

Crocs, Inc.
Reconciliation of GAAP Measures to Non-GAAP Measures
(In thousands, except share and per share data)
(Unaudited)

The Company prepares and reports its financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Internally, management monitors the operating performance of its business using non-GAAP metrics similar to those below. These non-GAAP measures exclude the effects of foreign exchange rate loss, restructuring activities, inventory write-down, asset impairment charges and unusual gross profit on impaired inventory sales. In management's opinion, these non-GAAP measures are important indicators of the continuing operations of our business and provide better comparability between reporting periods because they exclude items that may not be indicative of current period results and provide a better baseline for analyzing trends in our operations. The Company does not, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. The Company believes the disclosure of the effects of these items increases the reader's understanding of the underlying performance of the business and that such non-GAAP financial measures provide investors with an additional tool to evaluate our financial results and assess our prospects for future

Non-GAAP Reconciliations

	<u>3 months ended</u> <u>September 30, 2009</u>	<u>9 months ended</u> <u>September 30, 2009</u>
GAAP gross profit	89,850	240,641
Net gross profit effect of sales of previously impaired unit	(9,644) (1)	(41,585) (1)
Restructuring charges reflected in cost of sales	459 (2)	5,779 (2)
Additional stock-based compensation expense related to tender offer reflected in cost of sales	-	3,056 (3)
Non-GAAP gross profit	<u>80,665</u>	<u>207,891</u>
	<u>3 months ended</u> <u>September 30, 2009</u>	<u>9 months ended</u> <u>September 30, 2009</u>
GAAP selling, general and administrative expense	76,963	239,407
Additional stock-based compensation expense related to tender offer reflected in selling, general and administrative expense	-	13,261 (3)
Foreign currency (gain)/loss	(1,032) (4)	(1,246) (4)
Non-GAAP selling, general and administrative expense	<u>77,995</u>	<u>227,392</u>
	<u>3 months ended</u> <u>September 30, 2009</u>	<u>9 months ended</u> <u>September 30, 2009</u>
GAAP Income/(loss) before income taxes	9,750	(35,171)
Net gross profit effect of sales of previously impaired unit	(9,644) (1)	(41,585) (1)
Additional stock-based compensation expense related to tender offer	-	16,317 (3)
Foreign currency (gain)/loss, net of tax	(1,032) (4)	(1,246) (4)
Restructuring charges	476 (2)	11,695
Asset impairment	1,722 (5)	25,447 (5)
Charitable contributions expense	2,178 (5)	7,296 (5)
Gain on charitable contributions	(810) (5)	(2,833) (5)
Non-GAAP net income (loss) before income taxes	<u>2,640</u>	<u>(20,080)</u>
Tax expense	2,082 (6)	9,859 (6)
One-time tax benefit	(14,400) (7)	(14,400) (7)
Non-GAAP net (loss) income	<u>558</u>	<u>(29,939)</u>
Non-GAAP net (loss) income per diluted share	<u>\$ 0.01</u>	<u>\$ (0.36)</u>

(1) This pro forma adjustment in the GAAP to Non-GAAP reconciliations above represents the gross profit realized on sales of impaired units at selling prices much higher than our previously estimated net realizable value for those units. Because the amount presented is accretive to our gross profit percentage during the three and nine months ended September 30, 2009 and represents a substantial change to our previous estimate of realizable value, management believes that exclusion of the gross profit on these sales in evaluating our results of operations provides important information for the reader of our financial statements as such changes in estimates are not anticipated to be recurring to the extent or magnitude they occurred during the quarter.

(2) This proforma adjustment in the GAAP to Non-GAAP reconciliations above represents non-recurring restructuring charges. Of the \$0.5 million in total Q3 2009 restructuring charges, \$459 thousand was reflected in cost of sales and the remaining amount was reflected in its own line item in the calculation of Q3 2009 operating loss. For the nine months ended September 30, 2009, \$5.8 million was reflected in cost of sales with the remaining amount reflected in its own line item in the calculation of operating loss for

(3) This proforma adjustment in the GAAP to Non-GAAP reconciliations above represents additional stock-based compensation expense incurred as a result of the acceleration of tendered options from the Q2 2009 tender offer. The total Q2 2009 additional expense incurred as a result of the tender offer was \$16.3 million, of which \$3.0 million was reflected in cost of sales and \$13.3 million was reflected in selling, general and administrative expense. These amounts are reflected in our reconciliations for the nine month

(4) The proforma adjustments in this GAAP to Non-GAAP reconciliation represent the add-back of GAAP charges taken in connection with our quarter foreign currency exchange rate loss reflected in selling, general and administrative expense.

(5) The proforma adjustments in this GAAP to Non-GAAP reconciliation represent the add-back of GAAP charges taken in connection with our quarter asset impairment charges as well as the expense and related gain on charitable contributions during the quarter.

(6) Represents tax expense, net of the \$14.4 million one-time tax benefit in the quarter (See Note 7). Because total tax expense in the quarter related only to those jurisdictions where the Company made money as well as taxes on royalty payments, the assumed tax rate

(7) Represents a one-time tax benefit resulting from the restructuring of our international operations and cost sharing arrangements, resulting in a one-time benefit of \$11.8 million from a reduction in certain taxes previously accrued with an associated accrual for uncertain tax benefits of \$2.6 million.