



THE LEADER IN FOOTWEAR®



BROWN SHOE

2005



## A portfolio of our brands



**Ronald A. Fromm** Chairman and Chief Executive Officer  
**Diane M. Sullivan** President and Chief Operating Officer

At Brown Shoe, we view ourselves as a fashion footwear marketer—committed to offering the consumer a portfolio of compelling footwear brands and great footwear stores. As both a wholesaler and a retailer, we have a unique perspective on the marketplace that enables us to serve consumers from every vantage point, delivering the footwear brands they want in all their favorite shopping places. We strive to be the best, to exceed the expectations of consumers, our retail partners and suppliers ... to be the leader in footwear.

### ENTERPRISE WIDE STRATEGIES:

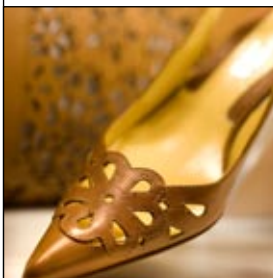
We're committed to consistently balancing growth and investment – delivering earnings improvement while investing for the future in talent, stores, systems, and marketing.

### CREATING DIFFERENTIATION



Clearly differentiating our stores, our footwear, and our brands to create competitive advantage.

### DELIVERING COMPELLING PRODUCT



Elevating the design and styling of our footwear assortments to build brand preference among consumers.

### SPEED-TO-MARKET



Ensuring that we have the most fashionable shoes in stores to give the consumer the styles she wants, when she wants them.

### GROWING OUR PORTFOLIO



Creating a portfolio of brands and licenses to achieve greater market penetration.

# Financial Highlights

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

## FISCAL YEAR 2005

## FISCAL YEAR 2004

### RESULTS OF OPERATIONS

Net sales	
Operating earnings	
Net earnings	
Diluted earnings per common share	
Net cash provided by operating activities	
Dividends paid per share	
Return on beginning shareholders' equity	

\$ 2,292,057

\$ 1,941,804

88,631

63,768

41,000

43,305

1.45

1.53

146,837

51,974

0.27

0.27

10.5%

12.4%

### FINANCIAL POSITION

Total assets	
Debt to total capital ratio	
Shareholders' equity	

\$ 1,027,293

\$ 846,134

31.5%

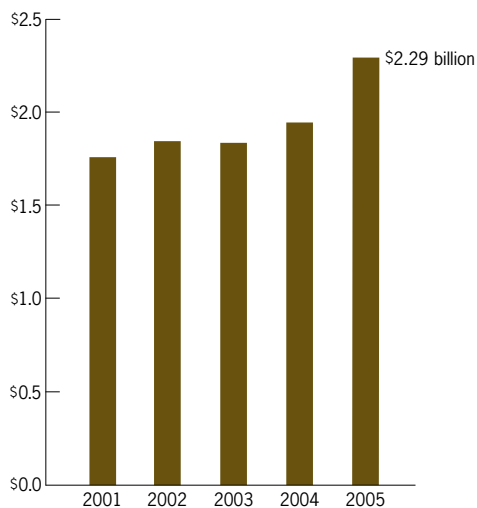
26.6%

434,210

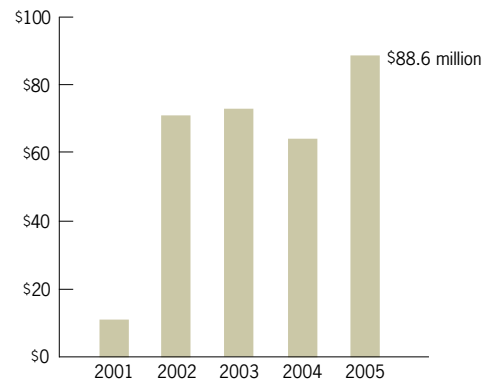
391,303

ALL PER SHARE DATA IS ADJUSTED TO REFLECT OUR 3-FOR-2 STOCK SPLIT ON APRIL 3, 2006.

