



Famous  Footwear.


Naturalizer

FRANCO  
SARTO

LifeStride  
 fashion. sense.

VIA SPIGA

Bass

 ETIENNE AIGNER


  
FOOTWEAR

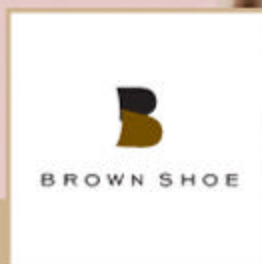
CARLOS

NICKELS  
Soft

 HOTKISS.

Buster  
Brown

 shoes.com



THE LEADER IN FOOTWEAR®

Investor Update | January 2006



This presentation by Brown Shoe Company, Inc. contains certain forward-looking statements, including without limitation, statements made concerning forward looking guidance on Sales, Earnings Per Share (EPS), Net Earnings, Adjusted Net Earnings, EBITDA, Adjusted EBITDA and Debt to Capital ratio. Such statements are subject to various risks and uncertainties that could cause actual results to differ materially. These include (i) general economic conditions and the consumer's preferences and purchasing patterns, which may be influenced by consumers' disposable income; (ii) the uncertainties of pending litigation; (iii) intense competition and continuing consolidation within the footwear industry; (iv) political and economic conditions or other threats to continued and uninterrupted flow of inventory from Brazil and China, where the Company relies heavily on third-party manufacturing facilities for a significant amount of its inventory; (v) the integration of the Bennett business; and (vi) the Company's ability to successfully implement its plan to strengthen the Naturalizer brand. The Company's reports to the Securities and Exchange Commission contain detailed information relating to such factors. Some of the statements herein, as indicated, speak only as of the date they were initially made. The Company does not undertake any obligation or plan to update these forward-looking statements, even though its situation may change.

— January 9, 2006



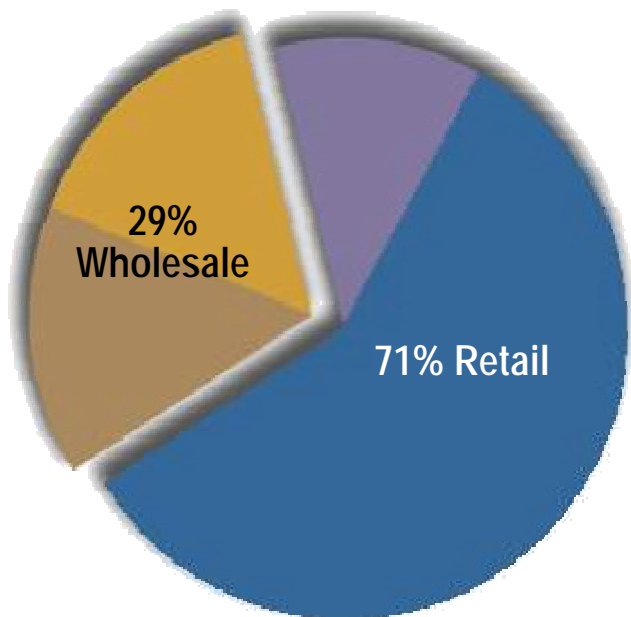
## Today's Topics – NYSE: BWS

- 1) The BWS Story – Re-Shaping Our Platform
- 2) Enterprise-wide strategies
- 3) Financial results

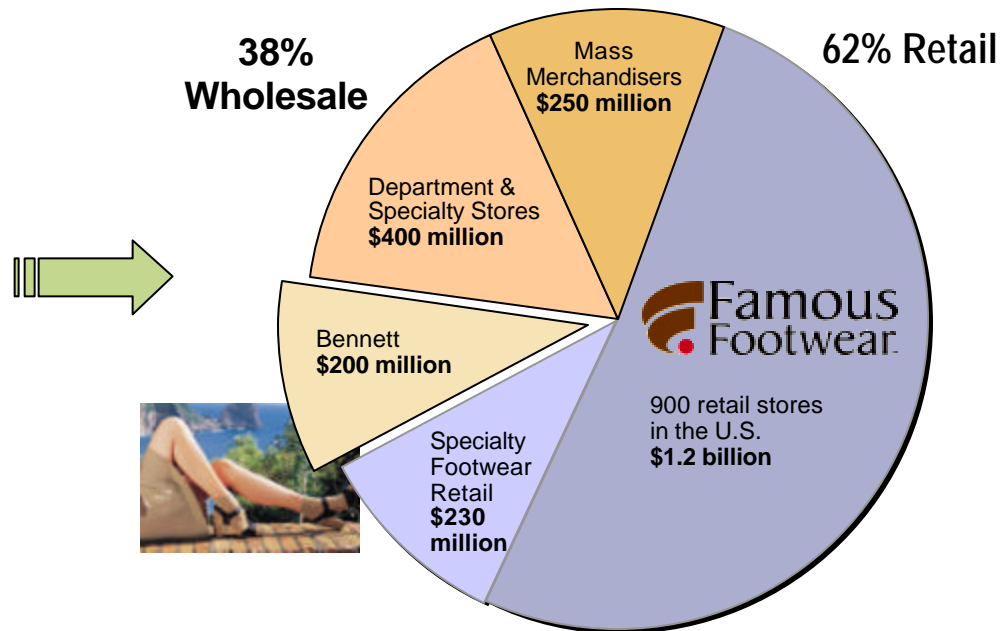
## Brown Shoe Today -- \$2.3 Billion in Sales Projected for 2005

Unique wholesale-retail platform. Building our brands and retail concepts to gain market share while delivering style to the consumer.

