FORM 10-Q

CALERES INC - CAL

Filed: September 12, 2018 (period: August 04, 2018)

Quarterly report with a continuing view of a company's financial position

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

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended August 4, 2018

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________

Commission file number: 1-2191

CALERES, INC.

(Exact name of registrant as specified in its charter)

New York *(State or other jurisdiction of incorporation or organization)*	**43-0197190** *(IRS Employer Identification Number)*
8300 Maryland Avenue **St. Louis, Missouri** *(Address of principal executive offices)*	**63105** *(Zip Code)*

(314) 854-4000
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 31, 2018, 43,199,345 common shares were outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CALERES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

($ thousands)	(Unaudited) August 4, 2018	(Unaudited) July 29, 2017	February 3, 2018
Assets			
Current assets:			
Cash and cash equivalents	**$ 102,884**	$ 52,942	$ 64,047
Receivables, net	**153,421**	143,616	152,613
Inventories, net	**715,705**	722,005	569,379
Prepaid expenses and other current assets	**62,159**	36,972	60,750
Total current assets	**1,034,169**	955,535	846,789
Other assets	**89,701**	69,589	90,659
Goodwill	**134,546**	127,081	127,081
Intangible assets, net	**227,503**	214,114	212,087
Property and equipment	**549,051**	539,732	542,812
Allowance for depreciation	**(341,325)**	(321,894)	(330,013)
Property and equipment, net	**207,726**	217,838	212,799
Total assets	**$ 1,693,645**	$ 1,584,157	$ 1,489,415
Liabilities and Equity			
Current liabilities:			
Borrowings under revolving credit agreement	**$ —**	$ 35,000	$ —
Trade accounts payable	**400,391**	402,812	272,962
Other accrued expenses	**195,987**	170,499	157,197
Total current liabilities	**596,378**	608,311	430,159
Other liabilities:			
Long-term debt	**197,702**	197,233	197,472
Deferred rent	**52,396**	52,227	53,071
Other liabilities	**109,975**	85,212	89,751
Total other liabilities	**360,073**	334,672	340,294
Equity:			
Common stock	**432**	430	430
Additional paid-in capital	**140,146**	124,851	136,460
Accumulated other comprehensive loss	**(16,769)**	(28,051)	(15,170)
Retained earnings	**612,044**	542,499	595,769
Total Caleres, Inc. shareholders' equity	**735,853**	639,729	717,489
Noncontrolling interests	**1,341**	1,445	1,473
Total equity	**737,194**	641,174	718,962
Total liabilities and equity	**$ 1,693,645**	$ 1,584,157	$ 1,489,415

See notes to condensed consolidated financial statements.

CALERES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

	(Unaudited)			
	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
($ thousands, except per share amounts)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net sales	**$ 706,612**	$ 676,954	**$ 1,338,754**	$ 1,308,463
Cost of goods sold	**413,511**	389,493	**770,731**	750,094
Gross profit	**293,101**	287,461	**568,023**	558,369
Selling and administrative expenses	**258,835**	256,170	**509,033**	502,681
Restructuring and other special charges, net	**2,123**	2,865	**3,900**	3,973
Operating earnings	**32,143**	28,426	**55,090**	51,715
Interest expense, net	**(3,602)**	(4,375)	**(7,285)**	(9,184)
Other income, net	**3,078**	2,670	**6,169**	5,106
Earnings before income taxes	**31,619**	26,721	**53,974**	47,637
Income tax provision	**(8,008)**	(9,047)	**(13,183)**	(15,079)
Net earnings	**23,611**	17,674	**40,791**	32,558
Net (loss) earnings attributable to noncontrolling interests	**(35)**	79	**(67)**	61
Net earnings attributable to Caleres, Inc.	**$ 23,646**	$ 17,595	**$ 40,858**	$ 32,497
Basic earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.55**	$ 0.41	**$ 0.95**	$ 0.76
Diluted earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.55**	$ 0.41	**$ 0.94**	$ 0.75
Dividends per common share	**$ 0.07**	$ 0.07	**$ 0.14**	$ 0.14

See notes to condensed consolidated financial statements.

CALERES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(Unaudited)			
	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
($ thousands)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net earnings	**$ 23,611**	$ 17,674	**$ 40,791**	$ 32,558
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	**(251)**	1,820	**(1,059)**	1,280
Pension and other postretirement benefits adjustments	**468**	309	**902**	727
Derivative financial instruments	**(921)**	(402)	**(1,442)**	376
Other comprehensive (loss) income, net of tax	**(704)**	1,727	**(1,599)**	2,383
Comprehensive income	**22,907**	19,401	**39,192**	34,941
Comprehensive (loss) income attributable to noncontrolling interests	**(92)**	99	**(132)**	76
Comprehensive income attributable to Caleres, Inc.	**$ 22,999**	$ 19,302	**$ 39,324**	$ 34,865

See notes to condensed consolidated financial statements.

CALERES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Twenty-Six Weeks Ended	
($ thousands)	August 4, 2018	July 29, 2017
Operating Activities		
Net earnings	**$ 40,791**	$ 32,558
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	**21,911**	22,874
Amortization of capitalized software	**5,325**	7,243
Amortization of intangible assets	**2,284**	2,046
Amortization of debt issuance costs and debt discount	**954**	864
Share-based compensation expense	**8,054**	5,804
Loss on disposal of property and equipment	**852**	471
Impairment charges for property and equipment	**933**	2,119
Deferred rent	**(675)**	1,103
Provision for doubtful accounts	**124**	294
Changes in operating assets and liabilities, net of acquired amounts:		
Receivables	**3,619**	9,211
Inventories	**(140,907)**	(134,465)
Prepaid expenses and other current and noncurrent assets	**(4,814)**	8,158
Trade accounts payable	**124,882**	136,108
Accrued expenses and other liabilities	**28,561**	19,399
Other, net	**(887)**	493
Net cash provided by operating activities	**91,007**	114,280
Investing Activities		
Purchases of property and equipment	**(18,559)**	(24,251)
Capitalized software	**(2,951)**	(3,152)
Acquisition cost, net of cash received	**(16,793)**	—
Net cash used for investing activities	**(38,303)**	(27,403)
Financing Activities		
Borrowings under revolving credit agreement	—	400,000
Repayments under revolving credit agreement	—	(475,000)
Dividends paid	**(6,053)**	(6,030)
Acquisition of treasury stock	**(3,288)**	(5,993)
Issuance of common stock under share-based plans, net	**(4,365)**	(2,490)
Net cash used for financing activities	**(13,706)**	(89,513)
Effect of exchange rate changes on cash and cash equivalents	**(161)**	246
Increase (decrease) in cash and cash equivalents	**38,837**	(2,390)
Cash and cash equivalents at beginning of period	**64,047**	55,332
Cash and cash equivalents at end of period	**$ 102,884**	$ 52,942

See notes to condensed consolidated financial statements.

Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the United States Securities and Exchange Commission ("SEC") and reflect all adjustments and accruals of a normal recurring nature, which management believes are necessary to present fairly the financial position, results of operations, comprehensive income and cash flows of Caleres, Inc. ("the Company"). These statements, however, do not include all information and footnotes necessary for a complete presentation of the Company's consolidated financial position, results of operations, comprehensive income and cash flows in conformity with accounting principles generally accepted in the United States. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries, after the elimination of intercompany accounts and transactions.

The Company's business is seasonal in nature due to consumer spending patterns, with higher back-to-school and holiday season sales. Traditionally, the third fiscal quarter accounts for a substantial portion of the Company's earnings for the year. Interim results may not necessarily be indicative of results which may be expected for any other interim period or for the year as a whole.

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

For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended February 3, 2018.

Note 2 Impact of New Accounting Pronouncements

Impact of Recently Adopted Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* and subsequently issued several ASUs to clarify the implementation guidance in ASU 2014-09. Topic 606 provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of 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 requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the ASUs in the first quarter of 2018 using the modified retrospective method, which resulted in a cumulative-effect adjustment of $4.8 million to reduce retained earnings, with a corresponding $6.4 million increase to other accrued expenses and a $1.6 million decrease to deferred tax liabilities. Adoption of the standard is not anticipated to significantly impact the statements of earnings on an ongoing basis. Refer to Note 4 to the condensed consolidated financial statements for additional information.

In October 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory,* which requires recognition of the income tax effects of intercompany sales and intra-entity transfers of assets, other than inventory, when the transfer occurs. The ASU was effective for the Company at the beginning of the 2018 fiscal year. The ASU was adopted during the first quarter of 2018 using a modified retrospective approach, which resulted in a cumulative-effect adjustment to retained earnings of $10.5 million, with a corresponding $5.4 million reduction to an income tax asset and a $5.1 million increase to deferred tax liabilities.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The standard provides guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions of assets or businesses. The ASU requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. The ASU also narrows the definition of a business by requiring a set of assets to include an input and at least one substantive process that together significantly contribute to the ability to create outputs for it to be considered a business. The guidance was effective for the Company at the beginning of the 2018 fiscal year. The Company adopted the ASU on a prospective basis during the first quarter of 2018, which had no impact on the Company's condensed consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The ASU amended Accounting Standards Codification ("ASC") 715, *Compensation — Retirement*

Benefits, to require employers that present a measure of operating income in their statements of earnings to include only the service cost component of net periodic pension cost and net periodic postretirement benefit cost in operating expenses (together with other employee compensation costs). The other components of net periodic benefit cost, including amortization of prior service cost/credit, and settlement and curtailment effects, are to be included in non-operating expenses. The ASU was effective for the Company at the beginning of the 2018 fiscal year. The Company adopted the ASU during the first quarter of 2018 on a retrospective basis using the practical expedient permitted by the ASU and reclassified $2.7 million and $5.1 million of non-service cost components of net periodic benefit income for the thirteen and twenty-six weeks ended July 29, 2017, respectively, to other income, net in the condensed consolidated statements of earnings. For the thirteen and twenty-six weeks ended August 4, 2018, $3.1 million and $6.2 million, respectively, of non-service cost components of net periodic benefit income is presented as other income. Refer to Note 12 to the condensed consolidated financial statements for additional information.

In May 2017, the FASB issued ASU 2017-09, *Compensation — Stock Compensation (Topic 718), Scope of Modification Accounting.* The ASU clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Entities will apply modification accounting if the value, vesting conditions or classification of the award changes. The ASU was effective for the Company at the beginning of the 2018 fiscal year. The Company adopted the ASU on a prospective basis in the first quarter of 2018, which had no impact on the Company's condensed consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities*, which amends the hedge accounting model in ASC 815 to better portray the economic results of an entity's risk management activities in its financial statements and simplifies the application of hedge accounting in certain situations. The ASU eliminates the requirement to separately measure and report hedge ineffectiveness. ASU 2017-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company adopted the ASU in the first quarter of 2018, which did not have a material impact on the Company's condensed consolidated financial statements.

Impact of Prospective Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on the balance sheet. The FASB has subsequently issued ASUs with improvements to the guidance, including ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides entities with an additional transition method to adopt the new standard. Under the new optional transition method, an entity initially applies Topic 842 at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The ASUs are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 using a modified retrospective approach, with early adoption permitted. The Company will adopt the ASUs in the first quarter of 2019 using the optional transition method permitted by ASU 2018-11. The Company's implementation team is developing and executing the plan to adopt the ASUs. The Company's accounting systems have been upgraded to comply with the requirements of the new standard and the Company is in the process of evaluating the impact of the standard on its leases and processes. The Company anticipates electing the package of practical expedients permitted within the ASU; however, it does not expect to elect the hindsight practical expedient. Due to the large number of retail operating leases to which the Company is a party, the Company anticipates that the impact to its condensed consolidated balance sheets upon adoption in the first quarter of 2019 will be material. The Company is still assessing the impact to the condensed consolidated statements of earnings. Impairment charges related to underperforming retail stores are expected to be greater under the new standard due to the additional required right-of-use asset associated with each asset group. As the impact of the ASU is non-cash in nature, the impact to the Company's condensed consolidated statements of cash flows is not expected to be material. Adoption of the ASU is not expected to trigger non-compliance with any covenant or other restrictions under the provisions of any of the Company’s debt obligations.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which more closely aligns the accounting for share-based payments to nonemployees with the guidance for employees. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company anticipates that the adoption of the ASU in the first quarter of 2019 will not have a material impact on the Company's condensed consolidated financial statements.

Note 3 Acquisitions

Acquisition of Blowfish, LLC

On July 6, 2018, the Company entered into a Membership Interest Purchase Agreement ("Purchase Agreement") with Blowfish, LLC ("Blowfish", or "Blowfish Malibu"), pursuant to which the Company acquired a controlling interest in Blowfish. The noncontrolling interest is subject to a mandatory purchase obligation after a three-year period based upon an earnings multiple formula, as specified in the Purchase Agreement. The aggregate purchase price is estimated to be $28.1 million, including approximately $9.1 million preliminarily assigned to the mandatory purchase obligation, which will be paid upon settlement in 2021. The remaining $19.0 million (or $16.8 million, net of $2.2 million of cash received) was funded with cash. The preliminary estimate of the mandatory purchase obligation, which is recorded within other liabilities on the condensed consolidated balance sheet, is presented on a discounted basis and is subject to remeasurement based on the earnings formula specified in the Purchase Agreement. Accretion of the mandatory purchase obligation and any remeasurement adjustments will be recorded as interest expense. The operating results of Blowfish since July 6, 2018 have been included in the Company's condensed consolidated financial statements within the Brand Portfolio segment.

Blowfish Malibu, which was founded in 2005, designs and sells women's and children's footwear that captures the fresh youthful spirit and casual living that is distinctively Southern California. Footwear is marketed under the "Blowfish" and Blowfish Malibu" tradenames. The acquisition allows for continued expansion of the Company's overall business and provides additional exposure to the growing sneaker and casual lifestyle segment of the market.

The Brand Portfolio segment recognized $0.5 million ($0.4 million on an after-tax basis, or $0.01 per diluted share) in incremental cost of goods sold in the thirteen weeks ended August 4, 2018 related to the amortization of the inventory fair value adjustment required for purchase accounting. In addition, the Company incurred acquisition-related costs of $0.2 million ($0.2 million on an after-tax basis) in the thirteen weeks ended August 4, 2018, which were recorded as a component of restructuring and other special charges, net within the Other category. Refer to Note 6 to the consolidated financial statements for additional information related to the acquisition costs.

The assets and liabilities of Blowfish Malibu were recorded at their estimated fair values, and the excess of the purchase price over the fair value of the assets acquired and liabilities assumed, including identified intangible assets, was recorded as goodwill. The Company has preliminarily allocated the purchase price as of the acquisition date, July 6, 2018 as follows:

($ thousands)		July 6, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$	2,207
Receivables		4,612
Inventories		6,400
Prepaid expense and other current assets		317
Total current assets		13,536
Other assets		539
Goodwill		7,465
Intangible assets		15,800
Property and equipment		112
Total assets	$	37,452
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	$	2,915
Other accrued expenses		5,739
Total current liabilities		8,654
Deferred income taxes		581
Other liabilities		77
Total liabilities		9,312
Net assets	$	28,140

The allocation of the purchase price is based on certain preliminary valuations and analysis that have not been completed as of the date of this filing. Any subsequent changes in the estimated fair values assumed upon the finalization of more detailed analysis within the measurement period will change the allocation of the purchase price and will be adjusted during the period in which the amounts are determined. The Company’s purchase price allocation contains uncertainties because it required management to make assumptions and to apply judgment to estimate the fair value of the acquired assets and liabilities. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments the Company used in estimating the fair values assigned to each class of the acquired assets and assumed liabilities could materially affect the results of its operations. Management estimated the fair value of the assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows (Level 3 fair value measurements). Unanticipated events or circumstances may occur, which could affect the accuracy of the Company's fair value estimates, including assumptions regarding industry economic factors and business strategies.

A third-party valuation specialist assisted the Company with its preliminary fair value estimates for inventory, intangible assets other than goodwill and the mandatory purchase obligation. The Company used all available information to make its best estimate of fair values at the acquisition date.

Goodwill and intangible assets reflected above were determined to meet the criteria for recognition apart from tangible assets acquired and liabilities assumed. The goodwill recognized is primarily attributable to synergies and an assembled workforce and is not deductible for tax purposes. Refer to Note 9 to the consolidated financial statements for additional information regarding goodwill and intangible assets.

During the period from the acquisition date through August 4, 2018, Blowfish Malibu contributed $2.5 million of net sales and had an immaterial impact on the Company's earnings.

Acquisition of Allen Edmonds

On December 13, 2016, the Company entered into a Stock Purchase Agreement with Apollo Investors, LLC and Apollo Buyer Holding Company, Inc., pursuant to which the Company acquired all outstanding capital stock of Allen Edmonds ("Allen Edmonds"). The aggregate purchase price for the Allen Edmonds stock was $259.9 million, net of cash received of $0.7 million. The operating results of Allen Edmonds are included in the Company's condensed consolidated financial statements within the Brand Portfolio segment.

Management estimated the fair value of the assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows. During the thirteen and twenty-six weeks ended July 29, 2017, the Company recognized $1.9 million in cost of goods sold ($1.2 million on an after-tax basis, or $0.03 per diluted share) and $4.9 million in cost of goods sold ($3.0 million on an after-tax basis, or $0.07 per diluted share), respectively, related to the amortization of the inventory fair value adjustment required for purchase accounting. The inventory fair value adjustment was fully amortized as of July 29, 2017. As further discussed in Note 6 to the consolidated financial statements, the Company also incurred acquisition and integration costs during the twenty-six weeks ended August 4, 2018 and July 29, 2017.

Note 4 Revenues

Impact of Adoption of ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606)

On February 4, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of that date. Topic 606 provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of 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. Adoption of the standard resulted in a cumulative-effect adjustment to retained earnings of $4.8 million as of February 4, 2018, related to loyalty points issued under the Company's loyalty program ("Rewards") within the Famous Footwear segment. Topic 606 requires a deferral of revenue associated with loyalty points using a relative stand-alone selling price method rather than the incremental cost approach the Company used previously. The standard also requires the reclassification of the returns reserve from receivables to other accrued expenses and the reclassification of the return asset from inventories to prepaid expenses and other current assets in the condensed consolidated balance sheets. The comparative information for prior periods has not been restated and continues to be reported under the accounting standards in effect for those periods.