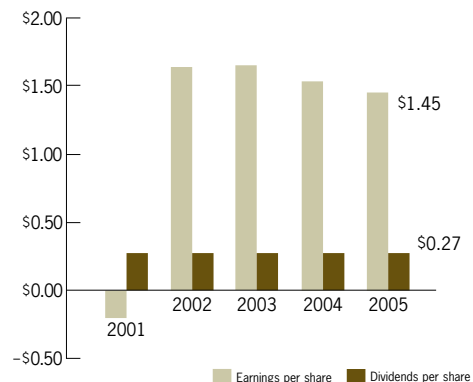
### NET SALES (\$ billions)



### OPERATING EARNINGS (\$ millions)



### EARNINGS AND DIVIDENDS PER SHARE



NOTE: The Company's net earnings and diluted earnings per common share include various charges and recoveries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Form 10-K for a discussion of significant factors affecting the comparability of our financial results for fiscal years 2005 and 2004.

## To our shareholders, partners and employees

Fiscal 2005 began well, and as it unfolded, just got better, demonstrating again that our strategies for unlocking the profit and performance potential of Brown Shoe Company are sound. As a result, we entered 2006 with heightened confidence, excited about the ever-improving prospects for our brands and retail concepts.

We undertook two major initiatives in 2005 that make us stronger in both the near and long term. First, we grew our brand portfolio with the acquisition of Bennett Footwear, marketer of better brands like Via Spiga, Franco Sarto and Etienne Aigner. Second, we executed a plan to close 95 underperforming Naturalizer stores, which were holding back our Specialty Retail division. Both should improve our future earnings potential.

### 2005 Results

Our company produced strong financial results in 2005. Net sales rose 18 percent to a record \$2.3 billion. Net earnings were \$41.0 million. While down slightly from 2004, they included charges of \$21.8 million, or \$0.77 per diluted share,\* related to our major initiatives to strengthen the business. These charges were comprised of \$12.0 million in additional taxes associated with repatriated foreign earnings and \$0.6 million for a bridge loan fee, both to help finance the Bennett acquisition; and \$9.2 million in charges related to the Naturalizer store closings. Excluding these charges, 2005 showed material improvement over 2004.

We also made strides in the overall category of asset management, as we focused on improving our inventory turns and bringing fresher product to our wholesale and retail customers. At year-end, our inventories were down \$7.2 million—a significant achievement considering ending levels included inventory from the acquired Bennett brands and stores.

This performance left us with a strong balance sheet that can only prove valuable as we seek to continue growing the company. Cash flow from operating activities reached \$146.8 million. Debt to capital, which rose to about 42 percent early in the year after the Bennett acquisition, declined to 31.5 percent by year's end. And, as a show of confidence, your Board of Directors voted shortly after the fiscal year ended to split our stock 3-for-2 and raise the dividend.

All of this leaves us pleased, of course, and proud of the efforts of our 12,800 employees. Yet it also leaves us unsatisfied. In our view, our progress only highlights how much more we can achieve if we stay determined to make ourselves a great company.

This financial summary represents one way of looking at our progress. Another is to examine progress through the prism of our four enterprise wide strategies, which, as you may recall, we began to apply more vigorously across the entire company in early 2004. Much of our progress in 2005 resulted from the successful application of these strategies:

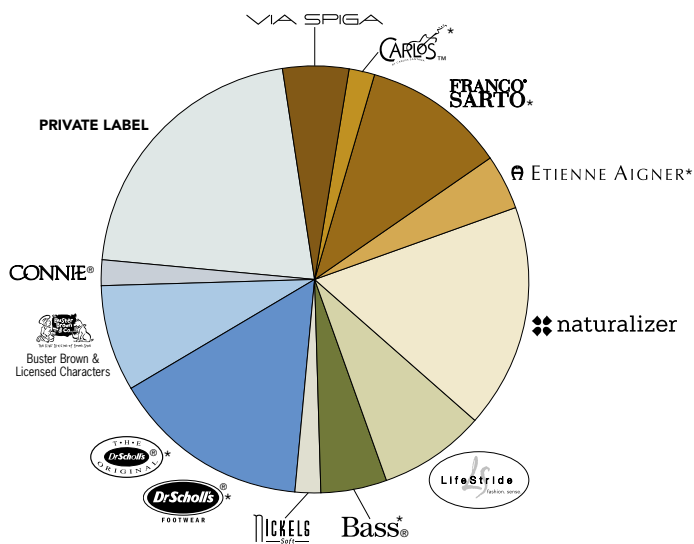
- Creating differentiation
- Delivering compelling product
- Leading in speed-to-market
- Growing our portfolio

\*All per share data is adjusted to reflect our 3-for-2 stock split on April 3, 2006.

