FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-04-20** | Period of Report: **1994-01-29**
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FILER

BROWN GROUP INC

CIK:**14707**| IRS No.: **430197190** | State of Incorp.:**NY** | Fiscal Year End: **0130**
Type: **10-K** | Act: **34** | File No.: **001-02191** | Film No.: **94523453**
SIC: **3140** Footwear, (no rubber)

Business Address
8400 MARYLAND AVE
P O BOX 29
ST LOUIS MO 63105
3148544000

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]
For the fiscal year ended January 29, 1994

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]
For the transition period from __________ to __________

Commission file number 1-2191

BROWN GROUP, INC.
(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock - par value $3.75 a share with Common Stock Purchase Rights	New York Stock Exchange Chicago Stock Exchange
7-3/8% Sinking Fund Debentures due January 15, 1998	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [x]

As of April 2, 1994, 17,694,841 common shares were outstanding, and the aggregate market value of the common shares held by non-affiliates of the registrant was approximately $648 million.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the annual stockholders report for the year ended January 29, 1994, are incorporated by reference into Parts I and II.

Portions of the proxy statement for the annual meeting of stockholders to be held May 26, 1994, are incorporated by reference into Part III.

PART I

ITEM 1 - BUSINESS

The Corporation was founded in 1878 and incorporated in 1913 and currently operates in the Footwear and Specialty Retailing industry segments. The Footwear segment is engaged in the operation of retail shoe stores and in the manufacture, importing, foreign sourcing, and marketing of women's, men's and children's footwear. The Specialty Retailing segment comprises a chain of retail fabric stores. See Note 13 of Notes to Consolidated Financial Statements on page 29 of the Annual Report to Stockholders for the year ended January 29, 1994, which is incorporated herein by reference, for additional information regarding the Corporation's industry segments.

Footwear

The Footwear segment is engaged in the manufacture, importing, foreign sourcing, and marketing of a wide variety of types and styles of women's, men's and children's dress and casual footwear. During 1993, footwear sales were approximately 66% women's, 21% men's, and 13% children's. This composition has remained relatively constant over the past few years. Approximately 52% of 1993 footwear sales were made at retail compared with 47% in 1992 and 43% in 1991.

The major brand names of the Corporation's footwear include the following:

Women's: Air Step
Brittania (under license from Brittania Sportswear, Ltd.)
Connie
DeLiso
Donnay (under license from Donnay International, S.A.)
Dr. Scholl's (under license from Schering-Plough HealthCare

Products, Inc.)
Fanfares
Jordache (under license from Jordache Enterprises, Inc.)
Life Stride
Naturalizer
NaturalSport
Penaljo
Revelations (under license from Lowell Shoe, Inc.)
Waikiki (under license from DDKA, S.A.)

Men's: Brittania (under license from Brittania Sportswear, Ltd.)
Donnay (under license from Donnay International S.A.)
Dr. Scholl's (under license from Schering-Plough HealthCare Products, Inc.)
Jean Pier Clemente
Levi's Shoes and Boots (under license from Levi Strauss & Co.)
Reed St. James (under license from Haggar Apparel Co.)
Regal

Children's: Aladdin (under license from The Walt Disney Company, Inc.)
Bambi (under license from The Walt Disney Company, Inc.)
Barbie for Girls (under license from Mattel, Inc.)
Beauty and the Beast (under license from The Walt Disney Company, Inc.)
Bobby's World (under license from Twentieth Century Fox Licensing and Merchandising)
Buster Brown
Candie's (under license from Candie's, Inc.)
Conan the Adventurer (under license from Hasbro, Inc.)
Dinosaurs (under license from The Walt Disney Company, Inc.)
Disney (under license from The Walt Disney Company, Inc.)
Disney Babies (under license from The Walt Disney Company, Inc.)
Donnay (under license from Donnay International, S.A.)
The Flintstones (under license from MCA/Universal Merchandising, Inc. and Turner Home Entertainment)
G. I. Joe (under license from Hasbro, Inc.)
Jordache (under license from Jordache Enterprises, Inc.)
The Lion King (under license from The Walt Disney Company, Inc.)
The Little Mermaid (under license from The Walt Disney Company, Inc.)
101 Dalmatians (under license from The Walt Disney Company, Inc.)
Playskool (under license from Hasbro, Inc.)
Rookie League (under license from Major League Baseball Properties, Inc.)
Waikiki (under license from DDKA, S.A.)
Wildcats

The Corporation's retail footwear operations comprise a large number of retail footwear stores in the United States and Canada including those operated under various names including: Famous Footwear, Naturalizer, F. X. LaSalle, Regal and Connie. A substantial portion of retail sales carry Corporate brand names with the footwear manufactured either by the Corporation in company-owned factories or under contract to its specifications by domestic and foreign suppliers.

In retail sales of footwear, the Corporation competes in a highly fragmented market with many organizations of various sizes operating retail shoe stores. Competitors include general shoe store operators, local and regional shoe store chains, department stores, discount stores and numerous independent retail operators of various sizes. Customer service, store location, product display, merchandise selection and pricing are important components of retail competition.

A summary of retail footwear stores operated by the Corporation at the prior five fiscal year-ends is as follows:

<TABLE>
<CAPTION>

Company-Owned Retail Footwear Stores

<S>	1989 <C>	1990 <C>	1991 <C>	1992 <C>	1993 <C>
Naturalizer					
Stores selling the Naturalizer and NaturalSport brands of women's footwear; located in major malls and shopping centers throughout the U.S. and Canada.	413	451	457	431	450
Connie					
Stores selling Connie and other branded women's footwear; located in major malls and shopping centers.	187	134	119	106	81
Famous Footwear					
Family footwear stores which feature "brand names for less"; located in strip centers and outlet malls.	257	304	353	477	567
Regal/Castleby					
Men's footwear stores located in malls and shopping centers.	94	89	75	65	35
F. X. LaSalle					
Stores selling men's and women's branded footwear in major malls in Canada.	11	13	14	14	15
Other Family Footwear Stores					

Selling men's, women's, and children's footwear.	138	63	71	4	4
Total	1,100	1,054	1,089	1,097	1,152

</TABLE>

Footwear is distributed by the Corporation's marketing, manufacturing, importing, and foreign sourcing operations in the United States, Canada, Europe, Latin America, and the Far East to approximately 5,000 retailers, including independent and chain operators of shoe and department stores and to affiliates. Certain of these customers also sell shoes bought from competing footwear suppliers. Wholesale footwear sales carry Corporate brand names, brand names licensed by the Corporation, and private label footwear produced for specific customers. This footwear is either manufactured by the Corporation in company-owned factories or under contract to its specifications by domestic and foreign suppliers. The Corporation competes with both domestic manufacturers and importers of foreign-produced footwear.

The Corporation's womens domestic shoe manufacturing operations, overall, account for approximately 7% of the total pairs of non-rubber footwear manufactured annually in the United States, and approximately 21% of the women's domestic production. Competition in the shoe manufacturing industry involves style, quality, price, fit and service offered to the customer. The Corporation attempts to meet competition through manufacturing efficiencies, by maintaining emphasis on quality and fit, by its ability to anticipate and create acceptable fashion styles and by manufacturing well-established branded merchandise available for immediate shipment. The principal raw materials used by the Corporation in the manufacture of shoes are leather, man-made materials and fabrics for uppers, and leather, rubber and plastics for soles and heels. The Corporation has experienced no serious difficulty in purchasing its needs of raw materials and manufactured component parts at competitive prices.