The impact of the adoption of Topic 606 on the condensed balance sheet as of August 4, 2018 was as follows:

	August 4, 2018		
($ thousands)	As reported	Balances without adoption of Topic 606	Effect of change Higher/(Lower)
Balance sheet			
Assets			
Current assets:			
Receivables, net	$ 153,421	$ 148,263	$ 5,158
Inventories, net	715,705	719,930	(4,225)
Prepaid expenses and other current assets	62,159	55,953	6,206
Liabilities			
Current liabilities:			
Other accrued expenses	195,987	183,979	12,008
Equity			
Retained earnings	612,044	616,913	(4,869)

Adoption of the standard also required various changes that impacted the statement of earnings. These changes generally result in either a shift in the timing of revenue recognition or the reclassification of an item from one caption on the statement of earnings to another. As disclosed above, the primary impact is related to deferring revenue at a higher rate for the Company's loyalty program. There are also reclassifications related to income received under co-op marketing arrangements with the Company's vendors and the recognition of certain sales transactions in the Company's retail stores on a net commission basis rather than recording on a gross basis. The impact of all changes related to Topic 606 to the statement of earnings for the thirteen and twenty-six weeks ended August 4, 2018 was as follows:

	For the Thirteen Weeks Ended August 4, 2018		
($ thousands)	As reported	Balances without the adoption of Topic 606	Effect of change (Lower)/Higher
Statement of Earnings			
Net sales	$ 706,612	$ 707,262	$ (650)
Cost of goods sold	413,511	413,594	(83)
Gross profit	293,101	293,668	(567)
Selling and administrative expenses	258,835	259,462	(627)
Restructuring and other special charges, net	2,123	2,123	—
Operating earnings	$ 32,143	$ 32,083	$ 60

	For the Twenty-Six Weeks Ended August 4, 2018		
($ thousands)	As reported	Balances without the adoption of Topic 606	Effect of change (Lower)/Higher
Statement of Earnings			
Net sales	$ 1,338,754	$ 1,340,183	$ (1,429)
Cost of goods sold	770,731	770,806	(75)
Gross profit	568,023	569,377	(1,354)
Selling and administrative expenses	509,033	510,250	(1,217)
Restructuring and other special charges, net	3,900	3,900	—
Operating earnings	$ 55,090	$ 55,227	$ (137)

The adoption of Topic 606 had an immaterial impact on net earnings and earnings per share for the thirteen and twenty-six weeks ended August 4, 2018.

Accounting Policy

Revenue is recognized when obligations under the terms of a contract with the consumer are satisfied. This generally occurs at the time of transfer of control of merchandise. The Company considers several control indicators in its assessment of the timing of the transfer of control, including significant risks and rewards of ownership, physical possession and the Company's right to receive payment. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring merchandise. The Company applies the guidance using the portfolio approach because this methodology would not differ materially from applying the guidance to the individual contracts within the portfolio. The Company elected the practical expedient to exclude sales and similar taxes collected from customers from the measurement of the transaction price for its retail sales.

Disaggregation of Revenues

The following table disaggregates revenue by segment and major source for the periods ended August 4, 2018:

	For the Thirteen Weeks Ended August 4, 2018					
($ thousands)	Famous Footwear		Brand Portfolio		Total	
Retail stores	$	401,008	$	43,587	$	444,595
Landed wholesale		—		164,454		164,454
First-cost wholesale		—		27,160		27,160
E-commerce		28,332		37,273		65,605
Licensing and royalty		—		4,582		4,582
Other [(1)]		132		84		216
Net sales	$	429,472	$	277,140	$	706,612

	For the Twenty-Six Weeks Ended August 4, 2018					
($ thousands)	Famous Footwear		Brand Portfolio		Total	
Retail stores	$	739,264	$	86,371	$	825,635
Landed wholesale		—		332,264		332,264
First-cost wholesale		—		40,565		40,565
E-commerce		53,346		78,223		131,569
Licensing and royalty		—		8,294		8,294
Other [(1)]		273		154		427
Net sales	$	792,883	$	545,871	$	1,338,754

[(1)] Includes breakage revenue from unredeemed gift cards

Retail stores

The majority of the Company's revenue is generated from retail sales where control is transferred and revenue is recognized at the point of sale. Retail sales are recorded net of returns and exclude sales tax. Merchandise returns are recognized as a reduction of sales at the time the merchandise is returned. In addition, the Company carries a returns reserve and a corresponding return asset for expected returns of merchandise.

Retail sales to members of our Rewards program include two performance obligations: the sale of merchandise and the delivery of points that may be redeemed for future purchases at Famous Footwear. The transaction price is allocated to the separate performance obligations based on the relative stand-alone selling price. The stand-alone selling price for the points is estimated using the retail value of the merchandise earned, adjusted for estimated breakage based upon historical redemption patterns. The Company has elected to adopt the practical expedient that allows entities to disregard the effect of the time value of money between payment for and receipt of goods when the sale does not include a financing element. The revenue associated with the initial merchandise purchased is recognized immediately and the value assigned to the points is deferred until the points are redeemed, forfeited or expired. Upon adoption of Topic 606 as of February 4, 2018, the Rewards program liability, included in other accrued expenses on the condensed consolidated balance sheets, increased $6.4 million, from $8.1 million to $14.5 million.

Landed wholesale

Landed sales are wholesale sales in which the merchandise is shipped directly to the customer from the Company’s warehouses. Many landed customers arrange their own transportation of merchandise and, with limited exceptions, control is transferred at the time of shipment.

First-cost wholesale

First-cost sales are wholesale sales in which the Company purchases merchandise from an international factory that manufactures the product. Revenue is recognized at the time the merchandise is delivered to the customer’s designated freight forwarder and control is transferred to the customer.

E-commerce

The Company also generates revenue through online and drop-ship sales, cumulatively referred to as "e-commerce". The Company transfers control and recognizes revenue for merchandise sold that is shipped directly to an individual consumer upon delivery to the consumer.

Licensing and royalty

The Company has license agreements with third parties allowing them to sell the Company's branded product, or other merchandise that uses the Company's owned or licensed brand names. These license agreements provide the licensee access to the Company's symbolic intellectual property, and revenue is therefore recognized over the license term. For royalty contracts that do not have guaranteed minimums, the Company recognizes revenue as the licensee's sales occur. For royalty contracts that have guaranteed minimums, revenue for the guaranteed minimum is recognized on a straight-line basis during the term, until such time that the cumulative royalties exceed the total minimum guarantee. Up-front payments are recognized over the contractual term to which the guaranteed minimum relates.

Contract Balances

Revenue is recorded at the transaction price, net of estimates for variable consideration for which reserves are established, including returns, allowances and discounts. Variable consideration is estimated using the expected value method and given the large number of contracts with similar characteristics, the portfolio approach is applied to determine the variable consideration for each revenue stream. Reserves for projected returns are based on historical patterns and current expectations.

Information about significant contract balances from contracts with customers is as follows:

($ thousands)	August 4, 2018	February 3, 2018
Customer allowances and discounts	**$ 21,838**	$ 20,259
Rewards program liability	**14,780**	8,130
Returns reserve	**10,774**	8,332
Gift card liability	**4,420**	5,509

Changes in contract balances with customers generally reflect differences in relative sales volume for the period presented. In addition, during the twenty-six weeks ended August 4, 2018, the Rewards program liability increased $8.9 million due to purchases and $6.4 million due to the adoption of Topic 606 and decreased $8.7 million due to expirations and redemptions. The change in the balance of the returns reserve is primarily due to the impact of account reclassifications required by adoption of Topic 606 on February 4, 2018.

Note 5 Earnings Per Share

The Company uses the two-class method to compute basic and diluted earnings per common share attributable to Caleres, Inc. shareholders. In periods of net loss, no effect is given to the Company's participating securities since they do not contractually participate in the losses of the Company. The following table sets forth the computation of basic and diluted earnings per common share attributable to Caleres, Inc. shareholders for the periods ended August 4, 2018 and July 29, 2017:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
($ thousands, except per share amounts)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
NUMERATOR				
Net earnings	**$ 23,611**	$ 17,674	**$ 40,791**	$ 32,558
Net loss (earnings) attributable to noncontrolling interests	**35**	(79)	**67**	(61)
Net earnings allocated to participating securities	**(673)**	(490)	**(1,148)**	(895)
Net earnings attributable to Caleres, Inc. after allocation of earnings to participating securities	**$ 22,973**	$ 17,105	**$ 39,710**	$ 31,602
DENOMINATOR				
Denominator for basic earnings per common share attributable to Caleres, Inc. shareholders	**41,964**	41,783	**41,937**	41,807
Dilutive effect of share-based awards	**117**	171	**120**	172
Denominator for diluted earnings per common share attributable to Caleres, Inc. shareholders	**42,081**	41,954	**42,057**	41,979
Basic earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.55**	$ 0.41	**$ 0.95**	$ 0.76
Diluted earnings per common share attributable to Caleres, Inc. shareholders	**$ 0.55**	$ 0.41	**$ 0.94**	$ 0.75

Options to purchase 16,667 shares of common stock for the thirteen and twenty-six weeks ended July 29, 2017 were not included in the denominator for diluted earnings per common share attributable to Caleres, Inc. shareholders because the effect would be anti-dilutive. There were no options to purchase shares excluded from the denominator for the thirteen and twenty-six weeks ended August 4, 2018.

During the twenty-six weeks ended August 4, 2018 and July 29, 2017, the Company repurchased 100,000 and 225,000 shares, respectively, under the publicly announced share repurchase program, which permits repurchases of up to 2.5 million shares. The Company did not purchase any shares during the thirteen weeks ended August 4, 2018 or July 29, 2017. As of August 4, 2018, the Company has repurchased a total of 1.4 million shares under this program.

Note 6 Restructuring and Other Initiatives

During the thirteen and twenty-six weeks ended August 4, 2018, the Company incurred integration and reorganization costs, primarily for severance, related to the men's business totaling $1.9 million ($1.4 million on an after-tax basis, or $0.03 per diluted share) and $3.7 million ($2.7 million on an after-tax basis, or $0.07 per diluted share), respectively. Of the $1.9 million in costs presented as restructuring and other special charges, net in the condensed consolidated statements of earnings for the thirteen weeks ended August 4, 2018, $1.8 million was reflected within the Brand Portfolio segment and $0.1 million was reflected within the Other category. Of the $3.7 million in costs for the twenty-six weeks ended August 4, 2018, $3.4 million was reflected within the Brand Portfolio segment and $0.3 million was reflected within the Other category. The Company also incurred acquisition costs associated with the acquisition of Blowfish Malibu of $0.2 million during the thirteen weeks ended August 4, 2018, which is presented as restructuring and other special charges, net in the condensed consolidated statements of earnings and reflected within the Other category. Refer to further discussion of the acquisition in Note 3 to the condensed consolidated financial statements.

During the thirteen and twenty-six weeks ended July 29, 2017, the Company incurred integration and reorganization costs, primarily for professional fees and severance expense, totaling $2.9 million ($1.9 million on an after-tax basis, or $0.04 per diluted share) and $4.0 million ($2.6 million on an after-tax basis, or $0.06 per diluted share), respectively, related to the men's business. Of the $2.9 million in costs presented as restructuring and other special charges, net in the condensed consolidated statements of earnings for the thirteen weeks ended July 29, 2017, $2.2 million is reflected within the Other category and $0.7 million is reflected within the Brand Portfolio segment. Of the $4.0 million in restructuring and other special charges for the twenty-six weeks ended July 29, 2017, $2.5 million is reflected within the Other category and $1.5 million is reflected within the Brand Portfolio segment.

Note 7 Business Segment Information

Following is a summary of certain key financial measures for the Company's business segments for the periods ended August 4, 2018 and July 29, 2017:

($ thousands)	Famous Footwear	Brand Portfolio	Other	Total
Thirteen Weeks Ended August 4, 2018				
External sales	**$ 429,472**	**$ 277,140**	**$ —**	**$ 706,612**
Intersegment sales	**—**	**27,881**	**—**	**27,881**
Operating earnings (loss)	**33,240**	**13,607**	**(14,704)**	**32,143**
Segment assets	**650,366**	**860,093**	**183,186**	**1,693,645**
Thirteen Weeks Ended July 29, 2017				
External sales	$ 404,930	$ 272,024	$ —	$ 676,954
Intersegment sales	—	29,850	—	29,850
Operating earnings (loss)	25,112	15,916	(12,602)	28,426
Segment assets	636,399	839,674	108,084	1,584,157
Twenty-Six Weeks Ended August 4, 2018				
External sales	**$ 792,883**	**$ 545,871**	**$ —**	**$ 1,338,754**
Intersegment sales	**—**	**42,656**	**—**	**42,656**
Operating earnings (loss)	**55,097**	**26,094**	**(26,101)**	**55,090**
Twenty-Six Weeks Ended July 29, 2017				
External sales	$ 771,424	$ 537,039	$ —	$ 1,308,463
Intersegment sales	—	44,550	—	44,550
Operating earnings (loss)	45,391	29,230	(22,906)	51,715

The Other category includes corporate assets, administrative expenses and other costs and recoveries, which are not allocated to the operating segments.

Following is a reconciliation of operating earnings to earnings before income taxes:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
($ thousands)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Operating earnings	**$ 32,143**	$ 28,426	**$ 55,090**	$ 51,715
Interest expense, net	**(3,602)**	(4,375)	**(7,285)**	(9,184)
Other income, net	**3,078**	2,670	**6,169**	5,106
Earnings before income taxes	**$ 31,619**	$ 26,721	**$ 53,974**	$ 47,637

Note 8 Inventories

The Company's net inventory balance was comprised of the following:

($ thousands)		August 4, 2018		July 29, 2017		February 3, 2018
Raw materials	$	**17,697**	$	18,951	$	17,531
Work-in-process		**799**		840		689
Finished goods		**697,209**		702,214		551,159
Inventories, net	$	**715,705**	$	722,005	$	569,379

Note 9 Goodwill and Intangible Assets

Goodwill and intangible assets were as follows:

($ thousands)		August 4, 2018		July 29, 2017		February 3, 2018
Intangible Assets						
Famous Footwear	$	**2,800**	$	2,800	$	2,800
Brand Portfolio		**301,788**		285,988		285,988
Other		**1,900**		—		—
Total intangible assets		**306,488**		288,788		288,788
Accumulated amortization		**(78,985)**		(74,674)		(76,701)
Total intangible assets, net		**227,503**		214,114		212,087
Goodwill						
Brand Portfolio		**134,546**		127,081		127,081
Total goodwill		**134,546**		127,081		127,081
Goodwill and intangible assets, net	$	**362,049**	$	341,195	$	339,168

As further described in Note 3 to the condensed consolidated financial statements, the Company acquired Blowfish Malibu on July 6, 2018. The preliminary allocation of the purchase price resulted in estimated incremental intangible assets of $15.8 million, consisting of trademarks and customer relationships of $9.9 million and $5.9 million, respectively, and incremental goodwill of $7.5 million. In addition, during the thirteen and twenty-six weeks ended August 4, 2018, the Company acquired software licenses with an original cost of $0.1 million and $1.9 million, respectively, which are included in intangible assets, net of accumulated amortization, on the condensed consolidated balance sheets.

The Company's intangible assets as of August 4, 2018, July 29, 2017 and February 3, 2018 were as follows:

($ thousands)	August 4, 2018						
	Estimated Useful Lives		Original Cost		Accumulated Amortization		Net Carrying Value
Trademarks	**15-40 years**	**$**	**175,188**	**$**	**78,197**	**$**	**96,991**
Trademarks	**Indefinite**		**118,100**		**—**		**118,100**
Customer relationships	**15-20 years**		**11,300**		**618**		**10,682**
Software licenses	**3 years**		**1,900**		**170**		**1,730**
		$	**306,488**	**$**	**78,985**	**$**	**227,503**

	July 29, 2017						
	Estimated Useful Lives		Original Cost		Accumulated Amortization		Net Carrying Value
Trademarks	15-40 years	$	165,288	$	74,449	$	90,839
Trademarks	Indefinite		118,100		—		118,100
Customer relationships	15 years		5,400		225		5,175
		$	288,788	$	74,674	$	214,114

		February 3, 2018		
	Estimated Useful Lives	Original Cost	Accumulated Amortization	Net Carrying Value
Trademarks	15-40 years	$ 165,288	$ 76,296	$ 88,992
Trademarks	Indefinite	118,100	—	118,100
Customer relationships	15 years	5,400	405	4,995
		$ 288,788	$ 76,701	$ 212,087

Amortization expense related to intangible assets was $1.3 million and $1.0 million for the thirteen weeks ended August 4, 2018 and July 29, 2017, respectively, and $2.3 million and $2.0 million for the twenty-six weeks ended August 4, 2018 and July 29, 2017, respectively. The Company estimates that amortization expense related to intangible assets will be approximately $5.1 million in each of the years from 2019 through 2023.

Note 10 Shareholders' Equity

The following tables set forth the changes in Caleres, Inc. shareholders' equity and noncontrolling interests for the twenty-six weeks ended August 4, 2018 and July 29, 2017:

($ thousands)	Caleres, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
Equity at February 3, 2018	**$ 717,489**	**$ 1,473**	**$ 718,962**
Net earnings (loss)	**40,858**	**(67)**	**40,791**
Other comprehensive loss	**(1,599)**	**(65)**	**(1,664)**
Dividends paid	**(6,053)**	—	**(6,053)**
Acquisition of treasury stock	**(3,288)**	—	**(3,288)**
Issuance of common stock under share-based plans, net	**(4,365)**	—	**(4,365)**
Cumulative-effect adjustment from adoption of ASU 2016-16	**(10,468)**	—	**(10,468)**
Cumulative-effect adjustment from adoption of ASU 2014-09 (Topic 606)	**(4,775)**	—	**(4,775)**
Share-based compensation expense	**8,054**	—	**8,054**
Equity at August 4, 2018	**$ 735,853**	**$ 1,341**	**$ 737,194**

($ thousands)	Caleres, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
Equity at January 28, 2017	$ 613,117	$ 1,369	$ 614,486
Net earnings	32,497	61	32,558
Other comprehensive income	2,383	15	2,398
Dividends paid	(6,030)	—	(6,030)
Acquisition of treasury stock	(5,993)	—	(5,993)
Issuance of common stock under share-based plans, net	(2,490)	—	(2,490)
Cumulative-effect adjustment from adoption of ASU 2016-09	441	—	441
Share-based compensation expense	5,804	—	5,804
Equity at July 29, 2017	$ 639,729	$ 1,445	$ 641,174

Accumulated Other Comprehensive Loss

The following table sets forth the changes in accumulated other comprehensive loss (OCL) by component for the periods ended August 4, 2018 and July 29, 2017:

($ thousands)	Foreign Currency Translation	Pension and Other Postretirement Transactions (1)	Derivative Financial Instrument Transactions (2)	Accumulated Other Comprehensive (Loss) Income
Balance at May 5, 2018	**$ 427**	**$ (16,738)**	**$ 246**	**$ (16,065)**
Other comprehensive loss before reclassifications	**(251)**	**—**	**(825)**	**(1,076)**
Reclassifications:				
Amounts reclassified from accumulated other comprehensive loss	**—**	**630**	**(121)**	**509**
Tax (benefit) provision	**—**	**(162)**	**25**	**(137)**
Net reclassifications	**—**	**468**	**(96)**	**372**
Other comprehensive (loss) income	**(251)**	**468**	**(921)**	**(704)**
Balance at August 4, 2018	**$ 176**	**$ (16,270)**	**$ (675)**	**$ (16,769)**
Balance at April 29, 2017	$ (348)	$ (29,666)	$ 236	$ (29,778)
Other comprehensive income (loss) before reclassifications	1,820	—	(295)	1,525
Reclassifications:				
Amounts reclassified from accumulated other comprehensive loss	—	500	(164)	336
Tax (benefit) provision	—	(191)	57	(134)
Net reclassifications	—	309	(107)	202
Other comprehensive income (loss)	1,820	309	(402)	1,727
Balance at July 29, 2017	$ 1,472	$ (29,357)	$ (166)	$ (28,051)
Balance February 3, 2018	**$ 1,235**	**$ (17,172)**	**$ 767**	**$ (15,170)**
Other comprehensive loss before reclassifications	**(1,059)**	**—**	**(1,233)**	**(2,292)**
Reclassifications:				
Amounts reclassified from accumulated other comprehensive loss	**—**	**1,215**	**(266)**	**949**
Tax (benefit) provision	**—**	**(313)**	**57**	**(256)**
Net reclassifications	**—**	**902**	**(209)**	**693**
Other comprehensive (loss) income	**(1,059)**	**902**	**(1,442)**	**(1,599)**
Balance August 4, 2018	**$ 176**	**$ (16,270)**	**$ (675)**	**$ (16,769)**
Balance January 28, 2017	$ 192	$ (30,084)	$ (542)	$ (30,434)
Other comprehensive income before reclassifications	1,280	—	458	1,738
Reclassifications:				
Amounts reclassified from accumulated other comprehensive loss	—	1,179	(117)	1,062
Tax (benefit) provision	—	(452)	35	(417)
Net reclassifications	—	727	(82)	645
Other comprehensive income	1,280	727	376	2,383
Balance July 29, 2017	$ 1,472	$ (29,357)	$ (166)	$ (28,051)

(1) Amounts reclassified are included in other income, net. See Note 12 to the condensed consolidated financial statements for additional information related to pension and other postretirement benefits.