**CREATING DIFFERENTIATION:** Differentiation has been a key to the success of Famous Footwear, where a revamped value proposition – focused on meeting the needs of a well-defined customer – is helping to distinguish this 953-store chain from its competitors. We know our customer wants trend-right, brand-name fashion and athletic shoes at a great value for herself and her family – and we deliver just that, along with fun-to-shop stores, innovative marketing, and more exclusive products. As a result, Famous Footwear posted a record performance. Capitalizing on a strong market, the chain executed well, increasing same-store sales 2.5 percent and growing operating earnings 11.2 percent to \$67.0 million.

**DELIVERING COMPELLING PRODUCT:** We know that for many consumers, buying shoes is an emotional experience – they want to fall in love with that special pair. We are building a well-differentiated portfolio of fashion footwear brands that consumers love and trust. In 2005, we strengthened our Product Development and Style & Trend functions with the goal of delivering innovative, differentiated style. We also are benefiting from the fact that the Bennett acquisition added to our design talent, with designers like Franco Sarto, whose line bears his name.

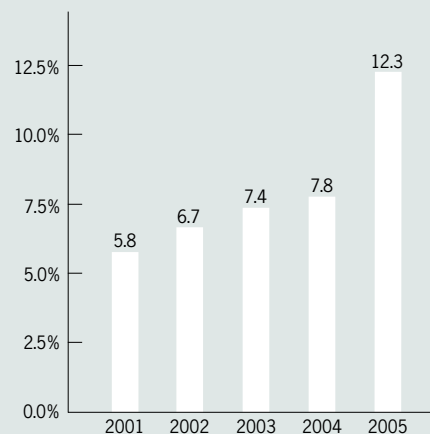
#### GROWING OUR BRAND PORTFOLIO AND MARKET SHARE



#### BRANDS-AT-A-GLANCE (by revenue)

\*Used under license

#### DEPARTMENT STORE MARKET SHARE FOR OUR WOMEN'S FASHION FOOTWEAR BRANDS\*



\*Source: The NPD Group – Footwear Point-of-Sale Data, Fiscal Years 2001–2005.

In 2005, we acquired Bennett Footwear, adding fashion brands like Via Spiga, Franco Sarto and Etienne Aigner to our brand portfolio. As a result, our share of market for women's fashion footwear brands in U.S. department stores increased to 12.3 percent.

**LEADING IN SPEED-TO-MARKET:** Speed-to-market is an important goal for our business. Our consumer-driven wholesale model, for example, calls for an increased focus on faster production cycles, more frequent deliveries of fresh styles to the retail floor, and faster sell-through of our shoes to consumers. To that end, we've added talent in wholesale planning and analysis and vigorously applied metrics to keep our inventories lean. Although this initiative is a work in progress, early results tell us we're on track – not only with more timely product deliveries, but with fewer markdowns. In addition, wholesale inventory turns improved significantly over last year.

In total, our Wholesale sales were up 40 percent. Wholesale operating earnings increased by 78.4 percent, reflecting the contribution from the Bennett business, the nonrecurrence of costs to incorporate the Bass brand in 2004, and improved sales in most of our major brands.

**GROWING OUR PORTFOLIO:** Bennett Footwear, which we acquired last April, performed in-line with our expectations, adding 11 cents\* per diluted share to our earnings in 2005. More importantly, the Via Spiga, Franco Sarto and Etienne Aigner brands gave us a strong presence in the better and bridge footwear segments – where in the past, we had only our Carlos by Carlos Santana brand.

