



## COMPANY PROFILE

Weyco Group designs and markets moderately priced and better-grade men's branded footwear for casual, fashion and dress lifestyles. The principal brands of shoes sold by the Company are Florsheim, Stacy Adams and Nunn Bush. The Company's products are sold through department stores, shoe specialty stores, boutiques and clothing retailers. The Company also has a retail division, which consists of 36 retail stores in the United States, two in Europe and an Internet business.

FLORSHEIM®

STACY ADAMS®

NUNN BUSH®

**SELECTED FINANCIAL DATA**

Years Ended December 31  
(in thousands, except per share amounts)

	2008	2007	2006	2005	2004
Net sales	\$221,432	\$232,616	\$221,047	\$209,469	\$223,013
Net earnings	\$17,025	\$22,901	\$21,856	\$19,401	\$20,278
Diluted earnings per share	\$1.45	\$1.91	\$1.81	\$1.62*	\$1.72*
Weighted average diluted shares outstanding	11,757	12,013	12,094	11,966*	11,762*
Cash dividends per share	\$0.53	\$0.42	\$0.34	\$0.26½*	\$0.21½*
Total assets	\$190,640	\$190,152	\$189,623	\$175,498	\$156,356
Bank borrowings	\$1,250	\$550	\$10,958	\$9,553	\$11,360

\*Share and per share amounts have been adjusted to reflect the two-for-one stock split distributed to shareholders on April 1, 2005.

**COMMON STOCK DATA**

Quarter	2008			2007		
	Price Range		Cash Dividends Declared	Price Range		Cash Dividends Declared
	High	Low		High	Low	
First	\$33.68	\$25.00	\$0.11	\$27.08	\$22.69	\$0.09
Second	31.28	24.14	.14	28.09	23.84	.11
Third	41.99	25.81	.14	34.31	23.70	.11
Fourth	34.70	23.82	.14	33.46	24.66	.11
			\$0.53			\$0.42

There are 243 holders of record of the Company's common stock as of March 2, 2009.

The stock prices shown above are the high and low actual trades on the NASDAQ Stock Market for the calendar periods indicated.

## To Our Shareholders

Net sales for 2008 were \$221 million, down 5% from \$233 million last year. Net earnings were \$17 million, as compared with \$23 million last year. Diluted earnings per share for 2008 were \$1.45, as compared with \$1.91 last year.

The declining economy and challenging retail environment in 2008, particularly in the fourth quarter of the year, significantly impacted our overall annual results. While our sales volumes held up through the third quarter, our retail and wholesale businesses suffered significant volume losses in the fourth quarter, pulling our annual results down.

Our wholesale net sales volume was down 5% for the year, with our Florsheim and Stacy Adams brands down 12% and 3%, respectively, and our Nunn Bush brand up 1% for the year.

Among our brands, Florsheim suffered the most in this declining economy, as it generally sells at the higher end of the pricing matrix in many of the mid-tier stores where it competes. As consumers trade down, the higher-priced brands are hurt the most. While we expect these difficulties to continue in the short term, we remain committed to our long term objective of developing a younger, more casual consumer base for this brand, and we believe that Florsheim will be well-positioned for growth when economic conditions improve.

Our Stacy Adams brand is a moderate-priced fashion brand. While its reasonable pricing often keeps it in play in a more difficult economy, it relies more than our other brands on sales to smaller independent shoe and apparel retailers, and this trade class has been hit the hardest as the economy has declined. Over the past several years, however, we have grown our Stacy Adams distribution in department stores and chain stores, and the brand continues to do well in these trade channels.

Nunn Bush was our best performer this year. With its blend of innovation and relevant styling offered at a moderate price, Nunn Bush has historically been a brand that retailers count on for reliable sell-throughs in difficult times. We believe that our Nunn Bush brand will continue its solid performance in 2009, as consumers are searching for value in these tough economic times, and Nunn Bush delivers just that.

