority of the Company's capital expenditures in both years were for retail store investments, information system enhancements and building improvements.

The Company made capital expenditures of $30.0 million in fiscal 2014 compared to $41.7 million in fiscal 2013. The decrease in capital expenditures during fiscal 2014 was primarily due to fewer new retail stores being opened. The majority of the Company's capital expenditures in both years were for retail store investments, information system enhancements and building improvements.

### Financing Activities

On July 13, 2015, the Company amended its credit agreement (as amended, the "Credit Agreement"). The amendment replaced the previous term loan facility and revolving credit facility with a new $450.0 million Term Loan A Facility and a new $500.0 million Revolving Credit Facility, and extended the maturity date of these facilities to July 13, 2020. The Credit Agreement's debt capacity is limited to an aggregate debt amount (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed $1,425.0 million, unless certain specified conditions set forth in the Credit

Agreement are met. The Company incurred $1.6 million of debt extinguishment costs during the third quarter of fiscal 2015 in connection with the refinancing. These costs represent a write-off of previously capitalized deferred financing fees.

The Revolving Credit Facility allows the Company to borrow up to an aggregate amount of $500.0 million, which includes a $200.0 million foreign currency subfacility under which borrowings may be made, subject to certain conditions, in Canadian dollars, British pounds, euros, Hong Kong dollars, Swedish kronor, Swiss francs and such additional currencies as are determined in accordance with the Credit Agreement. The Revolving Credit Facility also includes a $50.0 million swingline subfacility and a $50.0 million letter of credit subfacility. The Company had outstanding letters of credit under the Revolving Credit Facility of $3.8 million and $3.6 million as of January 2, 2016 and January 3, 2015, respectively. These outstanding letters of credit reduce the borrowing capacity under the Revolving Credit Facility.

On October 9, 2012, the Company issued $375.0 million of senior notes (the "Public Bonds"), which bear interest at a 6.125% fixed rate and are due in 2020. Related interest payments are due semi-annually. The Public Bonds are guaranteed by substantially all of the Company’s domestic subsidiaries. As of January 2, 2016, the Company was in compliance with all covenants and performance ratios.

The Company's debt at January 2, 2016 was $809.8 million compared to $887.6 million at January 3, 2015. The net decrease in debt was primarily a result of principal payments on the Term Loan A Facility, including $58.0 million of voluntary debt payments during fiscal 2015. The decrease in debt during fiscal 2014 was primarily a result of principal payments, including $200.0 million of voluntary debt payments.

The Company has a $5.0 million (or the equivalent amount in Chinese renminbi) revolving line of credit facility that is uncommitted and, therefore, each borrowing against the facility is subject to approval by the lender. There were no borrowings against this facility for all periods presented.

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

On February 12, 2014, the Company's Board of Directors approved a common stock repurchase program that authorizes the repurchase of up to $200.0 million in common stock over a four-year period. The Company repurchased $92.6 million of Company common stock during fiscal 2015 under the stock repurchase plan. The Company did not repurchase any shares of Company common stock in fiscal 2014 or fiscal 2013 under a stock repurchase program. In addition to the stock repurchase program activity, the Company acquired $7.7 million, $10.5 million and $0.8 million of shares in fiscal years 2015, 2014 and 2013, respectively, in connection with employee transactions related to stock incentive plans.

On July 11, 2013, the Company’s Board of Directors approved a two-for-one stock split in the form of a stock dividend which was paid on November 1, 2013 to stockholders of record on October 1, 2013.

The Company declared cash dividends of $0.24 per share in fiscal years 2015, 2014 and 2013. Dividends paid totaled $24.4 million, $24.0 million and $23.7 million, for fiscal years 2015, 2014 and 2013, respectively.

## NEW ACCOUNTING STANDARDS

Refer to Note 2 of the consolidated financial statements for information related to new accounting standards.

## CRITICAL ACCOUNTING POLICIES

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

The Company has identified the following critical accounting policies used in determining estimates and assumptions in the amounts reported. Management believes that an understanding of these policies is important to an overall understanding of the Company’s consolidated financial statements.

**Revenue Recognition**

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

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

**Accounts Receivable**

The Company maintains an allowance for uncollectible accounts receivable for estimated losses resulting from its customers' failure to make required payments. Company management evaluates the allowance for uncollectible accounts receivable based on a review of current customer status and historical collection experience. Historically, losses have been within the Company's expectations. Adjustments to these estimates may be required if the financial condition of the Company's customers were to change. If the Company were to determine adjustments to the allowance for uncollectible accounts were appropriate, the Company would record either an increase or decrease to general and administrative expenses in the period in which the Company made such a determination.

**Inventory**

The Company values its inventory at the lower of cost or market. Cost is determined by the LIFO method for all domestic raw materials and work-in-process inventories and certain domestic finished goods inventories. Cost is determined using the first-in, first-out ("FIFO") method for all raw materials, work-in-process and finished goods inventories in foreign countries; certain domestic finished goods inventories; and for all finished goods inventories of the Company's consumer-direct business, due to the unique nature of those operations.The Company has applied these inventory cost valuation methods consistently from year to year.

The Company reduces the carrying value of its inventories to the lower of cost or market for excess or obsolete inventories based upon assumptions about future demand and market conditions. If the Company were to determine that the estimated market value of its inventory is less than the carrying value of such inventory, the Company would provide a reserve for such difference as a charge to cost of sales. If actual market conditions are different from those projected, adjustments to those inventory reserves may be required. The adjustments would increase or decrease the Company's cost of sales and net income in the period in which they were realized or recorded. Inventory quantities are verified at various times throughout the year by performing physical inventory counts and subsequently comparing those results to perpetual inventory balances. If the Company determines that adjustments to the inventory quantities are appropriate, an adjustment to the Company's cost of goods sold and inventory is recorded in the period in which such determination was made.

**Goodwill and Indefinite-Lived Intangibles**

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment tests at least annually. The Company reviews the carrying amounts of goodwill and indefinite-lived intangible assets by reporting unit at least annually, or when indicators of impairment are present, to determine if such assets may be impaired. If the carrying amounts of these assets are not recoverable based upon discounted cash flow and market approach analyses, the carrying amounts of such assets are reduced by the estimated difference between the carrying values and estimated fair values. The Company includes assumptions about expected future operating performance as part of a discounted cash flow analysis to estimate fair value.

For goodwill, if the estimated fair value of the reporting unit exceeds its carrying value, no further review is required. However, if the estimated fair value of the reporting unit is less than its carrying value, the Company performs the second step of the goodwill impairment test to determine the impairment charge, if any. The second step involves a hypothetical allocation of the estimated fair value of the reporting unit to its net tangible and intangible assets (excluding goodwill) as if the reporting unit were newly acquired, which results in an implied fair value of the goodwill. The amount of the impairment charge is the excess of the recorded goodwill over the implied fair value of the goodwill.

The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. The Company would not be required to quantitatively determine the fair value of the indefinite-lived intangible unless the Company determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than the carrying value. The Company may skip the qualitative assessment and quantitatively test indefinite-lived intangibles by comparison of the individual carrying values to the fair value. Future cash flows of the individual indefinite-lived intangible assets are used to measure their fair value after consideration by management of certain assumptions, such as forecasted growth rates and cost of capital, which are derived from internal projections and operating plans.

The Company performs its annual testing for goodwill and indefinite-lived intangible asset impairment at the beginning of the fourth quarter of the fiscal year for all reporting units. In the fourth quarter of fiscal 2015, as a result of its testing, the Company recorded a $2.5 million impairment charge for the Stride Rite trade name. The Company did not recognize any impairment charges for goodwill during fiscal 2015 or for goodwill or indefinite-lived intangible assets during the fiscal years 2014 or 2013, as the annual impairment testing indicated that all reporting unit goodwill and indefinite-lived intangible asset fair values exceeded their respective carrying values.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. Each impairment test is based on a comparison of the carrying amount of the asset or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment amount to be recognized is the amount by which the carrying value of the assets exceeds their fair value. See Note 16 to the consolidated financial statements for information related to long-lived assets that were determined to be impaired in fiscal 2015.

**Income Taxes**

The Company maintains certain strategic management and operational activities in overseas subsidiaries, and its foreign earnings are taxed at rates that are generally lower than the U.S. federal statutory income tax rate. A significant amount of the Company's earnings are generated by its Canadian, European and Asian subsidiaries and, to a lesser extent, in jurisdictions that are not subject to income tax. The Company has not provided for U.S. taxes for earnings generated in foreign jurisdictions because it plans to reinvest these earnings indefinitely outside the U.S. However, if certain foreign earnings previously treated as permanently reinvested are repatriated, the additional U.S. tax liability could have a material adverse effect on the Company's results of operations and financial position. Income tax audits associated with the allocation of this income and other complex issues may require an extended period of time to resolve and may result in income tax adjustments if changes to the income allocation are required between jurisdictions with different income tax rates. Because income tax adjustments in certain jurisdictions can be significant, the Company records accruals representing management's best estimate of the resolution of these matters. To the extent additional information becomes available, such accruals are adjusted to reflect the revised estimated outcome. The carrying value of the Company's deferred tax assets assumes that the Company will be able to generate sufficient taxable income in future years to utilize these deferred tax assets. If these assumptions change, the Company may be required to record valuation allowances against its gross deferred tax assets in future years, which would cause the Company to record additional income tax expense in its consolidated statements of operations. Management evaluates the potential that the Company will be able to realize its gross deferred tax assets and assesses the need for valuation allowances on a quarterly basis.

On a periodic basis, the Company estimates the full year effective tax rate and records a quarterly income tax provision in accordance with the projected full year rate. As the fiscal year progresses, that estimate is refined based upon actual events and the distribution of earnings in each tax jurisdiction during the year. This continual estimation process periodically results in a change to the expected effective tax rate for the fiscal year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the revised anticipated annual rate.

**Retirement Benefits**

The determination of the obligation and expense for retirement benefits is dependent on the selection of certain actuarial assumptions used in calculating such amounts. These assumptions include, among others, the discount rate, expected long-term rate of return on plan assets, mortality rates and rates of increase in compensation. These assumptions are reviewed with the Company's actuaries and updated annually based on relevant external and internal factors and information, including, but not limited to, long-term expected asset returns, rates of termination, regulatory requirements and plan changes.

The Company utilizes a bond matching calculation to determine the discount rate used to calculate its year-end pension liability and subsequent fiscal year pension expense. A hypothetical bond portfolio is created based on a presumed purchase of individual bonds to settle the plan's expected future benefit payments. The discount rate is the resulting yield of the hypothetical bond portfolio. The bonds selected are listed as high grade by at least two recognized ratings agency and are non-callable, currently purchasable and non-prepayable. The calculated discount rate was 5.00% at January 2, 2016 compared to 4.37% at January 3, 2015. Pension expense is also impacted by the expected long-term rate of return on plan assets, which the Company has determined to be 7.25% for fiscal 2016. This determination is based on both actual historical rates of return experienced by the pension assets and the long-term rate of return of a composite portfolio of equity and fixed income securities that reflects the approximate diversification of the pension assets.

**Stock-Based Compensation**

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of Financial Accounting Standards Board (“FASB") Accounting Standards Codification ("ASC") Topic 718, *Compensation – Stock Compensation* ("ASC 718"). The Company utilizes the Black-Scholes-Merton formula, which requires the input of subjective assumptions to calculate the amount to expense in the consolidated statements of operations related to stock options granted to employees. These assumptions include estimating (a) the length of time employees will retain their vested stock options before exercising them (“expected term”), (b) the volatility of the Company’s common stock price over the expected term and (c) the number of options that are expected to be forfeited. Changes in these assumptions can materially affect the estimate of fair value of stock-based compensation and, consequently, the related expense amounts recognized in the consolidated statements of operations.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as of January 2, 2016.

**CONTRACTUAL OBLIGATIONS**

As of January 2, 2016, the Company had the following payments under contractual obligations due by period:

| (In millions) | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Operating leases | $ 332.2 | $ 53.6 | $ 84.3 | $ 65.8 | $ 128.5 |
| Capital lease | 0.7 | 0.1 | 0.2 | 0.3 | 0.1 |
| Debt obligations (1) | 985.9 | 50.0 | 130.0 | 805.9 | — |
| Purchase obligations (2) | 325.1 | 325.1 | — | — | — |
| Deferred compensation | 2.5 | 0.4 | 0.9 | 0.7 | 0.5 |
| Pension (3) | 1.5 | 1.5 | — | — | — |
| Supplemental Executive Retirement Plan | 40.1 | 3.9 | 7.8 | 7.8 | 20.6 |
| Dividends declared | 6.0 | 6.0 | — | — | — |
| Minimum royalties | 8.2 | 2.0 | 3.2 | 3.0 | — |
| Minimum advertising | 23.8 | 3.1 | 6.5 | 6.9 | 7.3 |
| Total (4) | $ 1,726.0 | $ 445.7 | $ 232.9 | $ 890.4 | $ 157.0 |

(1) Includes principal and interest payments on the Company’s debt, net of the impact of the interest rate swaps. Estimated future interest payments on outstanding debt obligations are based on interest rates as of January 2, 2016. Actual cash outflows may differ significantly due to changes in underlying interest rates. See Note 10 to the consolidated financial statements for additional information on the Company's interest rate swaps.

(2) Purchase obligations related primarily to inventory and capital expenditure commitments.

(3) Pension obligations reflect expected pension funding, which is the amount of required funding obligations under government regulation. Funding amounts are calculated on an annual basis and no required or planned funding beyond one year has been determined.

(4) The total amount of unrecognized tax benefits on the consolidated balance sheet at January 2, 2016 is $8.7 million. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months due to uncertainties in the timing of tax audit outcomes. As a result, this amount is not included in the table above.

**Item 8. Financial Statements and Supplementary Data**

**Table of Contents**
**Consolidated Financial Statements**

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Statements of Operations**

| (In millions, except per share data) | Fiscal Year 2015 | Fiscal Year 2014 | Fiscal Year 2013 |
|---|---|---|---|
| Revenue | **$ 2,691.6** | $ 2,761.1 | $ 2,691.1 |
| Cost of goods sold | **1,636.9** | 1,673.8 | 1,619.0 |
| Restructuring costs | **3.0** | 1.0 | 7.6 |
| Gross profit | **1,051.7** | 1,086.3 | 1,064.5 |
| Selling, general and administrative expenses | **816.0** | 815.2 | 830.0 |
| Acquisition-related integration costs | **—** | 15.2 | 41.5 |
| Restructuring and impairment costs | **34.6** | 26.0 | 0.7 |
| Operating profit | **201.1** | 229.9 | 192.3 |
| Other expenses: | | | |
| Interest expense, net | **38.2** | 45.4 | 52.0 |
| Debt extinguishment costs | **1.6** | 1.3 | 13.1 |
| Other expense (income), net | **(3.3)** | 1.7 | (0.5) |
| Total other expenses | **36.5** | 48.4 | 64.6 |
| Earnings before income taxes | **164.6** | 181.5 | 127.7 |
| Income taxes | **41.4** | 47.6 | 26.7 |
| Net earnings | **123.2** | 133.9 | 101.0 |
| Less: net earnings attributable to noncontrolling interest | **0.4** | 0.8 | 0.6 |
| Net earnings attributable to Wolverine World Wide, Inc. | **$ 122.8** | $ 133.1 | $ 100.4 |
| Net earnings per share (see Note 3): | | | |
| Basic | **$ 1.22** | $ 1.33 | $ 1.01 |
| Diluted | **$ 1.20** | $ 1.30 | $ 0.99 |

See accompanying notes to consolidated financial statements.