## Looking Forward

As 2006 unfolds, we plan to take these strategies to the next level. We're undertaking work to further differentiate Famous Footwear, and will be testing innovative ideas for improving the consumer's shopping experience there. We'll strengthen our consumer-focused wholesale model by fully integrating our work on speed-to-market into the operating side of the business – so we can better satisfy the consumer's appetite for fresh fashion. And we'll study the efficiency and effectiveness of our current operations with an eye toward instituting best practices.

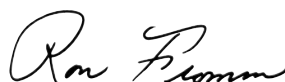
Our focus will continue to be on building our brands and strengthening the consumer's preference for them. This spring, for instance, we'll roll out stronger product assortments and new marketing campaigns to showcase them at Naturalizer, Via Spiga and in our Famous Footwear stores. We're also improving our store real estate strategy with the goal of locating new stores just where our target customer wants to shop. This should allow us to optimize our marketing investment and increase profitability on a market-by-market basis. As part of this work, we plan to open about 90 new Famous Footwear stores while closing about 45, ending the year with nearly 1,000 stores.

Looking ahead, we see exciting growth opportunities: in the brands we've acquired through Bennett; in the potential expansion of Famous Footwear; in the stronger sales and higher margins we expect to win through better differentiated and more compelling brands, increased speed-to-market, and leveraging our consumer wholesale model; in the continued growth of Shoes.com; and, potentially, in new acquisitions.

We're on our way to transforming Brown Shoe. We're committed to driving more profitable business for our retail partners and suppliers – brand by brand. And we're committed to creating a remarkably connected portfolio of retail and wholesale brands that win consumer preference.

We appreciate the confidence you have shown in us. With your continued support and our continued application of proven strategies, we look forward to more success in the years ahead.


Sincerely,



Ronald A. Fromm, Chairman and Chief Executive Officer

\*This was 17 cents on a pre-split basis. All per share data is adjusted to reflect our 3-for-2 stock split on April 3, 2006.



A woman with dark hair and bangs is sitting on a large, light-colored rock. She is wearing a white, long-sleeved, open-front cardigan over a white dress. She is also wearing gold-rimmed sunglasses, a gold chain bracelet, and gold high-heeled sandals. The background shows a sandy beach and more rocks under bright sunlight.

*"I aspire to own luxe fashion."*

VIA SPIGA



## In-Style

with new fashion brands in our portfolio, we now reach more consumers, with more styles, at more price-points, in more of their favorite places to shop.

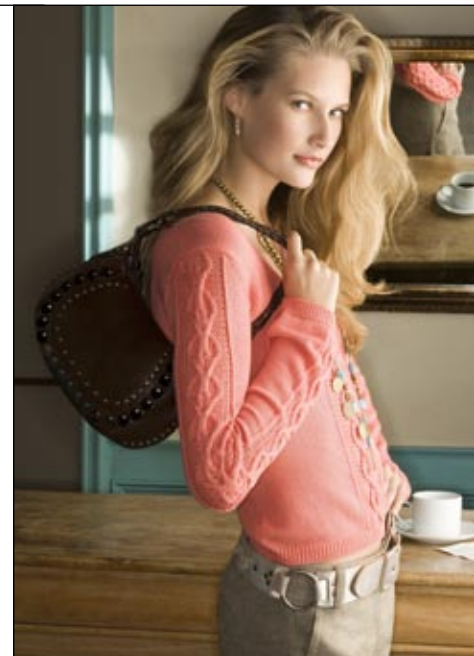
ETIENNE AIGNER



*"My shoes are a signature of my timeless style."*



*"I'm passionate about shoes!"*



*"I want to feel as good as I look, and look as good as I feel."*



# Famous Footwear

A photograph of a Famous Footwear store at dusk. The store has a large glass facade and a prominent sign above the entrance. Several people are walking in and out of the store, some carrying shopping bags. The scene is brightly lit by the store's interior lights and the warm glow of the setting sun.