2001



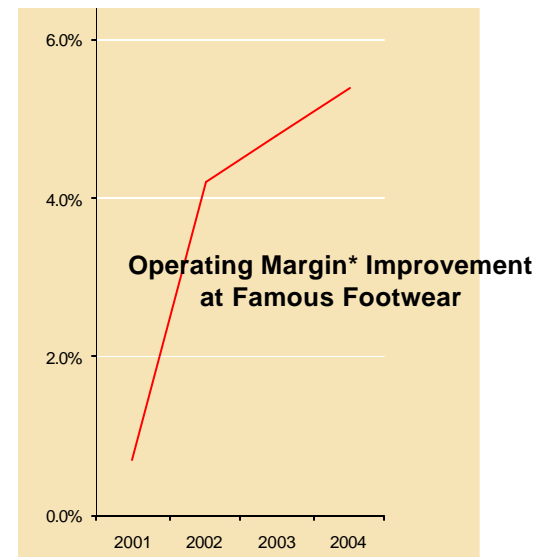
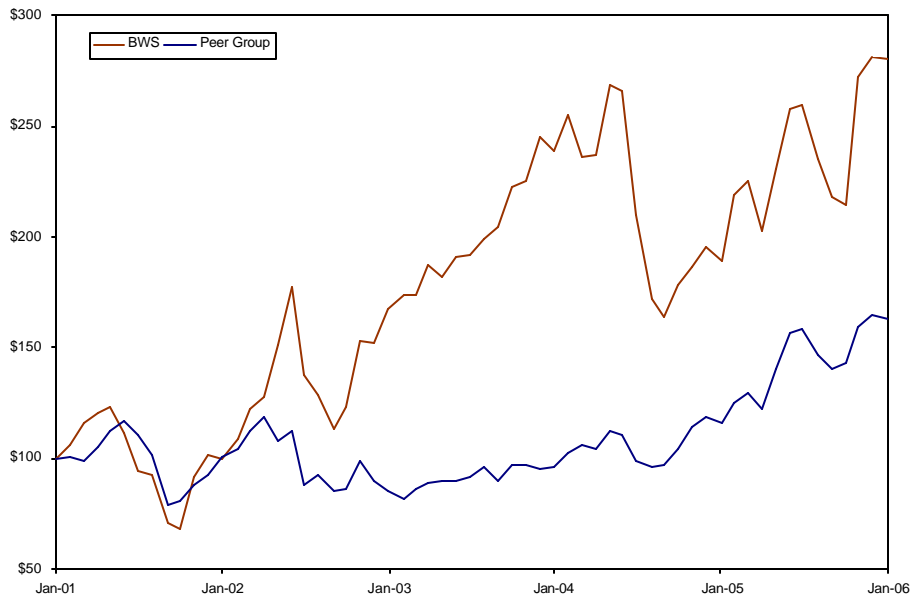
Projected 2005



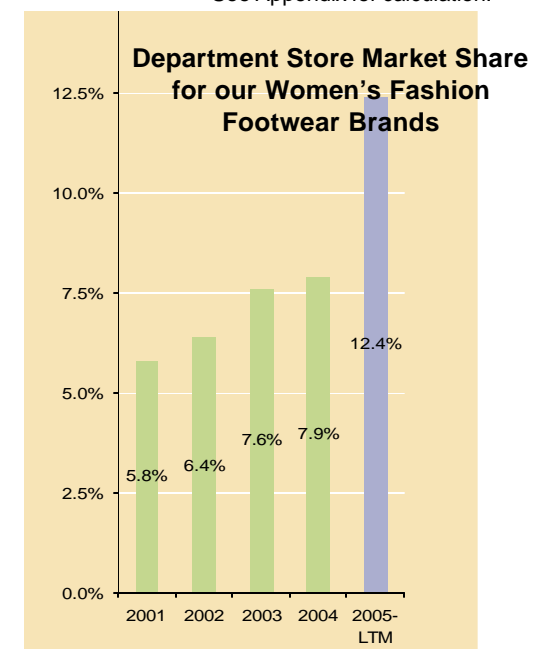
## Remaking BWS –

- 1) **Operating Earnings** – from 2001 to 2005, GAAP operating earnings are expected to grow from \$11mm to approximately \$84mm; on an adjusted basis, operating earnings are expected to nearly double from \$50mm to about \$100mm. Please see Appendix for calculation of this measure.
- 2) **Famous Footwear turnaround** – following extensive work in product assortments, merchandising, inventory management and store remodeling, our operating margin increased 400+ basis points to >5% in 2004 compared to 2001
- 3) **Brand-building focus at Wholesale** – focus on our wholesale brand-building continues to drive market share improvement
- 4) **Growing our portfolio** – acquisition of Bennett, Bass license, Disney license, Shoes.com and launch of Carlos by Carlos Santana

**Shareholder Return** – over the last 5 years, we have delivered a 25.6% CAGR (compound annual growth rate) increase in shareholder value – 27.6% when accounting for reinvested dividends