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Statements of Comprehensive Income**

| | Fiscal Year | | |
|---|---|---|---|
| (In millions) | **2015** | 2014 | 2013 |
| Net earnings | **$ 123.2** | $ 133.9 | $ 101.0 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | **(31.8)** | (18.5) | (5.4) |
| Foreign exchange contracts: | | | |
| Unrealized gain (loss) arising during the period, net of taxes of $4.9, $4.1 and $(0.2) | **10.8** | 9.1 | (0.4) |
| Reclassification adjustments into cost of goods sold, net of taxes of $(6.0), $0.2 and $0.6 | **(13.0)** | 0.3 | 1.3 |
| Interest rate swaps: | | | |
| Unrealized gain (loss) arising during the period, net of taxes of $(2.2), $(0.1) and $0.8 | **(4.2)** | (0.2) | 1.6 |
| Reclassification adjustments into interest expense, net of taxes of $0.7, $0 and $0 | **1.4** | — | — |
| Pension adjustments: | | | |
| Net actuarial gain (loss) arising during the period, net of taxes of $8.2, $(19.6) and $33.1 | **15.2** | (36.3) | 61.4 |
| Amortization of prior actuarial losses, net of taxes of $7.3, $2.6 and $10.7 | **13.5** | 4.8 | 19.7 |
| Amortization of prior service cost | **0.1** | 0.1 | 0.1 |
| Settlement gain included in net income, net of taxes of $0, $(0.3) and $0 | **—** | (0.7) | — |
| Other comprehensive (loss) income | **(8.0)** | (41.4) | 78.3 |
| Less: other comprehensive loss attributable to noncontrolling interest | **(1.4)** | (1.1) | (0.1) |
| Other comprehensive income (loss) attributable to Wolverine World Wide, Inc. | **(6.6)** | (40.3) | 78.4 |
| | | | |
| Comprehensive income | **115.2** | 92.5 | 179.3 |
| Less: comprehensive (loss) income attributable to noncontrolling interest | **(1.0)** | (0.3) | 0.5 |
| Comprehensive income attributable to Wolverine World Wide, Inc. | **$ 116.2** | $ 92.8 | $ 178.8 |

See accompanying notes to consolidated financial statements.

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Balance Sheets**

| (In millions, except share data) | January 2, 2016 | January 3, 2015 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 194.1** | $ 223.8 |
| Accounts receivable, less allowances: | | |
| January 2, 2016 – $44.4 | | |
| January 3, 2015 – $41.0 | **298.9** | 312.7 |
| Inventories: | | |
| Finished products | **448.0** | 398.1 |
| Raw materials and work-in-process | **18.6** | 15.9 |
| Total inventories | **466.6** | 414.0 |
| Deferred income taxes | **—** | 28.1 |
| Prepaid expenses and other current assets | **54.2** | 63.6 |
| Total current assets | **1,013.8** | 1,042.2 |
| Property, plant and equipment: | | |
| Gross cost | **431.5** | 415.3 |
| Accumulated depreciation | **(299.9)** | (278.5) |
| Property, plant and equipment, net | **131.6** | 136.8 |
| Other assets: | | |
| Goodwill | **429.1** | 438.8 |
| Indefinite-lived intangibles | **685.4** | 690.5 |
| Amortizable intangibles, net | **97.3** | 112.1 |
| Deferred income taxes | **3.7** | 2.8 |
| Other | **73.5** | 68.1 |
| Total other assets | **1,289.0** | 1,312.3 |
| Total assets | **$ 2,434.4** | $ 2,491.3 |

See accompanying notes to consolidated financial statements.

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Balance Sheets – continued**

| (In millions, except share data) | January 2, 2016 | January 3, 2015 |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | **$ 199.7** | $ 149.4 |
| Accrued salaries and wages | **28.5** | 36.1 |
| Other accrued liabilities | **108.2** | 108.5 |
| Current maturities of long-term debt | **16.9** | 46.7 |
| Total current liabilities | **353.3** | 340.7 |
| Long-term debt, less current maturities | **792.9** | 840.9 |
| Accrued pension liabilities | **109.6** | 128.1 |
| Deferred income taxes | **178.6** | 217.0 |
| Other liabilities | **30.3** | 26.6 |
| Stockholders' equity | | |
| Wolverine World Wide, Inc. stockholders' equity: | | |
| Common stock – par value $1, authorized 320,000,000 shares; shares issued (including shares in treasury): | | |
| January 2, 2016 – 103,915,928 shares | | |
| January 3, 2015 – 102,253,150 shares | **103.9** | 102.3 |
| Additional paid-in capital | **75.9** | 40.1 |
| Retained earnings | **950.8** | 852.2 |
| Accumulated other comprehensive loss | **(56.1)** | (49.5) |
| Cost of shares in treasury: | | |
| January 2, 2016 – 5,457,726 shares | | |
| January 3, 2015 – 416,812 shares | **(110.8)** | (11.6) |
| Total Wolverine World Wide, Inc. stockholders' equity | **963.7** | 933.5 |
| Noncontrolling interest | **6.0** | 4.5 |
| Total stockholders' equity | **969.7** | 938.0 |
| Total liabilities and stockholders' equity | **$ 2,434.4** | $ 2,491.3 |

See accompanying notes to consolidated financial statements.

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Statements of Cash Flow**

| (In millions) | Fiscal Year 2015 | Fiscal Year 2014 | Fiscal Year 2013 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net earnings | **$ 123.2** | $ 133.9 | $ 101.0 |
| Adjustments necessary to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | **48.7** | 53.3 | 56.2 |
| Deferred income taxes | **(26.7)** | (19.1) | (27.8) |
| Stock-based compensation expense | **18.7** | 25.1 | 28.2 |
| Excess tax benefits from stock-based compensation | **(4.9)** | (5.6) | (3.4) |
| Pension contribution | — | (3.9) | (2.4) |
| Pension and SERP expense | **27.9** | 11.9 | 37.3 |
| Debt extinguishment costs | **1.6** | 1.3 | 13.1 |
| Restructuring and impairment costs | **37.6** | 27.0 | 8.3 |
| Cash payments related to restructuring costs | **(10.3)** | (7.7) | (1.4) |
| Other | **(2.0)** | 11.5 | (4.3) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | **5.8** | 76.5 | (41.3) |
| Inventories | **(68.8)** | 2.9 | 35.1 |
| Other operating assets | **14.6** | (17.8) | 12.8 |
| Accounts payable | **52.9** | 16.2 | (26.5) |
| Other operating liabilities | **(2.8)** | 9.1 | 17.4 |
| Net cash provided by operating activities | **215.5** | 314.6 | 202.3 |
| **INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment | **(46.4)** | (30.0) | (41.7) |
| Proceeds from sales of property, plant and equipment | — | — | 2.8 |
| Investments in joint ventures | — | (1.1) | (2.5) |
| Other | **(3.6)** | (3.7) | (3.3) |
| Net cash used in investing activities | **(50.0)** | (34.8) | (44.7) |
| **FINANCING ACTIVITIES** | | | |
| Borrowings of long-term debt | **450.0** | — | 775.0 |
| Payments on long-term debt | **(530.9)** | (249.8) | (875.0) |
| Payments of debt issuance costs | **(2.4)** | — | (2.3) |
| Cash dividends paid | **(24.4)** | (24.0) | (23.7) |
| Purchase of common stock for treasury | **(92.6)** | — | — |
| Purchases of shares under employee stock plans | **(7.7)** | (10.5) | (0.8) |
| Proceeds from the exercise of stock options | **13.3** | 7.3 | 8.6 |
| Excess tax benefits from stock-based compensation | **4.9** | 5.6 | 3.4 |
| Contributions from noncontrolling interest | **2.5** | 1.0 | 2.0 |
| Net cash used in financing activities | **(187.3)** | (270.4) | (112.8) |
| Effect of foreign exchange rate changes | **(7.9)** | 0.2 | (2.0) |
| (Decrease) increase in cash and cash equivalents | **(29.7)** | 9.6 | 42.8 |
| Cash and cash equivalents at beginning of the year | **223.8** | 214.2 | 171.4 |
| Cash and cash equivalents at end of the year | **$ 194.1** | $ 223.8 | $ 214.2 |
| **OTHER CASH FLOW INFORMATION** | | | |
| Interest paid | **$ 34.9** | $ 42.2 | $ 48.8 |
| Net income taxes paid | **$ 49.8** | $ 70.2 | $ 33.5 |

See accompanying notes to consolidated financial statements.

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Statements of Stockholders' Equity**

| | Wolverine World Wide, Inc. Stockholders' Equity | | | | | | |
|---|---|---|---|---|---|---|---|
| (In millions, except share and per share data) | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Non-controlling Interest | Total |
| Balance at December 29, 2012 | $ 98.7 | $ — | $ 633.4 | $ (87.5) | $ (2.2) | $ 1.3 | $ 643.7 |
| Net earnings | | | 100.4 | | | 0.6 | 101.0 |
| Other comprehensive income (loss) | | | | 78.3 | | (0.1) | 78.2 |
| Shares issued under stock incentive plans, net of forfeitures (2,068,751 shares) | 1.1 | | | | | | 1.1 |
| Stock-based compensation expense | | 28.2 | | | | | 28.2 |
| Amounts associated with shares issued under stock incentive plans: | | | | | | | |
| Proceeds over par value | | 7.5 | | | | | 7.5 |
| Income tax benefits | | 3.9 | | | | | 3.9 |
| Issuance of performance shares (785,458 shares) | | (0.4) | | | | | (0.4) |
| Issuance of treasury shares (26,590 shares) | | — | | | 0.6 | | 0.6 |
| Shares acquired for treasury (17,085 shares) | | | | | (0.8) | | (0.8) |
| Cash dividends declared ($0.24 per share) | | | (23.6) | | | | (23.6) |
| Capital contribution from noncontrolling interest | | | | | | 2.0 | 2.0 |
| Impact of stock split in the form of stock dividend | 1.0 | (34.2) | 32.9 | | 0.3 | | — |
| Balance at December 28, 2013 | $ 100.8 | $ 5.0 | $ 743.1 | $ (9.2) | $ (2.1) | $ 3.8 | $ 841.4 |
| Net earnings | | | 133.1 | | | 0.8 | 133.9 |
| Other comprehensive loss | | | | (40.3) | | (1.1) | (41.4) |
| Shares issued under stock incentive plans, net of forfeitures (795,523 shares) | 0.8 | (0.8) | | | | | — |
| Shares issued for stock options exercised, net (639,655 shares) | 0.7 | 6.6 | | | | | 7.3 |
| Stock-based compensation expense | | 25.1 | | | | | 25.1 |
| Income tax benefits from stock incentive plans | | 4.2 | | | | | 4.2 |
| Cash dividends declared ($0.24 per share) | | | (24.0) | | | | (24.0) |
| Issuance of treasury shares (35,484 shares) | | — | | | 1.0 | | 1.0 |
| Purchases of shares under employee stock plans (379,782 shares) | | | | | (10.5) | | (10.5) |
| Capital contribution from noncontrolling interest | | | | | | 1.0 | 1.0 |
| Balance at January 3, 2015 | $ 102.3 | $ 40.1 | $ 852.2 | $ (49.5) | $ (11.6) | $ 4.5 | $ 938.0 |

See accompanying notes to consolidated financial statements.

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Statements of Stockholders' Equity – continued**

| (In millions, except share and per share data) | Wolverine World Wide, Inc. Stockholders' Equity: Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Non-controlling Interest | Total |
|---|---|---|---|---|---|---|---|
| Balance at January 3, 2015 | $ 102.3 | $ 40.1 | $ 852.2 | $ (49.5) | $ (11.6) | $ 4.5 | $ 938.0 |
| Net earnings | | | 122.8 | | | 0.4 | 123.2 |
| Other comprehensive loss | | | | (6.6) | | (1.4) | (8.0) |
| Shares issued under stock incentive plans, net of forfeitures (721,621 shares) | 0.7 | (0.7) | | | | | — |
| Shares issued for stock options exercised, net (941,157 shares) | 0.9 | 12.4 | | | | | 13.3 |
| Stock-based compensation expense | | 18.7 | | | | | 18.7 |
| Income tax benefits from stock incentive plans | | 5.4 | | | | | 5.4 |
| Cash dividends declared ($0.24 per share) | | | (24.2) | | | | (24.2) |
| Issuance of treasury shares (40,016 shares) | | — | | | 1.1 | | 1.1 |
| Purchase of common stock for treasury (4,804,665 shares) | | | | | (92.6) | | (92.6) |
| Purchases of shares under employee stock plans (276,275 shares) | | | | | (7.7) | | (7.7) |
| Capital contribution from noncontrolling interest | | | | | | 2.5 | 2.5 |
| Balance at January 2, 2016 | $ 103.9 | $ 75.9 | $ 950.8 | $ (56.1) | $ (110.8) | $ 6.0 | $ 969.7 |

See accompanying notes to consolidated financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

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

### Principles of Consolidation

The consolidated financial statements include the accounts of Wolverine World Wide, Inc. and its majority-owned subsidiaries (collectively, the "Company"). All intercompany accounts and transactions have been eliminated in consolidation.

### Fiscal Year

The Company's fiscal year is the 52- or 53-week period that ends on the Saturday nearest to December 31. Fiscal 2015 had 52 weeks, fiscal 2014 had 53 weeks and fiscal 2013 contained 52 weeks.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### Revenue Recognition

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

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

### Cost of Goods Sold

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

### Shipping and Handling Costs

Shipping and handling costs that are charged to and reimbursed by a customer are recognized as revenue, while the related expenses incurred by the Company are recorded as cost of goods sold.

### Cash Equivalents

Cash equivalents include highly liquid investments with an original maturity of three months or less. Cash equivalents are stated at cost, which approximates market.

### Allowance for Uncollectible Accounts

The Company maintains an allowance for uncollectible accounts receivable for estimated losses resulting from its customers' failure to make required payments. Company management evaluates the allowance for uncollectible accounts receivable based on a review of current customer status and historical collection experience.

**Inventories**

The Company values its inventory at the lower of cost or market. Cost is determined by the LIFO method for all domestic raw materials and work-in-process inventories and certain domestic finished goods inventories. Cost is determined using the FIFO method for all raw materials, work-in-process and finished goods inventories in foreign countries; certain domestic finished goods inventories; and for all finished goods inventories of the Company's consumer-direct business, due to the unique nature of those operations. The Company has applied these inventory cost valuation methods consistently from year to year.

**Property, Plant and Equipment**

Property, plant and equipment are stated on the basis of cost and include expenditures for computer hardware and software, store furniture and fixtures, office furniture and machinery and equipment. Normal repairs and maintenance are expensed as incurred.

Depreciation of property, plant and equipment is computed using the straight-line method. The depreciable lives range from 14 to 20 years for buildings and improvements, from 5 to 10 years for leasehold improvements and from 3 to 10 years for machinery, equipment and software.