(2) Amounts reclassified are included in net sales, costs of goods sold, selling and administrative expenses and interest expense, net. See Notes 13 and 14 to the condensed consolidated financial statements for additional information related to derivative financial instruments.

Note 11 Share-Based Compensation

The Company recognized share-based compensation expense of $4.5 million and $3.1 million during the thirteen weeks and $8.1 million and $5.8 million during the twenty-six weeks ended August 4, 2018 and July 29, 2017, respectively.

The Company issued 17,526 shares of common stock during the thirteen weeks ended August 4, 2018 and had net repurchases of 12,472 shares of common stock during the thirteen weeks ended July 29, 2017 for restricted stock grants, stock performance awards issued to employees, stock options exercised and common and restricted stock grants issued to non-employee directors, net of forfeitures and shares withheld to satisfy the tax withholding requirement. During the twenty-six weeks ended August 4, 2018 and July 29, 2017, the Company issued 273,531 and 241,886 shares of common stock, respectively, related to these share-based plans.

Restricted Stock

The following table summarizes restricted stock activity for the periods ended August 4, 2018 and July 29, 2017:

	Thirteen Weeks Ended August 4, 2018				Thirteen Weeks Ended July 29, 2017		
	Total Number of Restricted Shares	Weighted- Average Grant Date Fair Value			Total Number of Restricted Shares	Weighted- Average Grant Date Fair Value	
May 5, 2018	**1,244,332**	**$**	**28.80**	April 29, 2017	1,217,334	$	27.96
Granted	**39,142**		**34.33**	Granted	4,492		27.83
Forfeited	**(750)**		**35.53**	Forfeited	(17,500)		28.56
Vested	**(76,826)**		**27.81**	Vested	(10,000)		18.80
August 4, 2018	**1,205,898**	**$**	**29.04**	July 29, 2017	1,194,326	$	28.03

	Twenty-Six Weeks Ended August 4, 2018				Twenty-Six Weeks Ended July 29, 2017		
	Total Number of Restricted Shares	Weighted- Average Grant Date Fair Value			Total Number of Restricted Shares	Weighted- Average Grant Date Fair Value	
February 3, 2018	**1,174,801**	**$**	**27.92**	January 28, 2017	1,128,049	$	25.85
Granted	**333,833**		**32.07**	Granted	356,312		26.91
Forfeited	**(17,300)**		**27.82**	Forfeited	(30,000)		27.75
Vested	**(285,436)**		**28.06**	Vested	(260,035)		17.07
August 4, 2018	**1,205,898**	**$**	**29.04**	July 29, 2017	1,194,326	$	28.03

Of the 39,142 restricted shares granted during the thirteen weeks ended August 4, 2018, 3,642 shares have a cliff-vesting term of one year and 35,500 shares have a graded-vesting term of three years. Of the 333,833 restricted shares granted during the twenty-six weeks ended August 4, 2018, 3,642 shares have a cliff-vesting term of one year, 9,500 shares have a cliff-vesting term of four years, and 320,691 shares have a graded-vesting term of three years. All of the restricted shares granted during the thirteen weeks ended July 29, 2017 have a cliff-vesting term of one year. Of the 356,312 restricted shares granted during the twenty-six weeks ended July 29, 2017, 4,492 shares have a cliff-vesting term of one year, 12,000 shares have a graded-vesting term of four years and 339,820 shares have a cliff-vesting term of four years. Share-based compensation expense for cliff-vesting grants is recognized on a straight-line basis over the vesting period and expense for graded-vesting grants is recognized ratably over the respective vesting periods.

Performance Share Awards

During the thirteen weeks ended August 4, 2018 and July 29, 2017, the Company granted no performance share awards. During the twenty-six weeks ended August 4, 2018 and July 29, 2017, the Company granted performance share awards for a targeted 155,000 and 169,500 shares, respectively, with a weighted-average grant date fair value of $31.84 and $26.90, respectively. Vesting of performance-based awards is dependent upon the financial performance of the Company and the attainment of certain financial goals during the three-year period following the grant. At the end of the vesting period, the employee will have earned an amount of shares or units between 0% and 200% of the targeted award, depending on the achievement of the specified financial goals for the service period. Compensation expense is recognized based on the fair value of the award and the anticipated number of shares or units to be awarded for each tranche in accordance with the vesting schedule of the units over the three-year service period. During the first quarter of 2017, the Company's remaining performance share awards granted in units vested and were settled in cash at fair value.

Stock Options

The following table summarizes stock option activity for the periods ended August 4, 2018 and July 29, 2017:

	Thirteen Weeks Ended August 4, 2018			Thirteen Weeks Ended July 29, 2017	
	Total Number of Stock Options	Weighted- Average Grant Date Fair Value		Total Number of Stock Options	Weighted- Average Grant Date Fair Value
May 5, 2018	**62,042**	**$ 6.90**	April 29, 2017	97,292	$ 6.39
Granted	—	—	Granted	—	—
Exercised	**(15,875)**	**3.00**	Exercised	(5,250)	5.93
Forfeited	—	—	Forfeited	—	—
Expired	**(1,500)**	**5.95**	Expired	—	—
August 4, 2018	**44,667**	**$ 8.32**	July 29, 2017	92,042	$ 6.42

	Twenty-Six Weeks Ended August 4, 2018			Twenty-Six Weeks Ended July 29, 2017	
	Total Number of Stock Options	Weighted- Average Grant Date Fair Value		Total Number of Stock Options	Weighted- Average Grant Date Fair Value
February 3, 2018	**81,042**	**$ 6.28**	January 28, 2017	150,540	$ 9.36
Granted	—	—	Granted	—	—
Exercised	**(32,375)**	**3.52**	Exercised	(11,250)	5.74
Forfeited	—	—	Forfeited	—	—
Expired	**(4,000)**	**5.80**	Expired	(47,248)	15.94
August 4, 2018	**44,667**	**$ 8.32**	July 29, 2017	92,042	$ 6.42

Restricted Stock Units for Non-Employee Directors

Equity-based grants may be made to non-employee directors in the form of restricted stock units ("RSUs") payable in cash or common stock at no cost to the non-employee director. The RSUs earn dividend equivalents at the same rate as dividends on the Company's common stock. The dividend equivalents, which vest immediately, are automatically re-invested in additional RSUs. Expense is recognized at fair value when the dividend equivalents are granted. The Company granted 37,167 and 45,830 RSUs to non-employee directors, including 747 and 910 RSUs for dividend equivalents, during the thirteen weeks ended August 4, 2018 and July 29, 2017, respectively, with weighted-average grant date fair values of $34.33 and $27.84, respectively. The Company granted 37,948 and 46,712 RSUs to non-employee directors, including 1,528 and 1,792 RSUs for dividend equivalents, during the twenty-six weeks ended August 4, 2018 and July 29, 2017, respectively, with weighted-average grant date fair values of $34.30 and $27.81, respectively.

Note 12 Retirement and Other Benefit Plans

The following table sets forth the components of net periodic benefit income for the Company, including domestic and Canadian plans:

	Pension Benefits		Other Postretirement Benefits	
	Thirteen Weeks Ended		Thirteen Weeks Ended	
($ thousands)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Service cost	**$ 2,097**	$ 2,383	**$ —**	$ —
Interest cost	**3,550**	3,727	**14**	16
Expected return on assets	**(7,272)**	(6,913)	**—**	—
Amortization of:				
Actuarial loss (gain)	**1,048**	996	**(32)**	(35)
Prior service income	**(386)**	(461)	**—**	—
Total net periodic benefit income	**$ (963)**	$ (268)	**$ (18)**	$ (19)

	Pension Benefits		Other Postretirement Benefits	
	Twenty-Six Weeks Ended		Twenty-Six Weeks Ended	
($ thousands)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Service cost	**$ 4,479**	$ 4,850	**$ —**	$ —
Interest cost	**7,091**	7,474	**29**	34
Expected return on assets	**(14,504)**	(13,793)	**—**	—
Amortization of:				
Actuarial loss (gain)	**2,061**	2,148	**(62)**	(73)
Prior service income	**(784)**	(896)	**—**	—
Total net periodic benefit income	**$ (1,657)**	$ (217)	**$ (33)**	$ (39)

As further discussed in Note 2 to the condensed consolidated financial statements, as a result of the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* on a retrospective basis during the first quarter of 2018, the non-service cost components of net periodic benefit income are included in other income, net in the condensed consolidated statements of earnings. Service cost is included in selling and administrative expenses.

Note 13 Risk Management and Derivatives

In the normal course of business, the Company's financial results are impacted by currency rate movements in foreign currency denominated assets, liabilities and cash flows as it makes a portion of its purchases and sales in local currencies. The Company has established policies and business practices that are intended to mitigate a portion of the effect of these exposures. The Company uses derivative financial instruments, primarily forward contracts, to manage its currency exposures. These derivative financial instruments are viewed as risk management tools and are not used for trading or speculative purposes. Derivatives entered into by the Company are designated as cash flow hedges of forecasted foreign currency transactions.

Derivative financial instruments expose the Company to credit and market risk. The market risk associated with these instruments resulting from currency exchange movements is expected to offset the market risk of the underlying transactions being hedged. The Company does not believe there is a significant risk of loss in the event of non-performance by the counterparties associated with these instruments because these transactions are executed with major international financial institutions and have varying maturities through August 2019. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

The Company's hedging strategy uses forward contracts as cash flow hedging instruments, which are recorded in the Company's condensed consolidated balance sheets at fair value. The effective portion of gains and losses resulting from changes in the fair value of these hedge instruments are deferred in accumulated other comprehensive loss and reclassified to earnings in the period that the hedged transaction is recognized in earnings.

As of August 4, 2018, July 29, 2017 and February 3, 2018, the Company had forward contracts maturing at various dates through August 2019, August 2018 and February 2019, respectively. The contract amounts in the following table represent the net notional amount of all purchase and sale contracts of a foreign currency.

(U.S. $ equivalent in thousands)	August 4, 2018	July 29, 2017	February 3, 2018
Financial Instruments			
Euro	**$ 14,852**	$ 14,725	$ 21,223
U.S. dollars (purchased by the Company's Canadian division with Canadian dollars)	**15,992**	18,110	16,874
Chinese yuan	**12,394**	11,887	12,058
New Taiwanese dollars	**526**	567	596
Other currencies	**391**	444	415
Total financial instruments	**$ 44,155**	$ 45,733	$ 51,166

The classification and fair values of derivative instruments designated as hedging instruments included within the condensed consolidated balance sheets as of August 4, 2018, July 29, 2017 and February 3, 2018 are as follows:

	Asset Derivatives		Liability Derivatives	
($ thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign Exchange Forward Contracts				
August 4, 2018	**Prepaid expenses and other current assets**	**$ 305**	**Other accrued expenses**	**$ 1,380**
July 29, 2017	Prepaid expenses and other current assets	918	Other accrued expenses	1,083
February 3, 2018	Prepaid expenses and other current assets	1,540	Other accrued expenses	542

For the thirteen and twenty-six weeks ended August 4, 2018 and July 29, 2017, the effect of derivative instruments in cash flow hedging relationships on the condensed consolidated statements of earnings was as follows:

($ thousands)	Thirteen Weeks Ended August 4, 2018		Thirteen Weeks Ended July 29, 2017	
Foreign Exchange Forward Contracts: Income Statement Classification (Losses) Gains - Realized	Loss Recognized in OCL on Derivatives	(Loss) Gain Reclassified from Accumulated OCL into Earnings	Loss Recognized in OCL on Derivatives	Gain Reclassified from Accumulated OCL into Earnings
Net sales	**$ (17)**	**$ (4)**	$ (8)	$ 6
Cost of goods sold	**(283)**	**28**	(55)	158
Selling and administrative expenses	**(730)**	**97**	(194)	—
Interest expense, net	—	—	(14)	—

($ thousands)	Twenty-Six Weeks Ended August 4, 2018		Twenty-Six Weeks Ended July 29, 2017	
Foreign Exchange Forward Contracts: Income Statement Classification (Losses) Gains - Realized	Loss Recognized in OCL on Derivatives	(Loss) Gain Reclassified from Accumulated OCL into Earnings	(Loss) Gain Recognized in OCL on Derivatives	Gain (Loss) Reclassified from Accumulated OCL into Earnings
Net sales	**$ (42)**	**$ (4)**	$ (40)	$ 24
Cost of goods sold	**(684)**	**(64)**	737	161
Selling and administrative expenses	**(802)**	**334**	117	(67)
Interest expense, net	—	—	(10)	(1)

All gains and losses currently included within accumulated other comprehensive loss associated with the Company's foreign exchange forward contracts are expected to be reclassified into net earnings within the next 12 months. Additional information related to the Company's derivative financial instruments are disclosed within Note 14 to the condensed consolidated financial statements.

Note 14 Fair Value Measurements

Fair Value Hierarchy

Fair value measurement disclosure requirements specify a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources ("observable inputs") or reflect the Company's own assumptions of market participant valuation ("unobservable inputs"). In accordance with the fair value guidance, the inputs to valuation techniques used to measure fair value are categorized into three levels based on the reliability of the inputs as follows:

- Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

In determining fair value, the Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company also considers counterparty credit risk in its assessment of fair value. Classification of the financial or non-financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Measurement of Fair Value

The Company measures fair value as an exit price, the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date, using the procedures described below for all financial and non-financial assets and liabilities measured at fair value.

Money Market Funds

The Company has cash equivalents consisting of short-term money market funds backed by U.S. Treasury securities. The primary objective of these investing activities is to preserve the Company's capital for the purpose of funding operations and it does not enter into money market funds for trading or speculative purposes. The fair value is based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1).

Deferred Compensation Plan Assets and Liabilities

The Company maintains a non-qualified deferred compensation plan (the "Deferred Compensation Plan") for the benefit of certain management employees. The investment funds offered to the participants generally correspond to the funds offered in the Company's 401(k) plan, and the account balance fluctuates with the investment returns on those funds. The Deferred Compensation Plan permits the deferral of up to 50% of base salary and 100% of compensation received under the Company's annual incentive plan. The deferrals are held in a separate trust, which has been established by the Company to administer the Deferred Compensation Plan. The assets of the trust are subject to the claims of the Company's creditors in the event that the Company becomes insolvent. Consequently, the trust qualifies as a grantor trust for income tax purposes (i.e., a "Rabbi Trust"). The liabilities of the Deferred Compensation Plan are presented in other accrued expenses and the assets held by the trust are classified within prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. Changes in deferred compensation plan assets and liabilities are charged to selling and administrative expenses. The fair value is based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1).

Deferred Compensation Plan for Non-Employee Directors

Non-employee directors are eligible to participate in a deferred compensation plan with deferred amounts valued as if invested in the Company's common stock through the use of phantom stock units ("PSUs"). Under the plan, each participating director's account is credited with the number of PSUs equal to the number of shares of the Company's common stock that the participant could purchase or receive with the amount of the deferred compensation, based upon the average of the high and low prices of the Company's common stock on the last trading day of the fiscal quarter when the cash compensation was earned. Dividend equivalents are paid on PSUs at the same rate as dividends on the Company's common stock and are re-invested in additional PSUs at the next fiscal quarter-end. The liabilities of the plan are based on the fair value of the outstanding PSUs and are presented in other accrued expenses (current portion) or other liabilities in the accompanying condensed consolidated balance sheets. Gains and losses resulting from changes in the fair value of the PSUs are presented in selling and administrative expenses in the Company's condensed consolidated statements of earnings. The fair value of each PSU is based on an unadjusted quoted market price for the Company's common stock in an active market with sufficient volume and frequency on each measurement date (Level 1).

Restricted Stock Units for Non-Employee Directors

Under the Company's incentive compensation plans, cash-equivalent restricted stock units ("RSUs") of the Company may be granted at no cost to non-employee directors. The RSUs are subject to a vesting requirement (usually one year), earn dividend-equivalent units, and are settled in cash on the date the director terminates service or such earlier date as a director may elect, subject to restrictions, based on the then current fair value of the Company's common stock. The fair value of each RSU is based on an unadjusted quoted market price for the Company's common stock in an active market with sufficient volume and frequency on each measurement date (Level 1). During the fourth quarter of 2017, the Company converted 210,302 of RSUs payable in cash with a value of $6.3 million to RSUs payable in common stock. Additional information related to RSUs for non-employee directors is disclosed in Note 11 to the condensed consolidated financial statements.

Derivative Financial Instruments

The Company uses derivative financial instruments, primarily foreign exchange contracts, to reduce its exposure to market risks from changes in foreign exchange rates. These foreign exchange contracts are measured at fair value using quoted forward foreign exchange prices from counterparties corroborated by market-based pricing (Level 2). Additional information related to the Company's derivative financial instruments is disclosed in Note 13 to the condensed consolidated financial statements.

Mandatory Purchase Obligation
The Company recorded a mandatory purchase obligation of the noncontrolling interest in conjunction with the acquisition of Blowfish Malibu in July of 2018. The fair value of the mandatory purchase obligation is based on the earnings formula specified in the Purchase Agreement (Level 3). Accretion of the mandatory purchase obligation and any fair value adjustments are recorded as interest expense. During the thirteen weeks ended August 4, 2018, an immaterial amount of accretion was recorded. The earnings projections and discount rate utilized in the estimate of the fair value of the mandatory purchase obligation require management judgment and are the assumptions to which the fair value calculation is the most sensitive. Refer to further discussion of the mandatory purchase obligation in Note 3 to the condensed consolidated financial statements.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at August 4, 2018, July 29, 2017 and February 3, 2018. The Company did not have any transfers between Level 1, Level 2 or Level 3 during the twenty-six weeks ended August 4, 2018 or July 29, 2017.