*"The cute shoes always find me at Famous."*



*"I can look good and feel good, all in one place."*

NATURALIZER | ST. LOUIS



*"I want access to the latest European trends."*

VIA SPIGA | BEVERLY HILLS

## In-Store

**1300 stores strong, we're investing in the future. we're designing retail environments to ensure customers love the shopping experience just as much as they love the shoes.**



*"My shoe passion has a home."*

FRANCO SARTO | SAN FRANCISCO



## BROWN SHOE SPECIALTY STORES: UNITED STATES AND CANADA

### Famous Footwear #

953 stores selling brand-name footwear at value prices for the entire family, located in shopping centers, regional malls and outlet centers in the United States.



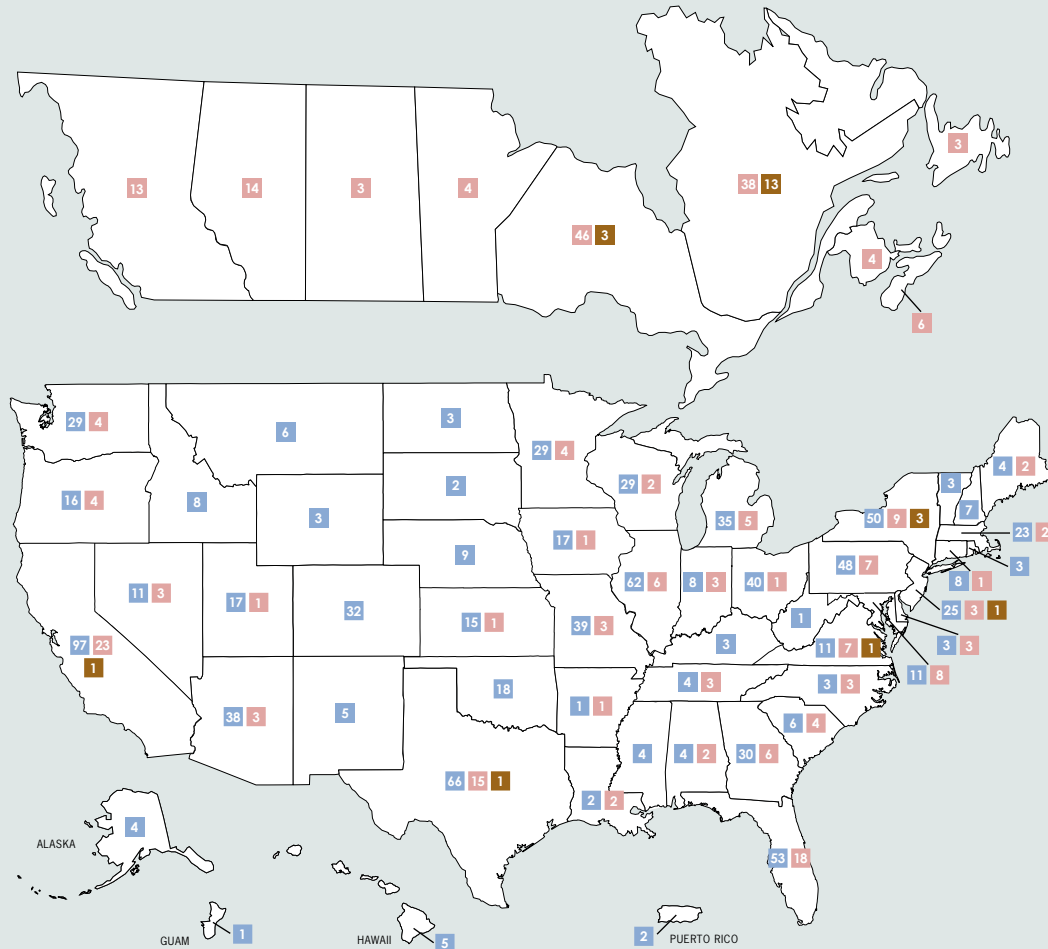
### naturalizer #

291 stores selling the Naturalizer brand of women's footwear, located in regional malls and outlet centers in the United States and Canada.