Foreign sourced footwear accounts for approximately 87% of all footwear sold in the United States. Through the sourcing activities of its Pagoda organization, the Corporation is a leading supplier of imported footwear. This organization sources a wide variety of footwear primarily from the Far East and Brazil for other Brown Group divisions and for outside customers. During 1993 this operation was responsible for sourcing approximately 81 million pairs of shoes. Pairs sourced for the U.S. market by Pagoda represent approximately 6% of total pairs imported annually in the United States. These sourcing activities include coordination of the styling, production, and shipment of footwear produced for the Corporation by independent footwear manufacturers in foreign countries. Because Pagoda's sourcing capabilities are diverse and include numerous countries of origin and manufacturing facilities therein and since production can be shifted from country to country, the Corporation does not believe its sourcing arrangements entail significant risks.

The nature of the Corporation's wholesale shoe business is such that it does not have a significant backlog of non-cancelable orders. Orders for shoes are solicited by the Corporation's sales force primarily during four selling seasons in each year, with most sales being for the spring and fall retail seasons. Orders placed as a result of these sales efforts are taken before the shoes are manufactured with delivery generally within 10 to 12 weeks thereafter. In addition, the Corporation maintains a stock of the higher volume styles which are available for prompt shipment on reorder. The Corporation maintains adequate reserves for returns and allowances which may occur after sales are recorded.

The Corporation's marketing and promotional efforts are carried out through a number of avenues. The footwear wholesaling group maintains a sales force that visits customers periodically, presents its footwear at trade shows throughout the country, and advertises in trade magazines and publications. In addition, direct advertising to consumers is carried out through periodic use of the electronic media, sponsoring of certain sporting events, and in-store presentations and demonstrations. The footwear retailing organization advertises its products in the print and electronic media, as well as with in-store displays and promotions.

Due to the seasonal nature of retail sales of shoes, the Corporation experiences fluctuations in the components of working capital. Retail footwear sales are seasonal with significant increases in sales experienced in the Christmas, Easter and back-to-school periods.

Specialty Retailing
- --------------------

The Specialty Retailing segment comprises the Cloth World chain of retail fabric stores, one of the nation's largest volume fabric chains. All of Cloth World's 340 stores are leased with more than half having lease renewal options. Each store sells competitively priced craft, home decorating, and sewing fabrics and notions, along with patterns and sewing machines. Cloth World stores are located predominantly in the southern half of the United States extending from coast to coast. Stores are typically located in suburban areas near major metropolitan centers. Most contain between 10,000 and 12,000 square feet of space, enabling them to carry a large selection of merchandise for the home sewer and crafter.

A summary of retail fabric stores operated by the Corporation at the prior five fiscal year ends is as follows:

<TABLE>
<CAPTION>

	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
Cloth World Store Count	316	316	322	354	340

</TABLE>

Cloth World purchases its goods from a substantial number of suppliers, and has experienced no difficulty in acquiring merchandise at competitive prices.

The Corporation's fabric operation competes with other fabric chains, discount stores operating their own fabric departments and numerous independent retailers. A large selection of "fashion" merchandise, in-store customer service, direct mail, newspaper advertising and competitive pricing are the primary methods of competition in fabric operations. Fabric retailing is subject to some seasonal influences, with Easter, back-to-school and the pre-Christmas season being somewhat stronger than other periods.

Discontinued Operations

During the fourth quarter of fiscal 1993, the Corporation adopted a formal plan to withdraw from the Wohl Leased Shoe Department business. This business involves the management of over 500 shoe departments in department stores primarily on the West Coast and in the Midwest. Most of the leases are cancelable after a period of notice by either party and the Corporation expects to complete most of the withdrawals by the end of fiscal 1994.

Restructuring

In January 1994 the Corporation announced restructuring initiatives related to the Footwear Segment which consist of the following:

* Closing of five manufacturing facilities;
* The closing of more than 100 company-owned Regal and Connie shoe stores; and
* Reduction of Corporate and Divisional staffing at the St. Louis, Missouri, headquarters.

It is expected that these restructuring initiatives will be completed during fiscal 1994 and may extend into the first quarter of fiscal 1995.

Corporate-wide Business Influences

In addition to normal and recurring product development, design and styling activities, the Corporation engages in research and development related to new and improved materials for use in its footwear and other products and to the development and adaptation of production techniques.

The Corporation is involved in environmental remediation and ongoing compliance at its closed tannery site and two associated landfill locations, and has been identified by various governmental authorities as a potentially responsible party at certain other landfills. See page 15 of the Annual Report to Stockholders for the year ended January 29, 1994, which is incorporated herein by reference, for a discussion of the financial impact of environmental issues on the Corporation. Federal, State, and local provisions for environmental protection have not had, nor are they anticipated to have, a material effect on the Corporation's capital expenditures or competitive position.

ITEM 1 - BUSINESS (Continued)

The Corporation manufactures and sells certain patented items but does not consider its business to be dependent on patents. In addition, some products are sold under license agreements, such as with Schering-Plough HealthCare Products, Inc., and The Walt Disney Company, Inc. During 1993, sales under these agreements were approximately 13% of the total sales of the footwear segment.

From time to time the Corporation investigates and negotiates for the possible acquisition of other businesses and operations; but at this time, there are no agreements or understandings for acquisition of any significant subsidiaries.

The Corporation has approximately 22,000 full and part-time employees including approximately 5,600 in the leased department business, Connie and Regal shoe stores, factories, and Corporate offices which will be terminated as a result of the restructuring and closings previously discussed. Approximately 2,000 employees engaged in the manufacture of footwear are employed under union contracts. Such contracts vary in duration and expire in years between 1994 and 1996.

ITEM 2 - PROPERTIES

The principal executive, sales and administrative offices of the Corporation are located in Clayton (St. Louis), Missouri, and consist of a complex of four adjoining office buildings. As a result of reduction in staffing, the Corporation, subsequent to year end, sold two of the four buildings.

The Corporation's footwear manufacturing and warehousing operations are primarily carried out at 10 footwear and component manufacturing plants, two leather cutting facilities, and three warehouses located mainly in smaller towns in the Southern and Midwestern sections of the United States and two manufacturing and one warehouse facility located in Canada. Substantially all of the facilities are owned or are subject to long-term capital leases. In January 1994 the Corporation announced the closing of five domestic production facilities. These closings will be completed in the first and second quarter of 1994. After these closings the Corporation will have annual domestic manufacturing capacity of approximately 7,000,000 pairs.

The Corporation's retail footwear operations are conducted throughout the United States and Canada and involve the operation of 1,152 shoe stores, including 102 in Canada. In addition, Famous Footwear has leased office space and a 750,000 square foot distribution center in Madison, Wisconsin. Cloth

World has one warehouse/distribution facility in Amarillo, Texas, and 340 leased retail store locations. All store locations are leased with approximately one-third having renewal options.

ITEM 3 - LEGAL PROCEEDINGS

The Corporation is a party to several uninsured lawsuits arising in the ordinary course of business. While the Corporation is unable to predict the ultimate outcome of these actions, it believes that their final resolution will not result in any materially adverse effect on the Corporation's financial position.