**Operating Leases**

The Company leases its retail stores and certain distribution and office facilities under operating leases. In addition to the minimum lease payments, leases may include rent escalation clauses, contingent rental expense and lease incentives, including rent holidays and tenant improvement allowances. Rent expense is recognized on a straight-line basis over the term of the lease from the time at which the Company takes possession of the property. Landlord-provided tenant improvement allowances are recorded in other liabilities and amortized as a credit to rent expense over the term of the lease. Leasehold improvements are depreciated at the lesser of the estimated useful life or lease term, including reasonably-assured lease renewals as determined at lease inception.

**Deferred Financing Costs**

Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining commitments for financing that result in a closing of such financings for the Company. These costs are amortized into earnings through interest expense over the terms of the respective agreements. Costs incurred in seeking financing transactions that do not close are expensed in the period in which it is determined that the financing will not close.

**Goodwill and Other Intangibles**

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets of acquired businesses. Indefinite-lived intangibles include trademarks and trade names. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment tests at least annually. The Company reviews the carrying amounts of goodwill and indefinite-lived intangible assets by reporting unit at least annually, or when indicators of impairment are present, to determine if such assets may be impaired. If the carrying amounts of these assets are not recoverable based upon discounted cash flow and market approach analyses, the carrying amounts of such assets are reduced by the estimated difference between the carrying values and estimated fair values. The Company includes assumptions about expected future operating performance as part of a discounted cash flow analysis to estimate fair value. If the carrying value of these assets is not recoverable, based on the discounted cash flow analysis, management performs the next step, which compares the fair value of the reporting unit to the carrying value of the tangible and intangible net assets of the reporting units. Goodwill is considered impaired if the recorded value of the tangible and intangible net assets exceeds the fair value of the reporting unit.

The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. The Company would not be required to quantitatively determine the fair value of the indefinite-lived intangible unless the Company determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than the carrying value. The Company may skip the qualitative assessment and quantitatively test indefinite-lived intangibles by comparison of the individual carrying values to the fair value. Future cash flows of the individual indefinite-lived intangible assets are used to measure their fair value after consideration by management of certain assumptions, such as forecasted growth rates and cost of capital, which are derived from internal projections and operating plans.

The Company performs its annual testing for goodwill and indefinite-lived intangible asset impairment at the beginning of the fourth quarter of the fiscal year for all reporting units. See Note 4 to the consolidated financial statements for information related to the results of the Company's annual test.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or an asset group may not be recoverable. Each impairment test is based on a comparison of the carrying amount of the asset or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment amount to be recognized is the amount by which the carrying value of the assets exceeds their fair value. See Note 16 to the consolidated financial statements for information related to long-lived assets that were determined to be impaired.

**Retirement Benefits**

The determination of the obligation and expense for retirement benefits is dependent on the selection of certain actuarial assumptions used in calculating such amounts. These assumptions include, among others, the discount rate, expected long-term rate of return on plan assets, mortality rates and rates of increase in compensation. These assumptions are reviewed with the Company's actuaries and updated annually based on relevant external and internal factors and information, including, but not limited to, long-term expected asset returns, rates of termination, regulatory requirements and plan changes. See Note 12 to the consolidated financial statements for additional information. Beginning with fiscal 2015, the Company has elected to measure its defined benefit plan assets and obligations as of December 31st of each year, regardless of the Company's actual fiscal year end date, which is the Saturday nearest to December 31.

**Income Taxes**

The provision for income taxes is based on the geographic dispersion of the earnings reported in the consolidated financial statements. A deferred income tax asset or liability is determined by applying currently-enacted tax laws and rates to the cumulative temporary differences between the carrying values of assets and liabilities for financial statement and income tax purposes.

The Company records an increase in liabilities for income tax accruals associated with tax benefits claimed on tax returns but not recognized for financial statement purposes (unrecognized tax benefits). The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively.

**Foreign Currency**

For most of the Company's international subsidiaries, the local currency is the functional currency. Assets and liabilities of these subsidiaries are translated into U.S. dollars at the year-end exchange rate. Operating statement amounts are translated at average exchange rates for each period. The cumulative translation adjustments resulting from changes in exchange rates are included in the consolidated balance sheets as a component of accumulated other comprehensive income (loss) in stockholders' equity. Transaction gains and losses are included in the consolidated statements of operations and were not material for fiscal years 2015, 2014 and 2013.

## 2. NEW ACCOUNTING STANDARDS

In May 2014, Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") that updates the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also amends the required disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The effective date of ASU 2014-09, after amendment by ASU 2015-14, *Deferral of the Effective Date*, is annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is evaluating the potential impacts of the new standard on its existing revenue recognition policies and procedures.

In June 2014, FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The Company adopted ASU 2014-12 in the first quarter of 2016 on a prospective basis for awards issued after the effective date. ASU 2014-12 did not have, nor does the Company believe it will, have a material impact on its existing stock-based compensation plans.

In August 2014, FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 requires that an entity's management evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The Company adopted ASU 2014-15 in the first quarter of 2016 and it did not have a significant impact on its quarterly reporting process.

In April 2015, FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). In August 2015, FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"). ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03 or ASU 2015-15. The Company adopted these ASUs in the first quarter of fiscal 2016 on a retrospective basis. In accordance with ASU 2015-15, the Company elected to continue to present its debt issuance costs related to its revolving line of credit as an asset. Due to the adoption of this standard, the Company now includes these deferred financing costs in other noncurrent assets. Amounts have been recast for all periods presented to conform to the current presentation. The new standards did not affect the Company's results of operations or cash flows.

In April 2015, FASB issued ASU 2015-04, *Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets* ("ASU 2015-04"). ASU 2015-04 allows employers with a fiscal year end that does not coincide with a calendar month end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year end. The Company elected to prospectively adopt the accounting standard in the fourth quarter of fiscal 2015. Prior periods in the Company's Consolidated financial statements were not retrospectively adjusted.

In July 2015, FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* ("ASU 2015-11"). ASU 2015-11 requires that an entity measure inventory at the lower of cost and net realizable value. This ASU does not apply to inventory measured using last-in, first-out. ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company does not expect the new standard to have a significant impact on its consolidated financial position, results of operations or cash flows.

In November 2015, FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). ASU 2015-17 requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. This ASU applies to all entities that present a classified statement of financial position. The Company early adopted ASU 2015-17 effective January 2, 2016 on a prospective basis. Adoption of this ASU resulted in a reclassification of net current deferred tax asset to the net non-current deferred tax asset in the Consolidated balance sheet as of January 2, 2016. No prior periods were retrospectively adjusted.

In January 2016, FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This ASU addresses certain aspects of recognition, measurement, presentation and disclosure of financial statements. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is evaluating the potential impacts of the new standard on its consolidated financial statements.

## 3. EARNINGS PER SHARE

The Company calculates earnings per share in accordance with FASB ASC Topic 260, *Earnings Per Share* ("ASC 260"). ASC 260 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. Under the guidance in ASC 260, the Company's unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and must be included in the computation of earnings per share pursuant to the two-class method.

On July 11, 2013, the Company's Board of Directors approved a two-for-one stock split in the form of a stock dividend that was paid on November 1, 2013 to stockholders of record on October 1, 2013. On April 24, 2014, the Company amended its Restated Certificate of Incorporation to increase the number of shares of the Company's authorized common stock from 160,000,000 shares to 320,000,000 shares. All share and per share data has been presented to reflect the split.

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

| (In millions, except per share data) | Fiscal Year 2015 | 2014 | 2013 |
|---|---|---|---|
| Numerator: | | | |
| Net earnings attributable to Wolverine World Wide, Inc. | **$ 122.8** | $ 133.1 | $ 100.4 |
| Adjustment for earnings allocated to nonvested restricted common stock | **(2.8)** | (2.9) | (2.3) |
| Net earnings used to calculate basic earnings per share | **120.0** | 130.2 | 98.1 |
| Adjustment for earnings reallocated to nonvested restricted common stock | **0.1** | 0.1 | 0.1 |
| Net earnings used to calculate diluted earnings per share | **$ 120.1** | $ 130.3 | $ 98.2 |
| Denominator: | | | |
| Weighted average shares outstanding | **102.0** | 101.4 | 100.2 |
| Adjustment for nonvested restricted common stock | **(3.4)** | (3.2) | (3.3) |
| Shares used to calculate basic earnings per share | **98.6** | 98.2 | 96.9 |
| Effect of dilutive stock options | **1.4** | 1.9 | 2.0 |
| Shares used to calculate diluted earnings per share | **100.0** | 100.1 | 98.9 |
| Net earnings per share: | | | |
| Basic | **$ 1.22** | $ 1.33 | $ 1.01 |
| Diluted | **$ 1.20** | $ 1.30 | $ 0.99 |

Options granted to purchase 2,264,711 shares of common stock in fiscal 2015, 1,116,576 shares in fiscal 2014 and 449,036 shares in fiscal 2013 have not been included in the denominator for the computation of diluted earnings per share for each of those fiscal years because they were anti-dilutive.

The Company has 2,000,000 authorized shares of $1 par value preferred stock, none of which was issued or outstanding as of January 2, 2016 or January 3, 2015. The Company has designated 150,000 shares of preferred stock as Series A junior participating preferred stock and 500,000 shares of preferred stock as Series B junior participating preferred stock for possible future issuance.

On February 12, 2014, the Company's Board of Directors approved a common stock repurchase program that authorizes the repurchase of up to $200.0 million in common stock over a four-year period. The Company repurchased $92.6 million of Company common stock during fiscal 2015 under the stock repurchase plan. The Company did not repurchase any shares of Company common stock in fiscal 2014 or fiscal 2013 under a stock repurchase program. In addition to the stock repurchase program activity, the Company acquired $7.7 million, $10.5 million and $0.8 million of shares in fiscal years 2015, 2014 and 2013, respectively, in connection with employee transactions related to stock incentive plans.

## 4. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes during fiscal years 2015 and 2014 in the carrying amount of goodwill and indefinite-lived intangibles, which comprises trademarks and trade names, is as follows:

| (In millions) | Goodwill | Indefinite-lived intangibles | Total |
|---|---|---|---|
| Balance at December 28, 2013 | $ 445.3 | $ 690.5 | $ 1,135.8 |
| Foreign currency translation effects | (6.5) | — | (6.5) |
| Balance at January 3, 2015 | $ 438.8 | $ 690.5 | $ 1,129.3 |
| Impairment | — | **(5.1)** | **(5.1)** |
| Foreign currency translation effects | **(9.7)** | — | **(9.7)** |
| Balance at January 2, 2016 | **$ 429.1** | **$ 685.4** | **$ 1,114.5** |

In the second quarter of fiscal 2015, the Company recorded a $2.6 million impairment charge for the *Cushe*® trade name, due to the decision to wind-down operations of the *Cushe*® brand. In the fourth quarter of fiscal 2015, as a result of its annual impairment testing, the Company recorded a $2.5 million impairment charge for the *Stride Rite*® trade name.

In addition, the results of our indefinite-lived intangible impairment test based on the Company's outlook for future operating results have given rise to a reduction in the excess of fair value over the carrying value for the *Stride Rite*® and *Sperry*® trade name indefinite-lived intangible assets. If the operating results continue to decline, the Company may record a non-cash indefinite-lived intangible asset impairment charge in future periods. The carrying value of the Company's *Stride Rite*® and *Sperry*® trade name indefinite-lived intangible assets was $15.0 million and $586.8 million, respectively, as of January 2, 2016.

The Company did not recognize any impairment charges for goodwill during fiscal 2015 or for goodwill or indefinite-lived intangible assets during the fiscal years 2014 or 2013, as the annual impairment testing indicated that all reporting unit goodwill and indefinite-lived intangible asset fair values exceeded their respective carrying values.

Amortizable intangible assets are amortized using the straight-line method over their estimated useful lives. They consist primarily of customer relationships, licensing arrangements and developed product technology. The combined gross carrying value and accumulated amortization for these amortizable intangibles is as follows:

| | January 2, 2016 | | | |
|---|---|---|---|---|
| (In millions) | Average remaining life (years) | Gross carrying value | Accumulated amortization | Net |
| Customer relationships | **17** | **$ 100.5** | **$ 16.7** | **$ 83.8** |
| Licensing arrangements | **1** | **28.8** | **22.0** | **6.8** |
| Developed product technology | **2** | **14.9** | **9.8** | **5.1** |
| Other | **3** | **11.2** | **9.6** | **1.6** |
| Total | | **$ 155.4** | **$ 58.1** | **$ 97.3** |

| | January 3, 2015 | | | |
|---|---|---|---|---|
| (In millions) | Average remaining life (years) | Gross carrying value | Accumulated amortization | Net |
| Customer relationships | 17 | $ 100.5 | $ 11.5 | $ 89.0 |
| Licensing arrangements | 2 | 28.8 | 15.2 | 13.6 |
| Developed product technology | 3 | 14.9 | 6.8 | 8.1 |
| Other | 2 | 10.4 | 9.0 | 1.4 |
| Total | | $ 154.6 | $ 42.5 | $ 112.1 |

Amortization expense for other intangible assets was $15.6 million, $15.7 million and $18.4 million for fiscal years 2015, 2014 and 2013, respectively. Estimated aggregate amortization expense for such intangibles for the fiscal years subsequent to January 2, 2016 is as follows:

| (In millions) | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Amortization expense | $ 14.0 | $ 8.9 | $ 5.3 | $ 5.1 | $ 5.1 |

## 5. ACCOUNTS RECEIVABLE

The Company has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis that expires in 2017. Under the agreement, up to $200.0 million of accounts receivable may be sold to the financial institution and remain outstanding at any point in time. After the sale, the Company does not retain any interests in the accounts receivable and removes them from its consolidated balance sheet, but continues to service and collect the outstanding accounts receivable on behalf of the financial institution. The Company recognizes a servicing asset or servicing liability, initially measured at fair value, each time it undertakes an obligation to service the accounts receivable under the agreement. The fair value of this obligation resulted in a nominal servicing liability at January 2, 2016 and January 3, 2015. For receivables sold under the agreement, 90% of the stated amount is paid for in cash to the Company at the time of sale, with the remainder paid to the Company at the completion of the collection process. As of January 2, 2016 and January 3, 2015, this program had reduced the Company's accounts receivable by $77.6 million and $60.9 million, respectively. The Company sold a total of $657.4 million and $72.8 million of accounts receivable at their stated amounts, less a $1.4 million and $0.1 million fee charged by the financial institution, during fiscal years 2015 and 2014, respectively. The fee is recorded in other expense. Net proceeds of this program are classified in operating activities in the consolidated statements of cash flows.

## 6. INVENTORIES

The Company used the LIFO method to value inventories of $78.7 million at January 2, 2016 and $62.5 million at January 3, 2015. If the FIFO method had been used, inventories would have been $27.0 million and $25.1 million higher than reported at January 2, 2016 and January 3, 2015, respectively.

