

# THE ORGANIZATION

## PROFILE

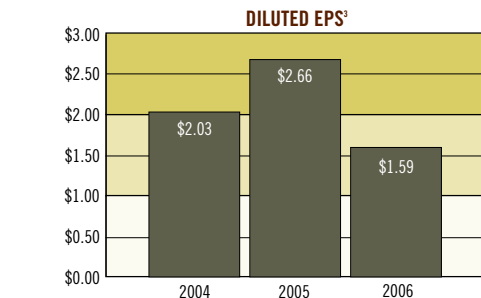
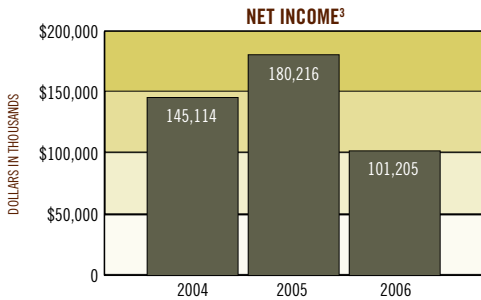
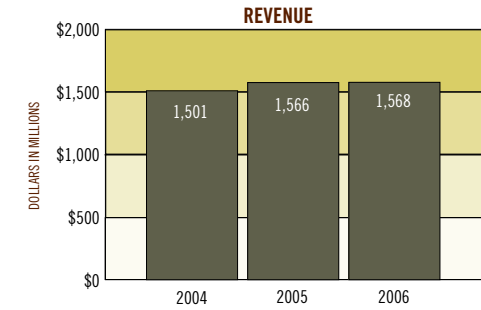
### FINANCIAL PERFORMANCE

Our principal strategic goal is to become the authentic outdoor brand of choice globally. To achieve our long-term goals, we are focused on driving progress on these key strategic fronts:

- Increasing our focus on segregating discrete and distinct consumer categories
- Enhancing our leadership position in our core footwear business
- Capturing the opportunity that we see for outdoor-inspired apparel

- Extending enterprise reach through development of new brand platforms and brand building licensing arrangements
- Expanding geographically
- Driving operational and financial excellence while setting the standard for commitment to the community and striving to be a global employer of choice

Some high-level views of our financial performance in 2006 are included in the graphs below. Please see our **2006 Annual Report on Form 10-K/A** for more details on our financial performance.



### 2006 AWARDS

- Named one of *Forbes* magazine's "Best Big Companies in America" for the 8th year in a row
- Ranked 6th on *Business Ethics* magazine's list of "100 Best Corporate Citizens"
- Selected for *Fortune* magazine's list of "America's Most Admired Companies"
- 9th consecutive year on *Fortune* magazine's "100 Best Companies to Work For"; also listed on *Fortune's* Hall of Fame
- 2006 Points of Light—"Award for Excellence in Workplace Volunteer Programs"
- Listed as one of *Industry Week* magazine's "50 Best-Managed Manufacturing Companies" for the third consecutive year
- Recognized as one of the "World's Top Sustainable Stocks" by SustainableBusiness.com for the third year in a row.
- 3rd consecutive year on list of "100 Best Companies for Working Mothers" by *Working Mother* magazine

<sup>3</sup> As Restated. See our 2006 Annual Report on Form 10-K/A.

## ECONOMIC INDICATORS

Our contribution to the economic systems in which we operate is fundamental to understanding the basis for sustainability. New in this year's report, the following

chart attempts to illuminate the economic impact our organization has on the local community at significant locations of operation<sup>4</sup>.

### ECONOMIC IMPACTS FOR 2006

	NUMBER OF EMPLOYEES IN 2006	% OF TOTAL TIMBERLAND EMPLOYEES	LOCAL MINIMUM WAGE (HOURLY) <sup>5</sup>	ENTRY WAGE (HOURLY) <sup>6</sup>	% OF MINIMUM WAGE PAID
<b>HEADQUARTERS</b>					
Stratham, New Hampshire	780	14%	\$5.15	\$9.15	177.67%
Wexham Springs, England	177	3%	\$10.55	\$10.84	102.75%
Singapore	52	1%	N/A	\$6.70	N/A
<b>DISTRIBUTION CENTERS</b>					
Danville, Kentucky	125	2%	\$5.15	\$9.15	177.67%
Ontario, California	115	2%	\$6.75	\$9.45	140.00%
Enschede, Holland	130	2%	\$8.67	\$8.67	100.00%
<b>FACTORY</b>					
Santiago, Dominican Republic	1,843	32%	\$0.73	\$0.96	131.51%

<sup>4</sup> Significant locations of operation include headquarters, distribution centers and manufacturing facilities.