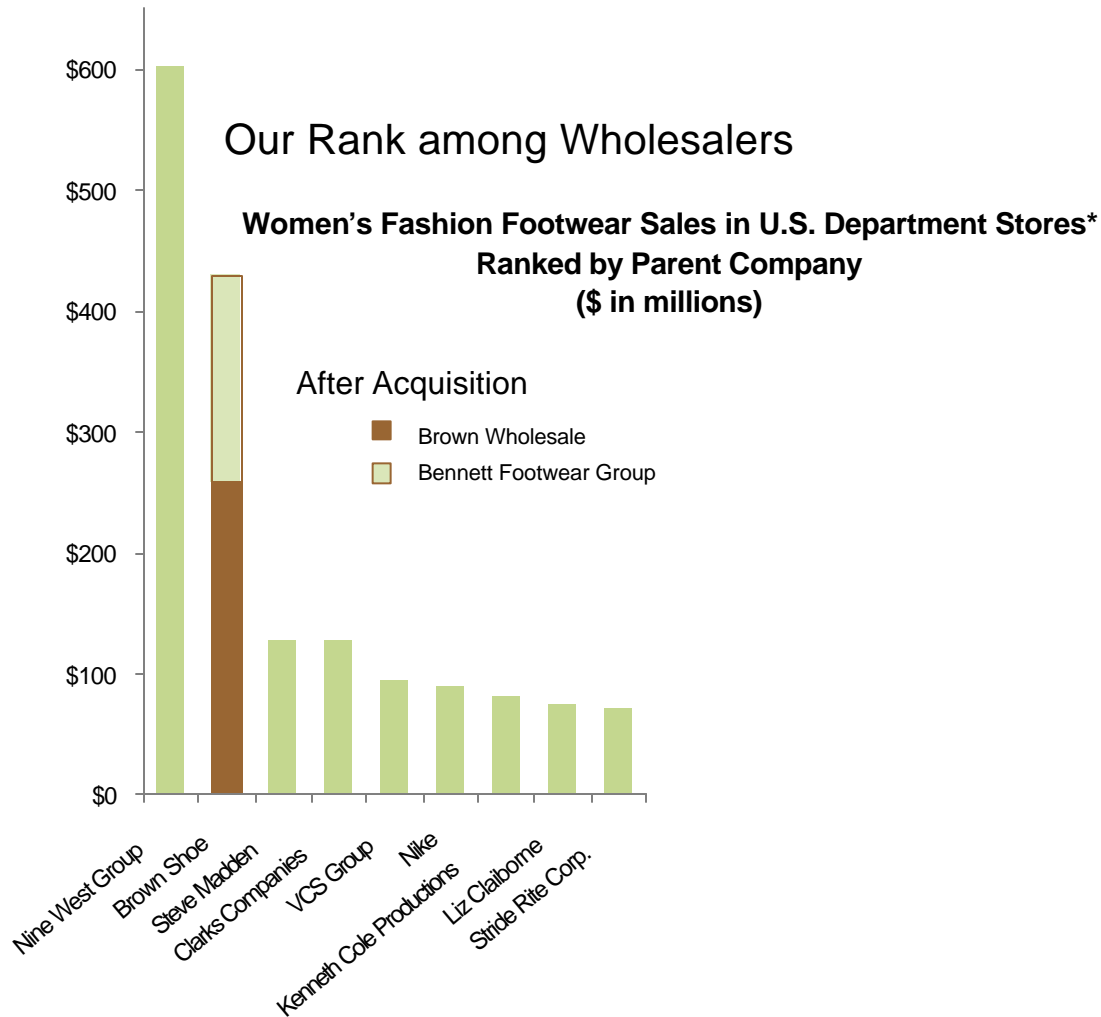


\* See Appendix for calculation.



Source: NPD Group Reported POS Dollar Volume; 2005 reflects 12 months (through Aug 2005) of BWS + Bennett brands

## Overview of our Wholesale Businesses:



\* Reflects NPD Group Reported POS Dollar Volume. 12 Months ending July, 2005.

## Overview of our Wholesale Businesses:

Our Portfolio of Brands – 46% Market Share in Moderate Zone  
(women's)



Zone Rank ▶

**No. 1  
Moderate**

**No. 3  
Moderate**

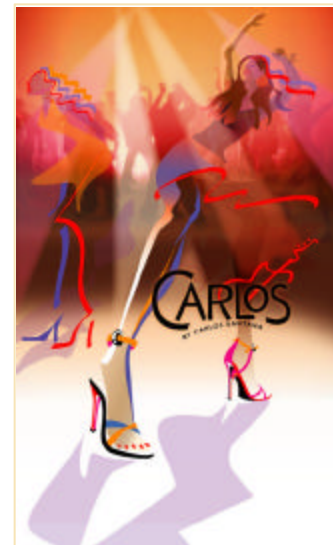
**No. 3 men  
No. 18 women  
Moderate**

**No. 11  
Junior**

Source: NPD Group Reported POS Dollar Volume.  
12 Months ending July, 2005.

Overview of our Wholesale Businesses:

Our Portfolio of Better/Bridge Brands – 17% Market Share in Better Zone



Zone Rank ▶

**No. 9  
Bridge**

**No. 2  
Better**

**No. 9  
Better**

**No. 13  
Better**

Source: NPD Group Reported POS Dollar Volume.  
12 Months ending July, 2005.



## Overview of our Wholesale Businesses:

### Our Portfolio of Brands – Mid-tier and Mass



**A leading footwear vendor at Wal-Mart, Target & Payless**

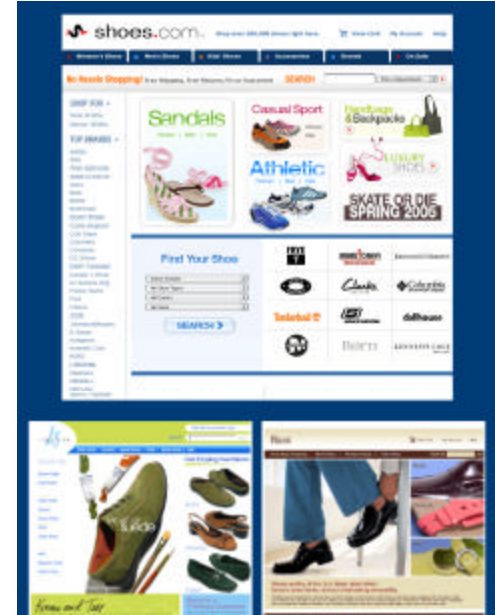
## Overview of our Retail Businesses:



Source: Competitive Shares reported by NPD Consumer Panel Survey, 12 Months ending July 2005. Famous Footwear's share calculated using internal information.