Licensing revenues for the year were \$4.3 million as compared with \$4.1 million last year. Licensee sales of Stacy Adams branded products were down for the year, as independent shoe and apparel retailers who sell these products have struggled in the current retail environment. However, Stacy Adams licensing revenues increased for the year because at the beginning of 2008, we terminated our agreement with our licensing agent, to whom we previously paid a portion of licensing revenues. Licensing revenues from the sales of Florsheim branded products in the United States and its footwear overseas were flat.

Sales in our retail division were \$29 million in 2008 as compared with \$31 million last year, with same store sales down 8% for the year. The decline can be attributed to the overall downturn in the economy.

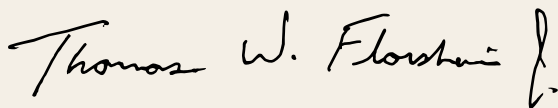
Our 2008 earnings from operations were down \$9.6 million, of which \$7 million was attributable to the wholesale business and \$2.8 million was from the retail division, offset slightly by the \$200,000 increase in licensing revenues. The decrease in operating earnings in the wholesale division was due to lower sales volumes and lower gross margins. The lower wholesale gross margins resulted primarily from higher product costs. In the retail division, operating earnings were down due to lower volumes coupled with higher selling and administrative costs, principally rent and occupancy costs.

Our balance sheet remains strong, with cash and marketable securities of \$57.6 million and \$1.25 million of debt as of December 31, 2008. Our excess of cash and marketable securities over borrowings of \$56.3 million is similar to the \$56.2 million as of December 31, 2007. Our strong financial position allows us to continue to make the necessary long-term investments in our brands and to take advantage of opportunities that may develop in this market.

We continue to evaluate ways to best utilize our cash, including continued repurchases of our common stock, increased dividends, and potential acquisitions. Our Board of Directors recently authorized the repurchase of an additional one million shares of our common stock under our stock repurchase program, bringing the total available to purchase to approximately 1.5 million shares.

In January 2009, we bought a majority interest in a company that subsequently acquired the Florsheim businesses in Australia, Asia Pacific and South Africa, which were formerly licensed to a third party. Our total cash outlay was approximately \$9.8 million. This acquisition provides us the opportunity to have more control over our brand, grow our business in these regions, and increase the overall profitability of our Company over the long term.

In 2009, we are proceeding with caution and watching our costs, and at the same time, keeping our focus firmly on building our brands and our business for long term success. We thank you for your interest in and support of our Company.



**Thomas W. Florsheim, Jr.**

Chairman and  
Chief Executive Officer



**John W. Florsheim**

President and  
Chief Operating Officer

**Stylish. Comfortable. Florsheim.**

Over a century of quality and craftsmanship goes into each shoe to ensure that consumers receive comfort and fit, right out of the box. Florsheim is a leader in brand recognition among a select group of men's footwear brands sold worldwide. Today we are focused on combining the strength of our heritage with a modern sensibility, enabling Florsheim to reach a more contemporary and casual consumer.

FLORSHEIM

®





## Florsheim Retail

Product and service are key components in today's footwear market. One distinguishing factor for Florsheim is having 36 full service retail locations in the US and 2 locations in Europe. We look at retail as a way to deliver the complete Florsheim experience to our loyal customers. As we move forward, we continue to look for opportunities for new locations that provide positive brand exposure and a solid return on our investment.





Madison Avenue - New York



**NUNN BUSH®**



**Fashion is nothing if it's not comfortable.**

That is why Nunn Bush comfort technology is at the heart of our footwear. Since 1912, Nunn Bush has developed shoes that feel as good as they look. Today Nunn Bush is a leading brand in the mid-tier market with an unparalleled combination of value and innovation.





#### Quality and Distinction.

Stacy Adams is rooted in providing accessible fashion and unique styling for a customer that is looking to stand out. Over the past decade, we have extended the brand into apparel and accessory products through license arrangements. Stacy Adams branded products include shoes, socks, suits, hats, ties, dress shirts, jewelry, sportswear, and outerwear. Today our consumers can coordinate from head to toe with Stacy Adams products, making us a true lifestyle brand.