<sup>5</sup> Local Minimum Wage: Minimum wage refers to compensation per hour or other unit of time for employment allowed under law.

<sup>6</sup> Entry Wage: Entry-level wages are defined by the full-time wage offered to an employee in the lowest employment category. Intern or apprentice wages are not considered.

	NUMBER OF EMPLOYEES GRADE 7 <sup>7</sup> AND ABOVE	NUMBER OF EMPLOYEES GRADE 7 AND ABOVE FROM LOCAL AREA	% OF MANAGERS FROM LOCAL COMMUNITY <sup>8</sup>
<b>HEADQUARTERS</b>			
Stratham, New Hampshire	222	222	100%
Wexham Springs, England	26	21	81%
Singapore	11	9	82%
<b>DISTRIBUTION CENTERS</b>			
Danville, Kentucky	2	1	50%
Ontario, California	2	2	100%
Enschede, Holland	2	1	50%
<b>FACTORY</b>			
Santiago, Dominican Republic	8	7	88%

<sup>7</sup> Grade 7 employees are senior management and are generally defined as "leadership."

<sup>8</sup> If the location is in the US, then employees from that region (Northeast) are considered local. If the location is outside of the US, then local means any manager from that country.

## EXPANSION

# howies®

### NEW BRAND: SAY HELLO TO HOWIES

A thoughtful, authentic brand. A carefully crafted blend of innovative products. Provocative ideas. And a meaningful dialog with the consumer. That is the basic

philosophy of howies, an edgy line of men's and women's apparel emanating from a humble locale in Cardigan Bay, Wales, UK. They are also maniacally concerned for the planet, the lives of their consumers and finding ways to "ask a different question." About the world we live in. The businesses we build. And the values we share. They are not your typical company.

And they're perfect for Timberland. In late 2006, we welcomed howies into the Timberland family. Immediately, it was obvious that we'd found a great fit. We were drawn to howies because it's a smart, fast-moving, lean, consumer-centric enterprise that also happens to be values-driven. We also saw a unique opportunity to reach new consumers and new markets from their youthful platform. The joining of our two organizations is a marriage of boot, brand and belief. More importantly, it's a true testament to our vision. Our passion. And the individuals committed to making it better—and making a difference in the world.

To find out more about this exciting brand, please go to [www.howies.co.uk](http://www.howies.co.uk).



### NEW BRAND: GOLITE®

In June 2006, Timberland announced the introduction of a new line of advanced footwear for trail-running enthusiasts under the GoLite® brand. The GoLite® footwear line is inspired by the extreme challenges of sky runners and their need for ultra-light, technically advanced footwear. According to GoLite co-founder and CEO Kim Coupounas, "Our companies share many values, including our dedication to excellence, innovation and being good corporate citizens. We are honored to be working with a company that is a global leader in premium-quality footwear and corporate social and environmental responsibility."

To find out more about this brand, please go to [www.golite.com](http://www.golite.com).

## INTEGRATING SMARTWOOL INTO THE TIMBERLAND CULTURE

Shoes and socks. What could be a more natural pairing? There was a lot more to our acquisition of SmartWool than the natural match-up of our products, though. We wanted to grow with a company whose values fit with us, too.

Last year was the first time after the acquisition for SmartWool to be part of Timberland's annual Serv-a-palooza—one of our pillar service events. In September 2006, 5,500 Timberland employees around the world strapped on their boots and went out into the community to "make it better." More than 50 SmartWool employees in Steamboat Springs, Colorado, joined the event with gusto, donating more than 300 hours—and braving the rain—to refurbish housing for the elderly. Plus, in Boulder, Colorado, all eight SmartWool employees spent the day building a multi-use trail.

Their enthusiasm proved to us once and for all that we'd found a partner who could not only help us sell great products, but also help to advance our CSR strategy, too.



## GOVERNANCE

### A CULTURE OF RESPONSIBILITY FROM TOP TO BOTTOM—AND VICE VERSA

At Timberland, we think a top-down, bottom-up approach is the best way to integrate social and environmental awareness into all levels of the company. Let's start at the top of our organization. We have a CEO who is deeply committed to the concept of "Commerce and Justice"—that is, a responsibility to generate revenue while at the same time making positive changes in the communities and environment where employees live and work. This set of values naturally trickles down to influence all company decisions—major and minor.