Overview of our Retail Businesses:

Our Portfolio of Retail Concepts – 1300 Stores, 5 Web-stores



Zone Rank ▶

**No. 1**  
**Family, branded**

**No. 4**  
**Women's specialty**

**No. 3**  
**Internet footwear**

Retail Brands

Famous Footwear  
Factory Brand Shoes

Naturalizer  
Via Spiga stores  
FX LaSalle

Shoes.com  
Naturalizer.com  
Famousfootwear.com

Source: Competitive Shares reported by NPD Consumer Panel Survey, 12 Months ending July 2005.



## BWS Enterprise-Wide Strategies for Sustainable Growth:

- 1) **Create differentiation** –creating competitive advantage by differentiating our stores, our footwear, and our brands
- 2) **Delight consumers with style** – raising the style quotient of our footwear assortments to win consumer preference for our brands
- 3) **Leadership in Speed-to-Market** – enhancing processes to develop and deliver the most current, trend-right product to our customer within the shortest possible lead time – thereby increasing sell-throughs and reducing markdown risk.
- 4) **Building value via our portfolio of brands** – building a portfolio of relevant and differentiated brands that target the needs and desires of our consumers

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**Balance Growth + Investment** – delivering earnings performance while investing for the future

Enterprise-wide  
Strategy # 1

## Creating Differentiation at Famous Footwear

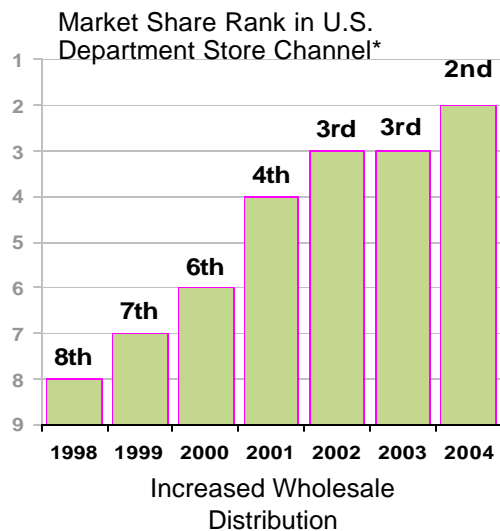
- Improved Product: More brands, more current, more trend-right
- Redesigned Stores
- Improved shopping experience
  - Fashion + Branded Value, *not* Price
- Innovative marketing



Enterprise-wide  
Strategy # 1

## Creating Differentiation at Naturalizer

- Introducing a new sense of style for brand
- Improving our retail platform
- Improved our wholesale business model
- Enhanced product styling



Taking Brand Image to  
Next Level



Improving Store Base

\*Source: NPD Group/NPD FashionWorld  
Footwear Point-of-Sale Data, 1998-2004



Enterprise-wide  
Strategy # 2

## Delighting the Consumer with Style -- Top Department Store Brands

- Leading designers (e.g. Franco Sarto) acquired with Bennett
- Product development and Style & Trend functions centralized; augmented with Italian design talent
- Exclusive product programs with major retailers

Share Rank*		Brand	Zone
<u>Of Market</u>	<u>Of Zone</u>		
2 <sup>nd</sup>	1 <sup>st</sup>	Naturalizer	Moderate
7 <sup>th</sup>	2 <sup>nd</sup>	Franco Sarto	Better
10 <sup>th</sup>	3 <sup>rd</sup>	Life Stride	Moderate
30 <sup>th</sup>	9 <sup>th</sup>	Etienne Aigner	Better
35 <sup>th</sup>	9 <sup>th</sup>	Via Spiga	Bridge
43 <sup>rd</sup>	13 <sup>th</sup>	Carlos by Carlos Santana	Better
56 <sup>th</sup>	9 <sup>th</sup>	Dr. Scholl's	Moderate – Junior
85 <sup>th</sup>	18 <sup>th</sup>	Bass – women's	Moderate

Source: NPD Group Reported POS Dollar Volume. 12 Months ending July, 2005.



Enterprise-wide  
Strategy # 3

## Speed-to-Market

- Providing the consumer with fashion closer to need
  - Enhancing Retail Planning & Analysis
  - Stronger focus on sell-through and inventory flow
  - Standardizing Design, Development, & Production
  - World-class logistics and customer support
  - Worldwide sourcing capability (staff of 600 in China and Brazil)



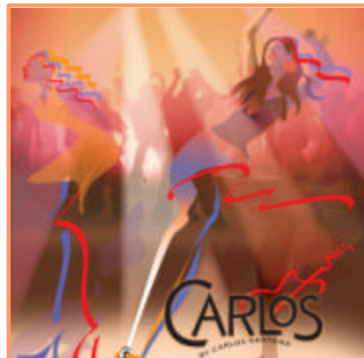
Enterprise-wide  
Strategy # 4

## Building our Portfolio -- Recent Acquisitions of Brands and Licenses

- Creating a portfolio of brands and licenses that garners greater market penetration