		Fair Value Measurements		
($ thousands)	Total	Level 1	Level 2	Level 3
Asset (Liability)				
August 4, 2018:				
Cash equivalents – money market funds	**$ 47,155**	**$ 47,155**	**$ —**	**$ —**
Non-qualified deferred compensation plan assets	**7,208**	**7,208**	**—**	**—**
Non-qualified deferred compensation plan liabilities	**(7,208)**	**(7,208)**	**—**	**—**
Deferred compensation plan liabilities for non-employee directors	**(2,668)**	**(2,668)**	**—**	**—**
Restricted stock units for non-employee directors	**(5,107)**	**(5,107)**	**—**	**—**
Derivative financial instruments, net	**(1,075)**	**—**	**(1,075)**	**—**
Mandatory purchase obligation - Blowfish Malibu	**(9,185)**	**—**	**—**	**(9,185)**
July 29, 2017:				
Cash equivalents – money market funds	$ 16,163	$ 16,163	$ —	$ —
Non-qualified deferred compensation plan assets	5,637	5,637	—	—
Non-qualified deferred compensation plan liabilities	(5,637)	(5,637)	—	—
Deferred compensation plan liabilities for non-employee directors	(2,154)	(2,154)	—	—
Restricted stock units for non-employee directors	(9,088)	(9,088)	—	—
Derivative financial instruments, net	(165)	—	(165)	—
February 3, 2018:				
Cash equivalents – money market funds	$ 53,106	$ 53,106	$ —	$ —
Non-qualified deferred compensation plan assets	6,445	6,445	—	—
Non-qualified deferred compensation plan liabilities	(6,445)	(6,445)	—	—
Deferred compensation plan liabilities for non-employee directors	(2,289)	(2,289)	—	—
Restricted stock units for non-employee directors	(4,343)	(4,343)	—	—
Derivative financial instruments, net	998	—	998	—

Impairment Charges

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important that could trigger an impairment review include underperformance relative to historical or projected future operating results, a significant change in the manner of the use of the asset, or a negative industry or economic trend. When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the aforementioned factors, impairment is measured based on a projected discounted cash flow method. Certain factors, such as estimated store sales and expenses, used for this nonrecurring fair value measurement are considered Level 3 inputs as defined by FASB ASC Topic 820, *Fair Value Measurement*. Long-lived assets held and used with a carrying amount of $103.6 million and $114.6 million at August 4, 2018 and July 29, 2017, respectively, were assessed for indicators of impairment and written down to their fair value. This assessment resulted in the following impairment charges, primarily for leasehold improvements and furniture and fixtures in the Company's retail stores, which were included in selling and administrative expenses for the respective periods.

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
($ thousands)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Impairment Charges				
Famous Footwear	**$ 150**	$ 150	**$ 300**	$ 300
Brand Portfolio	**315**	1,020	**633**	1,819
Total impairment charges	**$ 465**	$ 1,170	**$ 933**	$ 2,119

Fair Value of the Company's Other Financial Instruments

The fair values of cash and cash equivalents (excluding money market funds discussed above), receivables and trade accounts payable approximate their carrying values due to the short-term nature of these instruments.

The carrying amounts and fair values of the Company's other financial instruments subject to fair value disclosures are as follows:

	August 4, 2018		July 29, 2017		February 3, 2018	
($ thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Borrowings under revolving credit agreement	**$ —**	**$ —**	$ 35,000	$ 35,000	$ —	$ —
Long-term debt	**197,702**	**205,000**	197,233	209,500	197,472	210,000
Total debt	**$ 197,702**	**$ 205,000**	$ 232,233	$ 244,500	$ 197,472	$ 210,000

The fair value of borrowings under the revolving credit agreement approximates its carrying value due to its short-term nature (Level 1). The fair value of the Company's long-term debt was based upon quoted prices in an inactive market as of the end of the respective periods (Level 2).

Note 15 Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law, making significant changes to the U.S. Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21%, the transition of U.S. international taxation from a worldwide tax system to a quasi-territorial tax system and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. The provisional income tax benefit recorded in fiscal 2017 of $0.3 million was comprised of a $24.6 million deferred tax benefit for the remeasurement of deferred tax assets and liabilities to the 21% rate at which they are expected to reverse, partially offset by a one-time tax expense on deemed repatriation of $22.9 million and $1.4 million deferred tax expense in connection with Internal Revenue Code section 162(m) and other provisions in the Act. These provisional amounts continue to represent the Company's best estimate based on current information and guidance as of August 4, 2018. As permitted by SEC Staff Accounting Bulletin 118 ("SAB 118"), the Company will continue to analyze all provisional amounts associated with the Act as a result of pending issuance of Notices and Regulations related to the Act. Any subsequent adjustment to these amounts will be recorded to the Company's income tax provision in 2018 when the analysis is complete, for a period not to exceed one year beyond the enactment date.

The Act also includes the Global Intangibles Low-taxed Income ("GILTI") provision, a new minimum tax on global intangible low-taxed income, the Base Erosion Anti-Avoidance ("BEAT") provision, a new tax for certain payments to foreign related parties, and the Foreign-Derived Intangible Income ("FDII") provision, a tax incentive to earn income from the sale, lease or license of goods and services abroad. The Company is permitted to make an accounting policy election to account for GILTI as either a period charge in the future period the tax arises or as part of deferred taxes related to the investment or subsidiary. As a result of the complexity of the GILTI provisions, the Company is still evaluating the provisions on future periods and has not yet elected an accounting policy related to its treatment of these future tax liabilities. For the thirteen weeks ended August 4, 2018, the Company has recorded a provisional amount for GILTI as a period charge in the income tax provision. The Company is also still evaluating the BEAT and FDII provisions of the Act.

The Company’s consolidated effective tax rates were 25.3% and 33.9% for the thirteen weeks ended August 4, 2018 and July 29, 2017, respectively. During the thirteen weeks ended August 4, 2018, the Company recognized discrete tax benefits of $0.2 million related to share-based compensation. If these discrete tax benefits had not been recognized during the thirteen weeks ended August 4, 2018, the Company's effective tax rate would have been 26.0%. There were no discrete tax benefits recognized during the thirteen weeks ended July 29, 2017.

For the twenty-six weeks ended August 4, 2018 and July 29, 2017, the Company's consolidated effective tax rates were 24.4% and 31.7%, respectively. The Company recognized discrete tax benefits of $0.7 million and $1.1 million during the twenty-six weeks ended August 4, 2018 and July 29, 2017, respectively, primarily related to share-based compensation. If these discrete tax benefits had not been recognized during the twenty-six weeks ended August 4, 2018 and July 29, 2017, the Company's effective tax rates would have been 25.7% and 33.9%, respectively. The Company's tax rate is lower for the thirteen and twenty-six weeks ended August 4, 2018, reflecting a reduction in the U.S. corporate tax rate following enactment of the Act.

Note 16 Commitments and Contingencies

Environmental Remediation

Prior operations included numerous manufacturing and other facilities for which the Company may have responsibility under various environmental laws for the remediation of conditions that may be identified in the future. The Company is involved in environmental remediation and ongoing compliance activities at several sites and has been notified that it is or may be a potentially responsible party at several other sites.

Redfield

The Company is remediating, under the oversight of Colorado authorities, the groundwater and indoor air at its owned facility in Colorado (the “Redfield site” or, when referring to remediation activities at or under the facility, the “on-site remediation”) and residential neighborhoods adjacent to and near the property (the “off-site remediation”) that have been affected by solvents previously used at the facility. The on-site remediation calls for the operation of a pump and treat system (which prevents migration of contaminated groundwater off the property) as the final remedy for the site, subject to monitoring and periodic review of the on-site conditions and other remedial technologies that may be developed in the future. In 2016, the Company submitted a revised plan to address on-site conditions, including direct treatment of source areas, and received approval from the oversight authorities to begin implementing the revised plan.

As the treatment of the on-site source areas progresses, the Company expects to convert the pump and treat system to a passive treatment barrier system. Off-site groundwater concentrations have been reducing over time since installation of the pump and treat system in 2000 and injection of clean water beginning in 2003. However, localized areas of contaminated bedrock just beyond the property line continue to impact off-site groundwater. The modified work plan for addressing this condition includes converting the off-site bioremediation system into a monitoring well network and employing different remediation methods in these recalcitrant areas. In accordance with the work plan, a pilot test was conducted of certain groundwater remediation methods and the results of that test were used to develop more detailed plans for remedial activities in the off-site areas, which were approved by the authorities and are being implemented in a phased manner. The results of groundwater monitoring are being used to evaluate the effectiveness of these activities. The Company continues to implement the expanded remedy work plan that was approved by the oversight authorities in 2015. Based on the progress of the direct remedial action of on-site conditions, the Company has submitted a request to the oversight authorities for permission to convert the perimeter pump and treat active remediation system to a passive one.

The cumulative expenditures for both on-site and off-site remediation through August 4, 2018 were $30.3 million. The Company has recovered a portion of these expenditures from insurers and other third parties. The reserve for the anticipated future remediation activities at August 4, 2018 is $9.5 million, of which $8.8 million is recorded within other liabilities and $0.7 million is recorded within other accrued expenses. Of the total $9.5 million reserve, $4.9 million is for off-site remediation and $4.6 million is for on-site remediation. The liability for the on-site remediation was discounted at 4.8%. On an undiscounted basis, the on-site remediation liability would be $14.0 million as of August 4, 2018. The Company expects to spend approximately $0.3 million in the next fiscal year, $0.1 million in each of the following four years and $13.3 million in the aggregate thereafter related to the on-site remediation.

Other
Various federal and state authorities have identified the Company as a potentially responsible party for remediation at certain other sites. However, the Company does not currently believe that its liability for such sites, if any, would be material.

The Company continues to evaluate its remediation plans in conjunction with its environmental consultants and records its best estimate of remediation liabilities. However, future actions and the associated costs are subject to oversight and approval of various governmental authorities. Accordingly, the ultimate costs may vary, and it is possible costs may exceed the recorded amounts.

Litigation
The Company is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such ordinary course of business proceedings and litigation currently pending is not expected to have a material adverse effect on the Company's results of operations or financial position. Legal costs associated with litigation are generally expensed as incurred.

Note 17 Financial Information for the Company and its Subsidiaries

The Company issued senior notes, which are fully and unconditionally and jointly and severally guaranteed by all of its existing and future subsidiaries that are guarantors under our revolving credit facility ("Credit Agreement"). The following tables present the condensed consolidating financial information for each of Caleres, Inc. ("Parent"), the Guarantors, and subsidiaries of the Parent that are not Guarantors (the "Non-Guarantors"), together with consolidating eliminations, as of and for the periods indicated. Guarantors are 100% owned by the Parent. On December 13, 2016, Allen Edmonds was joined to the Credit Agreement as a guarantor. After giving effect to the joinder, the Company is the lead borrower, and Sidney Rich Associates, Inc., BG Retail, LLC and Allen Edmonds are each co-borrowers and guarantors under the Credit Agreement.

The condensed consolidating financial statements have been prepared using the equity method of accounting in accordance with the requirements for presentation of such information. Management believes that the information, presented in lieu of complete financial statements for each of the Guarantors, provides meaningful information to allow investors to determine the nature of the assets held by, and operations and cash flows of, each of the consolidated groups.

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AUGUST 4, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 14,182	$ 30,730	$ 57,972	$ —	$ 102,884
Receivables, net	127,466	3,788	22,167	—	153,421
Inventories, net	164,595	518,024	33,086	—	715,705
Prepaid expenses and other current assets	38,183	29,274	7,240	(12,538)	62,159
Intercompany receivable – current	170	94	17,656	(17,920)	—
Total current assets	344,596	581,910	138,121	(30,458)	1,034,169
Other assets	75,790	12,621	1,290	—	89,701
Goodwill and intangible assets, net	111,728	40,937	209,384	—	362,049
Property and equipment, net	35,682	160,223	11,821	—	207,726
Investment in subsidiaries	1,375,185	—	(24,159)	(1,351,026)	—
Intercompany receivable – noncurrent	797,184	527,462	720,698	(2,045,344)	—
Total assets	$ 2,740,165	$ 1,323,153	$ 1,057,155	$ (3,426,828)	$ 1,693,645
Liabilities and Equity					
Current liabilities					
Trade accounts payable	$ 165,241	$ 202,310	$ 32,840	$ —	$ 400,391
Other accrued expenses	83,094	100,567	24,864	(12,538)	195,987
Intercompany payable – current	10,852	—	7,068	(17,920)	—
Total current liabilities	259,187	302,877	64,772	(30,458)	596,378
Other liabilities					
Long-term debt	197,702	—	—	—	197,702
Other liabilities	118,125	39,124	5,122	—	162,371
Intercompany payable – noncurrent	1,429,298	93,335	522,711	(2,045,344)	—
Total other liabilities	1,745,125	132,459	527,833	(2,045,344)	360,073
Equity					
Caleres, Inc. shareholders' equity	735,853	887,817	463,209	(1,351,026)	735,853
Noncontrolling interests	—	—	1,341	—	1,341
Total equity	735,853	887,817	464,550	(1,351,026)	737,194
Total liabilities and equity	$ 2,740,165	$ 1,323,153	$ 1,057,155	$ (3,426,828)	$ 1,693,645

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRTEEN WEEKS ENDED AUGUST 4, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 212,252	$ 501,803	$ 64,765	$ (72,208)	$ 706,612
Cost of goods sold	150,630	288,580	33,409	(59,108)	413,511
Gross profit	61,622	213,223	31,356	(13,100)	293,101
Selling and administrative expenses	73,587	185,510	12,838	(13,100)	258,835
Restructuring and other special charges, net	324	1,799	—	—	2,123
Operating (loss) earnings	(12,289)	25,914	18,518	—	32,143
Interest (expense) income	(3,805)	(13)	216	—	(3,602)
Other income (expense)	3,084	—	(6)	—	3,078
Intercompany interest income (expense)	2,873	(2,900)	27	—	—
(Loss) earnings before income taxes	(10,137)	23,001	18,755	—	31,619
Income tax benefit (provision)	1,900	(6,833)	(3,075)	—	(8,008)
Equity in earnings (loss) of subsidiaries, net of tax	31,883	—	(116)	(31,767)	—
Net earnings	23,646	16,168	15,564	(31,767)	23,611
Less: Net loss attributable to noncontrolling interests	—	—	(35)	—	(35)
Net earnings attributable to Caleres, Inc.	$ 23,646	$ 16,168	$ 15,599	$ (31,767)	$ 23,646
Comprehensive income	$ 22,999	$ 16,158	$ 15,467	$ (31,717)	$ 22,907
Less: Comprehensive loss attributable to noncontrolling interests	—	—	(92)	—	(92)
Comprehensive income attributable to Caleres, Inc.	$ 22,999	$ 16,158	$ 15,559	$ (31,717)	$ 22,999

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
FOR THE TWENTY-SIX WEEKS ENDED AUGUST 4, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 411,512	$ 947,498	$ 102,157	$ (122,413)	$ 1,338,754
Cost of goods sold	285,223	536,379	51,276	(102,147)	770,731
Gross profit	126,289	411,119	50,881	(20,266)	568,023
Selling and administrative expenses	139,930	363,396	25,973	(20,266)	509,033
Restructuring and other special charges, net	848	3,052	—	—	3,900
Operating (loss) earnings	(14,489)	44,671	24,908	—	55,090
Interest (expense) income	(7,624)	(25)	364	—	(7,285)
Other income (expense)	6,204	—	(35)	—	6,169
Intercompany interest income (expense)	5,641	(5,699)	58	—	—
(Loss) earnings before income taxes	(10,268)	38,947	25,295	—	53,974
Income tax benefit (provision)	947	(10,135)	(3,995)	—	(13,183)
Equity in earnings (loss) of subsidiaries, net of tax	50,179	—	(594)	(49,585)	—
Net earnings	40,858	28,812	20,706	(49,585)	40,791
Less: Net loss attributable to noncontrolling interests	—	—	(67)	—	(67)
Net earnings attributable to Caleres, Inc.	$ 40,858	$ 28,812	$ 20,773	$ (49,585)	$ 40,858
Comprehensive income	$ 39,324	$ 28,784	$ 20,462	$ (49,378)	$ 39,192
Less: Comprehensive loss attributable to noncontrolling interests	—	—	(132)	—	(132)
Comprehensive income attributable to Caleres, Inc.	$ 39,324	$ 28,784	$ 20,594	$ (49,378)	$ 39,324

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE TWENTY-SIX WEEKS ENDED AUGUST 4, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net cash provided by operating activities	$ 11,317	$ 53,920	$ 25,770	$ —	$ 91,007
Investing activities					
Purchases of property and equipment	(4,339)	(13,044)	(1,176)	—	(18,559)
Capitalized software	(2,665)	(286)	—	—	(2,951)
Acquisition cost, net of cash received	9,141	—	(25,934)	—	(16,793)
Intercompany investing	141	(141)	—	—	—
Net cash provided by (used for) investing activities	2,278	(13,471)	(27,110)	—	(38,303)
Financing activities					
Dividends paid	(6,053)	—	—	—	(6,053)
Acquisition of treasury stock	(3,288)	—	—	—	(3,288)
Issuance of common stock under share-based plans, net	(4,365)	—	—	—	(4,365)
Intercompany financing	(11,796)	(9,719)	21,515	—	—
Net cash (used for) provided by financing activities	(25,502)	(9,719)	21,515	—	(13,706)
Effect of exchange rate changes on cash and cash equivalents	—	—	(161)	—	(161)
(Decrease) increase in cash and cash equivalents	(11,907)	30,730	20,014	—	38,837
Cash and cash equivalents at beginning of period	26,089	—	37,958	—	64,047
Cash and cash equivalents at end of period	$ 14,182	$ 30,730	$ 57,972	$ —	$ 102,884

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET

JULY 29, 2017

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 12,712	$ 20,638	$ 19,592	$ —	$ 52,942
Receivables, net	117,672	5,670	20,274	—	143,616
Inventories, net	174,839	516,704	30,462	—	722,005
Prepaid expenses and other current assets	23,944	14,463	7,466	(8,901)	36,972
Intercompany receivable – current	845	134	25,056	(26,035)	—
Total current assets	330,012	557,609	102,850	(34,936)	955,535
Other assets	51,273	17,432	884	—	69,589
Goodwill and intangible assets, net	112,221	40,937	188,037	—	341,195
Property and equipment, net	32,428	172,802	12,608	—	217,838
Investment in subsidiaries	1,263,829	—	(22,724)	(1,241,105)	—
Intercompany receivable – noncurrent	745,812	519,304	669,176	(1,934,292)	—
Total assets	$ 2,535,575	$ 1,308,084	$ 950,831	$ (3,210,333)	$ 1,584,157
Liabilities and Equity					
Current liabilities					
Borrowings under revolving credit agreement	$ 35,000	$ —	$ —	$ —	$ 35,000
Trade accounts payable	124,675	247,169	30,968	—	402,812
Other accrued expenses	72,364	87,425	19,611	(8,901)	170,499
Intercompany payable – current	14,523	—	11,512	(26,035)	—
Total current liabilities	246,562	334,594	62,091	(34,936)	608,311
Other liabilities					
Long-term debt	197,233	—	—	—	197,233
Other liabilities	91,645	40,810	4,984	—	137,439
Intercompany payable – noncurrent	1,360,406	119,152	454,734	(1,934,292)	—
Total other liabilities	1,649,284	159,962	459,718	(1,934,292)	334,672
Equity					
Caleres, Inc. shareholders' equity	639,729	813,528	427,577	(1,241,105)	639,729
Noncontrolling interests	—	—	1,445	—	1,445
Total equity	639,729	813,528	429,022	(1,241,105)	641,174
Total liabilities and equity	$ 2,535,575	$ 1,308,084	$ 950,831	$ (3,210,333)	$ 1,584,157