ITEM 3 - LEGAL PROCEEDINGS (Continued)

The Corporation is working with Federal and various State Environmental Protection Agencies to resolve clean-up issues at several sites, including the Corporation's closed tannery in New York. The potential financial impact on the Corporation is discussed on page 15 of the Annual Report to Stockholders for the year ended January 29, 1994, which is incorporated herein by reference.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of stockholders during the fourth quarter of fiscal 1993.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list of the names and ages of the executive officers of the registrant and of the offices held by each such person. There is no family relationship between any of the named persons. The terms of the following executive officers will expire May, 1994.

Name	Age	Current Position
B. A. Bridgewater, Jr.	60	Chairman of the Board, President and Chief Executive Officer and Member of Executive Committee
John B. Biggs, Jr.	50	Senior Vice President
Brian C. Cook	54	Vice President, Footwear Retailing and President, Famous Footwear

Arthur G. Croci	42	President, Pagoda Trading
Ronald N. Durchfort	40	President, Pagoda International
Ronald A. Fromm	43	Executive Vice President, Famous Footwear
Curtis R. Johnson	62	Executive Vice President, Brown Shoe Company
Raymond F. Moseley	54	President, Wohl Shoe Company
Joseph P. Pearce	48	Executive Vice President, Brown Shoe Company
Robert D. Pickle	56	Vice President, General Counsel and Corporate Secretary
Gary M. Rich	43	President, Pagoda U.S.A.
Harry E. Rich	54	Director, Executive Vice President and Chief Financial Officer and Member of Executive Committee
Donald L. Richey	50	President, Cloth World
Andrew M. Rosen	43	Vice President and Treasurer
Mary Sylvia Siverts	34	Vice President, Public Affairs
Richard L. Stonner	50	Senior Vice President, Retail Sales, Famous Footwear
Thomas A. Williams	45	Vice President, Footwear Wholesaling; President, Brown Shoe Company; and Chairman, Pagoda
E. Lee Wyatt, Jr.	41	Vice President, Planning and Controller
George J. Zelinsky	45	Senior Vice President and General Merchandise Manager, Famous Footwear

The period of service of each officer in the positions listed and other business experience are set forth below.

B. A. Bridgewater, Jr., Chairman of the Board and Chief Executive Officer of the registrant since 1985. President of the registrant prior to 1987 and since 1990.

John B. Biggs, Jr., Senior Vice President of the registrant since January

1994. President of Brown Shoe Company from December 1990 to January 1994. Senior Vice President of Brown Shoe Company from 1987 to December 1990.

Brian C. Cook, Vice President, Footwear Retailing of the registrant since March, 1992; President of Famous Footwear since 1981.

Arthur G. Croci, President of Pagoda Trading since November 1993. President of Brown Group International from December 1990 to November 1993. Vice President of the registrant from December 1990 to March 1993. Executive Vice President of Brown Group International from January 1990 to December 1990 and various positions with the registrant from 1980 through 1989.

Ronald N. Durchfort, President of Pagoda International since March 1993. Managing Director, BGI, SARL-European Operations from 1989 through 1993. International Sales Manager, Sidney Rich Associates, Inc. from 1986 through 1989.

Ronald A. Fromm, Executive Vice President, Famous Footwear since September 1992. Vice President and Chief Financial Officer from 1988 to 1992.

Curtis R. Johnson, Executive Vice President, Brown Shoe Company since 1992. Executive Vice President - Production and Purchasing, Brown Shoe Company since 1982.

Raymond F. Moseley, President of Wohl Shoe Company since March 1992; Executive Vice President, Operations of Wohl since 1989; previously Senior Vice President, Operations of Wohl since 1985.

Joseph P. Pearce, Executive Vice President of Brown Shoe Company since June 1991, with principal responsibility for marketing. Previously, a Group President of the Fisher-Camuto Group, Inc. (a footwear company).

Robert D. Pickle, Vice President, General Counsel and Corporate Secretary of the registrant since 1985.

Gary M. Rich, President of Pagoda U.S.A. since March 1993. President, Pagoda Trading Company, Inc. from June 1989 through March 1993. Executive Vice President, Sidney Rich Associates, Inc. from December 1980 through June 1989. Account Executive, Sidney Rich Associates, Inc. from August 1975 to December 1980.

Harry E. Rich, Executive Vice President and Chief Financial Officer of the registrant since 1988. Senior Vice President and Chief Financial Officer of the registrant from 1984 to 1988.

Donald L. Richey, President of Cloth World since October 1990. Previously, Executive Vice President and a Director of Hancock Fabrics, Inc.

Andrew M. Rosen, Vice President and Treasurer of the registrant since January 1992. Treasurer of the registrant from 1983 to 1992.

Mary Sylvia Siverts, Vice President of Public Affairs since September 1993.

Director of Public Relations from 1988 to 1993.

EXECUTIVE OFFICERS OF THE REGISTRANT (Continued)

Richard L. Stonner, Senior Vice President, Retail Sales of Famous Footwear since May 1987. Vice President and General Merchandise Manager, Shoe Stores, Wohl Shoe Company from 1985 to 1987.

Thomas A. Williams, Vice President, Footwear Wholesaling; President, Brown Shoe Company; and Chairman, Pagoda since January 1994. Vice President, International Operations of the registrant from March 1993 to January 1994. Chairman of the Board of Pagoda Trading Company from 1990 to January 1994. Vice Chairman and other management positions at Pagoda Trading Company from 1982 to 1990.

E. Lee Wyatt, Jr., Vice President, Planning and Controller since March 1994. Vice President, Planning and Taxes of the registrant since December 1992. Director, Corporate Planning and Taxes and Assistant Secretary since 1990. Director, Corporate Planning and Analysis since 1989. Manager, Corporate Planning and Analysis since 1986.

George J. Zelinsky, Senior Vice President and General Merchandise Manager, Famous Footwear since June 1989. Vice President, Women's Better Grade Division, Wohl Shoe Company from 1986 to 1989.

PART II

ITEM 5 -MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Common Stock market prices and dividends on page 32 of the annual stockholders report and the number of stockholders on page 34 of the annual stockholders report for the year ended January 29, 1994 are incorporated herein by reference.

ITEM 6 - SELECTED FINANCIAL DATA

Selected Financial Data on page 16 of the annual stockholders report for the year ended January 29, 1994 is incorporated herein by reference.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Operations and Financial Condition on pages 12 through 15 of the annual stockholders report for the year ended January 29, 1994 is incorporated herein by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Corporation and its subsidiaries on pages 17 through 31, and the supplementary financial information on page 32 of the annual stockholders report for the year ended January 29, 1994 are incorporated herein by reference.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding Directors of the Corporation on pages 3 through 9 of the proxy statement for the annual meeting to be held May 26, 1994, is incorporated herein by reference. Information regarding Executive Officers of the Corporation is included in Part I of this Form 10-K following Item 4.

ITEM 11 - EXECUTIVE COMPENSATION

Information regarding Executive Compensation on pages 10 through 16 and 20 through 24 of the proxy statement for the annual meeting to be held May 26, 1994, is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Holdings of Directors and Management on page 3 and 4 of the proxy statement for the annual meeting to be held May 26, 1994, is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
- --

None.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K
- --

(a) (1) and (2) The response to this portion of Item 14 is submitted as a separate section of this report.