And from the bottom up? We do everything we can to help employees make a difference in the world. We start by doing our best to make sure that every new hire is passionate about Corporate Social Responsibility (CSR). Soon after they're hired, all new employees at our corporate headquarters perform a day of service. That way, right away, they can understand how we partner with local communities to "Make it better." In addition, they're exposed to our values in a variety of activities. Employee-initiated charity drives. Volunteer service fairs. Environmental "lunch and learns." And the Community Impact Center in our headquarters cafeteria, which highlights recent CSR activities.

### TAKING RESPONSIBILITY AT THE VERY TOP

In the past, the influence of our Board of Directors has guided the development of our CSR strategies. For global human rights. Community investments and engagement. And environmental stewardship. In addition, our Audit Committee has received formal reports of our Code of Conduct assessments of our contract factories—and the remediation work that's being done.

What's new for 2007 is that we've instituted a formal CSR Committee that will provide guidance for all

Corporate Social Responsibility at Timberland. This group is made up of four members of our Board of Directors, who will meet regularly with the CSR leadership team to help set the strategic agenda and hold the team accountable for their actions. We believe this new structure will leverage additional resources and leadership toward achieving our CSR goals.

To learn more about our corporate governance, including the charter for the new CSR committee, please go to the **Corporate Governance** section on our Web site.

### PUBLIC POLICY

Our passion for civic action inspires our approach to building strong communities and a healthy planet. There are a few fundamental tenets:

- First and foremost—and always—our programs must reflect our values of humanity, humility, integrity and excellence. These words must be made real by our actions and attitudes.
- The "how to"—across environmental stewardship, global human rights and worldwide community involvement—is also constant. In other words, we rely on a collaborative process based on a common vision and multi-sector partnerships built on aligned values to create enduring change.
- Finally, results must be measurable and transformative. And on occasion, we hope, visionary.

The issues we embrace as an enterprise and as a community are complex and far reaching. Our passion for the planet compels us to turn our attention and expertise toward the area of global warming. Our desire to increase civic participation requires us to ensure the strength and credibility of City Year<sup>9</sup>. Our belief that values are not local to our commercial markets, but rather are a global responsibility, engages our community in stopping the genocide in Darfur and alleviating the pain and anguish along the Gulf Coast.

We are not political or partisan. We do not financially support candidates, political campaigns or Political Action Committees. But we deeply honor public service—in fact, we revere it. We know that sustained change requires policy decisions and investments that support the will of the people. Our approach to affecting policy is to raise awareness, model innovation and compel action—always through collaboration. We invite and encourage civic discourse and engagement by politicians, policy experts, industry partners, employees and consumers.

**OUR PASSION FOR THE PLANET  
COMPELS US TO TURN OUR  
ATTENTION AND EXPERTISE TOWARD  
THE AREA OF GLOBAL WARMING.**

<sup>9</sup> A non-profit organization dedicated to building a stronger democracy by engaging diverse groups of 17- to 24-year olds in National Service.