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRTEEN WEEKS ENDED JULY 29, 2017

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 194,305	$ 482,645	$ 63,175	$ (63,171)	$ 676,954
Cost of goods sold	137,659	270,548	32,543	(51,257)	389,493
Gross profit	56,646	212,097	30,632	(11,914)	287,461
Selling and administrative expenses	63,042	190,444	14,598	(11,914)	256,170
Restructuring and other special charges, net	2,661	37	167	—	2,865
Operating (loss) earnings	(9,057)	21,616	15,867	—	28,426
Interest (expense) income	(4,549)	(3)	177	—	(4,375)
Other income (expense)	2,679	—	(9)	—	2,670
Intercompany interest income (expense)	2,021	(2,189)	168	—	—
(Loss) earnings before income taxes	(8,906)	19,424	16,203	—	26,721
Income tax benefit (provision)	2,926	(8,053)	(3,920)	—	(9,047)
Equity in earnings of subsidiaries, net of tax	23,575	—	271	(23,846)	—
Net earnings	17,595	11,371	12,554	(23,846)	17,674
Less: Net earnings attributable to noncontrolling interests	—	—	79	—	79
Net earnings attributable to Caleres, Inc.	$ 17,595	$ 11,371	$ 12,475	$ (23,846)	$ 17,595
Comprehensive income	$ 19,302	$ 11,371	$ 13,302	$ (24,574)	$ 19,401
Less: Comprehensive income attributable to noncontrolling interests	—	—	99	—	99
Comprehensive income attributable to Caleres, Inc.	$ 19,302	$ 11,371	$ 13,203	$ (24,574)	$ 19,302

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
FOR THE TWENTY-SIX WEEKS ENDED JULY 29, 2017

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 388,745	$ 910,184	$ 101,220	$ (91,686)	$ 1,308,463
Cost of goods sold	270,510	502,334	51,073	(73,823)	750,094
Gross profit	118,235	407,850	50,147	(17,863)	558,369
Selling and administrative expenses	117,911	372,791	29,842	(17,863)	502,681
Restructuring and other special charges, net	3,769	37	167	—	3,973
Operating (loss) earnings	(3,445)	35,022	20,138	—	51,715
Interest (expense) income	(9,496)	(12)	324	—	(9,184)
Other income (expense)	5,124	—	(18)	—	5,106
Intercompany interest income (expense)	4,104	(4,513)	409	—	—
(Loss) earnings before income taxes	(3,713)	30,497	20,853	—	47,637
Income tax benefit (provision)	1,839	(11,928)	(4,990)	—	(15,079)
Equity in earnings (loss) of subsidiaries, net of tax	34,371	—	(777)	(33,594)	—
Net earnings	32,497	18,569	15,086	(33,594)	32,558
Less: Net earnings attributable to noncontrolling interests	—	—	61	—	61
Net earnings attributable to Caleres, Inc.	$ 32,497	$ 18,569	$ 15,025	$ (33,594)	$ 32,497
Comprehensive income	$ 34,865	$ 18,569	$ 15,755	$ (34,248)	$ 34,941
Less: Comprehensive income attributable to noncontrolling interests	—	—	76	—	76
Comprehensive income attributable to Caleres, Inc.	$ 34,865	$ 18,569	$ 15,679	$ (34,248)	$ 34,865

UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE TWENTY-SIX WEEKS ENDED JULY 29, 2017

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net cash (used for) provided by operating activities	$ (15,328)	$ 95,828	$ 33,780	$ —	$ 114,280
Investing activities					
Purchases of property and equipment	(3,722)	(17,762)	(2,767)	—	(24,251)
Capitalized software	(2,686)	(466)	—	—	(3,152)
Intercompany investing	(19,894)	197,599	(177,705)	—	—
Net cash (used for) provided by investing activities	(26,302)	179,371	(180,472)	—	(27,403)
Financing activities					
Borrowings under revolving credit agreement	400,000	—	—	—	400,000
Repayments under revolving credit agreement	(475,000)	—	—	—	(475,000)
Dividends paid	(6,030)	—	—	—	(6,030)
Acquisition of treasury stock	(5,993)	—	—	—	(5,993)
Issuance of common stock under share-based plans, net	(2,490)	—	—	—	(2,490)
Intercompany financing	119,856	(263,590)	143,734	—	—
Net cash provided by (used for) financing activities	30,343	(263,590)	143,734	—	(89,513)
Effect of exchange rate changes on cash and cash equivalents	—	—	246	—	246
(Decrease) increase in cash and cash equivalents	(11,287)	11,609	(2,712)	—	(2,390)
Cash and cash equivalents at beginning of period	23,999	9,029	22,304	—	55,332
Cash and cash equivalents at end of period	$ 12,712	$ 20,638	$ 19,592	$ —	$ 52,942

CONDENSED CONSOLIDATING BALANCE SHEET

FEBRUARY 3, 2018

($ thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 26,089	$ —	$ 37,958	$ —	$ 64,047
Receivables, net	124,957	3,663	23,993	—	152,613
Inventories, net	146,068	394,438	28,873	—	569,379
Prepaid expenses and other current assets	26,284	30,456	8,394	(4,384)	60,750
Intercompany receivable – current	521	74	9,250	(9,845)	—
Total current assets	323,919	428,631	108,468	(14,229)	846,789
Other assets	76,317	13,610	732	—	90,659
Goodwill and intangible assets, net	111,108	40,937	187,123	—	339,168
Property and equipment, net	35,474	165,227	12,098	—	212,799
Investment in subsidiaries	1,329,428	—	(23,565)	(1,305,863)	—
Intercompany receivable – noncurrent	774,588	520,362	704,810	(1,999,760)	—
Total assets	$ 2,650,834	$ 1,168,767	$ 989,666	$ (3,319,852)	$ 1,489,415
Liabilities and Equity					
Current liabilities					
Trade accounts payable	$ 136,797	$ 102,420	$ 33,745	$ —	$ 272,962
Other accrued expenses	65,817	74,006	21,758	(4,384)	157,197
Intercompany payable – current	5,524	—	4,321	(9,845)	—
Total current liabilities	208,138	176,426	59,824	(14,229)	430,159
Other liabilities					
Long-term debt	197,472	—	—	—	197,472
Other liabilities	101,784	35,574	5,464	—	142,822
Intercompany payable – noncurrent	1,425,951	98,610	475,199	(1,999,760)	—
Total other liabilities	1,725,207	134,184	480,663	(1,999,760)	340,294
Equity					
Caleres, Inc. shareholders' equity	717,489	858,157	447,706	(1,305,863)	717,489
Noncontrolling interests	—	—	1,473	—	1,473
Total equity	717,489	858,157	449,179	(1,305,863)	718,962
Total liabilities and equity	$ 2,650,834	$ 1,168,767	$ 989,666	$ (3,319,852)	$ 1,489,415

OVERVIEW

Financial Highlights

The following is a summary of the financial highlights for the second quarter of 2018:

- Consolidated net sales increased $29.6 million in the second quarter of 2018 with solid contribution from both of our segments. Our Famous Footwear segment reported a $24.6 million, or 6.1% increase in sales and a 2.6% increase in same-store sales. Our Brand Portfolio segment reported a $5.1 million, or 1.9%, increase in net sales.

- Consolidated operating earnings increased $3.7 million, or 13.1%, to $32.1 million in the second quarter of 2018, compared to $28.4 million in the second quarter of 2017.

- Consolidated net earnings attributable to Caleres, Inc. were $23.6 million, or $0.55 per diluted share, in the second quarter of 2018, compared to $17.6 million, or $0.41 per diluted share, in the second quarter of 2017.

The following items should be considered in evaluating the comparability of our second quarter results in 2018 and 2017:

- Acquisition, integration and reorganization of men's brands – We incurred costs of $1.9 million ($1.4 million on an after-tax basis, or $0.03 per diluted share) during the second quarter of 2018 and $2.9 million ($1.9 million on an after-tax basis, or $0.04 per diluted share) during the second quarter of 2017 related to the integration and reorganization of our men's brands, which are presented as restructuring and other special charges, net. Refer to Note 6 to the condensed consolidated financial statements for additional information related to these costs.

- Acquisition costs – During the second quarter of 2018, we acquired a controlling interest in Blowfish Malibu, which gives us additional exposure to the growing sneaker and casual lifestyle segment of the market. In connection with the acquisition, we incurred related acquisition costs of $0.2 million ($0.2 million on an after-tax basis) during the second quarter of 2018. We also incurred incremental cost of goods sold of $0.5 million ($0.4 million on an after-tax basis, or $0.01 per diluted share) related to the amortization of the inventory adjustment required for purchase accounting during the second quarter of 2018. We incurred incremental cost of goods sold in the second quarter of 2017 totaling $1.9 million ($1.2 million on an after-tax basis, or $0.03 per diluted share) related to the Allen Edmonds acquisition.

- We adopted ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, during the first quarter of 2018 on a retrospective basis and reclassified $2.7 million of non-service cost components of net periodic benefit income for the second quarter of 2017 to other income, net in the condensed consolidated statements of earnings. For the second quarter of 2018, $3.1 million of non-service cost components is reflected in other income, net. Refer to Note 2 and Note 12 to the condensed consolidated financial statements for additional information related to the adoption of this ASU.

- In December 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law, making significant changes to the U.S. Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective January 1, 2018, the transition of U.S. international taxation from a worldwide tax system to a quasi-territorial tax system and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. The components of the Act resulted in significant adjustments to both our income tax provision and the income tax balances. Refer to Note 15 to the condensed consolidated financial statements for further discussion.

We delivered improvement in net sales, net earnings and earnings per share during the second quarter and maintained our strong balance sheet and cash flow. We also completed the acquisition of a controlling interest in Blowfish Malibu, providing for continued expansion and diversification of our overall business through additional exposure to the growing sneaker and casual lifestyle segment of the market. During the remainder of 2018, we anticipate continued balanced earnings contribution from both our Famous Footwear and Brand Portfolio segments, as we continue to execute our strategy and invest in the business.

Following are the consolidated results and the results by segment:

CONSOLIDATED RESULTS

	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	August 4, 2018		July 29, 2017		August 4, 2018		July 29, 2017	
($ millions)		% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales
Net sales	**$ 706.6**	**100.0 %**	$ 677.0	100.0 %	**$ 1,338.8**	**100.0 %**	$ 1,308.5	100.0 %
Cost of goods sold	**413.5**	**58.5 %**	389.5	57.5 %	**770.8**	**57.6 %**	750.1	57.3 %
Gross profit	**293.1**	**41.5 %**	287.5	42.5 %	**568.0**	**42.4 %**	558.4	42.7 %
Selling and administrative expenses	**258.9**	**36.7 %**	256.2	37.9 %	**509.0**	**38.0 %**	502.7	38.4 %
Restructuring and other special charges, net	**2.1**	**0.3 %**	2.9	0.4 %	**3.9**	**0.3 %**	4.0	0.3 %
Operating earnings	**32.1**	**4.5 %**	28.4	4.2 %	**55.1**	**4.1 %**	51.7	4.0 %
Interest expense, net	**(3.6)**	**(0.5)%**	(4.4)	(0.6)%	**(7.3)**	**(0.5)%**	(9.2)	(0.7)%
Other income, net	**3.1**	**0.5 %**	2.7	0.4 %	**6.2**	**0.4 %**	5.1	0.4 %
Earnings before income taxes	**31.6**	**4.5 %**	26.7	3.9 %	**54.0**	**4.0 %**	47.6	3.6 %
Income tax provision	**(8.0)**	**(1.2)%**	(9.0)	(1.3)%	**(13.2)**	**(1.0)%**	(15.0)	(1.1)%
Net earnings	**23.6**	**3.3 %**	17.7	2.6 %	**40.8**	**3.0 %**	32.6	2.5 %
Net (loss) earnings attributable to noncontrolling interests	**(0.0)**	**(0.0 %)**	0.1	0.0 %	**(0.1)**	**(0.0 %)**	0.1	0.0 %
Net earnings attributable to Caleres, Inc.	**$ 23.6**	**3.3 %**	$ 17.6	2.6 %	**$ 40.9**	**3.0 %**	$ 32.5	2.5 %

Net Sales

Net sales increased $29.6 million, or 4.4%, to $706.6 million for the second quarter of 2018, compared to $677.0 million for the second quarter of 2017. Our Famous Footwear segment reported a $24.6 million, or 6.1%, increase in net sales, due in part to the calendar shift as a result of having a 53-week fiscal year in 2017. This calendar shift resulted in an additional week of sales in our high volume back-to-school season in the second quarter of 2018 compared to the second quarter of 2017. Our Brand Portfolio segment reported a $5.1 million, or 1.9%, increase in net sales, reflecting higher net sales of our Sam Edelman, Ryka and Naturalizer brands, partially offset by lower sales from our Allen Edmonds, Dr. Scholl's and Vince brands. Sales in our Brand Portfolio segment also benefited from the acquisition of the Blowfish Malibu business in July 2018, which contributed $2.5 million in net sales for the second quarter of 2018.

Net sales increased $30.3 million, or 2.3%, to $1,338.8 million for the six months ended August 4, 2018 compared to $1,308.5 million for the six months ended July 29, 2017, reflecting the same factors as those driving the second quarter increase. Our Famous Footwear segment reported a $21.5 million, or 2.8%, increase in net sales. Our Brand Portfolio segment reported an $8.9 million, or 1.6%, increase in net sales, reflecting higher net sales of our LifeStride, Franco Sarto and Sam Edelman brands, partially offset by lower sales from our Vince, Dr. Scholl's and Carlos brands.

Same-store sales changes are calculated by comparing the sales in stores that have been open at least 13 months. Relocated stores are treated as new stores, and closed stores are excluded from the calculation. Sales change from new and closed stores, net reflects the change in net sales due to stores that have been opened or closed during the period and are therefore excluded from the same-store sales calculation. E-commerce sales for those e-commerce websites that function as an extension of a retail chain are included in the same-store sales calculation.

Gross Profit

Gross profit increased $5.6 million, or 2.0%, to $293.1 million for the second quarter of 2018, compared to $287.5 million for the second quarter of 2017, reflecting higher sales volume, partially offset by a reduced gross profit rate. As a percentage of net sales, gross profit decreased to 41.5% for the second quarter of 2018, compared to 42.5% for the second quarter of 2017, driven by a more competitive and promotional environment, and a higher mix of lower margin categories at Famous Footwear. Cost of goods sold for the second quarter of 2018 also includes $0.5 million related to the amortization of the inventory adjustment required by purchase accounting. Retail and wholesale net sales were 70% and 30% in both the second quarter of 2018 and 2017.

Gross profit increased $9.6 million, or 1.7%, to $568.0 million for the six months ended August 4, 2018, compared to $558.4 million for the six months ended July 29, 2017, reflecting the same factors impacting the current quarter. As a percentage of net sales, gross profit decreased slightly to 42.4% for the six months ended August 4, 2018, compared to 42.7% for the six months ended July 29, 2017, reflecting the above factors. Retail and wholesale net sales were 70% and 30% in both the six months ended August 4, 2018 and July 29, 2017.

We classify certain warehousing, distribution, sourcing and other inventory procurement costs in selling and administrative expenses. Accordingly, our gross profit and selling and administrative expense rates, as a percentage of net sales, may not be comparable to other companies.

Selling and Administrative Expenses

Selling and administrative expenses increased $2.7 million, or 1.0%, to $258.9 million for the second quarter of 2018, compared to $256.2 million for the second quarter of 2017, driven by approximately $3 million of initial start-up and duplicate expenses during the second quarter of 2018 associated with our transition in early 2018 to a new leased Brand Portfolio distribution center in California, partially offset by lower store rent and facilities costs. As a percentage of net sales, selling and administrative expenses decreased to 36.7% for the second quarter of 2018, from 37.9% for the second quarter of 2017.

Selling and administrative expenses increased $6.3 million, or 1.3%, to $509.0 million for the six months ended August 4, 2018, compared to $502.7 million for the six months ended July 29, 2017, reflecting the same factors impacting the current quarter. As a percentage of net sales, selling and administrative expenses decreased to 38.0% for the six months ended August 4, 2018, from 38.4% for the six months ended July 29, 2017.

Restructuring and Other Special Charges, Net

Restructuring and other special charges of $2.1 million ($1.6 million on an after-tax basis, or $0.03 per diluted share), primarily for the transition of Allen Edmonds' consumer-facing activities to St. Louis, were incurred in the second quarter of 2018. In addition, the Brand Portfolio segment incurred costs related to the acquisition of Blowfish Malibu in the second quarter of 2018. For the second quarter of 2017, we incurred $2.9 million ($1.9 million on an after-tax basis, or $0.04 per diluted share), reflecting professional fees and severance expense related to our men's business. Refer to Note 6 to the condensed consolidated financial statements for additional information related to these charges.

Operating Earnings

Operating earnings increased $3.7 million, or 13.1%, to $32.1 million for the second quarter of 2018, compared to $28.4 million for the second quarter of 2017, primarily reflecting higher sales volume and better expense leverage at Famous Footwear. As a percentage of net sales, operating earnings increased to 4.5% for the second quarter of 2018, compared to 4.2% for the second quarter of 2017.

Operating earnings increased $3.4 million, or 6.5%, to $55.1 million for the six months ended August 4, 2018, compared to $51.7 million for the six months ended July 29, 2017, reflecting the above factors, despite additional costs related to our distribution centers for the Brand Portfolio segment. As a percentage of net sales, operating earnings increased to 4.1% for the six months ended August 4, 2018, compared to 4.0% for the six months ended July 29, 2017.

Interest Expense, Net

Interest expense, net decreased $0.8 million, or 17.7%, to $3.6 million for the second quarter of 2018, compared to $4.4 million for the second quarter of 2017, primarily reflecting lower borrowings under our revolving credit agreement, which was used to fund the acquisition of Allen Edmonds in the fourth quarter of 2016. Obligations under the revolving credit agreement were fully paid off during the fourth quarter of 2017.

Interest expense, net decreased $1.9 million, or 20.7%, to $7.3 million for the six months ended August 4, 2018, compared to $9.2 million for the six months ended July 29, 2017, reflecting the same factors as those driving the second quarter decrease. Obligations under the revolving credit agreement were fully paid off during the fourth quarter of 2017.

Other Income, Net

During the first quarter of 2018, we adopted ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* which requires the non-service cost components of pension and other postretirement benefit income to be included in non-operating income, as further discussed in Note 2 to the condensed consolidated financial statements. As a result of the retrospective adoption of the ASU, we reclassified $2.7 million and $5.1 million of non-service cost components of net periodic benefit income for the second quarter and six months ended July 29, 2017, respectively, to other income, net in the condensed consolidated statements of earnings. Other income, net increased $0.4 million, or 15.3%, to $3.1 million for the second quarter of 2018, compared to $2.7 million for the second quarter of 2017, primarily reflecting a higher expected return on assets for our domestic pension plan. Other income, net increased $1.1 million, or 20.8%, to $6.2 million for the six months ended August 4, 2018, compared to $5.1 million for the six months ended July 29, 2017. Refer to Note 12 to the condensed consolidated financial statements for additional information related to our retirement plans.