## 7. DEBT

Total debt consists of the following obligations:

| (In millions) | **January 2, 2016** | January 3, 2015 |
|---|---|---|
| Term Loan A Facility, due July 13, 2020 | **$ 444.4** | $ 525.2 |
| Public Bonds, 6.125% interest, due October 15, 2020 | **375.0** | 375.0 |
| Capital lease obligation | **0.6** | 0.6 |
| Unamortized debt issuance costs | **(10.2)** | (13.2) |
| Total debt | **$ 809.8** | $ 887.6 |

On July 13, 2015, the Company amended its credit agreement (as amended, the "Credit Agreement"). The amendment replaced the previous term loan facility and revolving credit facility with a new $450.0 million Term Loan A Facility and a new $ 500.0 million Revolving Credit Facility, and extended the maturity date of these facilities to July 13, 2020. The Credit Agreement's debt capacity is limited to an aggregate debt amount (including outstanding term loan principal and revolver commitment amounts in addition to permitted incremental debt) not to exceed $1,425.0 million, unless certain specified conditions set forth in the Credit Agreement are met. The Company incurred $1.6 million of debt extinguishment costs during the third quarter of fiscal 2015 in connection with the refinancing. These costs represent a write-off of previously capitalized deferred financing fees.

The Revolving Credit Facility allows the Company to borrow up to an aggregate amount of $500.0 million, which includes a $200.0 million foreign currency subfacility under which borrowings may be made, subject to certain conditions, in Canadian dollars, British pounds, euros, Hong Kong dollars, Swedish kronor, Swiss francs and such additional currencies as are determined in accordance with the Credit Agreement. The Revolving Credit Facility also includes a $50.0 million swingline subfacility and a $50.0 million letter of credit subfacility. The Company had outstanding letters of credit under the Revolving Credit Facility of $3.8 million and $3.6 million as of January 2, 2016 and January 3, 2015, respectively. These outstanding letters of credit reduce the borrowing capacity under the Revolving Credit Facility.

The interest rates applicable to amounts outstanding under the Term Loan A Facility and to U.S. dollar denominated amounts outstanding under the Revolving Credit Facility will be, at the Company's option, either (1) the Alternate Base Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 0.25% to 1.00%, or (2) the Eurocurrency Rate plus an Applicable Margin as determined by the Company's Consolidated Leverage Ratio, within a range of 1.25% to 2.00% (all capitalized terms used in this sentence are as defined in the Credit Agreement). The Company has two interest rate swap arrangements that reduce the Company's exposure to fluctuations in interest rates on its variable rate debt. At January 2, 2016, Term Loan A had a weighted-average interest rate of 2.16%.

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

The Credit Agreement also contains certain affirmative and negative covenants, including covenants that limit the ability of the Company and its Restricted Subsidiaries to, among other things: incur or guarantee indebtedness; incur liens; pay dividends or repurchase stock; enter into transactions with affiliates; consummate asset sales, acquisitions or mergers; prepay certain other indebtedness; or make investments, as well as covenants restricting the activities of certain foreign subsidiaries of the Company that hold intellectual property related assets. Further, the Credit Agreement requires compliance with the following financial covenants: a maximum Consolidated Leverage Ratio; a maximum Consolidated Secured Leverage Ratio; and a minimum Consolidated Interest Coverage Ratio (all capitalized terms used in this paragraph are as defined in the Credit Agreement). As of January 2, 2016, the Company was in compliance with all covenants and performance ratios under the Credit Agreement.

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

The Company has a $5.0 million (or the equivalent amount in Chinese renminbi) revolving line of credit facility that is uncommitted and, therefore, each borrowing against the facility is subject to approval by the lender. There were no borrowings against this facility for all periods presented.

The Company has a capital lease obligation with payments scheduled to continue through February 2022.

The Company included in interest expense the amortization of deferred financing costs of approximately $3.7 million, $ 4.2 million and $6.1 million in fiscal years 2015, 2014 and 2013, respectively.

Annual maturities of debt for the fiscal years subsequent to January 2, 2016 are as follows:

| (In millions) | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter |
|---|---|---|---|---|---|---|
| Annual maturities of debt | $ 16.9 | $ 28.2 | $ 28.2 | $ 45.1 | $ 701.5 | $ 0.1 |

## 8. ACCUMLATED OTHER COMPREHENSIVE INCOME (LOSS)

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

The change in accumulated other comprehensive income (loss) during fiscal years 2015 and 2014 is as follows:

| (In millions) | Foreign currency translation adjustments | Foreign exchange contracts | Interest rate swap | Pension adjustments | Total |
|---|---|---|---|---|---|
| Balance of accumulated other comprehensive income (loss) as of December 28, 2013 | $ 0.5 | $ (0.8) | $ 0.6 | $ (9.5) | $ (9.2) |
| Other comprehensive income (loss) before reclassifications [1] | (17.4) | 9.1 | (0.2) | (36.3) | (44.8) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 0.5 [2] | — | 6.5 [3] | 7.0 |
| Income tax expense (benefit) | — | (0.2) | — | (2.3) | (2.5) |
| Net reclassifications | — | 0.3 | — | 4.2 | 4.5 |
| Net current-period other comprehensive income (loss) [1] | (17.4) | 9.4 | (0.2) | (32.1) | (40.3) |
| Balance of accumulated other comprehensive income (loss) as of January 3, 2015 | $ (16.9) | $ 8.6 | $ 0.4 | $ (41.6) | $ (49.5) |
| | | | | | |
| Balance of accumulated other comprehensive income (loss) as of January 3, 2015 | $ (16.9) | $ 8.6 | $ 0.4 | $ (41.6) | $ (49.5) |
| Other comprehensive income (loss) before reclassifications [1] | **(30.4)** | **10.8** | **(4.2)** | **15.2** | **(8.6)** |
| Amounts reclassified from accumulated other comprehensive income (loss) | **—** | **(19.0)** [2] | **2.1** | **20.9** [3] | **4.0** |
| Income tax expense (benefit) | **—** | **6.0** | **(0.7)** | **(7.3)** | **(2.0)** |
| Net reclassifications | **—** | **(13.0)** | **1.4** | **13.6** | **2.0** |
| Net current-period other comprehensive income (loss) [1] | **(30.4)** | **(2.2)** | **(2.8)** | **28.8** | **(6.6)** |
| Balance of accumulated other comprehensive income (loss) as of January 2, 2016 | **$ (47.3)** | **$ 6.4** | **$ (2.4)** | **$ (12.8)** | **$ (56.1)** |

(1) Other comprehensive income is reported net of taxes and noncontrolling interest.

(2) Amounts reclassified are included in cost of goods sold.

(3) Amounts reclassified are included in the computation of net pension expense (see Note 12 to the consolidated financial statements for additional details).

## 9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

| (In millions) | | January 2, 2016 | | January 3, 2015 |
|---|---|---|---|---|
| Land | $ | **4.1** | $ | 4.1 |
| Buildings and improvements | | **105.6** | | 114.3 |
| Machinery and equipment | | **211.7** | | 194.9 |
| Software | | **110.1** | | 102.0 |
| Gross cost | | **431.5** | | 415.3 |
| Less: accumulated depreciation | | **299.9** | | 278.5 |
| Property, plant and equipment, net | $ | **131.6** | $ | 136.8 |

Depreciation expense was $33.1 million, $37.6 million and $37.8 million for fiscal years 2015, 2014 and 2013, respectively.

The Company leases machinery, equipment and certain warehouse, office and retail store space under operating lease agreements that expire at various dates through 2031. Certain leases contain renewal provisions and generally require the Company to pay utilities, insurance, taxes and other operating expenses.

Minimum rental payments due under all non-cancelable operating leases for the fiscal years subsequent to January 2, 2016 are as follows:

| (In millions) | | 2016 | | 2017 | | 2018 | | 2019 | | 2020 | | Thereafter |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Minimum rental payments | $ | 53.6 | $ | 45.2 | $ | 39.1 | $ | 34.6 | $ | 31.2 | $ | 128.5 |

Rental expense under all operating leases, consisting primarily of minimum rentals, totaled $54.8 million in fiscal 2015, $59.2 million in fiscal 2014 and $55.9 million in fiscal 2013.

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

| (In millions) | | January 2, 2016 | | January 3, 2015 |
|---|---|---|---|---|
| Carrying value | $ | **809.2** | $ | 887.0 |
| Fair value | | **836.3** | | 928.4 |

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

The Company follows ASC 815, which is intended to improve transparency in financial reporting and requires that all derivative instruments be recorded on the consolidated balance sheets at fair value by establishing criteria for designation and effectiveness of hedging relationships. The Company utilizes foreign currency forward exchange contracts to manage the volatility associated primarily with U.S. dollar inventory purchases made by non-U.S. wholesale operations in the normal course of business. These foreign currency forward exchange hedge contracts extend out to a maximum of 349 days and 336 days, as of January 2, 2016 and January 3, 2015, respectively. The Company also utilizes foreign currency forward exchange contracts that are not designated as hedging instruments to manage foreign currency translation exposure. Foreign currency derivatives not designated as hedges are offset by foreign exchange gains or losses resulting from the underlying exposures of foreign currency denominated assets and liabilities.

The Company has two interest rate swap arrangements which exchange floating rate for fixed rate interest payments over the life of the agreements without the exchange of the underlying notional amounts. These derivative instruments, which, unless otherwise terminated, will mature on October 6, 2017 and July 13, 2020, have been designated as cash flow hedges of the debt. The notional amounts of the interest rate swap arrangements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The Company does not hold or issue financial instruments for trading purposes.

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

| (Dollars in millions) | January 2, 2016 | January 3, 2015 |
|---|---|---|
| Foreign exchange contracts: | | |
| Hedge contracts | $ 192.6 | $ 141.6 |
| Non-hedge contracts | 23.2 | — |
| Interest rate swaps [1] | 609.7 | 405.4 |

(1) Includes a forward starting interest rate swap with a notional amount of $288.8 million, which has an effective date of October 17, 2016.

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

| | Fair Value Measurements | |
|---|---|---|
| | Quoted Prices With Other Observable Inputs (Level 2) | |
| (In millions) | January 2, 2016 | January 3, 2015 |
| Financial assets: | | |
| Foreign exchange contracts asset - hedge | $ 6.7 | $ 8.6 |
| Foreign exchange contracts asset - non-hedge | 0.5 | — |
| Interest rate swap asset | 0.2 | 0.6 |
| Financial liabilities: | | |
| Interest rate swap liability | $ 3.9 | $ — |
| Foreign exchange contracts asset - non-hedge | 0.1 | — |

The fair value of the foreign currency forward exchange contracts represents the estimated receipts or payments necessary to terminate the contracts. Hedge effectiveness is evaluated by the hypothetical derivative method. Any hedge ineffectiveness is reported within the Cost of goods sold line item in the consolidated statements of operations. Hedge ineffectiveness was not material to the Company's consolidated financial statements for fiscal years 2015, 2014 and 2013. If, in the future, the foreign exchange contracts are determined to be ineffective hedges or terminated before their contractual termination dates, the Company would be required to reclassify into earnings all or a portion of the unrealized amounts related to the cash flow hedges that are currently included in accumulated other comprehensive loss within stockholders' equity.

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

## 11. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of ASC 718. The Company recognized compensation expense of $18.7 million, $25.1 million and $28.2 million and related income tax benefits of $6.1 million, $8.4 million and $9.3 million for grants under its stock-based compensation plans in the statements of operations for fiscal years 2015, 2014 and 2013, respectively.

Stock-based compensation expense recognized in the consolidated statements of operations for fiscal years 2015, 2014 and 2013 was based on awards ultimately expected to vest and, as such, was reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

As of January 2, 2016, the Company had approximately 4,780,457 stock incentive units (stock options, stock appreciation rights, restricted stock, restricted stock units and common stock) available for issuance. Each option or stock appreciation right granted counts as 1.0 stock incentive unit and all other awards granted, including restricted stock, count as 2.6 stock incentive units. Options granted under each plan have an exercise price equal to the fair market value of the underlying stock on the grant date, expire no later than ten years from the grant date and generally vest over three years. Restricted stock issued under these plans is subject to certain restrictions, including a prohibition against any sale, transfer or other disposition by the officer or employee during the vesting period (except for certain transfers for estate planning purposes for certain officers), and a requirement to forfeit all or a certain portion of the award upon certain terminations of employment or upon failure to achieve performance criteria in certain instances. These restrictions typically lapse over a three- to five-year period from the date of the award. The Company has elected to recognize expense for these stock-based incentive plans ratably over the vesting term on a straight-line basis. Certain option and restricted share awards provide for accelerated vesting under various scenarios, including retirement and upon a change in control of the Company. With regard to acceleration of vesting upon retirement, employees of eligible retirement age are vested in accordance with plan provisions and applicable stock option and restricted stock agreements. The Company issues shares to plan participants upon exercise or vesting of stock-based incentive awards from either authorized, but unissued, shares or treasury shares.

The Board of Directors awards an annual grant of performance share awards to certain plan participants. The number of performance-based shares that will be earned (and eligible to vest) during the performance period will depend on the Company’s level of success in achieving two specifically identified performance targets. Any portion of the performance shares that are not earned by the end of the three-year measurement period will be forfeited. The final determination of the number of shares to be issued in respect to an award is determined by the Compensation Committee of the Company’s Board of Directors.

The Company estimated the fair value of employee stock options on the date of grant using the Black-Scholes-Merton formula. The estimated weighted-average fair value for each option granted was $6.35, $6.20 and $5.24 per share for fiscal years 2015, 2014 and 2013, respectively, with the following weighted-average assumptions.

| | Fiscal Year | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Expected market price volatility (1) | **28.8%** | 29.6% | 33.2% |
| Risk-free interest rate (2) | **1.3%** | 1.2% | 0.6% |
| Dividend yield (3) | **0.9%** | 0.9% | 1.2% |
| Expected term (4) | **4 years** | 4 years | 4 years |

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

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

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

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

A summary of the stock option transactions is as follows:

| | Shares Under Option | | Weighted-Average Exercise Price | Average Remaining Contractual Term *(Years)* | | Aggregate Intrinsic Value (In millions) |
|---|---|---|---|---|---|---|
| Outstanding at December 29, 2012 | 5,500,982 | $ | 13.84 | 5.9 | $ | 34.4 |
| Granted | 1,489,813 | | 21.76 | | | |
| Exercised | (851,874) | | 11.46 | | | |
| Cancelled | (107,680) | | 20.89 | | | |
| Outstanding at December 28, 2013 | 6,031,241 | $ | 16.00 | 6.2 | $ | 104.9 |
| Granted | 1,349,849 | | 27.09 | | | |
| Exercised | (737,402) | | 13.15 | | | |
| Cancelled | (245,695) | | 24.16 | | | |
| Outstanding at January 3, 2015 | 6,397,993 | $ | 18.36 | 6.2 | $ | 68.3 |
| Granted | **1,366,137** | | **28.22** | | | |
| Exercised | **(1,003,896)** | | **14.63** | | | |
| Cancelled | **(387,840)** | | **26.93** | | | |
| Outstanding at January 2, 2016 | **6,372,394** | **$** | **20.54** | **6.1** | **$** | **8.6** |
| Estimated forfeitures | **(9,708)** | | | | | |
| Vested or expected to vest at January 2, 2016 | **6,362,686** | **$** | **20.53** | **6.1** | **$** | **5.9** |
| Nonvested at January 2, 2016 and expected to vest | **(2,021,240)** | | | | | |
| Exercisable at January 2, 2016 | **4,341,446** | **$** | **17.64** | **5.0** | **$** | **8.6** |

The total pretax intrinsic value of options exercised during fiscal years 2015, 2014 and 2013 was $14.5 million, $10.3 million and $12.8 million, respectively. As of January 2, 2016, there was $4.6 million of unrecognized compensation expense related to stock option grants expected to be recognized over a weighted-average period of 1.2 years. As of January 3, 2015 and December 28, 2013, there was $4.6 million and $4.3 million, respectively, of unrecognized compensation expense related to stock option awards expected to be recognized over a weighted-average period of 1.2 years and 1.3 years, respectively.