2001



2001



February 2004



August 2004



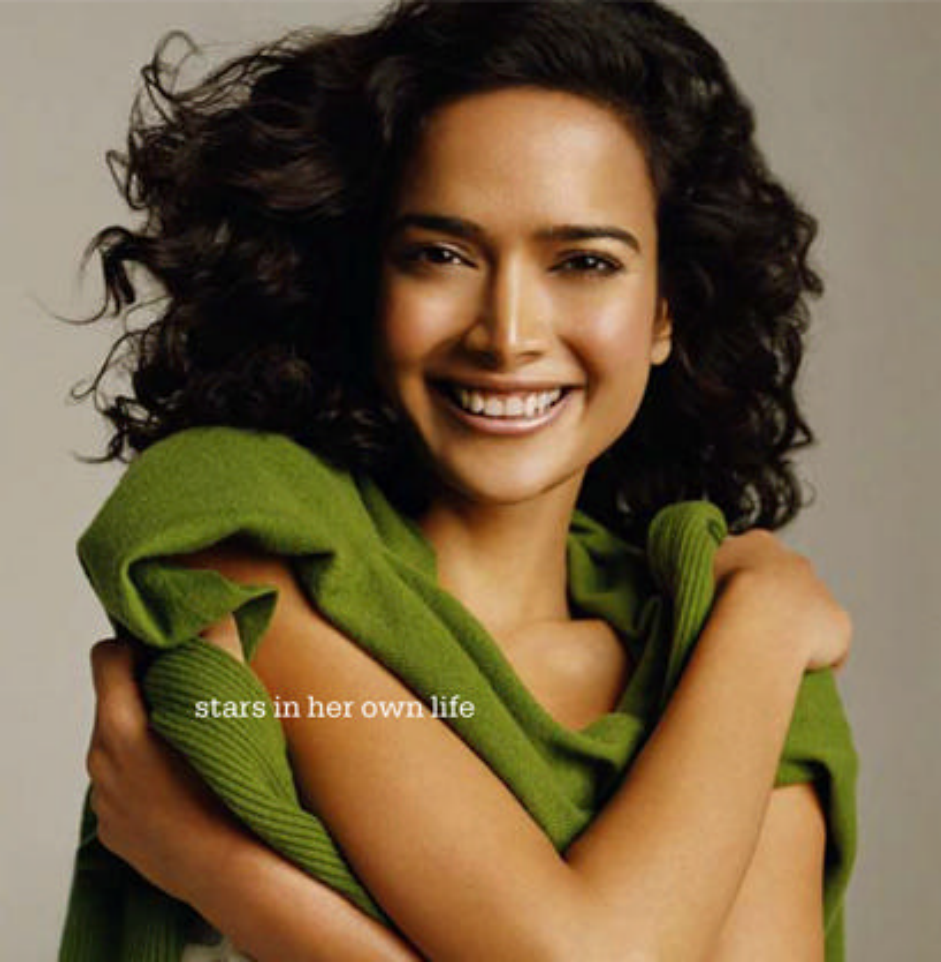
April 2005



Enterprise-wide  
Strategy # 4

## Growing our Portfolio – Bennett acquisition – the perfect fit for BWS

- Strong brands in better and bridge zones complement our strength in moderate
- Increases our share-of-market in women's fashion footwear
- Growing business with strong market share and healthy operating margins
- First-class talent – in management and at design levels
- Transition going smoothly
- **In 2005:** Expected to add \$200 million in sales and be accretive (9 months) by \$0.15-\$0.20 per diluted share
- **In 2006:** Expected accretion of \$0.30 per diluted share



## Earnings & Guidance

## 2005 Guidance – Reaffirmed 01/09/06

Diluted Earnings Per Share	2005 Estimated	2004	
Guidance (GAAP Basis)	\$1.92 - \$2.07	\$2.30	Actual EPS (GAAP Basis)
Tax cost to repatriate foreign earnings	\$0.55	\$0.18	Bass transition costs
Cost to restructure Naturalizer	\$0.50 - \$0.45	\$0.12	Bond guarantee charge
Bridge loan fee	\$0.03	\$0.02	Environmental litigation
		(\$0.05)	Tax reserve recovery
Adjusted EPS on non-GAAP basis for comparison purposes	<u>\$3.00 - \$3.10</u>	<u>\$2.57</u>	
	Q4-2005 Estimated	Q4-2004	
Guidance (GAAP Basis)	\$0.46 - \$0.61	\$0.46	Actual EPS (GAAP Basis)
Cost to restructure Naturalizer	\$0.24 - \$0.19	\$0.12	Bond guarantee charge
Tax cost to repatriate foreign earnings	\$0.04	(\$0.05)	Tax reserve recovery
Adjusted EPS on non-GAAP basis for comparison purposes	<u>\$0.74 - \$0.84</u>	<u>\$0.53</u>	

**Non-GAAP Financial Measures**

In this presentation, the Company's financial results are provided both in accordance with generally accepted accounting principles (GAAP), and using certain non-GAAP financial measures. In particular, the Company provides historic and estimated future net earnings per diluted share excluding certain charges and recoveries, which are non-GAAP financial measures. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help indicate underlying trends in the Company's business and provide useful information to both management and investors by excluding certain items that are not indicative of the Company's core operating results. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results.