Income Tax Provision

Our effective tax rate can vary considerably from period to period, depending on a number of factors. Our consolidated effective tax rate was 25.3% for the second quarter of 2018, compared to 33.9% for the second quarter of 2017. The 2018 rate is lower due to the reduction in the U.S. corporate tax rate following enactment of the Tax Cuts and Jobs Act (the "Act"). During the second quarter of 2018, we recognized discrete tax benefits of $0.2 million related to share-based compensation. If these discrete tax benefits had not been recognized during the second quarter of 2018, our effective tax rate would have been 26.0%. There were no discrete tax benefits recognized during the second quarter of 2017.

For the six months ended August 4, 2018, our consolidated effective tax rate was 24.4%, compared to 31.7% for the six months ended July 29, 2017. We recognized discrete tax benefits of $0.7 million and $1.1 million during the six months ended August 4, 2018 and July 29, 2017, respectively, primarily related to share-based compensation. If these discrete tax benefits had not been recognized, our effective tax rates would have been 25.7% and 33.9%, for the six months ended August 4, 2018 and July 29, 2017, respectively. Our tax rate for the six months ended August 4, 2018 reflects a reduction in the U.S. corporate tax rate following enactment of the Tax Cuts and Jobs Act (the "Act"). Refer to Note 15 to the condensed consolidated financial statements for further discussion of income taxes and the impact of the Act.

Net Earnings Attributable to Caleres, Inc.

Net earnings attributable to Caleres, Inc. were $23.6 million and $40.9 million for the second quarter and six months ended August 4, 2018, compared to net earnings of $17.6 million and $32.5 million for the second quarter and six months ended July 29, 2017, as a result of the factors described above.

FAMOUS FOOTWEAR

($ millions, except sales per square foot)	Thirteen Weeks Ended				Twenty-Six Weeks Ended			
	August 4, 2018		July 29, 2017		August 4, 2018		July 29, 2017	
		% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales
Operating Results								
Net sales	**$ 429.5**	**100.0%**	$ 404.9	100.0%	**$ 792.9**	**100.0%**	$ 771.4	100.0%
Cost of goods sold	**242.4**	**56.4%**	221.6	54.7%	**440.6**	**55.6%**	420.4	54.5%
Gross profit	**187.1**	**43.6%**	183.3	45.3%	**352.3**	**44.4%**	351.0	45.5%
Selling and administrative expenses	**153.9**	**35.9%**	158.2	39.1%	**297.2**	**37.5%**	305.6	39.6%
Operating earnings	**$ 33.2**	**7.7%**	$ 25.1	6.2%	**$ 55.1**	**6.9%**	$ 45.4	5.9%
Key Metrics								
Same-store sales % change	**2.6%**		2.8%		**1.0%**		1.1%	
Same-store sales $ change	**$ 10.7**		$ 10.4		**$ 7.9**		$ 8.3	
Sales change from new and closed stores, net	**$ 13.8**		$ 4.5		**$ 13.2**		$ 8.6	
Impact of changes in Canadian exchange rate on sales	**$ 0.1**		$ (0.1)		**$ 0.4**		$ (0.2)	
Sales per square foot, excluding e-commerce (thirteen and twenty-six weeks ended)	**$ 60**		$ 55		**$ 110**		$ 105	
Sales per square foot, excluding e-commerce (trailing twelve months)	**$ 227**		$ 216		**$ 227**		$ 216	
Square footage (thousand sq. ft.)	**6,675**		6,967		**6,675**		6,967	
Stores opened	**4**		12		**6**		21	
Stores closed	**9**		9		**24**		21	
Ending stores	**1,008**		1,055		**1,008**		1,055	

Net Sales

Famous Footwear achieved its highest net sales for any second quarter in its history. Net sales increased $24.6 million, or 6.1%, to $429.5 million for the second quarter of 2018, compared to $404.9 million for the second quarter of 2017. The increase was primarily driven by the calendar shift, which resulted in an additional week of back-to-school sales in the second quarter of 2018 compared to the second quarter of 2017. Same-store sales increased 2.6% for the second quarter of 2018. Famous Footwear experienced strong growth in e-commerce sales and reported improvement in the online conversion rate, due in part to the successful implementation of our buy online, pick up in store initiative in early 2017. During the second quarter of 2018, we opened four stores and closed nine stores, resulting in 1,008 stores and total square footage of 6.7 million at the end of the second quarter of 2018, compared to 1,055 stores and total square footage of 7.0 million at the end of the second quarter of 2017. On a trailing twelve-month basis, sales per square foot, excluding e-commerce, increased 4.9% to $227 for the twelve months ended August 4, 2018, compared to $216 for the twelve months ended July 29, 2017. Members of Rewards, our customer loyalty program, continue to account for a majority of the segment's sales, with approximately 77% of our net sales made to Rewards program members in the second quarter of 2018, compared to 76% in the second quarter of 2017.

Net sales increased $21.5 million, or 2.8%, to $792.9 million for the six months ended August 4, 2018, compared to $771.4 million for the six months ended July 29, 2017. The increase was driven by the calendar shift, which resulted in an additional week of back-to-school sales. Same-store sales increased 1.0% for the six months ended August 4, 2018. Famous Footwear also experienced growth in e-commerce sales, and reported improvement in both conversion rate and online customer traffic. However, the strong e-commerce sales were offset by a decline in customer traffic at our retail store locations.

Gross Profit

Gross profit increased $3.8 million, or 2.1%, to $187.1 million for the second quarter of 2018, compared to $183.3 million for the second quarter of 2017, reflecting higher net sales, partially offset by a lower gross profit rate. In the second quarter of 2018, we experienced a shift away from higher margin performance athletic products into lower margin lifestyle athletic products. As a percentage of net sales, our gross profit decreased to 43.6% for the second quarter of 2018, compared to 45.3% for the second quarter of 2017, driven by a more competitive and promotional environment, a higher mix of lower margin product and higher freight expenses due to strong growth in e-commerce sales.

Gross profit increased $1.3 million, or 0.4%, to $352.3 million for the six months ended August 4, 2018, compared to $351.0 million for the six months ended July 29, 2017. As a percentage of net sales, our gross profit decreased to 44.4% for the six months ended August 4, 2018, compared to 45.5% for the six months ended July 29, 2017, reflecting the promotional environment in the six months ended August 4, 2018.

Selling and Administrative Expenses

Selling and administrative expenses decreased $4.3 million, or 2.7%, to $153.9 million for the second quarter of 2018, compared to $158.2 million for the second quarter of 2017. The decrease was driven by lower rent and facilities expense attributable to our smaller store base and incremental benefits from the restructuring of our retail operations completed in the fourth quarter of 2017. As a percentage of net sales, selling and administrative expenses decreased to 35.9% for the second quarter of 2018, compared to 39.1% for the second quarter of 2017, attributable in part to leveraging our expenses over the higher net sales base.

Selling and administrative expenses decreased $8.4 million, or 2.7%, to $297.2 million for the six months ended August 4, 2018, compared to $305.6 million for the six months ended July 29, 2017, reflecting the same factors impacting the quarter. As a percentage of net sales, selling and administrative expenses decreased to 37.5% for the six months ended August 4, 2018, compared to 39.6% for the six months ended July 29, 2017.

Operating Earnings

Operating earnings increased $8.1 million, or 32.4%, to $33.2 million for the second quarter of 2018, compared to $25.1 million for the second quarter of 2017. The increase primarily reflects higher net sales, partially offset by a decline in our gross profit rate. As a percentage of net sales, operating earnings increased to 7.7% for the second quarter of 2018, compared to 6.2% for the second quarter of 2017.

Operating earnings increased $9.7 million, or 21.4%, to $55.1 million for the six months ended August 4, 2018, compared to $45.4 million for the six months ended July 29, 2017. The increase primarily reflects our net sales growth, partially offset by a slight decline in our gross profit rate. As a percentage of net sales, operating earnings increased to 6.9% for the six months ended August 4, 2018, compared to 5.9% for the six months ended July 29, 2017.

BRAND PORTFOLIO

($ millions, except sales per square foot)	Thirteen Weeks Ended						Twenty-Six Weeks Ended					
	August 4, 2018			July 29, 2017			August 4, 2018			July 29, 2017		
			% of Net Sales			% of Net Sales			% of Net Sales			% of Net Sales
Operating Results												
Net sales	**$**	**277.1**	**100.0%**	$	272.0	100.0%	**$**	**545.9**	**100.0%**	$	537.0	100.0%
Cost of goods sold		**171.1**	**61.8%**		167.8	61.7%		**330.2**	**60.5%**		329.6	61.4%
Gross profit		**106.0**	**38.2%**		104.2	38.3%		**215.7**	**39.5%**		207.4	38.6%
Selling and administrative expenses		**90.6**	**32.7%**		87.6	32.2%		**186.2**	**34.1%**		176.7	32.9%
Restructuring and other special charges, net		**1.8**	**0.6%**		0.7	0.2%		**3.4**	**0.6%**		1.5	0.3%
Operating earnings	**$**	**13.6**	**4.9%**	$	15.9	5.9%	**$**	**26.1**	**4.8%**	$	29.2	5.4%
Key Metrics												
Wholesale/retail sales mix (%)		**76%/24%**			75%/25%			**74%/26%**			74%/26%	
Change in wholesale net sales ($)	**$**	**6.0**		$	2.7		**$**	**6.0**		$	8.2	
Unfilled order position at end of period	**$**	**263.3**		$	275.0							
Same-store sales % change(1)		**(1.3)%**			15.8%			**(1.2)%**			9.2%	
Same-store sales $ change(1)	**$**	**(0.6)**		$	4.4		**$**	**(1.1)**		$	5.0	
Sales change from new and closed stores, net	**$**	**(0.5)**		$	30.9		**$**	**3.4**		$	68.0	
Sales change from acquired Allen Edmonds retail stores(2)		**N/A**		$	1.4			**N/A**		$	3.1	
Impact of changes in Canadian exchange rate on retail sales	**$**	**0.2**		$	(0.2)		**$**	**0.6**		$	(0.3)	
Sales per square foot, excluding e-commerce (thirteen and twenty-six weeks ended)	**$**	**109**		$	108		**$**	**213**		$	209	
Sales per square foot, excluding e-commerce (trailing twelve months) (1)	**$**	**437**		$	341		**$**	**437**		$	341	
Square footage (thousands sq. ft.)		**402**			409			**402**			409	
Stores opened		**—**			5			**4**			8	
Stores closed		**2**			—			**7**			4	
Ending stores		**233**			238			**233**			238	

(1) Because these metrics require inclusion in our results for 13 continuous months, the calculations for the 2017 periods presented exclude our Allen Edmonds business, which was acquired in December 2016.

(2) This metric represents net sales from our 69 acquired Allen Edmonds retail stores for the thirteen and twenty-six weeks ended July 29, 2017.

Net Sales
Net sales increased $5.1 million, or 1.9%, to $277.1 million for the second quarter of 2018, compared to $272.0 million for the second quarter of 2017 driven by higher net sales of our Sam Edelman, Ryka, and Naturalizer brands, partially offset by lower sales from our Allen Edmonds, Dr. Scholl's and Vince brands. We acquired a controlling interest in Blowfish Malibu, which contributed $2.5 million of net sales, late in the second quarter of 2018. Our sport-casual product category continues to be a key trend and sales growth driver. In addition, our e-commerce business continued to strengthen. During the second quarter of 2018, we closed two stores, resulting in a total of 233 stores and total square footage of 0.4 million at the end of the second quarter of 2018, compared to 238 stores and total square footage of 0.4 million at the end of the second quarter of 2017. On a trailing twelve-month basis, sales per square foot, excluding e-commerce sales, increased to $437 for the twelve months ended August 4, 2018, compared to $341 for the twelve months ended July 29, 2017, primarily driven by the addition of the Allen Edmonds retail stores into this metric.

Our unfilled order position for our wholesale sales decreased $11.7 million, or 4.3%, to $263.3 million at August 4, 2018, compared to $275.0 million at July 29, 2017. The decrease in our backlog order levels is due, in part, to our speed-to-market initiative and our response to the continuing trend toward lower initial customer product orders.

Net sales increased $8.9 million, or 1.6%, to $545.9 million for the six months ended August 4, 2018, compared to $537.0 million for the six months ended July 29, 2017, driven by sales growth from our LifeStride, Franco Sarto and Sam Edelman brands, partially offset by lower sales from our Vince, Dr. Scholl's and Carlos brands. During the six months ended August 4, 2018, we opened four stores and closed seven stores.

Gross Profit
Gross profit increased $1.8 million, or 1.8%, to $106.0 million for the second quarter of 2018, compared to $104.2 million for the second quarter of 2017, primarily driven by strength in our Sam Edelman and Franco Sarto businesses. We also had lower incremental cost of goods sold related to purchase accounting inventory adjustments of $1.4 million, as further discussed in *Overview* of Management's Discussion and Analysis. As a percentage of net sales, our gross profit decreased slightly to 38.2% for the second quarter of 2018, compared to 38.3% for the second quarter of 2017.

Gross profit increased $8.3 million, or 4.0%, to $215.7 million for the six months ended August 4, 2018, compared to $207.4 million for the six months ended July 29, 2017, reflecting expansion in our gross profit rate and net sales growth. In addition, the six months ended July 29, 2017 included the incremental impact of $4.9 million ($3.0 million on an after-tax basis, or $0.07 per diluted share) in cost of goods sold related to the amortization of the Allen Edmonds inventory fair value adjustment required for purchase accounting, which was partially offset by $0.5 million ($0.4 million on an after-tax basis, or $0.01 per diluted share) in cost of goods sold related to the amortization of the Blowfish Malibu inventory fair value adjustment in the six months ended August 4, 2018. As a percentage of net sales, our gross profit increased slightly to 39.5% for the six months ended August 4, 2018, compared to 38.6% for the six months ended July 29, 2017.

Selling and Administrative Expenses
Selling and administrative expenses increased $3.0 million, or 3.4%, to $90.6 million for the second quarter of 2018, compared to $87.6 million for the second quarter of 2017, reflecting approximately $3 million in initial start-up and duplicate expenses associated with our transition in early 2018 to a new leased distribution center, partially offset by a decrease in rent expense attributable to our lower store base. As a percentage of net sales, selling and administrative expenses increased to 32.7% for the second quarter of 2018, compared to 32.2% for the second quarter of 2017.

Selling and administrative expenses increased $9.5 million, or 5.4%, to $186.2 million for the six months ended August 4, 2018, compared to $176.7 million for the six months ended July 29, 2017, driven by initial start-up and duplicate expenses associated with our transition to a new leased distribution center. As a percentage of net sales, selling and administrative expenses increased to 34.1% for the six months ended August 4, 2018, compared to 32.9% for the six months ended July 29, 2017.

Restructuring and Other Special Charges, Net
Restructuring and other special charges were $1.8 million and $3.4 million in the second quarter and six months ended August 4, 2018, respectively, related to the integration and reorganization of our men's business and the acquisition of Blowfish Malibu in July 2018. Restructuring and other special charges were $0.7 million and $1.5 million in the second quarter and six months ended July 29, 2017, respectively, related to the integration and reorganization of our men's business. Refer to Note 6 to the condensed consolidated financial statements for additional information related to these charges.

Operating Earnings

Operating earnings decreased $2.3 million, or 14.5%, to $13.6 million for the second quarter of 2018, compared to $15.9 million for the second quarter of 2017. Despite higher sales volume, an increase in selling and administrative expenses related to our distribution centers, led to a decline in operating earnings. As a percentage of net sales, operating earnings decreased to 4.9% for the second quarter of 2018, compared to 5.9% in the second quarter of 2017.

Operating earnings decreased $3.1 million, or 10.7%, to $26.1 million for the six months ended August 4, 2018, compared to $29.2 million for the six months ended July 29, 2017. As a percentage of net sales, operating earnings decreased to 4.8% for the six months ended August 4, 2018, compared to 5.4% in the six months ended July 29, 2017.

OTHER

The Other category includes unallocated corporate administrative expenses and other costs and recoveries. Costs of $14.7 million were incurred for the second quarter of 2018, compared to $12.6 million for the second quarter of 2017, driven by higher expenses for our cash-equivalent restricted stock units granted to directors, reflecting growth in our stock price, as well as certain management recruiting and other transition costs.

Unallocated corporate administrative expenses and other costs and recoveries were $26.1 million for the six months ended August 4, 2018, compared to $22.9 million for the six months ended July 29, 2017. The $3.2 million increase reflects the same factors as those driving the second quarter increase.

LIQUIDITY AND CAPITAL RESOURCES

Borrowings

($ millions)		August 4, 2018		July 29, 2017		February 3, 2018
Borrowings under revolving credit agreement	**$**	—	$	35.0	$	—
Long-term debt		**197.7**		197.2		197.5
Total debt	**$**	**197.7**	$	232.2	$	197.5

Total debt obligations of $197.7 million at August 4, 2018 decreased $34.5 million, compared to $232.2 million at July 29, 2017, and increased $0.2 million, compared to $197.5 million at February 3, 2018. The decrease from July 29, 2017 reflects lower borrowings under our revolving credit agreement. We used our revolving credit agreement to fund the acquisition of Allen Edmonds in the fourth quarter of 2016 and paid off the remaining balance in the fourth quarter of 2017. As a result of lower average borrowings under our revolving credit agreement, net interest expense for the second quarter of 2018 decreased $0.8 million to $3.6 million, compared to $4.4 million for the second quarter of 2017 and decreased $1.9 million to $7.3 million, compared to $9.2 million for the six months ended August 4, 2018.

Credit Agreement

The Company maintains a revolving credit facility for working capital needs in an aggregate amount of up to $600.0 million, with the option to increase by up to $150.0 million. The Company is the lead borrower, and Sidney Rich Associates, Inc., BG Retail, LLC and Allen Edmonds are each co-borrowers and guarantors under the Credit Agreement, which matures on December 18, 2019.

Borrowing availability under the Credit Agreement is limited to the lesser of the total commitments and the borrowing base ("Loan Cap"), which is based on stated percentages of the sum of eligible accounts receivable, eligible inventory and eligible credit card receivables, as defined, less applicable reserves. Under the Credit Agreement, the Loan Parties' obligations are secured by a first-priority security interest in all accounts receivable, inventory and certain other collateral.

Interest on borrowings is at variable rates based on the London Interbank Offered Rate ("LIBOR") or the prime rate, as defined in the Credit Agreement, plus a spread. The interest rate and fees for letters of credit vary based upon the level of excess availability under the Credit Agreement. There is an unused line fee payable on the unused portion under the facility and a letter of credit fee payable on the outstanding face amount under letters of credit.

At August 4, 2018, we had no borrowings and $8.6 million in letters of credit outstanding under the Credit Agreement. Total borrowing availability was $591.4 million at August 4, 2018. We were in compliance with all covenants and restrictions under the Credit Agreement as of August 4, 2018.

$200 Million Senior Notes
On July 27, 2015, we issued $200.0 million aggregate principal amount of Senior Notes due in 2023 (the "Senior Notes"). Our Senior Notes are guaranteed on a senior unsecured basis by each of the subsidiaries of Caleres, Inc. that is an obligor under the Credit Agreement and bear interest at 6.25%, which is payable on February 15 and August 15 of each year. The Senior Notes mature on August 15, 2023. We may redeem some or all of the Senior Notes at various redemption prices.