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company’s closing stock price of $16.71 as of January 2, 2016, which would have been received by the option holders had all option holders exercised options, where the market price of the Company's stock was above the strike price ("in-the-money"), as of that date. The total number of in-the-money options exercisable as of January 2, 2016 was 1,811,921 and the weighted-average exercise price was $11.94. As of January 3, 2015, 4,341,758 outstanding options were exercisable and in-the-money and the weighted-average exercise price was $15.44.

A summary of the nonvested restricted shares and units is as follows:

| | Restricted Awards | | Weighted-Average Grant Date Fair Value | Performance Awards | | Weighted-Average Grant Date Fair Value |
|---|---|---|---|---|---|---|
| Nonvested at December 29, 2012 | 1,398,462 | $ | 16.58 | 779,394 | $ | 18.93 |
| Granted | 744,287 | | 22.18 | 789,814 | | 21.52 |
| Vested | (102,724) | | 15.35 | (28,580) | | 13.62 |
| Forfeited | (109,600) | | 19.96 | (109,628) | | 20.99 |
| Nonvested at December 28, 2013 | 1,930,425 | $ | 18.61 | 1,431,000 | $ | 20.31 |
| Granted | 689,345 | | 27.09 | 609,335 | | 27.03 |
| Vested | (700,543) | | 16.49 | (244,625) | | 18.85 |
| Forfeited | (192,045) | | 22.39 | (304,940) | | 20.27 |
| Nonvested at January 3, 2015 | 1,727,182 | $ | 22.44 | 1,490,770 | $ | 23.30 |
| Granted | **677,113** | | **27.26** | **732,124** | | **28.62** |
| Vested | **(398,582)** | | **18.99** | **(311,343)** | | **20.47** |
| Forfeited | **(279,074)** | | **25.90** | **(405,432)** | | **24.76** |
| Nonvested at January 2, 2016 | **1,726,639** | **$** | **24.57** | **1,506,119** | **$** | **26.08** |

As of January 2, 2016, there was $17.2 million of unrecognized compensation expense related to nonvested stock-based compensation arrangements granted under restricted stock award plans. That cost is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of shares vested during the year ended January 2, 2016 was $11.1 million. As of January 3, 2015, there was $16.2 million of unrecognized compensation expense related to nonvested stock-based compensation arrangements granted under restricted stock award plans. That cost was expected to be recognized over a weighted-average period of 2.0 years. The total fair value of shares vested during the year ended January 3, 2015 was $19.5 million. As of December 28, 2013, there was $13.8 million of unrecognized compensation expense related to nonvested stock-based compensation arrangements granted under restricted stock award plans that was expected to be recognized over a weighted-average period of 1.9 years. The total fair value of shares vested during the year ended December 28, 2013 was $2.7 million.

As of January 2, 2016, there was $4.5 million of unrecognized compensation expense related to nonvested stock-based compensation arrangements granted under performance-based award plans. That cost is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of shares vested during the year ended January 2, 2016 was $8.7 million. As of January 3, 2015, there was $6.0 million of unrecognized compensation expense related to nonvested stock-based compensation arrangements granted under performance-based restricted stock award plans. That cost was expected to be recognized over a weighted-average period of 1.3 years. The total fair value of shares vested during the year ended January 3, 2015 was $6.6 million. As of December 28, 2013, there was $8.0 million of unrecognized compensation expense related to nonvested share-based compensation arrangements granted under performance-based restricted stock award plans that was expected to be recognized over a weighted-average period of 1.2 years. The total fair value of shares vested during the year ended December 28, 2013 was $0.6 million.

## 12. RETIREMENT PLANS

The Company has three non-contributory, defined benefit pension plans that provide retirement benefits to less than half of its domestic employees. The Company's principal defined benefit pension plan provides benefits based on the employee's years of service and final average earnings. Effective January 1, 2013, the Company closed this plan to new participants. The Company's second plan provides benefits at a fixed rate per year of service for certain employees under a collective bargaining arrangement. The Company's third non-contributory defined benefit pension plan, which no longer accrues future benefits, covers certain eligible PLG associates. Prior to the freezing of that plan, eligible PLG participants accrued pension benefits at a fixed unit rate based on the participant's service and/or compensation.

The Company has a Supplemental Executive Retirement Plan (the "SERP") for certain current and former employees that entitles a participating employee to receive payments from the Company following retirement based on the employee's years of service and final average earnings (as defined in the SERP). Under the SERP, the employees can elect early retirement with a corresponding reduction in benefits. The Company also has individual deferred compensation agreements with certain former employees that entitle those employees to receive payments from the Company for a period of time that generally extends 15 to 18 years following retirement. The Company maintains life insurance policies with a cash surrender value of $64.6 million at January 2, 2016 and $59.5 million at January 3, 2015 that are intended to partially fund deferred compensation benefits under the SERP and deferred compensation agreements.

The Company has two defined contribution 401(k) plans covering substantially all domestic employees that provide for Company contributions based on earnings. The Company recognized expense for its defined contribution plans of $4.6 million, $4.7 million and $4.8 million in fiscal years 2015, 2014 and 2013, respectively.

The Company has certain defined contribution plans at foreign subsidiaries. Contributions to these plans were $1.5 million, $1.2 million and $1.5 million in fiscal years 2015, 2014 and 2013, respectively. The Company also has a benefit plan at a foreign location that provides for retirement benefits based on years of service. The obligation recorded under this plan was $1.9 million at January 2, 2016 and $2.2 million at January 3, 2015 and was recognized as a deferred compensation liability on the consolidated balance sheets.

The following summarizes the status of and changes in the Company's assets and related obligations for its pension plans (which include the Company's defined benefit pension plans and the SERP) for the fiscal years 2015 and 2014:

| (In millions) | Fiscal Year 2015 | | Fiscal Year 2014 | |
|---|---|---|---|---|
| Change in projected benefit obligations: | | | | |
| Projected benefit obligations at beginning of the year | **$** | **432.9** | $ | 395.4 |
| Service cost pertaining to benefits earned during the year | | **9.0** | | 7.2 |
| Interest cost on projected benefit obligations | | **18.5** | | 20.3 |
| Actuarial (gains) losses | | **(50.1)** | | 66.2 |
| Benefits paid to plan participants | | **(17.5)** | | (32.2) |
| Settlements | | **—** | | (24.0) |
| Projected benefit obligations at end of the year | **$** | **392.8** | $ | 432.9 |
| Change in fair value of pension assets: | | | | |
| Fair value of pension assets at beginning of the year | **$** | **302.1** | $ | 319.6 |
| Actual return on plan assets | | **(6.2)** | | 32.5 |
| Company contributions - pension | | **—** | | 3.9 |
| Company contributions - SERP | | **2.4** | | 2.3 |
| Benefits paid to plan participants | | **(17.5)** | | (32.2) |
| Settlements | | **—** | | (24.0) |
| Fair value of pension assets at end of the year | **$** | **280.8** | $ | 302.1 |
| Funded status | **$** | **(112.0)** | $ | (130.8) |
| Amounts recognized in the consolidated balance sheets: | | | | |
| Non-current assets | **$** | **1.6** | $ | 1.1 |
| Current liabilities | | **(4.0)** | | (3.8) |
| Non-current liabilities | | **(109.6)** | | (128.1) |
| Net amount recognized | **$** | **(112.0)** | $ | (130.8) |
| Amounts recognized in accumulated other comprehensive loss: | | | | |
| Unrecognized net actuarial loss (amounts net of tax: $(12.7) and $(41.5)) | **$** | **(18.2)** | $ | (62.6) |
| Unrecognized prior service cost (amounts net of tax: $(0.1) and $(0.1)) | | **(0.1)** | | (0.1) |
| Net amount recognized | **$** | **(18.3)** | $ | (62.7) |
| Funded status of pension plans and SERP (supplemental): | | | | |
| Funded status of qualified defined benefit plans and SERP | **$** | **(112.0)** | $ | (130.8) |
| Nonqualified trust assets (cash surrender value of life insurance) recorded in other assets and intended to satisfy the projected benefit obligation of unfunded SERP obligations | | **58.4** | | 53.4 |
| Net funded status of pension plans and SERP (supplemental) | **$** | **(53.6)** | $ | (77.4) |

The accumulated benefit obligations for all defined benefit pension plans and the SERP were $375.5 million at January 2, 2016 and $412.3 million at January 3, 2015.

The following is a summary of net pension and SERP expense recognized by the Company:

| (In millions) | Fiscal Year 2015 | 2014 | 2013 |
|---|---|---|---|
| Service cost pertaining to benefits earned during the year | **$ 9.0** | $ 7.2 | $ 9.0 |
| Interest cost on projected benefit obligations | **18.5** | 20.3 | 18.8 |
| Expected return on pension assets | **(20.5)** | (22.1) | (21.0) |
| Net amortization loss | **20.9** | 7.5 | 30.5 |
| Settlement gain | **—** | (1.0) | — |
| Net pension expense | **$ 27.9** | $ 11.9 | $ 37.3 |
| Less: SERP expense | **7.8** | 7.6 | 8.1 |
| Qualified defined benefit pension plans expense | **$ 20.1** | $ 4.3 | $ 29.2 |

The actuarial loss and prior service cost included in accumulated other comprehensive loss and expected to be recognized in net periodic pension expense during 2016 is $4.9 million and $0.1 million, respectively.

The weighted-average actuarial assumptions used to determine the benefit obligation amounts and the net periodic benefit cost for the Company's pension and post-retirement plans are as follows:

| | Fiscal Year 2015 | 2014 |
|---|---|---|
| Weighted-average assumptions used to determine benefit obligations at fiscal year-end: | | |
| Discount rate | **5.00%** | 4.37% |
| Rate of compensation increase - pension | **4.85%** | 4.85% |
| Rate of compensation increase - SERP | **7.00%** | 7.00% |
| Weighted average assumptions used to determine net periodic benefit cost for the years ended: | | |
| Discount rate | **4.37%** | 5.26% |
| Expected long-term rate of return on plan assets | **7.50%** | 7.50% |
| Rate of compensation increase - pension | **4.85%** | 4.85% |
| Rate of compensation increase - SERP | **7.00%** | 7.00% |

Unrecognized net actuarial losses exceeding certain corridors are amortized over one of two amortization periods, based on each plan's election. The amortization period is either a five-year period, unless the minimum amortization method based on average remaining service periods produces a higher amortization; or, over the average remaining service period of participants expected to receive benefits. The Company utilizes a bond matching calculation to determine the discount rate. A hypothetical bond portfolio is created based on a presumed purchase of high-quality corporate bonds with maturities that match the plan's expected future cash outflows. The discount rate is the resulting yield of the hypothetical bond portfolio. The discount rate is used in the calculation of the year-end pension liability and service cost for the subsequent year.

The long-term rate of return is based on overall market expectations for a balanced portfolio with an asset mix similar to the Company's, utilizing historic returns for broad market and fixed income indices. The Company's investment policy for plan assets uses a blended approach of U.S. and foreign equities combined with U.S. fixed income investments. The target investment allocations as of January 2, 2016 were 65% in equity securities and 35% in fixed income securities. Within the equity and fixed income classifications, the investments are diversified. The Company's asset allocations by asset category and fair value measurement are as follows:

| (In millions) | January 2, 2016 Level 1 | Level 2 | Level 3 | Total | |
|---|---|---|---|---|---|
| Equity securities | **$ —** | **$ 169.8** | **$ —** | **$ 169.8** | **60.5%** |
| Fixed income investments | **—** | **99.2** | **0.3** | **99.5** | **35.4%** |
| Other | **—** | **—** | **11.5** | **11.5** | **4.1%** |
| Fair value of plan assets | **$ —** | **$ 269.0** | **$ 11.8** | **$ 280.8** | **100.0%** |

| (In millions) | January 3, 2015 Level 1 | Level 2 | Level 3 | Total | |
|---|---|---|---|---|---|
| Equity securities | $ — | $ 195.6 | $ — | $ 195.6 | 64.7% |
| Fixed income investments | — | 105.9 | 0.3 | 106.2 | 35.2% |
| Other | — | — | 0.3 | 0.3 | 0.1% |
| Fair value of plan assets | $ — | $ 301.5 | $ 0.6 | $ 302.1 | 100.0% |

The Company expects to contribute approximately $1.5 million to its qualified defined benefit pension plans and $3.9 million to the SERP in fiscal 2016.

Expected benefit payments for the fiscal years subsequent to January 2, 2016 are as follows:

| (In millions) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021-2025 |
|---|---|---|---|---|---|---|
| Expected benefit payments | $ 20.1 | $ 20.4 | $ 20.9 | $ 21.3 | $ 22.0 | $ 119.5 |

## 13. INCOME TAXES

The geographic components of earnings before income taxes are as follows:

| (In millions) | Fiscal Year **2015** | 2014 | 2013 |
|---|---|---|---|
| United States | **$ 102.1** | $ 132.4 | $ 76.7 |
| Foreign | **62.5** | 49.1 | 51.0 |
| Earnings before income taxes | **$ 164.6** | $ 181.5 | $ 127.7 |

The provisions for income taxes consist of the following:

| (In millions) | Fiscal Year **2015** | 2014 | 2013 |
|---|---|---|---|
| Current expense: | | | |
| Federal | **$ 48.9** | $ 42.1 | $ 37.1 |
| State | **5.2** | 5.6 | 2.2 |
| Foreign | **11.6** | 18.0 | 15.0 |
| Deferred expense (credit): | | | |
| Federal | **(22.0)** | (9.3) | (23.5) |
| State | **(1.9)** | (6.6) | (3.0) |
| Foreign | **(0.4)** | (2.2) | (1.1) |
| Income tax provision | **$ 41.4** | $ 47.6 | $ 26.7 |

A reconciliation of the Company's total income tax expense and the amount computed by applying the statutory federal income tax rate of 35% to earnings before income taxes is as follows:

| (In millions) | Fiscal Year 2015 | 2014 | 2013 |
|---|---|---|---|
| Income taxes at U.S. statutory rate (35%) | **$ 57.6** | $ 63.5 | $ 44.7 |
| State income taxes, net of federal income tax | **1.8** | 3.7 | 0.5 |
| (Nontaxable earnings) non-deductible losses of foreign affiliates: | | | |
| Cayman Islands | **(0.4)** | (5.5) | (5.4) |
| Bermuda | **—** | (0.4) | 2.7 |
| Other | **(1.9)** | 1.1 | 1.7 |
| Tax credits | **(0.4)** | (0.7) | (2.2) |
| Foreign earnings taxed at rates different from the U.S. statutory rate: | | | |
| Hong Kong | **(18.1)** | (16.4) | (17.1) |
| Other | **0.2** | 3.6 | 3.1 |
| Adjustments for uncertain tax positions | **0.1** | — | (1.2) |
| Change in valuation allowance | **(1.3)** | (19.2) | 0.1 |
| Change in state tax rates | **(0.7)** | (6.0) | (2.0) |
| Gain on intercompany sale of subsidiary stock | **—** | 23.2 | — |
| Non-deductible expenses | **3.5** | 1.1 | 0.9 |
| Other | **1.0** | (0.4) | 0.9 |
| Income tax provision | **$ 41.4** | $ 47.6 | $ 26.7 |