## EBITDA\*

(in millions)	<u>2003</u>		<u>2004</u>		<u>2005 Estimated Range</u>			
				Low	--	High		
<b>EBITDA*</b>	\$	103.6	\$	95.7	\$	120.9	\$	125.0
<u><i>Special Charges</i></u>								
Naturalizer Restructuring		-		-		16.0		14.0
Bass Transition Costs		-		5.6		-		-
Bond Guarantee Charge		-		3.5		-		-
Environmental Litigation		3.1		0.6		-		-
Canada Factory Closure		4.5		-		-		-
<b>Adjusted EBITDA</b>	<u>\$</u>	<u>111.2</u>	<u>\$</u>	<u>105.4</u>	<u>\$</u>	<u>136.9</u>	<u>\$</u>	<u>139.0</u>

\* EBITDA represents earnings before interest, taxes, depreciation and amortization. See Appendix for components of EBITDA and the reconciliation to net earnings.

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EBITDA and Adjusted EBITDA are not measures of financial performance under GAAP, but are used by some investors to determine a company's ability to service or incur indebtedness. EBITDA and Adjusted EBITDA are not calculated in the same manner by all companies and accordingly are not necessarily comparable to similarly entitled measures of other companies and may not be an appropriate measure for performance relative to other companies. EBITDA and Adjusted EBITDA should not be construed as indicators of a company's operating performance or liquidity, and should not be considered in isolation from or as a substitute for net earnings (loss) or cash flows from operations which are prepared in accordance with GAAP. We have presented EBITDA and Adjusted EBITDA solely as supplemental disclosure because we believe they allow for a more complete analysis of results of operations. EBITDA and Adjusted EBITDA are not intended to represent and should not be considered more meaningful than, or as an alternative to, measures of operating performance as determined in accordance with GAAP.



## Conclusion

### Short Term – Projecting \$2.3 Billion in Sales and \$1.92-\$2.07 EPS (GAAP) or \$3.00-\$3.10 Adjusted EPS\*(non-GAAP) in 2005

- Bennett expected to be accretive by \$0.15-\$0.20 in 2005
- Famous Footwear expected to produce a solid year
- Improved operating results expected in Naturalizer, Carlos by Carlos Santana, Children's and Dr. Scholl's

### Long-Term – Targeting Sustainable Growth

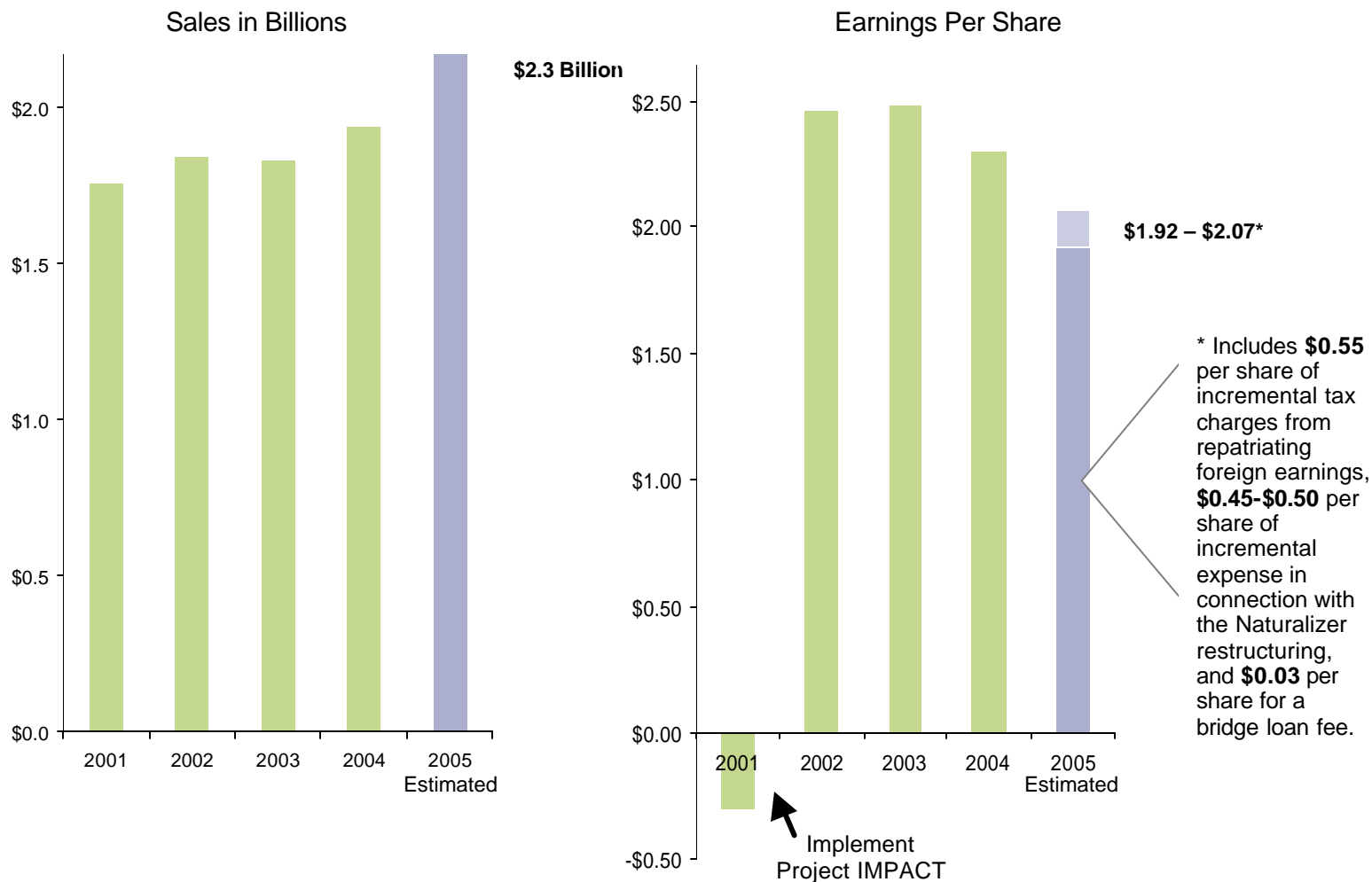
- Bennett and Naturalizer initiatives expected to increase our earnings potential on a go-forward basis
- Famous Footwear has potential for significant expansion
- Strong, differentiated wholesale brands create margin and market share opportunities
- Bennett strengthens our presence in better/bridge zones
- ExCEL expected to give us product sourcing/speed advantage
- Growth focused on internal expansion and strategic acquisitions
- Targeting high single-digit revenue growth and 10-15% compound earnings growth rate