(a) (3) Exhibits

Exhibit No.:

3.(a) (i) Certificate of Incorporation of the Corporation as amended through February 16, 1984, incorporated herein by reference to Exhibit 3 to the Corporation's Report on Form 10-K for the fiscal year ended November 1, 1986.

(a) (ii) Amendment of Certificate of Incorporation of the Corporation filed February 20, 1987, incorporated herein by reference to Exhibit 3 to the Corporation's Report on Form 10-K for the fiscal year ended January 30, 1988.

(b) Bylaws of the Corporation as amended through December 22, 1993, filed, herewith.

4. (a) Form of Rights Agreement dated as of March 6, 1986 between the Corporation and Morgan Guaranty Trust Company of New York, which includes as Exhibit A the form of Rights Certificate evidencing the Corporation's Common Stock Purchase Rights, incorporated herein by reference to Exhibits 1 and 2 to the

Corporation's Registration Statement on Form 8-A dated March 7, 1986.

(b) (i) Indenture dated as of April 2, 1986 between the Corporation and Citibank, N.A. as Trustee, incorporated herein by reference to Exhibit 4 to the Corporation's Registration Statement on Form S-3 (No. 33-4500).

(c) Certain instruments with respect to the long-term debt of the Corporation are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K since the amount of debt authorized under each such omitted instrument does not exceed 10 percent of the total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

10. (a)* Stock Appreciation, non-qualified Stock Option and Performance Bonus Plan of 1976, incorporated herein by reference to Exhibit 1 to the Corporation's definitive proxy statement dated January 18, 1977.

(b)* Stock Appreciation, Stock Option and Performance Bonus Plan of 1983, incorporated herein by reference to Exhibit 3 to the Corporation's definitive proxy statement dated January 20, 1984.

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(c)* Stock Option and Restricted Stock Plan of 1987, as amended, incorporated herein by reference to Exhibit 3 to the Corporation's definitive proxy statement dated April 26, 1988.

11. Computation of earnings per share.

13. Annual Report to Stockholders of Brown Group, Inc. for the fiscal

year ended January 29, 1994. Such report, except for portions incorporated by reference herein, is furnished for the information of the SEC and is not "filed" as part of this report.

21. Subsidiaries of the registrant.

23. Consent of Independent Auditors.

24. Power of attorney (contained on signature page).

(b) Reports on Form 8-K:

The Corporation filed a current report on Form 8-K dated January 13, 1994, in response to Item 5, which announced restructuring initiatives, provision for additional environmental monitoring costs and plans to discontinue and withdraw from the Wohl Leased Shoe Department business.

(c) Exhibits:

Exhibits begin on page 22 of this Form 10-K.

On request copies of any exhibit will be furnished to stockholders upon payment of the Corporation's reasonable expenses incurred in furnishing such exhibit.

(d) Financial Statement Schedules.

*Denotes management contract or compensatory plan arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DATE: April 20, 1994 BROWN GROUP, INC.

(Registrant)

Harry E. Rich /s/
Executive Vice President and
Principal Financial Officer

Know all men by these presents, that each person whose signature appears below constitutes and appoints Harry E. Rich his true and lawful attorney in fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney in fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney in fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on April 21, 1994, by the following persons on behalf of the Registrant and in the capacities indicated.

Signatures	Title
B. A. Bridgewater, Jr. /s/	Chairman of the Board of Directors President and Chief Executive Officer
Harry E. Rich /s/	Director, Executive Vice President and Chief Financial Officer
E. Lee Wyatt, Jr. /s/	Vice President, Planning and Controller

Signature	Title
Joseph L. Bower /s/	Director and Chairman of Compensation Committee

Joan F. Lane /s/	Director and Chairperson of Governance and Nominating Committee
William E. Maritz /s/	Director
Daniel R. Toll /s/	Director and Chairman of Audit Committee

ANNUAL REPORT ON FORM 10-K

ITEM 14 (a) (1) and (2), and (d)

LIST OF FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

YEAR ENDED JANUARY 29, 1994

BROWN GROUP, INC.

ST. LOUIS, MISSOURI

FORM 10-K - ITEM 14 (a) (1) and (2)
BROWN GROUP, INC. AND SUBSIDIARIES
LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of Brown Group, Inc. and subsidiaries included in the annual report of the registrant to stockholders for the year ended January 29, 1994 are incorporated by reference in Item 8:

Consolidated Balance Sheets - January 29, 1994 and January 30, 1993.

Consolidated Earnings - Years ended January 29, 1994, January 30, 1993, and February 1, 1992.

Consolidated Cash Flows - Years ended January 29, 1994, January 30, 1993, and February 1, 1992.

Consolidated Stockholders' Equity - Years ended January 29, 1994, January 30, 1993, and February 1, 1992.

Notes to consolidated financial statements.

Report of Independent Auditors.

The following consolidated financial statement schedules of Brown Group, Inc. and subsidiaries are included in Item 14(d):

Schedule VIII - Valuation and Qualifying Accounts
Schedule IX - Short-Term Borrowings

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

<TABLE>
<CAPTION>

SCHEDULE VIII

VALUATION AND QUALIFYING ACCOUNTS
BROWN GROUP, INC.

COL. A.	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts-Describe	Deductions-Describe	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
(Thousands)					
YEAR ENDED JANUARY 29, 1994					
Deducted from assets:					
For doubtful accounts and discounts	$10,482	$5,272		$4,329-A	$11,425
YEAR ENDED JANUARY 30, 1993					
Deducted from assets:					

For doubtful accounts and discounts	6,673	7,771		3,962-A	10,482

YEAR ENDED FEBRUARY 1, 1992

Deducted from assets:

For doubtful accounts and discounts	8,002	3,902		5,231-A	6,673

A. Accounts written off, net of recoveries
and discounts taken.
</TABLE>

<TABLE>
<CAPTION>

SCHEDULE IX

SHORT-TERM BORROWINGS
BROWN GROUP, INC.

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
<S>	<C>	<C>	<C>	<C>	<C>
(Thousands)			(A)	(B)	(C)
YEAR ENDED JANUARY 29, 1994					
Notes Payable to Banks (1)	$ 7,000	3.5%	$ 42,452	$ 28,701	5.0%
Payable to Holders of Commercial Paper (2)	164,090(4)	3.3%	164,090	110,404	3.2%
YEAR ENDED JANUARY 30, 1993					
Notes Payable to Banks (1)	$ 30	5.3%	$ 33,549	$ 23,551	4.6%
Payable to Holders of Commercial Paper (2)	36,615(4)	3.5%	35,205	27,024	4.0%

YEAR ENDED FEBRUARY 1, 1992

Notes Payable to Banks (1)	$ 20,296(3)	6.4%	$ 25,672	$ 19,983	7.9%
Payable to Holders of Commercial Paper (2)	24,100(3)	4.4%	38,000	30,471	6.2%

A) The maximum amount outstanding during the period was computed based on the highest month-end balance of the combined total of notes payable to banks and amounts payable to holders of commercial paper.

B) Average amount outstanding during the period was computed by dividing the total of month-end outstanding principal balances by 12 months.

C) The weighted average interest rate was computed based on the interest rates on short-term borrowings outstanding at the month-ends throughout the year.

1) Notes payable to banks represent borrowings under lines of credit borrowing arrangements generally renewed on an annual basis.