Significant components of the Company's deferred income tax assets and liabilities are as follows:

| (In millions) | January 2, 2016 | January 3, 2015 |
|---|---|---|
| Deferred income tax assets: | | |
| Accounts receivable and inventory valuation allowances | **$ 22.1** | $ 16.6 |
| Deferred compensation accruals | **7.9** | 10.9 |
| Accrued pension expense | **40.1** | 47.2 |
| Stock-based compensation | **20.0** | 20.2 |
| Net operating loss, capital loss and foreign tax credit carryforward | **13.9** | 13.9 |
| Other amounts not deductible until paid | **12.1** | 14.2 |
| Other | **1.3** | 1.0 |
| Total gross deferred income tax assets | **117.4** | 124.0 |
| Less valuation allowance | **(9.5)** | (10.5) |
| Net deferred income tax assets | **107.9** | 113.5 |
| Deferred income tax liabilities: | | |
| Tax depreciation in excess of book depreciation | **—** | (3.8) |
| Intangible assets | **(276.3)** | (288.5) |
| Other | **(6.5)** | (10.3) |
| Total deferred income tax liabilities | **(282.8)** | (302.6) |
| Net deferred income tax liabilities | **$ (174.9)** | $ (189.1) |

The valuation allowance for deferred income tax assets as of January 2, 2016 and January 3, 2015 was $9.5 million and $10.5 million, respectively. The net change in the total valuation allowance for fiscal years 2015 and 2014 was $1.0 million and $19.2 million, respectively. The valuation allowance for both years was primarily related to foreign net operating loss carryforwards, tax credit carryforwards in foreign jurisdictions and a capital loss carryforward in the U.S. that, in the judgment of management, are not more likely than not to be realized. The ultimate realization of the carryforwards depends on the generation of future taxable income in foreign jurisdictions and capital gains in the U.S. tax jurisdiction. The current year change in the valuation allowance was comprised of an increase relating to the additional foreign net operating losses and foreign tax credits of $2.1 million and a decrease relating to the capital loss utilization of $3.1 million.

At January 2, 2016, the Company had foreign net operating loss carryforwards of $36.2 million, that have expiration periods ranging from five years to an unlimited term during which they are available to offset future foreign taxable income. The Company also had tax credit carryforwards in foreign jurisdictions of $2.4 million, that are available for an unlimited carryforward period to offset future foreign taxes. The Company also had a U.S. capital loss carryforward of $7.6 million that expires in 2016 that is available to offset future U.S. capital gain income.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

| | Fiscal Year | |
|---|---|---|
| (In millions) | **2015** | 2014 |
| Beginning balance | **$ 8.6** | $ 8.6 |
| Increases related to current year tax positions | **1.1** | 1.7 |
| Decreases related to prior year positions | **(0.6)** | (1.3) |
| Decrease due to lapse of statute | **(0.4)** | (0.4) |
| Ending balance | **$ 8.7** | $ 8.6 |

The portion of the unrecognized tax benefits that, if recognized currently, would reduce the annual effective tax rate was $7.7 million as of January 2, 2016 and $7.5 million as of January 3, 2015. The Company recognizes interest and penalties related to unrecognized tax benefits through interest expense and income tax expense, respectively. Interest accrued related to unrecognized tax benefits was $2.8 million as of January 2, 2016 and $2.4 million as of January 3, 2015.

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

For the majority of tax jurisdictions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2011.

The Company has not established a deferred tax liability on the amount of foreign unremitted earnings of $471.7 million at January 2, 2016. As of January 2, 2016, the Company had $194.1 million of cash and equivalents on hand, of which $164.2 million was held outside of the U.S. The Company intends to permanently reinvest these funds outside of the U.S., and current plans do not demonstrate a need to repatriate this cash to fund its U.S. operations. However, if these funds were repatriated, the Company would be required to accrue and pay applicable U.S. taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to various countries. It is not practicable to estimate the amount of the deferred tax liability associated with these unremitted earnings due to the complexity of the hypothetical calculation.

## 14. LITIGATION AND CONTINGENCIES

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

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

The Company has future minimum royalty and advertising obligations due under the terms of certain licenses held by the Company. These minimum future obligations for the fiscal years subsequent to January 2, 2016 are as follows:

| (In millions) | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter |
|---|---|---|---|---|---|---|
| Minimum royalties | $ 2.0 | $ 1.8 | $ 1.4 | $ 1.5 | $ 1.5 | $ — |
| Minimum advertising | 3.1 | 3.2 | 3.3 | 3.4 | 3.5 | 7.3 |

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 $2.0 million, $2.3 million and $1.7 million for fiscal years 2015, 2014 and 2013, respectively.

The terms of certain license agreements also require the Company to make advertising expenditures based on the level of sales. In accordance with these agreements, the Company incurred advertising expense of $3.3 million, $4.1 million and $4.4 million for fiscal years 2015, 2014 and 2013, respectively.

## 15. BUSINESS SEGMENTS

During the first quarter of fiscal 2016, the Company's portfolio of brands was realigned into the following four operating segments, which the Company has determined to be reportable operating segments.

- **Wolverine Outdoor & Lifestyle Group**, consisting of *Merrell®* footwear and apparel, *Cat®* footwear, *Hush Puppies®* footwear and apparel, *Chaco®* footwear, *Sebago®* footwear and apparel and *Cushe®* footwear;
- **Wolverine Boston Group**, consisting of *Sperry®* footwear and apparel, *Saucony®* footwear and apparel and *Keds®* footwear and apparel;
- **Wolverine Heritage Group**, consisting of *Wolverine®* footwear and apparel, *Bates®* uniform footwear, *Harley-Davidson®* footwear and *HyTest®* safety footwear; and
- **Wolverine Multi-Brand Group**, consisting of *Stride Rite®* footwear and apparel and the Company's multi-brand consumer-direct businesses.

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

The Company also reports “Other” and “Corporate” categories. The Other category consists of the Company’s leather marketing operations and sourcing operations that include third-party commission revenues. The Corporate category consists of unallocated corporate expenses, including restructuring and impairment costs. The Company’s operating segments are determined based on how the Company internally reports and evaluates financial information used to make operating decisions. The operating segment managers all report directly to the chief operating decision maker.

Company management uses various financial measures to evaluate the performance of the reportable operating segments. The following is a summary of certain key financial measures for the respective fiscal periods indicated. Amounts have been recast for all periods presented to reflect the new reportable operating segments.

| | Fiscal Year | | |
|---|---|---|---|
| (In millions) | **2015** | 2014 | 2013 |
| Revenue: | | | |
| Wolverine Outdoor & Lifestyle Group | **$ 957.5** | $ 1,024.6 | $ 998.4 |
| Wolverine Boston Group | **942.8** | 906.1 | 887.4 |
| Wolverine Heritage Group | **370.5** | 369.7 | 352.9 |
| Wolverine Multi-Brand Group | **351.2** | 399.0 | 402.0 |
| Other | **69.6** | 61.7 | 50.4 |
| Total | **$ 2,691.6** | $ 2,761.1 | $ 2,691.1 |
| Operating profit (loss): | | | |
| Wolverine Outdoor & Lifestyle Group | **$ 197.7** | $ 216.0 | $ 201.3 |
| Wolverine Boston Group | **132.9** | 132.9 | 153.4 |
| Wolverine Heritage Group | **54.6** | 59.5 | 54.3 |
| Wolverine Multi-Brand Group | **5.2** | 14.3 | 21.2 |
| Other | **5.6** | 4.4 | 3.7 |
| Corporate | **(194.9)** | (197.2) | (241.6) |
| Total | **$ 201.1** | $ 229.9 | $ 192.3 |
| Depreciation and amortization expense: | | | |
| Wolverine Outdoor & Lifestyle Group | **$ 3.4** | $ 3.7 | $ 4.0 |
| Wolverine Boston Group | **4.2** | 3.4 | 2.6 |
| Wolverine Heritage Group | **0.5** | 0.5 | 0.6 |
| Wolverine Multi-Brand Group | **6.3** | 6.7 | 6.3 |
| Other | **1.5** | 1.8 | 2.0 |
| Corporate | **32.8** | 37.2 | 40.7 |
| Total | **$ 48.7** | $ 53.3 | $ 56.2 |
| Capital expenditures: | | | |
| Wolverine Outdoor & Lifestyle Group | **$ 4.7** | $ 3.4 | $ 3.4 |
| Wolverine Boston Group | **8.3** | 5.3 | 7.8 |
| Wolverine Heritage Group | **0.4** | 0.3 | 0.5 |
| Wolverine Multi-Brand Group | **7.2** | 8.1 | 14.4 |
| Other | **0.9** | 0.4 | 1.8 |
| Corporate | **24.9** | 12.5 | 13.8 |
| Total | **$ 46.4** | $ 30.0 | $ 41.7 |

| (In millions) | January 2, 2016 | January 3, 2015 |
|---|---|---|
| Total assets: | | |
| Wolverine Outdoor & Lifestyle Group | $ 444.2 | $ 454.7 |
| Wolverine Boston Group | 1,324.2 | 1,315.9 |
| Wolverine Heritage Group | 169.9 | 153.8 |
| Wolverine Multi-Brand Group | 204.3 | 222.8 |
| Other | 23.9 | 21.5 |
| Corporate | 267.9 | 322.6 |
| Total | $ 2,434.4 | $ 2,491.3 |
| Goodwill: | | |
| Wolverine Outdoor & Lifestyle Group | $ 130.4 | $ 131.6 |
| Wolverine Boston Group | 256.2 | 264.7 |
| Wolverine Heritage Group | 16.5 | 16.5 |
| Wolverine Multi-Brand Group | 26.0 | 26.0 |
| Total | $ 429.1 | $ 438.8 |

Geographic dispersion of revenue from external customers, based on shipping destination is as follows:

| | Fiscal Year | | |
|---|---|---|---|
| (In millions) | 2015 | 2014 | 2013 |
| United States | $ 1,948.9 | $ 1,990.2 | $ 1,984.8 |
| Foreign: | | | |
| Europe, Middle East and Africa | 345.3 | 391.0 | 362.0 |
| Canada | 141.2 | 163.0 | 166.2 |
| Other | 256.2 | 216.9 | 178.1 |
| Total from foreign territories | 742.7 | 770.9 | 706.3 |
| Total revenue | $ 2,691.6 | $ 2,761.1 | $ 2,691.1 |

The location of the Company’s tangible long-lived assets, which is comprised of property, plant and equipment, is as follows:

| (In millions) | January 2, 2016 | January 3, 2015 | December 29, 2012 |
|---|---|---|---|
| United States | $ 117.7 | $ 126.8 | $ 136.7 |
| Foreign countries | 13.9 | 10.0 | 15.2 |
| Total | $ 131.6 | $ 136.8 | $ 151.9 |

The Company does not believe that it is dependent upon any single customer because no customer accounts for more than 10% of consolidated revenue in any year.

During fiscal 2015, the Company sourced approximately 99% of its footwear products from third-party suppliers located primarily in the Asia Pacific region. For fiscal 2015, the remainder was produced at Company-owned manufacturing facilities in the U.S. All apparel and accessories are sourced from third-party suppliers. While changes in suppliers could cause delays in manufacturing and a possible loss of sales, management believes that other suppliers could provide similar products on comparable terms.

## 16. RESTRUCTURING ACTIVITIES

### 2014 Plan

On July 9, 2014, the Board of Directors of the Company approved a realignment of the Company’s consumer-direct operations (the “2014 Plan”). As a part of the 2014 Plan, the Company intends to close approximately 140 retail stores by the end of the first quarter of 2016, consolidate certain consumer-direct support functions and implement certain other organizational changes. The Company currently estimates pretax charges related to the 2014 Plan will range from $45.0 million to $48.0 million compared to the original estimate of $26.6 million to $32.0 million. The increase in estimated costs is driven by the Company's expansion of the Plan to further consolidate its international operations and higher retail store exit costs. The Company estimates it will record the remaining charges through the first quarter of fiscal 2016 as it executes the remaining components of the 2014 Plan.

Approximately $16.0 million to $18.0 million of this estimate represents non-cash charges. Once fully implemented, the Company expects annual pretax benefits of approximately $16.0 million as a result of the 2014 Plan.

The Company closed 58 retail stores in connection with the 2014 Plan during fiscal 2014 and 46 retail stores during fiscal 2015. The balance of the estimated 140 total store closures is expected to occur during the first quarter of fiscal 2016.

Costs incurred related to the 2014 Plan have been recorded within the Corporate category. The cumulative costs incurred is $38.5 million, with $3.0 million recorded in the restructuring costs line item as a component of cost of goods sold, and $35.5 million recorded in the restructuring and impairment costs line item as a component of operating expenses. The following is a summary of the activity during fiscal 2015 and 2014, with respect to a reserve established by the Company in connection with the 2014 Plan, by category of costs.

| (In millions) | Severance and employee related | Impairment of property and equipment | Costs associated with exit or disposal activities | Total |
|---|---|---|---|---|
| Balance at December 28, 2013 | $ — | $ — | $ — | $ — |
| Restructuring costs | 2.6 | 5.5 | 13.1 | 21.2 |
| Amounts paid | (1.6) | — | (3.4) | (5.0) |
| Charges against assets | — | (5.5) | (3.2) | (8.7) |
| Balance at January 3, 2015 | $ 1.0 | $ — | $ 6.5 | $ 7.5 |
| Restructuring costs | **2.9** | **5.4** | **9.0** | **17.3** |
| Amounts paid | **(1.8)** | **—** | **(7.2)** | **(9.0)** |
| Charges against assets | **—** | **(5.4)** | **(1.8)** | **(7.2)** |
| Balance at January 2, 2016 | **$ 2.1** | **$ —** | **$ 6.5** | **$ 8.6** |

**2013 Plan**

On October 4, 2013, the Board of Directors of the Company approved a plan to restructure the Company's Dominican Republic manufacturing operations in a manner intended to lower the Company's cost of goods sold, as described below (the "2013 Plan"). During the fourth quarter of fiscal 2013, the Company sold a manufacturing facility in the Dominican Republic and closed a second manufacturing facility. The Company no longer maintains any Company-owned manufacturing operations in the Dominican Republic. The Company recognized $7.6 million of restructuring costs in fiscal 2013 and restructuring costs of $1.0 million during fiscal 2014. The Company considers the 2013 Plan complete and does not expect to recognize any further costs. All costs incurred for the 2013 Plan have been recognized in the Company's Corporate category and are included in the restructuring costs line item as a component of cost of goods sold in the consolidated statements of operations.