\* See Reconciliation of Net Earnings to Adjusted Net Earnings in the Appendix.



## Financial Highlights & Appendix

## Sales and EPS – 2001 to 2005

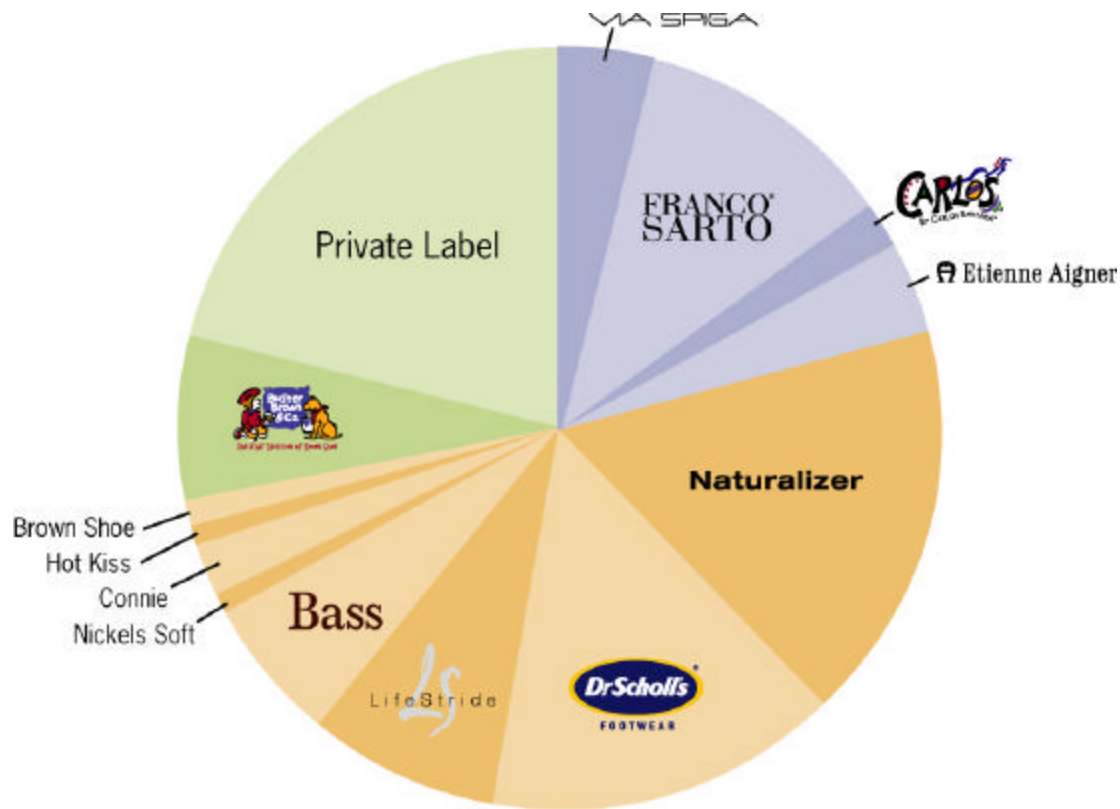


Special charges and recoveries included in net earnings and EPS for 2003, 2004 and estimated 2005 are listed in the Reconciliation of Net Earnings to Adjusted Net Earnings in this Appendix.



## Distinct Wholesale Portfolio

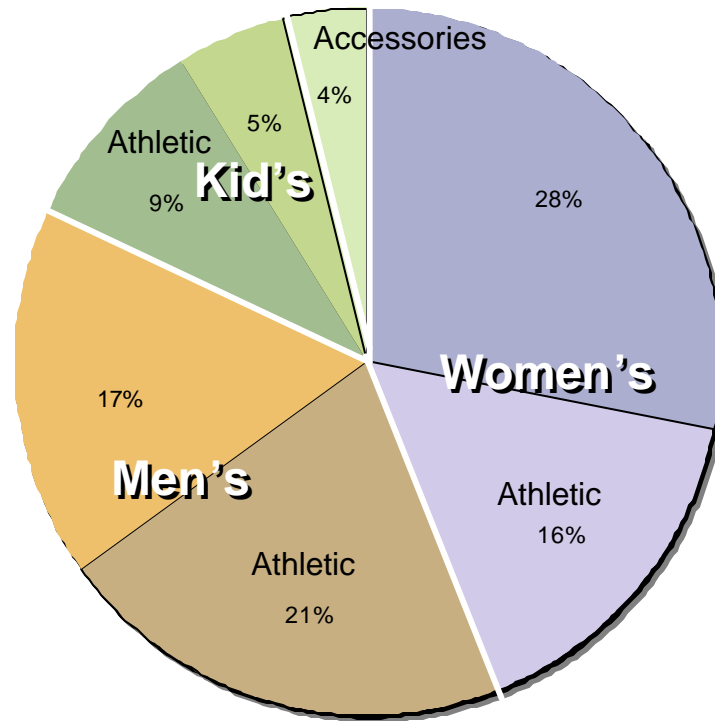
Based on 2004 Pro Forma Sales\*



\* The 2004 Pro Forma Sales detail includes the Bennett brands as if they had been acquired by Brown Shoe on February 1, 2004. These results are not necessarily indicative of the results that would have been achieved had the acquisition occurred on February 1, 2004.