2) Commercial paper with various maturity dates from date of issue has no specific provisions for the extension of maturity.

3) As a result of the long-term refinancing of $30,000,000 of these short-term notes and reclassification to long-term debt, as explained in Note 7 to the 1991 consolidated financial statements, these will not agree with the amount shown on the Consolidated Balance Sheet as of February 1, 1992.

4) Commercial paper borrowings of $25,000,000 are intended to be maintained on a long-term basis; therefore, reclassification to long-term debt has been made as explained in Note 9 to the consolidated financial statements. These amounts will, therefore, not agree with the amount shown on the Consolidated Balance Sheet as of January 29, 1994, and January 30, 1993.
</TABLE>

BROWN GROUP, INC.
ANNUAL REPORT TO STOCKHOLDERS ON FORM 10-K
INDEX TO EXHIBITS

Exhibit

3.(b) Bylaws as amended through December 22, 1993

11. Computation of earnings per share

13. 1993 Annual Report to Stockholders of Brown Group, Inc.

21. Subsidiaries of the registrant

23. Consent of Independent Auditors

24. Power of Attorney (see signature page)

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EXHIBIT 3(b)

BROWN GROUP, INC.

A NEW YORK CORPORATION

BYLAWS

ADOPTED BY THE STOCKHOLDERS

JANUARY 11, 1946

AMENDED THROUGH MARCH 3, 1994

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BYLAWS

OF

BROWN GROUP, INC.

ARTICLE I.

Meetings of Stockholders .

SECTION 1. Annual Meeting. The annual meeting of the Stockholders shall be held at such place within or without the State of New York as may from time to time be fixed by resolution of the Board of Directors on the fourth Thursday in May in each and every year (or if said day be a legal holiday, then on the next succeeding day not a legal holiday), at eleven o'clock in the forenoon, for the purpose of electing directors and of transacting only such other business as may be properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, the Chairman of the Board, or the President, (b)otherwise properly brought before the meeting by or at the direction of the Board of Directors, the Chairman of the Board, or the President, or (c), subject to ARTICLE II, Section 8 hereof, otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company, not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Company's books, of the stockholder proposing such business, (c) the class and number of shares of the Company which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Notwithstanding anything in the Bylaws to the contrary, but subject to ARTICLE II, Section 8 hereof, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 1. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 1, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. The meeting may be adjourned from time to time until its business is completed.

SECTION 2. Special Meetings. Special meetings of the stockholders may be held upon call by the majority of the Board of Directors, the Chairman of the Board, or the President, at such time as may be fixed by the Board of Directors, the Chairman of the Board, or the President, and at such place within or without the State of New York as may be stated in the call and notice. The meeting may be adjourned from time to time until its business is completed.

SECTION 3. Notice of Meetings. Written notice of the time, place and purpose or purposes of every meeting of stockholders, signed by the Chairman of the Board or the President or a Vice-President or the Secretary or an Assistant Secretary, shall be served either personally or by mail, not less than ten days nor more than fifty days before the meeting, upon each stockholder of record entitled to vote at such meeting and upon each other stockholder of record who, by reason of any action proposed at such meeting, would be entitled to have his stock appraised if such action were taken.

If mailed, such notice shall be directed to each such stockholder at his address as it appears on the stock book unless he shall have filed with the Secretary of the Company a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. Such further notice shall be given by mail, publication or otherwise, as may be required by the Certificate of Incorporation of the Company or by law.

SECTION 4. Quorum. At every meeting of the stockholders, the holders of record of shares entitled in the aggregate to a majority of the

number of votes which could at the time be cast by the holders of all shares of the capital stock of the Company then outstanding and entitled to vote if all such holders were present or represented at the meeting, shall constitute a quorum. If at any meeting there shall be no quorum, the holders of a majority of the shares of stock entitled to vote so present or represented may adjourn the meeting from time to time, without notice other than announcement at the meeting, until such quorum shall have been obtained, when any business may be transacted which might have been transacted at the meeting as first convened had there been a quorum.

SECTION 5. Voting. At all meetings of the stockholders, each holder of record of outstanding shares of stock of the Company, entitled to vote thereat, may so vote either in person or by proxy appointed by instrument in writing executed by such holder or by his duly authorized attorney. No proxy shall be valid after the expiration of eleven months from the date of its execution unless the stockholder executing it shall have specified therein a longer time during which it is to continue in force.

SECTION 6. Record of Stockholders. The Board of Directors may prescribe a period, not exceeding fifty days nor less than ten days prior to any meeting of the stockholders, during which no transfer of stock on the books of the company may be made. In lieu of prohibiting the transfer of stock as aforesaid, the Board of Directors may fix a day or hour, not more than fifty days prior to the day of holding any meeting of stockholders, as the time as of which stockholders entitled to notice of and to vote at such meeting shall be determined, and all persons who were holders of record of voting stock at such time, and no others, shall be entitled to notice of and to vote at such meeting.

SECTION 7. Inspectors of Election. At all elections of directors by the stockholders, the chairman of the meeting shall appoint two Inspectors of Election. Before entering upon the discharge of his duties, each such inspector shall take and subscribe an oath or affirmation faithfully to execute the duties of inspector at such meeting as provided by law with strict impartiality and according to the best of his ability and thereupon the inspectors shall take charge of the polls and after the balloting shall make a certificate of the result of the vote taken. No director or candidate for the office of director shall be appointed such inspector.

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ARTICLE II.

SECTION 1. Number. The number of directors within the maximum and minimum limits provided for in the Certificate of Incorporation may be changed from time to time by the shareholders or by the Board of Directors by an amendment to these Bylaws. Subject to amendment of these Bylaws, as aforesaid, the number of directors of the Corporation shall be eleven. Such directors shall be classified in respect of the time for which they shall severally hold office, by dividing them into two classes consisting of four directors each and one class consisting of three directors. At each annual election, the successors of the directors of the class whose term shall expire in that year, shall be elected to hold office for the term of three years so that the term of office of one class of directors shall expire in each year. The Board of Directors shall not choose as a director to fill a temporary vacancy any person over the age of seventy years, and shall not recommend to the stockholders any person for election as a director for a term extending beyond the Annual Meeting of Stockholders following the end of the calendar year during which he attains his seventieth birthday, provided, however, that this shall not apply to directors elected or holding office, at the time of the Annual Meeting of Stockholders in 1967; and provided further, that this shall not prevent the designation by the Board of such person as an Honorary Director, to serve without vote.

SECTION 2. Meetings of the Board. Meetings of the Board of Directors shall be held at such place within or without the State of New York as may from time to time be fixed by resolution of the Board, or as may be specified in the call of any meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board. Notice need not be given of the regular meetings of the Board held at times fixed by resolution of the Board. Special meetings of the Board may be held at any time upon the call of the Chairman of the Board or the President or any two directors by telegraphic or written notice, duly served on or sent or mailed to each director not less than three days before such meeting. Special meetings of the Board of Directors may be held without notice, if all of the directors are present or if those not present waive notice of the meeting in writing or by telegraph. Any one or more of the directors may participate in a meeting of the Board of Directors by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

SECTION 3. Quorum. The attendance of a majority of the Board of Directors shall be necessary to constitute a quorum for the transaction of business.