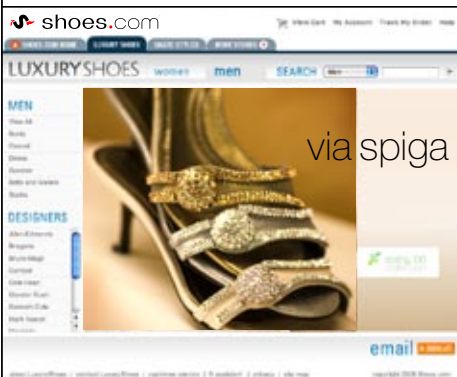
### SPECIALTY STORES #

23 stores selling better branded women's footwear in the United States and Canada.

VIA SPIGA FRANCO SARTO F.X. LASALLE



## RETAIL ONLINE



### shoes.com

An online footwear superstore for men, women and children with 250 footwear brands and thousands of the latest styles.

famousfootwear.com  
viaspiga.com  
francosarto.com

carlosshoes.com  
bassshoes.com  
etienneaigner.com

naturalizer.com  
lifestride.com  
drschollshoes.com

# Giving back

At Brown Shoe, we are committed to giving back to the communities where we live and work. Giving back is part of our heritage. It started in 1878 with our founder, George Warren Brown, who became a noted philanthropist. The precedent he set continues to this day.

In 2005, contributions to charitable organizations by Brown Shoe, its divisions and subsidiaries—including those made by the Brown Shoe Charitable Trust—exceeded \$1.8 million. In addition, we undertook customer initiatives that raised \$500,000 for breast cancer research and \$1 million for the March of Dimes’ Prematurity Campaign, which helps families have healthier babies. Finally, when Katrina struck Gulf Coast families, we sent truckloads of children’s shoes to those who had left theirs behind.



As a national March of Dimes partner, Famous Footwear’s employees participate in WalkAmerica events in more than 1,100 communities nationwide.

## Giving back | EDUCATION

A major portion of our charitable funding goes to support higher education. Last year, for example, we began a partnership with The Jackie Robinson Foundation. This not-for-profit organization grants four-year scholarships to minority students who demonstrate academic distinction, civic engagement and leadership.



Our partnership with The Jackie Robinson Foundation signifies our commitment to helping shape the minds of the best and brightest leaders of tomorrow.

## Giving back | HELPING THOSE IN NEED

When it comes to helping those in need, the generosity of our employees is overwhelming. Brown Shoe headquarters employees rank among the highest per capita givers to the United Way. We therefore funnel our human services support through the United Way as well as our industry’s Two-Ten Foundation, which provides charitable funds and services each year to families associated with the footwear industry.



Through “Days of Caring” outings, employees spend time with families and children receiving support from United Way agencies.

## Giving back | ARTS & CULTURE


As a long-time supporter of the arts, we sponsor events like Art in Bloom at the Saint Louis Art Museum. Art in Bloom showcases floral artists who create masterpieces inspired by great works from the museum’s collection.



We sponsor Art in Bloom, one of the Saint Louis Art Museum’s most popular events, visited by thousands each year.

Through our commitment to good corporate citizenship, we strive to make a difference in our communities, working closely with organizations that are improving the quality of life today, tomorrow, and always.