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

Weyco Group, Inc. • 2008 Annual Report

### Forward-Looking Statements

This report contains certain forward-looking statements with respect to the Company's outlook for the future. These statements represent the Company's reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially. The reader is cautioned that these forward-looking statements are subject to a number of risks, uncertainties, or other factors that may cause (and in some cases have caused) actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risk factors described under Item 1A, "Risk Factors," of the Company's Form 10-K.

### Overview

The Company is a distributor of men's casual, dress and fashion shoes. The principal brands of shoes sold by the Company are "Florsheim," "Nunn Bush," and "Stacy Adams." Inventory is purchased from third-party overseas manufacturers. The majority of foreign-sourced purchases are denominated in U.S. dollars. In the wholesale division, the Company's products are sold to shoe specialty stores, department stores and clothing retailers primarily in North America, with some distribution in Europe. The Company also has a retail division, consisting of 36 Company-owned retail stores in the United States, two in Europe, and an Internet business. Sales in retail outlets are made directly to consumers by Company employees. The Company also has licensing agreements with third parties that sell its branded shoes overseas, as well as licensing agreements with apparel and accessory manufacturers in the United States. As such, the Company's results are primarily affected by the economic conditions and the retail environment in the United States.

Consolidated net sales were \$221.4 million for 2008, compared with \$232.6 million and \$221.0 million in 2007 and 2006, respectively. Net earnings were \$17.0 million in 2008, compared with \$22.9 million and \$21.9 million in 2007 and 2006, respectively. Diluted earnings per share were \$1.45 for 2008, compared with \$1.91 and \$1.81 in 2007 and 2006, respectively.

The lower results in 2008 reflect lower sales volumes and lower gross margins, which primarily resulted from the downturn in the economy and the unfavorable retail environment in the fourth quarter of 2008. Consolidated net sales through the third quarter of 2008 were up slightly, with wholesale sales up 1% and retail sales down 2%. However, in the fourth quarter of 2008, the Company experienced sales volume losses across all of its brands and in its retail business, as consumer spending declined and retailers reduced their inventory positions. Additionally, credit issues in the retail industry became more pronounced, causing the Company to reduce, or in some cases, cease its shipments to a number of retailers.

The sales growth in 2007, as compared with 2006, was largely due to the addition of the Florsheim wholesale business in Canada at the beginning of 2007. Prior to January 1, 2007, Florsheim footwear was distributed in Canada by a third party licensee. That license arrangement terminated December 31, 2006, and since then the Company has been operating its own Florsheim wholesale business in Canada, consolidating it with its Nunn Bush Canadian business.

The Company's balance sheet remains strong. Cash and marketable securities were \$57.6 million at the end of 2008 compared with \$56.8 million at the end of 2007. Borrowings under the Company's revolving line of credit were \$1.25 million at December 31, 2008, compared with \$550,000 at December 31, 2007. The Company's excess of cash and marketable securities over borrowings was \$56.3 million at December 31, 2008 as compared with \$56.2 million at December 31, 2007.

In January 2009, the Company bought a majority interest in a company that subsequently acquired the Florsheim wholesale and retail businesses in Australia, Asia Pacific and South Africa, which were formerly licensed to a third party. The Company's equity investment and loans to the acquiring company totaled approximately \$9.8 million. The Company's 2008 licensing revenue from this licensee was approximately \$1.1 million. Management believes this acquisition provides the opportunity to further develop the Florsheim business, present a more unified brand image worldwide, and increase the overall profitability of the Company over the long term. See Note 17 of the Notes to Consolidated Financial Statements.