SECTION 4. Vacancies. Vacancies in the Board of Directors may be filled by a vote of a majority of the directors in office even though less than a quorum; provided that, in case of an increase in the number of directors pursuant to an amendment of these Bylaws made by the stockholders, the stockholders may fill the vacancy or vacancies so created at the meeting at which the bylaw amendment is effected. The directors so chosen shall hold office, unless they are removed therefrom by the stockholders, for the unexpired portion of the term of the directors whose place shall be vacant and until the election of their successors.

SECTION 5. Resignations. Any director of the Company may resign at any time by giving written notice to the President or to the Secretary of the Company. Such resignation shall take effect at the time specified therein; and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. Organization. The Board of Directors shall have general power to direct the management of the business and affairs of the Company, and may adopt such rules and regulations as they shall deem proper, not inconsistent with law or with these Bylaws, for the conduct of their meetings and for the management of the business and affairs of the Company. Directors need not be stockholders.

SECTION 7. Compensation. Directors, as such, shall not receive any stated salary for their services, but by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board, and directors shall be entitled to compensation other than a stated salary in such form and in such amounts as the Board may determine. However, this Bylaw shall not be construed to preclude any director from serving in any other capacity and receiving compensation therefor. Members of the Executive Committee and all other committees may be allowed a fixed sum and expenses of attendance, if any, for attendance at committee meetings.

SECTION 8. Notice and Qualification of Stockholder Nominees to Board of Directors. Only persons who are nominated in accordance with procedures set forth in this Section 8 shall be qualified for election as Directors. Nominations of persons for election to the Board of Directors of the Company may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Company entitled to vote for the election of Directors at the meeting who complies with the procedures set forth in this Section 8. In order for persons nominated to the Board of Directors, other than those persons nominated by or at the direction of the Board of Directors, to be qualified to serve on the Board of Directors, such nomination shall be made pursuant to timely notice in writing to the Secretary of the Company. To be timely, stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a Director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Company which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitation of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended from time to time (including without limitation such person's written consent to be named in the proxy statement as a nominee and to serving as a Director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Company's books, of such stockholder and (ii) the class and number of shares of the Company which are beneficially owned by such stockholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the Company that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be qualified for election as a Director of the Company unless nominated in accordance with the procedure set forth in this Section 8. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in

accordance with procedures prescribed by the Bylaws, and if he should so determine, he shall so declare to the meeting, and the defective nomination shall be disregarded.

ARTICLE III.

Committees.

SECTION 1. Executive Committee. The Board of Directors may, by resolution passed by a majority of the whole Board, designate an Executive Committee to consist of three or more of the directors, including the President ex officio, one of whom shall be designated Chairman of the Executive Committee. The Executive Committee shall have and may exercise, so far as may be permitted by law, all of the powers of the Board in the direction of the management of the business and affairs of the Company during the intervals between meetings of the Board of Directors, and shall have power to authorize the seal of the Company to be affixed to all papers which may require it; but the Executive Committee shall not have the power to fill vacancies in the Board, or to change the membership of, or to fill vacancies in, the Executive Committee, or to make or amend bylaws of the Company. The Board shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve, the Executive Committee. The Executive Committee may hold meetings and make rules for the conduct of its business and appoint such committees and assistants as it shall from time to time deem necessary. A majority of the members of the Executive Committee shall constitute a quorum. All action of the Executive Committee shall be reported to the Board at its meeting next succeeding such action. Any one or more members of the Executive Committee may participate in a meeting of the Executive Committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

SECTION 2. Other Committees. The Board of Directors may, in its discretion, by resolution, appoint other committees, composed of two or more members, which shall have and may exercise such powers as shall be conferred or authorized by the resolution appointing them. A majority of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board shall have power at any time to change the membership of any such committee, to fill vacancies, and to discharge any such committee.

ARTICLE IV.

Officers.

SECTION 1. Officers. The Board of Directors, as soon as may be after the election of directors held in each year, shall elect a Chairman of the Board of Directors, a President of the Company, one or more Vice-Presidents, a

Secretary, and a Treasurer, and from time to time may appoint such Assistant Secretaries, Assistant Treasurers and such other officers, agents and employees as it may deem proper. Any two of such offices, except that of President and Secretary, may be held by the same person. The Chairman of the Board and the President shall be chosen from among the directors, but no other officer need be a director.

SECTION 2. Term of Office. The term of office of all officers shall be one year or until their respective successors are chosen and qualified; but at any meeting the Board may, by a three-fourths vote of its entire number, suspend or remove any one or more of the officers for a cause satisfactory to the Board, and the action thus taken shall be conclusive. Previous notice of five days of such intended action shall be given to the person affected thereby. In the event of the suspension of an officer, the Board shall fix the term of such suspension.

SECTION 3. Powers and Duties. The officers, agents and employees of the Company shall each have such powers and duties in the management of the property and affairs of the Company, subject to the control of the Board of Directors, as generally pertain to their respective offices, as well as such powers and duties as from time to time may be prescribed by the Board of Directors. The Board of Directors may require any such officer, agent or employee to give security for the faithful performance of his duties.

ARTICLE V.

Powers to Contract; Indemnification

SECTION 1. Contracts. All contracts and agreements purporting to be the act of this Company shall be signed by the President, or by a Vice-President, or by such other officer or other person as may be designated by the Board of Directors or Executive Committee in order that the same shall be binding upon the Company.

SECTION 2. Indemnification.

a. Actions Involving Directors and Officers. The Company shall indemnify each person who at any time is serving or has served as a director or officer of the Company or at the request of the Company is serving or has served as a director or officer (or in a similar capacity) of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any claim, liability or expense incurred as a result of such service, to the maximum extent permitted by law.

b. Actions Involving Employees or Agents

1. The Company may, if it deems appropriate, indemnify any person who

at any time is or has been an employee or agent of the Company or who at the request of the Company is or has been an employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any claim, liability or expense incurred as a result of such service, to the maximum extent permitted by law or to such lesser extent as the Company, in its discretion, may deem appropriate.

2. To the extent that any person referred to in subsection 2(b) of this Section 2 has been successful, on the merits or otherwise, in the defense of a civil or criminal proceeding arising out of the services referred to therein, he shall be entitled to indemnification as authorized in such subsection.

c. Advance Payment of Expenses. Expenses incurred by a person who is or was a director or officer of the Company or who is or was at the request of the Company serving as a director or officer (or in a similar capacity) of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in defending a civil or criminal action or proceeding shall be paid by the Company in advance of the final disposition of such action or proceeding, and expenses incurred by a person who is or was an employee or agent of the Company or who is or was at the request of the Company serving as an employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in defending a civil or criminal action or proceeding may be paid by the Company in advance of the final disposition of such action or proceeding as authorized by the Board of Directors, in either case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amounts as, and to the extent, required by law.

d. Not Exclusive. The indemnification and advancement of expenses provided or permitted by this Section 2 shall not be deemed exclusive of any other rights to which any person who is or was a director, officer, employee or agent of the Company or who is or was at the request of the Company serving as a director or officer (or in a similar capacity), employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise may be entitled, whether pursuant to the Company's Certificate of Incorporation, Bylaws, the terms of any resolution of the shareholders or Board of Directors of the Company, any agreement or contract or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

e. Indemnification Agreements Authorized. Without limiting the other provisions of this Section 2, the Company is authorized from time to time to enter into agreements with any director, officer, employee or agent of the Company or with any person who at the request of the Company is serving as a director or officer (or in a similar capacity), employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, providing such rights of indemnification as the Board of Directors may deem appropriate, up to the maximum extent permitted by law; provided that any such agreement with a director or officer of the Company shall not provide for indemnification of such director or officer if a judgment or other final adjudication adverse to the director or officer establishes that his acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled. Any such agreement entered into by the Company with a director may be authorized by the other directors, and such authorization shall not be invalid on the basis that similar agreements may have been or may thereafter be entered into with such other directors.