The following is a summary of the activity during fiscal 2014 and 2013, with respect to a reserve established by the Company in connection with the 2013 Plan, by category of costs.

| (In millions) | Severance and employee related | Costs associated with exit or disposal activities | Total |
|---|---|---|---|
| Balance at December 29, 2012 | $ — | $ — | $ — |
| Restructuring costs | 1.4 | 6.2 | 7.6 |
| Amounts paid | (1.4) | — | (1.4) |
| Charges against assets | — | (5.7) | (5.7) |
| Balance at December 28, 2013 | $ — | $ 0.5 | $ 0.5 |
| Restructuring costs | 0.1 | 0.9 | 1.0 |
| Amounts paid | (0.1) | (1.2) | (1.3) |
| Charges against assets | — | (0.2) | (0.2) |
| Balance at January 3, 2015 | $ — | $ — | $ — |

**Other Restructuring Activities**

During fiscal 2015, the Company recorded restructuring and impairment costs of $4.2 million in connection with the Company's decision to wind-down operations of its *Cushe*® brand. These costs included $2.6 million related to indefinite-lived intangibles and $1.6 million in other restructuring costs. The Company recorded these costs within its Corporate category in the restructuring and impairment costs line item as a component of operating expenses in the consolidated statements of operations.

During the fourth quarter of fiscal 2015, the Company recorded impairment costs of $2.5 million related to indefinite-lived intangibles of its *Stride Rite®* brand. The Company recorded these costs within its Corporate category in the restructuring and impairment costs line item as a component of operating expenses in the consolidated statements of operations.

During the second quarter of fiscal 2014, the Company recorded an impairment of an equity method investment and reserved certain receivables within the Company's international operations. The impairment and asset charge were determined to be other-than-temporary and the Company recorded a non-cash charge of $4.8 million within its corporate category included in the restructuring and impairment costs line item as a component of operating expenses in the consolidated statements of operations. During fiscal 2015, the Company recorded additional restructuring costs of $2.0 million related to its international operations.

The Company recorded impairment charges of $11.6 million and $0.7 million during fiscal 2015 and 2013, respectively, related to certain consumer-direct store assets where the estimated future cash flows did not support the net book value of the store assets. These costs were recorded within its corporate category in the restructuring and impairment costs line item as a component of operating expenses in the consolidated statements of operations.

**Nonrecurring Fair Value Measurements**

The following is a summary of assets and impairments that were measured at fair value on a nonrecurring basis.

| | **Fiscal 2015** | | Fiscal 2014 | |
|---|---|---|---|---|
| (In millions) | Fair Value | Impairment | Fair Value | Impairment |
| Property and equipment | **$ 1.8** | **$ 17.0** | $ 0.6 | $ 5.5 |
| Indefinite-lived intangibles | **15.0** | **5.1** | — | — |

The property and equipment and indefinite-lived intangibles were valued using an income approach based on the discounted cash flows expected to be generated by the underlying assets (Level 3). See Note 10 to the consolidated financial statements for additional information on Level 3 fair value measurements.

## 17. BUSINESS ACQUISITIONS

On October 9, 2012, the Company acquired all of the outstanding equity interests of PLG as well as certain other assets. Consideration paid to acquire PLG was approximately $1,249.5 million in cash. PLG markets casual and athletic footwear, apparel and related accessories for adults and children under well-known brand names including *Sperry®, Saucony®, Stride Rite®* and *Keds®*. The Company accounted for the acquisition under the provisions of FASB ASC Topic 805, *Business Combinations*. The related assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The operating results for PLG are included in the Company's consolidated results of operations beginning October 9, 2012.

For fiscal 2014, the Company incurred $15.2 million of acquisition-related integration costs included within selling, general and administrative expenses within the Company's consolidated statements of operations. These costs include other purchased services ($1.1 million), compensation expenses ($3.9 million) and other integration costs ($10.2 million). For fiscal 2013, the Company incurred $41.5 million of acquisition-related integration costs included within selling, general and administrative expenses within the Company's consolidated statements of operations. These costs include compensation expenses ($26.2 million), other purchased services ($10.6 million), amortization expense related to short-lived intangible assets ($2.4 million) and professional and legal fees ($2.3 million).

## 18. SUBSIDIARY GUARANTORS OF THE PUBLIC BONDS

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

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Operations**
**For the fiscal year ended January 2, 2016**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $ 613.3 | $ 2,628.6 | $ 723.8 | $ (1,274.1) | $ 2,691.6 |
| Cost of goods sold | 458.4 | 1,948.8 | 375.2 | (1,145.5) | 1,636.9 |
| Restructuring costs | (0.1) | 2.8 | 0.3 | — | 3.0 |
| Gross profit | 155.0 | 677.0 | 348.3 | (128.6) | 1,051.7 |
| Selling, general and administrative expenses | 127.9 | 559.2 | 257.5 | (128.6) | 816.0 |
| Restructuring and impairment costs | 3.5 | 24.0 | 7.1 | — | 34.6 |
| Operating profit | 23.6 | 93.8 | 83.7 | — | 201.1 |
| Other expenses: | | | | | |
| Interest expense (income), net | 38.6 | 0.1 | (0.5) | — | 38.2 |
| Debt extinguishment costs | 1.6 | — | — | — | 1.6 |
| Other income | (1.2) | (1.1) | (1.0) | — | (3.3) |
| Total other expense (income) | 39.0 | (1.0) | (1.5) | — | 36.5 |
| Earnings (loss) before income taxes | (15.4) | 94.8 | 85.2 | — | 164.6 |
| Income tax expense (benefit) | (6.3) | 38.6 | 9.1 | — | 41.4 |
| Earnings (loss) before equity in earnings of consolidated subsidiaries | (9.1) | 56.2 | 76.1 | — | 123.2 |
| Equity in earnings of consolidated subsidiaries | 131.9 | 13.6 | 88.0 | (233.5) | — |
| Net earnings | 122.8 | 69.8 | 164.1 | (233.5) | 123.2 |
| Less: net earnings attributable to noncontrolling interest | — | — | 0.4 | — | 0.4 |
| Net earnings attributable to Wolverine World Wide, Inc. | $ 122.8 | $ 69.8 | $ 163.7 | $ (233.5) | $ 122.8 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Comprehensive Income**
**For the fiscal year ended January 2, 2016**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net earnings | $ 122.8 | $ 69.8 | $ 164.1 | $ (233.5) | $ 123.2 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation adjustments | (31.8) | — | (31.8) | 31.8 | (31.8) |
| Change in fair value of foreign exchange contracts | (2.2) | — | (2.2) | 2.2 | (2.2) |
| Change in fair value of interest rate swap | (2.8) | — | — | — | (2.8) |
| Pension adjustments | 28.8 | 1.2 | — | (1.2) | 28.8 |
| Other comprehensive income (loss) | (8.0) | 1.2 | (34.0) | 32.8 | (8.0) |
| Comprehensive income | 114.8 | 71.0 | 130.1 | (200.7) | 115.2 |
| Less: comprehensive loss attributable to noncontrolling interest | (1.4) | — | (1.0) | 1.4 | (1.0) |
| Comprehensive income attributable to Wolverine World Wide, Inc. | $ 116.2 | $ 71.0 | $ 131.1 | $ (202.1) | $ 116.2 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Operations**
**For the fiscal year ended January 3, 2015**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $ 607.8 | $ 3,276.1 | $ 848.8 | $ (1,971.6) | $ 2,761.1 |
| Cost of goods sold | 442.9 | 2,594.9 | 483.5 | (1,847.5) | 1,673.8 |
| Restructuring costs | 0.1 | — | 0.9 | — | 1.0 |
| Gross profit | 164.8 | 681.2 | 364.4 | (124.1) | 1,086.3 |
| Selling, general and administrative expenses | 126.1 | 555.1 | 258.1 | (124.1) | 815.2 |
| Acquisition-related integration costs | 6.5 | 1.1 | 7.6 | — | 15.2 |
| Restructuring costs | 3.0 | 10.4 | 12.6 | — | 26.0 |
| Operating profit (loss) | 29.2 | 114.6 | 86.1 | — | 229.9 |
| Other expenses: | | | | | |
| Interest expense (income), net | 45.4 | 0.1 | (0.1) | — | 45.4 |
| Debt extinguishment costs | 1.3 | — | — | — | 1.3 |
| Other expense (income), net | — | (1.3) | 3.0 | — | 1.7 |
| Total other expense (income) | 46.7 | (1.2) | 2.9 | — | 48.4 |
| Earnings (loss) before income taxes | (17.5) | 115.8 | 83.2 | — | 181.5 |
| Income tax expense | 0.7 | 37.7 | 9.2 | — | 47.6 |
| Earnings (loss) before equity in earnings of consolidated subsidiaries | (18.2) | 78.1 | 74.0 | — | 133.9 |
| Equity in earnings of consolidated subsidiaries | 151.3 | 9.4 | 74.7 | (235.4) | — |
| Net earnings | 133.1 | 87.5 | 148.7 | (235.4) | 133.9 |
| Less: net earnings attributable to noncontrolling interest | — | — | 0.8 | — | 0.8 |
| Net earnings attributable to Wolverine World Wide, Inc. | $ 133.1 | $ 87.5 | $ 147.9 | $ (235.4) | $ 133.1 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Comprehensive Income**
**For the fiscal year ended January 3, 2015**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net earnings | $ 133.1 | $ 87.5 | $ 148.7 | $ (235.4) | $ 133.9 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation adjustments | (17.4) | — | (18.5) | 17.4 | (18.5) |
| Change in fair value of foreign exchange contracts | 9.4 | — | 9.4 | (9.4) | 9.4 |
| Change in fair value of interest rate swap | (0.2) | — | — | — | (0.2) |
| Pension adjustments | (32.1) | (10.3) | — | 10.3 | (32.1) |
| Other comprehensive loss | (40.3) | (10.3) | (9.1) | 18.3 | (41.4) |
| Comprehensive income | 92.8 | 77.2 | 139.6 | (217.1) | 92.5 |
| Less: comprehensive loss attributable to noncontrolling interest | — | — | (0.3) | — | (0.3) |
| Comprehensive income attributable to Wolverine World Wide, Inc. | $ 92.8 | $ 77.2 | $ 139.9 | $ (217.1) | $ 92.8 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Operations**
**For the fiscal year ended December 28, 2013**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $ 538.2 | $ 3,849.1 | $ 774.4 | $ (2,470.6) | $ 2,691.1 |
| Cost of goods sold | 383.8 | 3,207.9 | 415.4 | (2,388.1) | 1,619.0 |
| Restructuring costs | 0.1 | — | 7.5 | — | 7.6 |
| Gross profit | 154.3 | 641.2 | 351.5 | (82.5) | 1,064.5 |
| Selling, general and administrative expenses | 139.0 | 506.7 | 266.8 | (82.5) | 830.0 |
| Acquisition-related transaction and integration costs | 16.9 | 14.9 | 9.7 | — | 41.5 |
| Restructuring and impairment costs | — | — | 0.7 | — | 0.7 |
| Operating profit (loss) | (1.6) | 119.6 | 74.3 | — | 192.3 |
| Other expenses: | | | | | |
| Interest expense (income), net | 52.1 | (0.2) | 0.1 | — | 52.0 |
| Debt extinguishment costs | 13.1 | — | — | — | 13.1 |
| Other expense (income), net | (3.7) | 0.1 | 3.1 | — | (0.5) |
| Total other expense (income) | 61.5 | (0.1) | 3.2 | — | 64.6 |
| Earnings (loss) before income taxes | (63.1) | 119.7 | 71.1 | — | 127.7 |
| Income tax expense | 1.5 | 19.3 | 5.9 | — | 26.7 |
| Earnings (loss) before equity in earnings of consolidated subsidiaries | (64.6) | 100.4 | 65.2 | — | 101.0 |
| Equity in earnings of consolidated subsidiaries | 165.0 | 114.5 | 21.7 | (301.2) | — |
| Net earnings | 100.4 | 214.9 | 86.9 | (301.2) | 101.0 |
| Less: net earnings attributable to noncontrolling interest | — | — | 0.6 | — | 0.6 |
| Net earnings attributable to Wolverine World Wide, Inc. | $ 100.4 | $ 214.9 | $ 86.3 | $ (301.2) | $ 100.4 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Comprehensive Income**
**For the fiscal year ended December 28, 2013**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net earnings | $ 100.4 | $ 214.9 | $ 86.9 | $ (301.2) | $ 101.0 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation adjustments | (5.4) | — | (5.4) | 5.4 | (5.4) |
| Change in fair value of foreign exchange contracts | 0.9 | — | 0.9 | (0.9) | 0.9 |
| Change in fair value of interest rate swap | 1.6 | — | — | — | 1.6 |
| Pension adjustments | 81.2 | 13.1 | — | (13.1) | 81.2 |
| Other comprehensive (loss) income | 78.3 | 13.1 | (4.5) | (8.6) | 78.3 |
| Comprehensive income | 178.7 | 228.0 | 82.4 | (309.8) | 179.3 |
| Less comprehensive income (loss) attributable to noncontrolling interest | (0.1) | — | 0.6 | — | 0.5 |
| Comprehensive income attributable to Wolverine World Wide, Inc. | $ 178.8 | $ 228.0 | $ 81.8 | $ (309.8) | $ 178.8 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Balance Sheets**
**As of January 2, 2016**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 27.2 | $ 2.6 | $ 164.3 | $ — | $ 194.1 |
| Accounts receivable, net | 84.8 | 105.8 | 108.3 | — | 298.9 |
| Inventories: | | | | | |
| Finished products | (0.8) | 371.7 | 77.1 | — | 448.0 |
| Raw materials and work-in-process | 0.8 | 1.8 | 16.0 | — | 18.6 |
| Total inventories | — | 373.5 | 93.1 | — | 466.6 |
| Prepaid expenses and other current assets | 10.7 | 24.9 | 18.6 | — | 54.2 |
| Total current assets | 122.7 | 506.8 | 384.3 | — | 1,013.8 |
| Property, plant and equipment: | | | | | |
| Gross cost | 228.4 | 170.5 | 32.6 | — | 431.5 |
| Accumulated depreciation | (178.1) | (103.6) | (18.2) | — | (299.9) |
| Property, plant and equipment, net | 50.3 | 66.9 | 14.4 | — | 131.6 |
| Other assets: | | | | | |
| Goodwill | 2.7 | 353.3 | 73.1 | — | 429.1 |
| Indefinite-lived intangibles | 3.8 | 675.3 | 6.3 | — | 685.4 |
| Amortizable intangibles, net | 0.6 | 96.7 | — | — | 97.3 |
| Deferred income taxes | — | — | 3.7 | — | 3.7 |
| Other | 54.1 | 15.6 | 3.8 | — | 73.5 |
| Intercompany accounts receivable | 19.8 | 3,002.0 | 583.9 | (3,605.7) | — |
| Investment in affiliates | 3,388.4 | 854.0 | 949.4 | (5,191.8) | — |
| Total other assets | 3,469.4 | 4,996.9 | 1,620.2 | (8,797.5) | 1,289.0 |
| Total assets | $ 3,642.4 | $ 5,570.6 | $ 2,018.9 | $ (8,797.5) | $ 2,434.4 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Balance Sheets - continued**
**As of January 2, 2016**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 37.3 | $ 98.7 | $ 63.7 | $ — | $ 199.7 |
| Accrued salaries and wages | 17.2 | 4.3 | 7.0 | — | 28.5 |
| Other accrued liabilities | 42.6 | 35.6 | 30.0 | — | 108.2 |
| Current maturities of long-term debt | 16.9 | — | — | — | 16.9 |
| Total current liabilities | 114.0 | 138.6 | 100.7 | — | 353.3 |
| Long-term debt, less current maturities | 792.3 | 0.6 | — | — | 792.9 |
| Accrued pension liabilities | 91.2 | 18.4 | — | — | 109.6 |
| Deferred income taxes | (75.2) | 249.8 | 4.0 | — | 178.6 |
| Other liabilities | 17.0 | 11.2 | 2.1 | — | 30.3 |
| Intercompany accounts payable | 1,739.4 | 1,360.0 | 506.3 | (3,605.7) | — |
| Stockholders' equity | | | | | |
| Wolverine World Wide, Inc. stockholders' equity | 963.7 | 3,792.0 | 1,399.8 | (5,191.8) | 963.7 |
| Noncontrolling interest | — | — | 6.0 | — | 6.0 |
| Total stockholders' equity | 963.7 | 3,792.0 | 1,405.8 | (5,191.8) | 969.7 |
| Total liabilities and stockholders' equity | $ 3,642.4 | $ 5,570.6 | $ 2,018.9 | $ (8,797.5) | $ 2,434.4 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Balance Sheets**
**As of January 3, 2015**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 11.4 | $ 3.3 | $ 209.1 | $ — | $ 223.8 |
| Accounts receivable, net | 18.8 | 181.4 | 112.5 | — | 312.7 |
| Inventories: | | | | | |
| Finished products | 59.5 | 260.0 | 78.6 | — | 398.1 |
| Raw materials and work-in-process | 2.1 | 1.3 | 12.5 | — | 15.9 |
| Total inventories | 61.6 | 261.3 | 91.1 | — | 414.0 |
| Deferred income taxes | 12.8 | 14.0 | 1.3 | — | 28.1 |
| Prepaid expenses and other current assets | 24.8 | 21.4 | 17.4 | — | 63.6 |
| Total current assets | 129.4 | 481.4 | 431.4 | — | 1,042.2 |
| Property, plant and equipment: | | | | | |
| Gross cost | 230.7 | 150.7 | 33.9 | — | 415.3 |
| Accumulated depreciation | (183.3) | (72.6) | (22.6) | — | (278.5) |
| Property, plant and equipment, net | 47.4 | 78.1 | 11.3 | — | 136.8 |
| Other assets: | | | | | |
| Goodwill | 7.9 | 353.0 | 77.9 | — | 438.8 |
| Indefinite-lived intangibles | 4.3 | 674.9 | 11.3 | — | 690.5 |
| Amortizable intangibles, net | 0.6 | 111.5 | — | — | 112.1 |
| Deferred income taxes | — | — | 2.8 | — | 2.8 |
| Other | 53.1 | 11.9 | 3.1 | — | 68.1 |
| Intercompany accounts receivable | 22.1 | 2,225.4 | 621.1 | (2,868.6) | — |
| Investment in affiliates | 3,158.2 | 608.8 | 1,221.3 | (4,988.3) | — |
| Total other assets | 3,246.2 | 3,985.5 | 1,937.5 | (7,856.9) | 1,312.3 |
| Total assets | $ 3,423.0 | $ 4,545.0 | $ 2,380.2 | $ (7,856.9) | $ 2,491.3 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Balance Sheets - continued**
**As of January 3, 2015**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 37.5 | $ 66.4 | $ 45.5 | $ — | $ 149.4 |
| Accrued salaries and wages | 23.2 | 6.0 | 6.9 | — | 36.1 |
| Other accrued liabilities | 31.6 | 40.9 | 36.0 | — | 108.5 |
| Current maturities of long-term debt | 46.7 | — | — | — | 46.7 |
| Total current liabilities | 139.0 | 113.3 | 88.4 | — | 340.7 |
| Long-term debt, less current maturities | 840.3 | 0.6 | — | — | 840.9 |
| Accrued pension liabilities | 106.6 | 21.5 | — | — | 128.1 |
| Deferred income taxes | (60.7) | 274.7 | 3.0 | — | 217.0 |
| Other liabilities | 13.3 | 10.6 | 2.7 | — | 26.6 |
| Intercompany accounts payable | 1,451.0 | 734.5 | 683.1 | (2,868.6) | — |
| Stockholders' equity: | | | | | |
| Wolverine World Wide, Inc. stockholders' equity | 933.5 | 3,389.8 | 1,598.5 | (4,988.3) | 933.5 |
| Noncontrolling interest | — | — | 4.5 | — | 4.5 |
| Total stockholders' equity | 933.5 | 3,389.8 | 1,603.0 | (4,988.3) | 938.0 |
| Total liabilities and stockholders' equity | $ 3,423.0 | $ 4,545.0 | $ 2,380.2 | $ (7,856.9) | $ 2,491.3 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Cash Flow**
**For the fiscal year ended January 2, 2016**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by (used in) operating activities | $ 221.2 | $ 24.3 | $ (30.0) | $ — | $ 215.5 |
| Investing activities | | | | | |
| Additions to property, plant and equipment | (15.9) | (21.1) | (9.4) | | (46.4) |
| Other | 0.3 | (3.9) | — | — | (3.6) |
| Net cash used in investing activities | (15.6) | (25.0) | (9.4) | — | (50.0) |
| Financing activities | | | | | |
| Borrowings of long-term debt | 450.0 | — | — | — | 450.0 |
| Payments of long-term debt | (530.9) | — | — | — | (530.9) |
| Payments of debt issuance costs | (2.4) | — | — | — | (2.4) |
| Cash dividends paid | (24.4) | — | — | — | (24.4) |
| Purchase of common stock for treasury | (92.6) | — | — | — | (92.6) |
| Purchases of shares under employee stock plans | (7.7) | — | — | — | (7.7) |
| Proceeds from the exercise of stock options | 13.3 | — | — | — | 13.3 |
| Excess tax benefits from stock-based compensation | 4.9 | — | — | — | 4.9 |
| Contributions from noncontrolling interests | — | — | 2.5 | — | 2.5 |
| Net cash (used in) provided by financing activities | (189.8) | — | 2.5 | — | (187.3) |
| Effect of foreign exchange rate changes | — | — | (7.9) | — | (7.9) |
| Increase (decrease) in cash and cash equivalents | 15.8 | (0.7) | (44.8) | — | (29.7) |
| Cash and cash equivalents at beginning of the year | 11.4 | 3.3 | 209.1 | — | 223.8 |
| Cash and cash equivalents at end of the year | $ 27.2 | $ 2.6 | $ 164.3 | $ — | $ 194.1 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Cash Flow**
**For the fiscal year ended January 3, 2015**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by operating activities | $ 274.1 | $ 9.1 | $ 31.4 | $ — | $ 314.6 |
| Investing activities | | | | | |
| Additions to property, plant and equipment | (7.7) | (19.6) | (2.7) | — | (30.0) |
| Investment in joint ventures | — | — | (1.1) | — | (1.1) |
| Other | (2.4) | (1.2) | (0.1) | — | (3.7) |
| Net cash used in investing activities | (10.1) | (20.8) | (3.9) | — | (34.8) |
| Financing activities | | | | | |
| Payments of long-term debt | (249.8) | — | — | — | (249.8) |
| Cash dividends paid | (24.0) | — | — | — | (24.0) |
| Purchases of shares under employee stock plans | (10.5) | — | — | — | (10.5) |
| Proceeds from the exercise of stock options | 7.3 | — | — | — | 7.3 |
| Excess tax benefits from stock-based compensation | 5.6 | — | — | — | 5.6 |
| Contributions from noncontrolling interest | — | — | 1.0 | — | 1.0 |
| Net cash provided by (used in) financing activities | (271.4) | — | 1.0 | — | (270.4) |
| Effect of foreign exchange rate changes | — | — | 0.2 | — | 0.2 |
| Increase (decrease) in cash and cash equivalents | (7.4) | (11.7) | 28.7 | — | 9.6 |
| Cash and cash equivalents at beginning of the year | 18.8 | 15.0 | 180.4 | — | 214.2 |
| Cash and cash equivalents at end of the year | $ 11.4 | $ 3.3 | $ 209.1 | $ — | $ 223.8 |