## Famous Footwear -- Sales by category

Based on 12 months ended January 2005



## Appendix: Reconciliation of Net Earnings to Adjusted Net Earnings

	2003		2004		2005 Estimated Range			
	Net Earnings	EPS	Net Earnings	EPS	Low	High	Net Earnings	EPS
GAAP Results	\$ 46.2	\$ 2.48	\$ 43.3	\$ 2.30	\$ 36.4	\$ 1.92	\$ 39.3	\$ 2.07
<i>Special Charges and Recoveries:</i>								
Naturalizer Restructuring	-	-	-	-	9.5	0.50	8.6	0.45
Tax Repatriation	-	-	-	-	10.4	0.55	10.4	0.55
Bridge Loan Fee	-	-	-	-	0.6	0.03	0.6	0.03
Bass Transition Costs	-	-	3.5	0.18	-	-	-	-
Bond Guarantee Charge	-	-	2.2	0.12	-	-	-	-
Tax Reserve Recovery	-	-	(1.0)	(0.05)	-	-	-	-
Environmental Litigation	2.0	0.11	0.4	0.02	-	-	-	-
Canada Factory Closure	2.7	0.14	-	-	-	-	-	-
Adjusted Earnings	<u>\$ 50.9</u>	<u>\$ 2.73</u>	<u>\$ 48.4</u>	<u>\$ 2.57</u>	<u>\$ 56.9</u>	<u>\$ 3.00</u>	<u>\$ 58.9</u>	<u>\$ 3.10</u>

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## Appendix: Reconciliation of Net Earnings to EBITDA\* and Adjusted EBITDA

	<u>2003</u>	<u>2004</u>	<u>2005 Estimated Range</u>		
			<u>Low</u>	<u>--</u>	<u>High</u>
<b>Net Earnings</b>	\$ 46.2	\$ 43.3	\$ 36.4		\$ 39.3
Interest Expense, net	9.3	7.5	18.0		18.0
Income Tax Provision	17.4	13.0	27.8		29.0
Depreciation and Amortization	<u>30.7</u>	<u>31.9</u>	<u>38.7</u>		<u>38.7</u>
<b>EBITDA*</b>	\$ 103.6	\$ 95.7	\$ 120.9		\$ 125.0
<u><i>Special Charges</i></u>					
Naturalizer Restructuring	-	-	16.0		14.0
Bass Transition Costs	-	5.6	-		-
Bond Guarantee Charge	-	3.5	-		-
Environmental Litigation	3.1	0.6	-		-
Canada Factory Closure	<u>4.5</u>	<u>-</u>	<u>-</u>		<u>-</u>
<b>Adjusted EBITDA</b>	<u>\$ 111.2</u>	<u>\$ 105.4</u>	<u>\$ 136.9</u>		<u>\$ 139.0</u>

\* EBITDA represents earnings before interest, taxes, depreciation and amortization.

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## Appendix: Debt to Capital Ratio

(Millions of dollars, except for Debt to Capital Ratio)

<b>Debt to Capital Ratio</b>	<b>2005-Est</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Total Debt Obligations*	\$ 235	\$ 142	\$ 120	\$ 152	\$ 216
Total Shareholders' Equity	<u>430</u>	<u>391</u>	<u>350</u>	<u>292</u>	<u>253</u>
Total Capital	\$ 665	\$ 533	\$ 470	\$ 444	\$ 469
Debt to Capital Ratio**	35%	27%	25%	34%	46%

\* Total Debt Obligations include long term debt, current maturities of long-term debt, notes payable and capital lease obligations. 2005 total debt obligations include additional debt related to the Bennett Footwear acquisition.

\*\* Total Debt Obligations divided by Total Capital

## Appendix: Reconciliation of Operating Earnings to Adjusted Operating Earnings

(in millions)	<u>2005 Estimated Range</u>		<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<u>Low</u>	<u>High</u>				
Operating Earnings	\$ 82.2	\$ 86.3	\$ 63.8	\$ 72.9	\$ 71.7	\$ 11.1
<u>Special Charges and Recoveries</u>						
Naturalizer Restructuring	16.0	14.0	-	-	(0.8)	16.8
Famous Footwear Inventory Write-Down	-	-	-	-	-	16.0
Shared Services Platform Implementation	-	-	-	-	(1.1)	3.5
Famous Footwear New Management Transition	-	-	-	-	-	3.9
Impairment of Shoes.com Goodwill	-	-	-	-	-	1.2
Bass Transition Costs	-	-	5.6	-	-	-
Bond Guarantee Charge	-	-	3.5	-	-	-
Environmental Litigation	-	-	-	3.1	-	-
Canada Factory Closure	-	-	-	4.5	-	-
Adjusted Operating Earnings	<u>\$ 98.2</u>	<u>\$ 100.3</u>	<u>\$ 72.9</u>	<u>\$ 80.5</u>	<u>\$ 69.8</u>	<u>\$ 52.5</u>

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