f. Insurance. The Company may purchase and maintain insurance to indemnify itself or any person who is or was a director, officer, employee or agent of the Company or who is or was at the request of the Company serving as a director or officer (or in a similar capacity), employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, to the maximum extent allowed by law, whether or not the Company would have the power to indemnify such person under the provisions of this Section 2.

g. Certain Definitions. For the purposes of this Section 2:

1. Any director or officer of the Company who shall serve as a director or officer (or in a similar capacity), employee or agent of any other corporation, partnership, joint venture, trust or other enterprise of which the Company, directly or indirectly, is or was the owner of a majority of either the outstanding equity interests or the outstanding voting stock (or comparable interests) shall be deemed to be serving as such director or officer (or in a similar capacity), employee or agent at the request of the Company, unless the Board of Directors of the Company shall determine otherwise. In all other instances where any person shall serve as a director or officer (or in a similar capacity), employee or agent of another corporation, partnership, joint venture, trust or other enterprise of which the Company is or was a stockholder or creditor, or in which it is or was otherwise interested, if it is not otherwise established that such person is or was serving as such director or officer (or in a similar capacity), employee or agent at the request of the Company, the Board of Directors of the Company may determine whether such service is or was at the request of the Company, and it shall not be necessary to show any actual or prior request for such service.

2. A corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by,

such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to applicable law shall be considered fines; and action taken or omitted by a person with respect to an employee benefit plan in the performance of such person's duties for a purpose reasonably believed by such person to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

3. References to a corporation include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director or officer (or in a similar capacity), employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall stand in the same position under the provisions of this Section 2 with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

h. Survival. Any indemnification rights provided under or granted pursuant to this Section 2 shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. Indemnification rights provided under or granted pursuant to this Section 2 shall survive amendment or repeal of this Section 2 with respect to any acts or omissions occurring prior to such amendment or repeal and persons to whom such indemnification rights are given shall be entitled to rely upon such indemnification rights as a binding contract with the Company.

ARTICLE VI.

Capital Stock.

SECTION 1. Stock Certificates. The interest of each stockholder shall be evidenced by a certificate or certificates for shares of stock of the Company in such form as the Board of Directors may from time to time prescribe. The certificates of stock shall be signed by the Chairman of the Board or the President or a Vice-President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary and sealed with the seal of the Company, and shall be countersigned and registered in such manner, if any, as the Board may by resolution prescribe; provided that, in case such certificates are required by such resolution to be signed by a Transfer Agent or Transfer Clerk and by a Registrar, the signatures of the Chairman of the Board or the President or a Vice-President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary and the seal of the Company upon such certificates may be facsimiles, engraved or printed.

SECTION 2. Transfers. Shares in the capital stock of the Company shall be transferred only on the books of the Company, by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Company or its agents may reasonably require.

SECTION 3. Lost or Destroyed Stock Certificates. No certificates for shares of stock of the Company shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of the loss, theft or destruction and upon indemnification of the Company and its agents to such extent and in such manner as the Board of Directors may from time to time prescribe.

ARTICLE VII.

Checks, Notes, etc.

All checks and drafts on the Company's bank accounts and all bills of exchange and promissory notes and all acceptances, obligations and other instruments for the payment of money, shall be signed by the President, or a Vice-President, or the Treasurer, or by such other officer or officers or agent or agents as shall be thereunto authorized from time to time by the Board of Directors.

ARTICLE VIII.

Fiscal Year.

The fiscal year of the Company shall be determined as ending on the Saturday nearest to each January thirty-first, and each ensuing fiscal year shall commence on the day following the ending date of the immediately preceding fiscal year as so determined.

ARTICLE IX.

Corporate Seal.

The corporate seal shall have inscribed thereon the name of the Company and the words "New York", arranged in a circular form around the words and figures "Corporate Seal 1913". In lieu of the corporate seal, when so authorized by the Board of Directors or a duly empowered committee thereof, a facsimile thereof may be impressed or affixed or reproduced.

ARTICLE X.

Amendments.

The Bylaws of the Company may be amended, added to, rescinded or repealed at any meeting of the stockholders by the vote of the holders of record of shares entitled in the aggregate to more than a majority of the number of votes which could at the time be cast by the holders of all shares of the capital stock of the Company then outstanding and entitled to vote if all such holders were present or represented at the meeting, provided notice of the proposed change is given in the notice of the meeting. The Board of Directors may from time to time, by vote of a majority of the Board, amend these Bylaws or make additional bylaws for the Company at any regular or special meeting at which notice of the proposed change is given, subject, however, to the power of the stockholders to alter, amend, or repeal any bylaws made by the Board of Directors.

EXHIBIT 11

COMPUTATION OF PER SHARE EARNINGS

BROWN GROUP, INC. AND SUBSIDIARIES

(Thousands, except per share)

	1993	1992	1991
PRIMARY			
Weighted average shares outstanding	17,270	17,132	17,070
Net effect of dilutive stock options based on treasury stock method using average market price	64	10	4
TOTAL	17,334	17,142	17,074
Earnings (loss) from continuing operations before accounting changes	$ (6,712)	$ 8,065	$ 15,439
Cumulative effect of accounting changes	(2,214)	--	(11,931)
Discontinued operations	(22,686)	(3,401)	256
Net Earnings (Loss)	$(31,612)	$ 4,664	$ 3,764
Earnings (loss) per share from continuing operations before accounting changes	$ (0.39)	$ 0.47	$ 0.90
Cumulative effect of accounting changes	(0.13)	--	(0.70)
Discontinued operations	(1.31)	(0.20)	0.02
Net earnings (loss) per share (1)	$ (1.83)	$ 0.27	$ 0.22
FULLY DILUTED			
Weighted average shares outstanding	17,270	17,132	17,070
Net effect of dilutive stock options based on treasury stock method using year-end market price, if higher than average market price	76	15	4

TOTAL	17,346	17,147	17,074
Earnings (loss) from continuing operations before accounting changes	$ (6,712)	$ 8,065	$ 15,439
Cumulative effect of accounting changes	(2,214)	--	(11,931)
Discontinued operations	(22,686)	(3,401)	256
Net Earnings (Loss)	$(31,612)	$ 4,664	$ 3,764
Earnings (loss) per share from continuingoperations before accounting changes	$ (0.39)	$ 0.47	$ 0.90
Cumulative effect of accounting changes	(0.13)	--	(0.70)
Discontinued operations	(1.31)	(0.20)	0.02
Net earnings (loss) per share (1)	$ (1.83)	$ 0.27	$ 0.22

(1) The dilutive effect of stock options was not included in weighted average shares outstanding for purposes of calculating earnings per share because dilution was less than 3% and not material.

1

BROWN GROUP, INC.

1993

ANNUAL

REPORT

2

CORPORATE OVERVIEW
BROWN GROUP, INC.