**WOLVERINE WORLD WIDE, INC. AND SUBSIDIARIES**
**Consolidated Condensed Statements of Cash Flow**
**For the fiscal year ended December 28, 2013**

| (In millions) | Parent | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash provided by (used in) operating activities | $ 127.1 | $ (10.0) | $ 85.2 | $ — | $ 202.3 |
| Investing activities | | | | | |
| Additions to property, plant and equipment | (11.9) | (25.0) | (4.8) | — | (41.7) |
| Proceeds from sale of property, plant and equipment | — | 2.8 | — | — | 2.8 |
| Investment in joint venture | — | — | (2.5) | — | (2.5) |
| Other | (2.9) | (1.3) | 0.9 | — | (3.3) |
| Net cash used in investing activities | (14.8) | (23.5) | (6.4) | — | (44.7) |
| Financing activities | | | | | |
| Borrowings of long-term debt | 775.0 | — | — | — | 775.0 |
| Payments of long-term debt | (875.0) | — | — | — | (875.0) |
| Payments of debt issuance costs | (2.3) | — | — | — | (2.3) |
| Cash dividends paid | (23.7) | — | — | — | (23.7) |
| Purchases of shares under employee stock plans | (0.8) | — | — | — | (0.8) |
| Proceeds from the exercise of stock options | 8.6 | — | — | — | 8.6 |
| Excess tax benefits from stock-based compensation | 3.4 | — | — | — | 3.4 |
| Contributions from noncontrolling interest | — | — | 2.0 | — | 2.0 |
| Net cash (used in) provided by financing activities | (114.8) | — | 2.0 | — | (112.8) |
| Effect of foreign exchange rate changes | — | — | (2.0) | — | (2.0) |
| Increase (decrease) in cash and cash equivalents | (2.5) | (33.5) | 78.8 | — | 42.8 |
| Cash and cash equivalents at beginning of the year | 21.3 | 48.5 | 101.6 | — | 171.4 |
| Cash and cash equivalents at end of the year | $ 18.8 | $ 15.0 | $ 180.4 | $ — | $ 214.2 |

## 19. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The Company reports its quarterly results of operations on the basis of 12-week periods for each of the first three fiscal quarters and a 16- or 17-week period for the fiscal fourth quarter. The fourth quarter of fiscal 2015 consists of 16 weeks and the fourth quarter of fiscal 2014 consists of 17 weeks. The aggregate quarterly earnings per share amounts disclosed in the table below may not equal the annual per share amounts due to rounding and the fact that results for each quarter are calculated independently of the full fiscal year. The Company's unaudited quarterly results of operations are as follows:

| | **Fiscal 2015** | | | |
|---|---|---|---|---|
| (In millions, except per share data) | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
| Revenue | **$ 631.4** | **$ 630.1** | **$ 678.9** | **$ 751.2** |
| Gross profit | **261.4** | **246.4** | **271.7** | **272.2** |
| Net earnings attributable to Wolverine World Wide, Inc. | **40.1** | **25.3** | **45.8** | **11.6** |
| Net earnings per share: | | | | |
| Basic | **$ 0.40** | **$ 0.25** | **$ 0.45** | **$ 0.12** |
| Diluted | **0.39** | **0.24** | **0.44** | **0.12** |

| | Fiscal 2014 | | | |
|---|---|---|---|---|
| (In millions, except per share data) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Revenue | $ 627.6 | $ 613.5 | $ 711.1 | $ 808.9 |
| Gross profit | 255.8 | 245.7 | 284.7 | 300.1 |
| Net earnings attributable to Wolverine World Wide, Inc. | 37.1 | 27.5 | 57.8 | 10.7 |
| Net earnings per share: | | | | |
| Basic | $ 0.37 | $ 0.28 | $ 0.58 | $ 0.11 |
| Diluted | 0.36 | 0.27 | 0.57 | 0.10 |

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Wolverine World Wide, Inc.

We have audited the accompanying consolidated balance sheets of Wolverine World Wide, Inc. and subsidiaries as of January 2, 2016 and January 3, 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 2, 2016. Our audits also included the financial statement schedule listed in the Appendix A. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wolverine World Wide, Inc. and subsidiaries at January 2, 2016 and January 3, 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 2, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Wolverine World Wide, Inc.'s internal control over financial reporting as of January 2, 2016, based on criteria established in Internal Control-Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
March 1, 2016, except for Notes 2, 7, 10, 15 and 18, as to which the date is August 16, 2016

**APPENDIX A**

**Schedule II - Valuation and Qualifying Accounts**

**Wolverine World Wide, Inc. and Subsidiaries**

| Column A | Column B | Column C | | Column D | | Column E |
|---|---|---|---|---|---|---|
| | | Additions | | | | |
| (In millions) | Balance at Beginning of Period | (1) Charged to Costs and Expenses | (2) Charged to Other Accounts (Describe) | Deductions (Describe) | | Balance at End of Period |
| **Fiscal year ended January 2, 2016** | | | | | | |
| Deducted from asset accounts: | | | | | | |
| Allowance for doubtful accounts | $ 20.6 | $ 20.4 | — | $ 19.2 | (A) | $ 21.8 |
| Allowance for sales returns | 15.9 | 62.6 | — | 62.2 | (B) | 16.3 |
| Allowance for cash discounts | 4.5 | 21.1 | — | 19.3 | (C) | 6.3 |
| Inventory valuation allowances | 11.4 | 16.9 | — | 11.0 | (D) | 17.3 |
| Total | $ 52.4 | $ 121.0 | — | $ 111.7 | | $ 61.7 |
| **Fiscal year ended January 3, 2015** | | | | | | |
| Deducted from asset accounts: | | | | | | |
| Allowance for doubtful accounts | $ 18.3 | $ 34.9 | — | $ 32.6 | (A) | $ 20.6 |
| Allowance for sales returns | 15.4 | 68.9 | — | 68.4 | (B) | 15.9 |
| Allowance for cash discounts | 4.1 | 19.7 | — | 19.3 | (C) | 4.5 |
| Inventory valuation allowances | 14.0 | 14.0 | — | 16.6 | (D) | 11.4 |
| Total | $ 51.8 | $ 137.5 | — | $ 136.9 | | $ 52.4 |
| **Fiscal year ended December 28, 2013** | | | | | | |
| Deducted from asset accounts: | | | | | | |
| Allowance for doubtful accounts | $ 10.1 | $ 21.1 | — | $ 12.9 | (A) | $ 18.3 |
| Allowance for sales returns | 11.4 | 74.6 | — | 70.6 | (B) | 15.4 |
| Allowance for cash discounts | 5.2 | 19.2 | — | 20.3 | (C) | 4.1 |
| Inventory valuation allowances | 12.5 | 11.3 | — | 9.8 | (D) | 14.0 |
| Total | $ 39.2 | $ 126.2 | — | $ 113.6 | | $ 51.8 |

(A) Accounts charged off, net of recoveries.

(B) Actual customer returns.

(C) Discounts given to customers.

(D) Adjustment upon disposal of related inventories.