## Management's Report on Internal Control Over Financial Reporting

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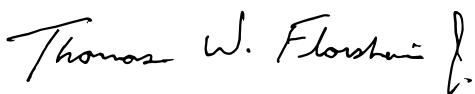
Weyco Group, Inc. • 2008 Annual Report

Management of Weyco Group, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on our assessment we believe that, as of December 31, 2008, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting, as stated in their report which is included herein.



Thomas W. Florsheim, Jr.  
Chairman and Chief Executive Officer  
March 9, 2009



John Wittkowske  
Senior Vice President and Chief Financial Officer  
March 9, 2009



## DIRECTORS

**Thomas W. Florsheim**  
Chairman Emeritus

**Thomas W. Florsheim, Jr.**  
Chairman and  
Chief Executive Officer

**John W. Florsheim**  
President, Chief Operating Officer  
and Assistant Secretary

**Robert Feitler**  
Chairman, Executive Committee

**Tina Chang**  
Chairman of the Board and Chief  
Executive Officer, SysLogic, Inc.

**Cory L. Nettles**  
Managing Director,  
Generation Growth Capital, Inc.

**Frederick P. Stratton, Jr.**  
Chairman Emeritus  
Briggs & Stratton Corporation

## EXECUTIVE OFFICERS

**Thomas W. Florsheim, Jr.**  
Chairman and  
Chief Executive Officer

**John W. Florsheim**  
President, Chief Operating Officer  
and Assistant Secretary

**Peter S. Grossman**  
Senior Vice President, and  
President Nunn Bush Brand  
and Retail Division

**John F. Wittkowske**  
Senior Vice President,  
Chief Financial Officer and Secretary

## OFFICERS

**Judy Anderson**  
Vice President, Finance and Treasurer

**Steele Davidoff**  
Vice President, Licensing

**Matthew J. Engerman**  
Vice President Sales, Nunn Bush Brand

**Brian Flannery**  
Vice President, and  
President Stacy Adams Brand

**Beverly Goldberg**  
Vice President Sales, Florsheim Brand

**Al Jackson**  
Vice President, Customer  
Relations/Vendor Compliance

**James G. Kehoe**  
Vice President, Distribution

**David McGinnis**  
Vice President, and  
President Florsheim Brand

**Keven Ringgold**  
Vice President, Design

**Kevin Schiff**  
Vice President Sales, Stacy Adams Brand

**George Sotiros**  
Vice President, Information Technology

**Tim Then**  
Vice President, Retail Division

**Allison Woss**  
Vice President, Purchasing

## SUPPLEMENTAL INFORMATION

### Annual Meeting

Shareholders are invited to attend Weyco Group, Inc.'s 2009 Annual Meeting at 10:00 a.m. on May 5, 2009, at the general offices of the Company, 333 W. Estabrook Boulevard, Glendale, Wisconsin.

### Stock Exchange

The Company's Common Stock (symbol WEYS) is listed on the NASDAQ Market System (NMS).

### Transfer Agent and Registrar

American Stock Transfer  
& Trust Company  
59 Maiden Lane  
New York, New York 10038

### Company Headquarters

Weyco Group, Inc.  
333 W. Estabrook Boulevard  
Glendale, WI 53212  
414-908-1600  
[www.weycogroup.com](http://www.weycogroup.com)

### Other Information

Copies of the Company's Annual Report to the Securities and Exchange Commission (Form 10-K), its Quarterly Reports to the Securities and Exchange Commission (Form 10-Q's) and its Code of Business Ethics are available on the Company's website at [www.weycogroup.com](http://www.weycogroup.com). Copies will be furnished without charge to any shareholder (including beneficial owners) upon written or telephone request. Written requests should be sent to Investor Relations, Weyco Group, Inc., P. O. Box 1188, Milwaukee, Wisconsin 53201 or e-mailed to [Investor.Relations@weycogroup.com](mailto:Investor.Relations@weycogroup.com). Telephone inquiries should be made to (414) 908-1600.

**WEYCO** Group

333 W. Estabrook Boulevard

Glendale, WI 53212

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