The Senior Notes also contain covenants and restrictions that limit certain activities including, among other things, levels of indebtedness, payments of dividends, the guarantee or pledge of assets, certain investments, common stock repurchases, mergers and acquisitions and sales of assets. As of August 4, 2018, we were in compliance with all covenants and restrictions relating to the Senior Notes.

Working Capital and Cash Flow

	Twenty-Six Weeks Ended		
($ millions)	August 4, 2018	July 29, 2017	Change
Net cash provided by operating activities	**$ 91.0**	$ 114.3	$ (23.3)
Net cash used for investing activities	**(38.3)**	(27.4)	(10.9)
Net cash used for financing activities	**(13.7)**	(89.5)	75.8
Effect of exchange rate changes on cash and cash equivalents	**(0.2)**	0.2	(0.4)
Increase in cash and cash equivalents	**$ 38.8**	$ (2.4)	$ 41.2

Reasons for the major variances in cash provided (used) in the table above are as follows:

Cash provided by operating activities was $23.3 million lower in the six months ended August 4, 2018 as compared to the six months ended July 29, 2017, primarily reflecting the following factors:

- An increase in prepaid assets in the six months ended August 4, 2018 compared to a decrease in the comparable period in 2017, driven in part by the timing of our rent payments on our retail stores due to the impact of the calendar shift resulting from having a 53rd week in fiscal 2017; and
- A smaller increase in trade accounts payable in the six months ended August 4, 2018, compared to the six months ended July 29, 2017.

Cash used for investing activities was $10.9 million higher in the six months ended August 4, 2018 as compared to the six months ended July 29, 2017, primarily due to the acquisition cost for Blowfish Malibu that was acquired in July 2018. For fiscal 2018, we expect purchases of property and equipment and capitalized software of approximately $50 million, including the initial capital required for our new leased Brand Portfolio warehouse in California.

Cash used for financing activities was $75.8 million lower for the six months ended August 4, 2018 as compared to the six months ended July 29, 2017. In the six months ended July 29, 2017, we made net repayments of $75 million of borrowings under our revolving credit agreement. In addition, we repurchased fewer shares under our stock repurchase program during the six months ended August 4, 2018.

A summary of key financial data and ratios at the dates indicated is as follows:

	August 4, 2018	July 29, 2017	February 3, 2018
Working capital *($ millions)* (1)	**$ 437.8**	$ 347.2	$ 416.6
Current ratio (2)	**1.73:1**	1.57:1	1.97:1
Debt-to-capital ratio (3)	**21.1%**	26.6%	21.5%

(1) Working capital has been computed as total current assets less total current liabilities.

(2) The current ratio has been computed by dividing total current assets by total current liabilities.

(3) The debt-to-capital ratio has been computed by dividing total debt by total capitalization. Total debt is defined as long-term debt and borrowings under the Credit Agreement. Total capitalization is defined as total debt and total equity.

Working capital at August 4, 2018 was $437.8 million, which was $90.6 million and $21.2 million higher than at July 29, 2017 and February 3, 2018, respectively. Our current ratio was 1.73 to 1 as of August 4, 2018, compared to 1.57 to 1 at July 29, 2017 and 1.97:1 at February 3, 2018. The increase in working capital and the current ratio from July 29, 2017 primarily reflects an increase in cash and cash equivalents and lower borrowings under our revolving credit agreement, reflecting our operating cash flows over the prior twelve months. We used our revolving credit agreement to fund the acquisition of Allen Edmonds in the fourth quarter of 2016 and paid off the remaining borrowings in the fourth quarter of 2017. The increase in working capital from February 3, 2018 was primarily due to higher cash and cash equivalents and inventory, partially offset by an increase in accounts payable. Our debt-to-capital ratio was 21.1% as of August 4, 2018, compared to 26.6% as of July 29, 2017 and 21.5% at February 3, 2018. The decrease in our debt-to-capital ratio from July 29, 2017 primarily reflects lower borrowings under our revolving credit agreement.

At August 4, 2018, we had $102.9 million of cash and cash equivalents. Approximately half of this balance represents the accumulated unremitted earnings of our foreign subsidiaries.

We declared and paid dividends of $0.07 per share in both the second quarter of 2018 and 2017. The declaration and payment of any future dividend is at the discretion of the Board of Directors and will depend on our results of operations, financial condition, business conditions and other factors deemed relevant by our Board of Directors. However, we presently expect that dividends will continue to be paid.

CONTRACTUAL OBLIGATIONS

Our contractual obligations primarily consist of purchase obligations, operating lease commitments, long-term debt, interest on long-term debt, minimum license commitments, financial instruments, one-time transition tax for the mandatory deemed repatriation of cumulative foreign earnings, obligations for our supplemental executive retirement plan and other postretirement benefits and obligations.

As further discussed in Note 3 and Note 14 to the condensed consolidated financial statements, in conjunction with the acquisition of Blowfish Malibu in July of 2018, the Company recorded a mandatory purchase obligation of the noncontrolling interest of $9.1 million. The fair value of the mandatory purchase obligation, which was $9.2 million as of August 4, 2018, will be paid upon settlement in 2021.

Except for changes within the normal course of business (primarily changes in purchase obligations, which fluctuate throughout the year as a result of the seasonal nature of our operations, and changes in operating lease commitments as a result of new stores, store closures and lease renewals) and the mandatory purchase obligation described above, there have been no other significant changes to the contractual obligations identified in our Annual Report on Form 10-K for the year ended February 3, 2018.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

No material changes have occurred related to critical accounting policies and estimates since the end of the most recent fiscal year other than the adoption of Topic 606, as further described in Note 4 to the condensed consolidated financial statements. For further information on the Company's critical accounting policies and estimates, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended February 3, 2018.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recently issued accounting pronouncements and their impact on the Company are described in Note 2 to the condensed consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain forward-looking statements and expectations regarding the Company’s future performance and the performance of its brands. Such statements are subject to various risks and uncertainties that could cause actual results to differ materially. These risks include (i) changing consumer demands, which may be influenced by consumers' disposable income, which in turn can be influenced by general economic conditions; (ii) rapidly changing fashion trends and purchasing patterns; (iii) intense competition within the footwear industry; (iv) political and economic conditions or other threats to the continued and uninterrupted flow of inventory from China and other countries, where the Company relies heavily on third-party manufacturing facilities for a significant amount of its inventory; (v) foreign currency fluctuations; (vi) the ability to accurately forecast sales and manage inventory levels; (vii) cybersecurity threats or other major disruption to the Company’s information technology systems; (viii) customer concentration and increased consolidation in the retail industry; (ix) transitional challenges with acquisitions; (x) a disruption in the Company’s distribution centers; (xi) changes to tax laws, policies and treaties; (xii) the ability to recruit and retain senior management and other key associates; (xiii) compliance with applicable laws and standards with respect to labor, trade and product safety issues; (xiv) the ability to secure/exit leases on favorable terms; (xv) the ability to maintain relationships with current suppliers; and (xvi) the ability to attract, retain and maintain good relationships with licensors and protect intellectual property rights. The Company's reports to the Securities and Exchange Commission contain detailed information relating to such factors, including, without limitation, the information under the caption “Risk Factors” in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended February 3, 2018, which information is incorporated by reference herein and updated by the Company’s Quarterly Reports on Form 10-Q. The Company does not undertake any obligation or plan to update these forward-looking statements, even though its situation may change.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No material changes have taken place in the quantitative and qualitative information about market risk since the end of the most recent fiscal year. For further information, see Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended February 3, 2018.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

It is the Chief Executive Officer's and Chief Financial Officer's ultimate responsibility to ensure we maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures include mandatory communication of material events, automated accounting processing and reporting, management review of monthly, quarterly and annual results, an established system of internal controls and internal control reviews by our internal auditors.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to errors or fraud may occur and not be detected. Our disclosure controls and procedures are designed to provide a reasonable level of assurance that their objectives are achieved. As of August 4, 2018, management of the Company, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures were effective at the reasonable assurance level.

On July 6, 2018, we acquired Blowfish Malibu. As a result of the acquisition, we are in the process of reviewing the internal control structure of Blowfish Malibu and, if necessary, will make appropriate internal control enhancements as we integrate the acquired business. Based on the evaluation of internal control over financial reporting, the Chief Executive Officer and Chief Financial Officer have concluded that there have been no changes in the Company's internal controls over financial reporting during the quarter ended August 4, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Our annual assessment of internal control over financial reporting will exclude Blowfish Malibu.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

We are involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such ordinary course of business proceedings and litigation currently pending will not have a material adverse effect on our results of operations or financial position. All legal costs associated with litigation are expensed as incurred.

Information regarding Legal Proceedings is set forth within Note 16 to the condensed consolidated financial statements and incorporated by reference herein.

ITEM 1A RISK FACTORS

There have been no material changes that have occurred related to our risk factors since the end of the most recent fiscal year. For further information, see Part I, Item 1A of our Annual Report on Form 10-K for the year ended February 3, 2018.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information relating to our repurchases of common stock during the second quarter of 2018:

Fiscal Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (1)	Total Number Purchased as Part of Publicly Announced Program (2)	Maximum Number of Shares that May Yet be Purchased Under the Program (2)
May 6, 2018 - June 2, 2018	455	$ 35.74	—	1,123,500
June 3, 2018 - July 7, 2018	32,892	35.24	—	1,123,500
July 8, 2018 - August 4, 2018	3,519	34.88	—	1,123,500
Total	36,866	$ 35.21	—	1,123,500

(1) Includes shares purchased as part of our publicly announced stock repurchase program and shares that were tendered by employees related to certain share-based awards. The employee shares were tendered in satisfaction of the exercise price of stock options and/or to satisfy tax withholding amounts for non-qualified stock options, restricted stock and stock performance awards.

(2) On August 25, 2011, the Board of Directors approved a stock repurchase program authorizing the repurchase of up to 2,500,000 shares of our outstanding common stock. We can use the repurchase program to repurchase shares on the open market or in private transactions from time to time, depending on market conditions. The repurchase program does not have an expiration date. Under this plan, 100,000 and 225,000 shares were repurchased during the twenty-six weeks ended August 4, 2018 and July 29, 2017, respectively. The Company did not repurchase any shares during the thirteen weeks ended August 4, 2018 or July 29, 2018. As of August 4, 2018, there were 1,123,500 shares authorized to be repurchased under the program. Our repurchases of common stock are limited under our debt agreements.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 OTHER INFORMATION

None.

ITEM 6 EXHIBITS

Exhibit No.		
3.1		Restated Certificate of Incorporation of Caleres, Inc. (the “Company”) incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed June 1, 2015.
3.2		Bylaws of the Company as amended through April 6, 2017, incorporated herein by reference to Exhibit 3.1 to the Company’s Form 8-K filed April 11, 2017.
10.1	†	Severance Agreement, effective June 14, 2018, between the Company and John W. Schmidt, filed herein.
31.1	†	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	†	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	†	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	†	XBRL Instance Document
101.SCH	†	XBRL Taxonomy Extension Schema Document
101.CAL	†	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	†	XBRL Taxonomy Presentation Linkbase Document
101.DEF	†	XBRL Taxonomy Definition Linkbase Document

† Denotes exhibit is filed with this Form 10-Q.

SIGNATURE

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

CALERES, INC.

Date: September 12, 2018

/s/ Kenneth H. Hannah

Kenneth H. Hannah
Senior Vice President and Chief Financial Officer
on behalf of the Registrant and as the
Principal Financial Officer and Principal Accounting Officer

Exhibit 10.1

AMENDED AND RESTATED SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT (the "Agreement") is effective as of June 14, 2018 ("Effective Date") by and between John W. Schmidt ("Employee") and Caleres, Inc., a New York corporation ("Caleres" and, together with its subsidiaries, the "Company").

WHEREAS, Employee and the Company previously entered into a Severance Agreement with an Effective Date of December 12, 2012 and Employee and Company now desire to amend and restate that agreement in its entirety as set herein; and

WHEREAS, Caleres is engaged, directly and indirectly through its subsidiaries, in the sourcing and retail and wholesale sale of footwear in the United States and throughout the world;

WHEREAS, Employee is employed by Caleres or a wholly-owned subsidiary of Caleres in an executive capacity, possesses intimate knowledge of the business and affairs of the Company, and has acquired, and will continue to acquire, certain confidential, proprietary and trade secret information and data with respect to the Company;

WHEREAS, Caleres desires to insure, insofar as possible, that the Company will continue to have the benefit of Employee's services and to protect the confidential information and goodwill of the Company; and

WHEREAS, the Company recognizes that circumstances may arise in which a change in the control of Caleres occurs, through acquisition or otherwise, thereby causing uncertainty of employment without regard to Employee's competence or past contributions which uncertainty may result in the loss of valuable services of Employee to the detriment of the Company and Caleres's shareholders, and the Company and Employee wish to provide reasonable security to Employee against changes in Employee's relationship with Caleres in the event of any such change in control; and

WHEREAS, both the Company and Employee are desirous that a proposal for any change of control or acquisition will be considered by Employee objectively and with reference only to the business interests of the Company and Caleres's shareholders; and

WHEREAS, Employee will be in a better position to consider the best interests of the Company if Employee is afforded reasonable security, as provided in this Agreement, against altered conditions of employment which could result from any such change in control or acquisition.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto mutually covenant and agree as follows:

Section 1. Definitions

1.1 "Board" means the Board of Directors of Caleres.

1.2 “Business Unit” means any direct or indirect subsidiary, operating division or business unit of Caleres.

1.3 “Cause” means (i) engaging by Employee in willful misconduct which is materially injurious to the Company; (ii) conviction of Employee of a felony; (iii) engaging by Employee in fraud, material dishonesty or gross misconduct in connection with the business of the Company; (iv) engaging by Employee in any act of moral turpitude reasonably likely to materially and adversely affect the Company or its business; (v) engaging by Employee in the illegal use of a controlled substance or using prescription medications unlawfully; or (vi) abuse by Employee of alcohol.

1.4 “Change of Control” means the occurrence of any of the following events after the Effective Date:

(a) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (x) the then outstanding shares of common stock of Caleres (the “Outstanding Company Common Stock”) or (y) the combined voting power of the then outstanding voting securities of Caleres entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this paragraph (a) the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which complies with the exception set forth in paragraph (c) below; or

(b) Individuals who, as of the Effective Date of this Agreement, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a “Business Combination”), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

1.5 "Code" means the Internal Revenue Code of 1986, as amended.

1.6 "Competitor" means any Person which (a) in its prior fiscal year had annual gross sales volume or revenues of more than $20,000,000 attributable to the sale of footwear or (b) is reasonably expected to have such level of footwear sales or revenues in either the current fiscal year or the next following fiscal year.

1.7 "Confidential Information" shall have the meaning set for in Section 10.

1.8 "Customer" means any wholesale customer of Caleres and/or any Business Unit which either purchased from Caleres and/or any Business Unit during the one (1) year immediately preceding the Termination Date, or is reasonably expected by Caleres and/or any Business Unit to purchase from Caleres and/or any Business Unit in the one (1) year period immediately following the Termination Date, more than $1,000,000 in footwear.

1.9 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.10 "Good Reason," when used with reference to a voluntary termination by Employee of Employee's employment with the Company, means (i) a reduction in Employee's base salary as in effect on the date hereof, or as the same may be increased from time to time; (ii) a reduction in Employee's status, position, responsibilities or duties; (iii) the required relocation of Employee's principal place of business, without Employee's consent, to a location which is more than fifty (50) miles from Employee's principal place of business on the Effective Date, or from such location to which Employee may transfer with Employee's consent after the Effective Date; (iv) a material increase in the amount of time Employee is required to travel on behalf of the Company; (v) the failure of any successor of Caleres to assume this Agreement, or (vi) a material breach of this Agreement by the Company.

1.11 "Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")).

1.12 "Termination Date" means the effective date as provided in this Agreement of the termination of Employee's employment with the Company. Employee will have a termination of employment only if he has a separation from service determined based on all of the facts and circumstances and in accordance with the rules and regulations issued by the Treasury Department under Code Section 409A.

Section 2. Term

2.1 Subject to Section 2.2, the term of this Agreement (the "Term") shall be a period commencing on the Effective Date and ending on the first anniversary thereof.

2.2 The Term shall be automatically extended for successive one (1) year periods unless either party to this Agreement provides the other party with notice of termination at least ninety (90) days prior to the expiration of the original period or any one-year period thereafter.

Section 3. Termination of Employment

3.1 The Company may terminate Employee's employment at any time for Cause, effective upon written notice to Employee specifying in reasonable detail the particulars of Employee's conduct deemed by the Company and/or such subsidiary to justify such termination for Cause.

3.2 The Company may terminate Employee's employment without Cause at any time, effective upon written notice to Employee of termination specifying that such termination is without Cause.

3.3 Employee may terminate Employee's employment with the Company at any time, with or without Good Reason.

Section 4. Separation Benefits

4.1 If Employee's employment is terminated by the Company for any reason other than for Cause, death or disability and Section 4.2 does not apply, Employee shall be entitled to the following separation benefits:

(a) The Company shall pay, or cause to be paid, to Employee within 30 days of the Termination Date (i) the full base salary earned by Employee through, but unpaid at, the Termination Date, plus (ii) credit for any vacation earned by Employee but not used at the Termination Date, plus (iii) all other amounts owed by the Company to Employee (other than any bonus payment of any kind) but unpaid as of the Termination Date.

(b) The Company shall pay, or cause to be paid, to Employee (i) in a lump sum not later than thirty (30) days after the Termination Date an amount equal to 200% of the sum of (A) Employee's base annual salary at the highest rate in effect at any time during the twelve (12) months immediately preceding the Termination Date, and (B) Employee's targeted bonus for the current year, and (ii) Employee's bonus for the year of termination prorated to the Termination Date, paid at the time such bonus would have been paid if Employee had remained employed to the date of payment and calculated based on achievement of the applicable performance criteria applicable to such bonus payment.

(c) The Company shall provide to Employee for a period of eighteen (18) months after the Termination Date medical and/or dental coverage under the Company's medical and/or dental plans, without any cost to Employee in excess of any employee contribution that would be payable by Employee if Employee remained employed by a member of the Company; provided, however, that if Employee becomes employed with another employer during such eighteen (18)-month period and is eligible to receive medical and/or dental coverage under another employer-provided plan, the medical and/or dental coverage described herein shall be secondary to those provided under such other plan. In addition, on the last day of such eighteen (18)-month period, the Company shall pay, or cause to be paid, to Employee an amount in cash equal to the aggregate amount that would be payable by the Company for such medical and/or dental coverage for six (6) months if Employee remained employed by the Company for such period.

(d) The restrictions applicable to each share of non-vested restricted stock of Caleres held by Employee that would have vested within the two (2) year period following the Termination Date had Employee remained employed by the Company shall lapse as of the Termination Date.

(e) Each non-vested option to purchase Caleres stock held by Employee that would have vested within the two (2) year period following the Termination Date had Employee remained employed by the Company shall vest as of the Termination Date.