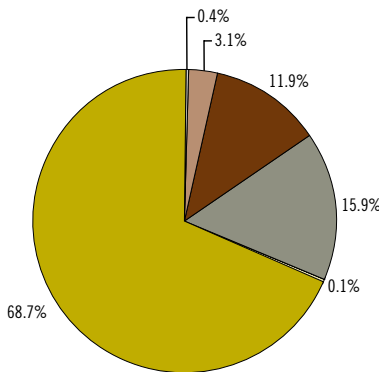
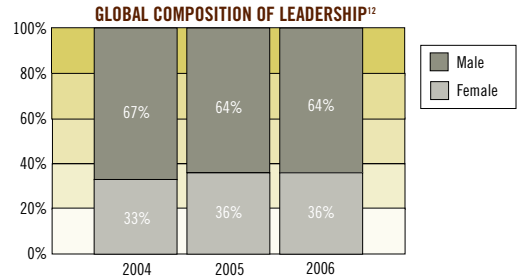
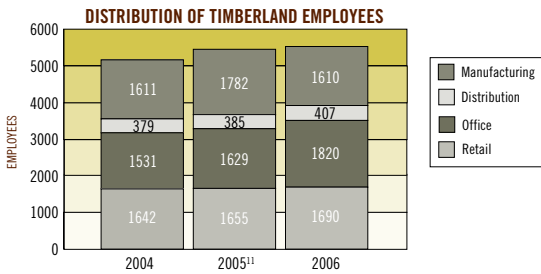
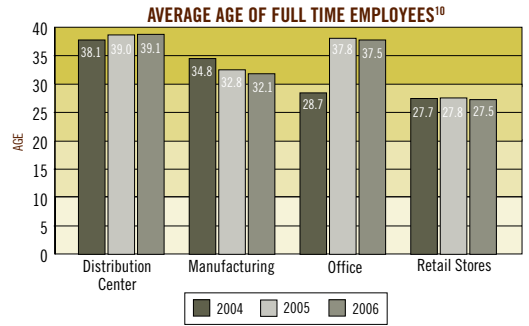
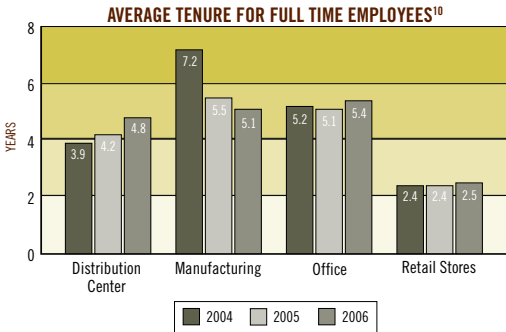
## GLOBAL WARMING

Global warming is one of the most critical issues our company faces. As such, Timberland has developed a coordinated and comprehensive approach to policy around this issue. In New Hampshire, we screened *An Inconvenient Truth* and hosted environmental experts and a “green” fair to raise visibility for both policy and options for sustainable improvements. We partner with industry colleagues, including the Outdoor Industry Association (OIA), to share our priorities and commitment with elected leaders. Our President and CEO Jeff Swartz joined global business leaders convened by The Climate Group for a meeting with British Prime Minister Tony Blair and California Governor Arnold Schwarzenegger to share best practices and to encourage policy leadership. We joined The Climate Group in requesting that German Chancellor Andrea Merkel raise global warming as a priority of the G-8 Summit in 2007. We actively share best practices and innovations in environmental stewardship with industry partners and elected leaders. And we raise awareness for consumers and encourage their action and activism through our retail stores from Regent Street in London to Diamond City in Osaka. Our annual Earth Day, range of sustainable apparel and footwear, product packaging and messaging, and in-store communication reflect the core of our belief—that informed citizens are the greatest lever for change. Their voice, their actions and their leadership drive and inspire change all over the world.

# PEOPLE

## OUR EMPLOYEES

Passion. Purpose. These are two characteristics that make Timberland unique. We invite and invest in people who share our values and passion to make a difference by doing well as a business and doing good in the community. Our people—and the ways we engage them on our journey—are of the utmost importance in our aspiration to be an employer of choice. The task of balancing the capability of our organization to support dynamic business growth while keeping our employees effectively engaged continued to be a key area of focus in 2006. Please see below for updated global employee and safety statistics for 2006.



## GLOBAL 2006 DIVERSITY



<sup>10</sup> Charts include full time and part time employees.

<sup>11</sup> We closed our Puerto Rico factory in December of 2005.

<sup>12</sup> Leaders are defined as senior managers (grade 7) and above.



**As part of our annual Serv-a-palooza event, Timberland employees, in conjunction with Habitat for Humanity, built homes for families displaced by Hurricane Katrina.**

## HEALTH AND SAFETY

The Lost Workday Injury and Illness (LWDII) rate averages the amount of lost-time incidents (i.e. time away from work or a return to work with medical restrictions) for every 100 employees. In 2006, the rate of “lost work days due to injury or illness” occurrences (LWDII) was 3.3. This statistic represents all U.S. operations (including retail, corporate headquarters, Ontario and Danville distribution centers and SmartWool locations) and our Caribbean manufacturing plant located in the Dominican Republic.

In 2006, we continued to invest in improving our health and safety efforts globally. Timberland makes every effort to reduce and eliminate work-related incidents at all of its locations. This includes employing safety professionals at our world headquarters and Caribbean operations. Corporate Health and Safety works with sites globally to identify the causes of work-related incidents and develop measures to improve the overall safety of our work environments.