BOARD OF DIRECTORS	INVESTOR INFORMATION
<p><b>RONALD A. FROMM (1)</b> Chairman of the Board and Chief Executive Officer</p> <p><b>JOSEPH L. BOWER (3,4)</b> Donald Kirk David Professor of Business Administration, Harvard Business School</p> <p><b>JULIE C. ESREY (3,4)</b> Retired International Economist</p> <p><b>CARLA HENDRA</b> Co-Chief Executive Officer of Ogilvy North America</p> <p><b>STEVEN W. KORN (2)</b> Publisher, Daily Report; Retired Vice Chairman and Chief Operating Officer of CNN</p> <p><b>RICHARD A. LIDDY* (1,4)</b> Retired Chairman of the Board of GenAmerica Financial Corporation</p> <p><b>PATRICIA G. MCGINNIS (3,4)</b> President and Chief Executive Officer of The Council for Excellence in Government</p> <p><b>W. PATRICK MCGINNIS (2,3)</b> Chief Executive Officer and President of Nestlé Purina PetCare Company</p> <p><b>MICHAEL F. NEIDORFF</b> Chairman and Chief Executive Officer of Centene Corporation</p> <p><b>JERRY E. RITTER* (1,2)</b> Retired Executive Vice President and Chief Financial and Administrative Officer of Anheuser-Busch Companies, Inc.</p> <p><b>HAL J. UPBIN (2)</b> Retired Chairman of the Board and Chief Executive Officer of Kellwood Company</p> <p>(1) Member of the Executive Committee (2) Member of the Audit Committee (3) Member of the Compensation Committee (4) Member of the Governance and Nominating Committee *Will retire May 25, 2006</p>	<div> <div> <p><b>CORPORATE HEADQUARTERS</b> Brown Shoe Company, Inc. 8300 Maryland Avenue St. Louis, Missouri 63105-3693</p> <p>Telephone: (314) 854-4000 Fax: (314) 854-4274 E-mail: <a href="mailto:info@brownshoe.com">info@brownshoe.com</a> Consumer Care: 1-800-766-6465</p> <p><b>INTERNET ADDRESS</b> <a href="http://www.brownshoe.com">www.brownshoe.com</a></p> <p><b>ANNUAL MEETING</b> 11:00 a. m. (CST) Thursday, May 25, 2006 Brown Shoe Company, Inc. Corporate Headquarters</p> <p><b>STOCK LISTED</b>   Brown Shoe stock is listed on the New York Stock Exchange and the Chicago Stock Exchange (ticker symbol: BWS). Brown Shoe's Chief Executive Officer has provided his certification to the New York Stock Exchange as required by Section 303A.12(a) of the NYSE's listing standards. </p> <p><b>NUMBER OF EMPLOYEES</b> 12,800</p> <p><b>TRANSFER AGENT/REGISTRAR/DIVIDEND DISBURSING AGENT</b> Computershare Trust Company, N.A. Shareholder Services Post Office Box 43069 Providence, RI 02940-3069</p> <p>Mailing Address for Overnight Mail and Express Packages: Computershare Trust Company, N.A. 250 Royall Street Canton, MA 02021</p> <p>Telephone: Within U.S. (800) 446-2617 Outside U. S. (781) 575-2723</p> <p>Hearing Impaired Telephone: Within U.S. (800) 952-9245 Outside U. S. (781) 575-2692</p> <p>Internet: <a href="http://www.computershare.com/equiserve">www.computershare.com/equiserve</a></p> </div> <div> <p><b>DIVIDEND REINVESTMENT PLAN</b> The Dividend Reinvestment Plan provides a means of automatic dividend reinvestment and includes a provision for voluntary investment of additional cash. For a prospectus and enrollment form, contact Computershare.</p> <p><b>DIRECT DEPOSIT OF DIVIDENDS</b> Registered shareholders may have their quarterly dividend checks deposited directly to their bank accounts. For more information or to request an enrollment form, contact Computershare.</p> <p><b>ADDITIONAL INFORMATION</b> ON THE INTERNET AT <a href="http://WWW.BROWNSHOE.COM">WWW.BROWNSHOE.COM</a> You can access financial and other information about Brown Shoe such as our significant news releases; Forms 10-K and 10-Q; Corporate Governance Guidelines and Charters of Board Committees; our Code of Ethics for the CEO and Senior Financial Officers and Code of Business Conduct; information about communicating with our Board of Directors, and select product information at <a href="http://www.brownshoe.com">www.brownshoe.com</a>.</p> <p>BY CALLING OR WRITING: You can also request that any of these materials be mailed to you at no charge by calling or writing:  Brown Shoe Company, Inc. Investor Relations Office Post Office Box 29 St. Louis, Missouri 63166-0029 (314) 854-4000</p> </div> </div>





BROWN SHOE

BROWN SHOE COMPANY, INC.

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