(f) The Company shall pay the reasonable costs of outplacement services selected by the Company for a reasonable period of time following the Termination Date; provided, however, that no such outplacement services shall be provided after the last day of the second calendar year following the calendar year in which the Termination Date occurs.

4.2 If Employee's employment is terminated within twenty-four (24) months after a Change of Control (x) by the Company for any reason other than for Cause, death or disability, or (y) by Employee within ninety (90) days after the occurrence of Good Reason, Employee shall be entitled to the following separation benefits in place of, and not in addition to, the benefits set forth in Section 4.1:

(a) The Company shall pay, or cause to be paid, to Employee within 30 days of the Termination Date (i) the full base salary earned by Employee through, but unpaid at, the Termination Date, plus (ii) credit for any vacation earned by Employee but not taken at the Termination Date, plus (iii) all other amounts owed by the Company to Employee (other than any bonus payment of any kind) but unpaid as of the Termination Date.

(b) The Company shall pay, or cause to be paid, to Employee (i) in a lump sum six (6) months after the Termination Date an amount equal to 300% of the sum of (A) Employee's base annual salary at the highest rate in effect at any time during the twelve (12) months immediately preceding the Termination Date, and (B) Employee's targeted bonus for the current year; and (ii) Employee's targeted bonus payment for the year of termination prorated to the Termination Date.

(c) The Company shall provide to Employee for a period of eighteen (18) months after the Termination Date medical and/or dental coverage under the Company's medical and dental plans, without any cost to Employee in excess of any employee contribution that would be payable by Employee if Employee remained employed by the Company; provided, however, that if Employee becomes employed with another employer during such eighteen (18)-month period and is eligible to receive medical and/or dental coverage under another employer-provided plan, the medical and/or dental coverage described herein shall be secondary to those provided under such other plan. In addition, on the last day of such eighteen (18)-month period, the Company shall pay, or cause to be paid, to Employee an amount in cash equal to the aggregate amount that would be payable by the Company for such medical and/or dental coverage for six (6) months if Employee remained employed by the Company for such period.

(d) The restrictions applicable to each share of non-vested restricted stock of Caleres held by Employee shall lapse and be exercisable as of the Termination Date.

(e) Each non-vested option to purchase Caleres stock held by Employee shall vest and be exercisable as of the Termination Date.

(f) For purposes of determining Employee's benefit under the Company's Supplemental Employment Retirement Plan, an additional two (2) years of Credited Service shall be credited to Employee's actual or deemed Credited Service.

(g) The Company shall pay the reasonable costs of outplacement services selected by the Company for a reasonable period of time following the Termination Date; provided, however, that no such outplacement services shall be provided after the last day of the second calendar year following the calendar year in which the Termination Date occurs.

4.3 If Employee's employment is terminated for any reason other than such reasons specified in Sections 4.1 and 4.2, the Company shall pay, or cause to be paid, to Employee within 30 days of the Termination Date (i) the full base salary earned by Employee through, but unpaid at, the Termination Date, plus (ii) credit for any vacation earned by Employee but not taken at the Termination Date, plus (iii) all other amounts owed by the Company to Employee (other than any bonus payment of any kind) but unpaid as of the Termination Date.

4.4 The benefits set forth in Sections 4.1(c) and 4.2(c) shall run concurrently with any period of continuation coverage to which Employee is entitled under Section 601 of ERISA. Upon Employee's re-employment during the period specified in each such Section, to the extent covered by the new employer's plan, coverage under the Company's plan shall lapse, subject to any continuation of coverage rights under Section 601 of ERISA. Employee's participation in and/or coverage under all other employee benefit plans, programs or arrangements sponsored or maintained by the Company shall cease effective as of the Termination Date except as otherwise provided in such employee benefit plan, program or arrangement.

Section 5. Mitigation or Reduction of Benefits

Employee shall not be required to mitigate the amount of any payment provided for in Section 4 by seeking other employment or otherwise. Except as otherwise specifically set forth herein, the amount of any payment or benefits provided in Section 4 shall not be reduced by any compensation or benefits or other amounts paid to or earned by Employee as the result of employment by another employer after the Termination Date or otherwise.

Section 6. Employee Expenses After Change in Control

If Employee's employment is terminated by the Company within twenty-four (24) months after a Change in Control and there is a dispute with respect to this Agreement, then all Employee's costs and expenses (including reasonable legal and accounting fees) incurred by Employee (a) to defend the validity of this Agreement, (b) to contest any termination for Cause, (c) to contest any determinations by the Company concerning the amounts payable by or on behalf of the Company under this Agreement, or (d) to otherwise obtain or enforce any right or benefit provided to Employee by this Agreement, shall be paid by the Company. The Company shall make payment of such reimbursements from time to time, but in no event later than the last day of the calendar year following the calendar year in which such expenses are incurred, provided Employee timely submits reasonable documentation of such expenses. In the event Employee is not the prevailing party in any such contest, Employee shall pay back any reimbursements made by the Company hereunder within 30 days of final disposition of such contest.

Section 7. Release

Notwithstanding anything to the contrary stated in this Agreement, no benefits will be paid pursuant to Section 4 except under Section 4.1(a), 4.2(a) or 4.3 prior to execution by Employee of a release of the Company substantially in the form attached as Exhibit A, with such changes as may be made by the Company in its sole discretion in order to comply with and stay current with applicable laws and regulations. Unless Employee executes such release and returns it to the Company within 45 days of his Termination Date, all benefits except under Sections 4.1(a), 4.2(a) or 4.3 shall be forfeited.

Section 8. Excise Tax

In the event that a payment or benefit under this Agreement would result in the application of an excise tax under Code Section 4999, the cash severance payment described in Section 4.2 shall be reduced so that the total parachute payments received by the Employee equal the better after-tax amount of either: the full amount of such payments otherwise determined under the Agreement and any other plan or agreement which provides parachute payments to the Employee, subject to the excise tax under Code Section 4999; or 2.99 times the Participant's "base amount" as defined in Code Section 280G and the regulations thereunder.

Section 9. Covenant Not to Compete

9.1 During Employee's employment with Caleres and/or any Business Unit and for a period of two (2) years after the Termination Date (collectively the "Restricted Period"), Employee will not, directly or indirectly, on Employee's own behalf or on behalf of any other Person (whether as owner, partner, consultant, employee or otherwise):

(a) provide any executive, managerial, supervisory, and/or consulting services with respect to the footwear industry and/or the footwear business in the United States for any Competitor;

(b) hold any executive, managerial and/or supervisory position with any Competitor in the United States;

(c) assist any Competitor in competing against Caleres and/or any Business Unit for which Employee performs or performed substantial work and/or has or had access to Confidential Information (each a "Relevant Business Unit") (i) in the United States and/or (ii) in any other country in which Caleres and/or any Relevant Business Unit is doing business in the one year immediately preceding the Termination Date (each a "Foreign Country") if Employee had access to Confidential Information regarding the Company's business in such Foreign Country;

(d) engage in any research, development and/or planning activities or efforts for a Competitor, whether as an employee, consultant, independent contractor or otherwise, to assist the Competitor in competing (i) in the footwear industry in the United States or (ii) in any Foreign Country if Employee had access to Confidential Information regarding the Company's business in such Foreign Country;

(e) cause or attempt to cause any Customer to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Caleres and/or any Relevant Business Unit;

(f) assist any Competitor in connection with any plan, effort, activity or undertaking to cause or attempt to cause any Customer to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Caleres and/or any Relevant Business Unit;

(g) cause or attempt to cause any footwear supplier or manufacturer of Caleres and/or any Relevant Business Unit to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Caleres and/or any Relevant Business Unit;

(h) assist any Competitor in connection with any plan, effort, activity or undertaking to cause or attempt to cause any footwear supplier or manufacturer of Caleres and/or any Relevant Business Unit to divert, terminate, limit, modify or fail to enter into any existing or potential relationship with Caleres and/or any Relevant Business Unit; and/or

(i) solicit, entice, employ or seek to employ, in the footwear industry, any executive, managerial and/or supervisory employee of, or any consultant or advisor to, Caleres and/or any Relevant Business Unit.

9.2 Employee recognizes and agrees that the restraints contained in Section 9.1 are reasonable and should be fully enforceable in view of, among other things, the high level positions Employee has had with Caleres and/or any Relevant Business Unit(s), the national and international nature of both the Company's collective business and competition in the footwear industry, and the legitimate interests of the Company in protecting its confidential, proprietary and trade secret information ("Confidential Information") and their respective customer goodwill and relationships. Employee specifically hereby acknowledges and confirms that Employee is willing and intends to, and will, abide fully by the terms of Section 9.1. Employee further agrees that the Company would not have adequate protection if Employee were permitted to work for its competitors in violation of the terms of this Agreement since the Company would, among other things, be unable to verify whether (i) its Confidential Information was being disclosed and/or misused, and/or (ii) Employee was involved in diverting or helping to divert the Company's customers and/or customer goodwill.

9.3 Employee agrees to disclose, during the Restricted Period, the terms of this Section 9 to any potential future employer.

Section 10. Confidential Information

10.1 Employee acknowledges and agrees that during Employee's employment, Employee has been and/or will be provided and have access to certain Confidential Information of the Company. Employee agrees to keep secret and confidential, and not to use or disclose to any third-parties, except as directly required for Employee to perform Employee's employment responsibilities for the Company, any of the Company's Confidential Information.

10.2 Confidential Information includes all confidential and/or trade secret information of the Company (regardless of the form or medium in which it may exist or be stored or preserved) and includes, but is not limited to, all such information containing or reflecting any:

(a) lists or other identification of customers or prospective customers of Caleres and/or any Relevant Business Unit (and/or key individuals employed or engaged by such parties);

(b) lists or other identification of sources or prospective sources of Caleres's and/or any Relevant Business Unit's products or components thereof (and/or key individuals employed or engaged by such parties);

(c) compilations, information, designs, drawings, files, formulae, lists, machines, maps, methods, models, notes or other writings, plans, records, regulatory compliance procedures, reports, specialized or technical data, schematics, source code, object code, documentation, and software relating to the development, manufacture, fabrication, assembly, marketing and/or sale of Caleres's and/or any Relevant Business Unit's products;

(d) financial, distribution, sales and marketing information, data, plans, and/or strategies of Caleres and/or any Relevant Business Unit;

(e) equipment, materials, procedures, processes, and techniques used in, or related to, the development, manufacture, assembly, fabrication or other production and quality control of the Caleres's and/or any Relevant Business Unit's products and services;

(f) Caleres's and/or any Relevant Business Unit's relations and/or dealings with its customers, prospective customers, suppliers and prospective suppliers and the nature and type of products or services rendered to such customers (or proposed to be rendered to prospective customers);

(g) Caleres's and/or any Relevant Business Unit's relations with its employees (including, without limitation, salaries, job classifications and skill levels); and

(h) any other information designated by Caleres and/or any Relevant Business Unit to be confidential, secret and/or proprietary (including without limitation, information provided by customers or suppliers of Caleres and/or any Relevant Business Unit).

Notwithstanding the foregoing, the term "Confidential Information" shall not consist of any data or other information which has been made publicly available or otherwise placed in the public domain other than by Employee in violation of this Agreement.

10.3 Employee will not, directly or indirectly, copy, reproduce or otherwise duplicate, record, abstract, summarize or otherwise use for Employee or use for, or disclose to, any party other than Caleres, or any subsidiary or affiliate of Caleres, any Confidential Information, without Caleres's prior written permission or except as required for the proper performance of Employee's duties on behalf of the Company.

10.4 Employee understands that Confidential Information may or may not be labeled as "confidential" and will treat all information as confidential unless otherwise informed by Caleres.

10.5 At the termination of Employee's employment with the Company or at any other time Caleres or any subsidiary or affiliate thereof may request, Employee shall promptly deliver to Caleres all documents and other materials, whether in physical or electronic form (including all copies thereof), containing any Confidential Information.

Section 11. Injunctive Relief

In the event of a breach or threatened breach of any of Employee's duties or obligations under the terms and provisions of Section 9, Section 10, Section 12.2 or Section 12.9, the Company shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach. Employee hereby expressly acknowledges that the harm that might result to the Company's business as a result of noncompliance by Employee with any of the provisions of Section 9, Section 10, Section 12.2 or Section 12.9 would be largely irreparable. Employee specifically agrees that if there is a question as to the enforceability of any of the provisions of Section 9, Section 10, Section 12.2 or Section 12.9, Employee will not engage in any conduct inconsistent with or contrary to such Sections until after the question has been resolved by a final judgment of a court of competent jurisdiction. Employee undertakes and agrees that if Employee breaches or threatens to breach the Agreement, Employee shall be liable for any attorneys' fees and costs incurred by the Company in enforcing its rights hereunder.

Section 12. Miscellaneous

12.1 *Notice*. All notices hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally or by courier, or (b) when received by facsimile (including electronic mail), receipt confirmed, or (c) on the third business day following the mailing thereof by registered or certified mail, postage prepaid, or (d) on the first business day following the mailing thereof by overnight delivery service, in each case addressed as set forth below:

If to the Company:

Caleres, Inc.
8300 Maryland Avenue
St. Louis, Missouri 63166-0029
Attention: General Counsel

If to Employee:

John W. Schmidt
200 West 67th Street Apt. 321
New York, New York 10023

Any party may change the address to which notices are to be addressed by giving the other party written notice in the manner herein set forth.

12.2 *Successors; Binding Agreement.*

(a) Caleres shall require any successor to all or substantially all of the business and/or assets of the Company (whether such succession is direct or indirect, by purchase, merger, consolidation or otherwise), prior to or upon such succession, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. To the extent such transaction constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company under Code Section 409A and the rules and regulations thereunder, failure of Caleres to obtain such agreement upon or prior to the effectiveness of any such succession shall be a material breach of this Agreement and shall entitle Employee to benefits from the Company in the same amounts and on the same terms as Employee would be entitled hereunder if Employee's employment was terminated without Cause within twenty-four (24) months after a Change of Control. For purposes of the preceding sentence, the date on which any such succession becomes effective shall be deemed the Termination Date.

(b) Caleres shall also have the right, but not the obligation, to assign this Agreement, without Employee's consent, to any successor to all or substantially all of the business and/or assets of a Business Unit for which Employee performs substantially all of Employee's duties (whether such succession is direct or indirect, by purchase, merger, consolidation or otherwise). In the event, and only in the event, Caleres elects to assign this Agreement to such successor of a Business Unit, a Change of Control will be deemed to have occurred and Caleres shall require such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. No Change of Control shall be deemed to have occurred if Caleres does not elect to assign this Agreement to such successor of a Business Unit.

(c) This Agreement is personal to Employee and Employee may not assign or delegate any part of Employee's rights or duties hereunder to any other person, except that this Agreement shall inure to the benefit of and be enforceable by Employee's legal representatives, executors, administrators, heirs and beneficiaries.

12.3 *Judicial Modification*. If and to the extent that any Section, term and/or provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable under applicable law, then such Section(s), term(s) and/or provision(s) shall not be void but instead shall be modified and, to the maximum extent permissible under applicable law, enforced.

12.4 *Headings*. The headings in this Agreement are inserted for convenience of reference only and shall not in any way affect the meaning or interpretation of this Agreement.

12.5 *Counterparts*. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

12.6 *Waiver*. Neither any course of dealing nor any failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of such right, power or privilege or of any other right, power or privilege or of the same right, power or privilege in any other instance. Without limiting the generality of the foregoing, Employee's continued employment without objection shall not constitute Employee's consent to, or a waiver of Employee's rights with respect to, any circumstances constituting Good

Reason. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged therewith, and, in the case of the Company, by its duly authorized officer.

12.7 *Entire Agreement*. This instrument constitutes the entire agreement of the parties in this matter and shall supersede any other agreement between the parties, oral or written, concerning the same subject matter.

12.8 *Amendment*. Subject to Section 12.3, no modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto.

12.9 *Governing Law*. In light of Company's and Employee's substantial contacts with the State of Missouri, the facts that the Company is headquartered in Missouri and Employee resides in and/or reports to Company management in Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity and enforceability of this Agreement are resolved on a uniform basis, and Caleres's execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving any noncompliance with or breach of the Agreement, or regarding the interpretation, validity and/or enforceability of the Agreement, shall be filed and conducted exclusively in the state courts in St. Louis County, Missouri, or the U.S. District Court for the Eastern District of Missouri; and (ii) this Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without regard for any conflict of law principles. Employee agrees that Employee under no circumstances will, either alone or in conjunction with anyone else, file or pursue any such litigation other than in such state or federal courts in Missouri, and Employee hereby consents and agrees that any such litigation filed in any other court(s) shall be dismissed and that Employee may be enjoined from filing and/or pursuing any such action.

12.10 *Third Party Beneficiaries*. Employee agrees that Caleres's subsidiaries are third party beneficiaries of this Agreement and hereby consents to the enforcement by any subsidiary of Caleres of the provisions contained herein, including without limitation, the provisions of Section 9 and Section 10.

12.11 *409A Interpretation.* With respect to those amounts payable hereunder which are subject to Code Section 409A, this Agreement shall be interpreted in a manner so as to be consistent with such provision and the rules and regulations promulgated thereunder. The Company may modify the Agreement to the extent necessary to prevent a benefit or payment from being subject to a tax due to noncompliance with Code Section 409A. Notwithstanding anything herein to the contrary, in the event that Executive is determined to be a specified employee within the meaning of Code Section 409A, for purposes of any payment on termination of employment hereunder, payment(s) shall be made or begin, as applicable, on the first payroll date which is more than six months following the date of separation from service, to the extent required to avoid any adverse tax consequences under Code Section 409A.

IN WITNESS WHEREOF, Employee and Caleres have executed this Agreement as of the day and year first above written.

CALERES, INC.		EMPLOYEE	
By:	/s/ Douglas W. Koch	/s/ John W. Schmidt	
Name:	Douglas W. Koch	John W. Schmidt	
Title:	Senior Vice President and Chief Human Resources Officer		
Date:	June 15, 2018	Date:	June 14, 2018

Exhibit 31.1

CERTIFICATIONS

I, Diane M. Sullivan, certify that:

1. I have reviewed this report on Form 10-Q of Caleres, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Diane M. Sullivan

Diane M. Sullivan

Chief Executive Officer, President and
Chairman of the Board of Directors

Caleres, Inc.

September 12, 2018

CERTIFICATIONS

I, Kenneth H. Hannah, certify that:

1. I have reviewed this report on Form 10-Q of Caleres, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth H. Hannah

Kenneth H. Hannah
Senior Vice President and Chief Financial Officer
Caleres, Inc.
September 12, 2018

Exhibit 32.1

Certification Pursuant to
18 U.S.C. §1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Caleres, Inc. (the “Registrant”) on Form 10-Q for the quarter ended August 4, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Diane M. Sullivan, Chief Executive Officer, President and Chairman of the Board of Directors of the Registrant, and Kenneth H. Hannah, Senior Vice President and Chief Financial Officer of the Registrant, certify, to the best of our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Diane M. Sullivan

Diane M. Sullivan

Chief Executive Officer, President and Chairman of the Board of Directors

Caleres, Inc.

September 12, 2018

/s/ Kenneth H. Hannah

Kenneth H. Hannah

Senior Vice President and Chief Financial Officer

Caleres, Inc.

September 12, 2018