Brown Group, Inc. is a leading footwear company with worldwide operations in the sourcing, marketing and retailing of footwear for women, men and children. In 1993 the company announced the discontinuation of the Wohl Leased Shoe Department business, plans to close its Connie and Regal specialty stores, consolidation of the Brown Shoe Company and Pagoda organizations, and several other major steps to reduce overhead and excess manufacturing capacity. These changes represent the essential completion of a decade-long restructuring process which has:

* Developed powerful growth businesses in value-oriented footwear retailing -- Famous Footwear -- and in the global sourcing and marketing of footwear -- Pagoda;
* Reorganized and strengthened the branded footwear marketing and sourcing organization -- Brown Shoe Company -- and the Naturalizer specialty shoe store operation; and
* Discontinued or eliminated mature and declining Recreational Products, Specialty Retailing and Footwear operations.

The cost of these changes is reflected in the Financial Highlights below. When they are completed, in 1994, Brown Group's operating assets and activities will be concentrated in businesses with proven growth and earning power.

FINANCIAL HIGHLIGHTS
- --------------------
For the Fiscal Years Ended January 29, 1994 and January 30, 1993

<TABLE>

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Thousands, except per share	1993	1992
<S>	<C>	<C>
Net sales	$1,597,811	$1,481,644
Earnings (loss) from continuing operations before cumulative effect of accounting change	(6,712)	8,065
Earnings (loss) per common share from continuing operations before cumulative effect of accounting change	(.39)	.47
Dividends paid per common share	1.60	1.60
Stockholders' equity	233,863	288,988
Return on beginning stockholders' equity	(2.3)	2.6%
Return on average invested capital	(1.2)%	1.6%
Working capital	240,554	262,611
Current ratio	1.6:1	1.9:1

</TABLE>

CONTENTS

TO OUR SHAREHOLDERS

In 1993 Brown Group announced decisive steps to conclude a decade-long program through which the assets and operations of the corporation have been concentrated in footwear businesses with strong performance and high potential. During the decade, persistent unproductive investment, excessive overhead, and losses in declining businesses have been reduced or eliminated.

The 1993 steps included: the discontinuation of the Wohl Leased Shoe Department business; the closing of five shoe factories; the closing of more than 100 company-owned Connie and Regal specialty stores; consolidation of the company's Brown Shoe and Pagoda Divisions; and related reductions in corporate administrative staffing.

SUCCESSFUL REPOSITIONING: A DECADE'S PERSPECTIVE

During the past decade, Famous Footwear has been expanded from a newly acquired 36-store regional chain of discount shoe stores to the powerful 560-plus store operation it is today; Pagoda was acquired and developed into a unique highly profitable worldwide footwear sourcing and marketing organization, and Brown Group International was established to import quality branded footwear, and in 1993 merged into Pagoda.

At the same time as these businesses of the future were being assembled and developed, investment in mature and declining businesses was being reduced or eliminated. The company discontinued the Recreational Products and Leased Department businesses and withdrew from other declining or losing operations in Specialty Retailing and Footwear.

Since 1983, Brown Group has closed more than 2,400 retail stores and leased shoe departments and 24 shoe factories, sold or disposed of 110 businesses and brands, and disposed of more than $325 million in assets.

RECENT RESULTS REFLECT THE COST OF CHANGE
- ---

The price of these changes has been high -- more than $50 million in 1993; more than $20 million in 1992; and approximately $150 million during the decade. Results during each of the past two years have been severely depressed by charges related to these structural changes.

In 1993 Brown Group reported a loss from continuing operations of 39 cents per share after charges of $1.71 per share; in 1992 earnings of 47 cents per share after charges of 87 cents per share, also related to plant and store closings and inventory liquidation, were reported. The company's net loss in 1993 was $1.83 per share compared to net earnings of 27 cents per share in 1992. These results principally reflect the impact of charges related to the structural changes described previously.

Although these charges have severely reduced earnings, the withdrawal from asset-intensive declining businesses has created positive cash flow throughout the decade which has supported investment in Pagoda and Famous Footwear, and allowed a return of capital to shareholders through continuation of the company's dividend.

The extended restructuring is now essentially completed. The value to our operations and our shareholders is clear, and will be confirmed by our performance in the future.

OPERATING PERFORMANCE IN 1993: PROMISE FOR THE FUTURE
- ---

The businesses of Brown Group's future performed very well overall in 1993.

Famous Footwear's sales increased 32 percent, to $491 million and operating earnings increased 33

percent to $43 million. Same-store sales increased by 9 percent and return on invested capital was 20 percent. Famous Footwear added 90 stores to the chain and operated 567 at year-end; this company plans to operate more than 700 stores by year-end 1994 and also plans continuing substantial gains in sales and earnings. The value premise -- "Brand Name Shoes for Less," very efficient operations, and the proven success of Famous Footwear offer outstanding promise for the '90s.

Brown Group's International Operations -- Pagoda U.S.A., Pagoda International, and Pagoda Trading -- also made impressive progress in 1993. Sales, including sales to affiliates, increased 23 percent to $613 million, making Pagoda one of the world's leading suppliers of imported footwear. Operating earnings increased 37 percent to $20 million. The successful merger of Brown Group International into Pagoda was completed early in 1993; Pagoda U.S.A. introduced the Revelations and Penaljo brands to their customers, and the marketing of the Dr. Scholl's and Disney character licensed brands also was highly successful. Pagoda's unique worldwide sourcing capabilities have enabled it to become very well positioned for the increasingly value-conscious footwear consumer.

The performance of the Brown Shoe Company declined in 1993; overhead cost reductions and organization changes were made and plant closings were planned and paid for to improve its prospects for 1994 and beyond. Sales, including sales to affiliates, decreased by 14 percent to $377 million and the business operated at a loss for the year. Sales of the Naturalizer brand in the specialty stores and department stores were good, however, as the NC 2000 line of comfort shoes was well-received. The Life Stride brand also performed very well, but losses in the Connie operations were substantial, and the decline of the Wohl Leased Department business, a substantial internal customer, also adversely affected Brown Shoe's results.

CONSOLIDATION OF BROWN, PAGODA, AND NATURALIZER RETAIL
- --
In January 1993 Brown Group's Board of Directors elected Thomas A. Williams as a Corporate Vice President, responsible for all of the company's footwear wholesale operations, including Pagoda, of which he had been Chairman, and Brown Shoe Company, of which he was named President. The Naturalizer retail operation also now reports to Mr. Williams. His leadership has helped to build Pagoda its strong position in worldwide footwear sourcing and marketing. Under the restructuring program being carried out in 1994, Mr. Williams will lead the consolidation of Brown Shoe's administrative activities -- systems, accounting, distribution, and personnel -- with those of Pagoda and Brown Group's corporate staff.

The Naturalizer retail organization also is now directly aligned with the Naturalizer wholesale business, providing opportunities for much better performance. These restructuring changes, being made in 1994, should enable the company to achieve substantial expense reductions, which will contribute importantly to the rebuilding of Brown Shoe's earnings power, the growth of Pagoda, and the success of the Naturalizer business.

With these changes, the corporation also announced the planned relocation of the Pagoda headquarters operations to Brown Group's St. Louis headquarters facility in 1994.

CLOTH WORLD: COPING WITH DIFFICULT INDUSTRY CONDITIONS
- --
Cloth World, the corporation's fabric retail business, reported flat sales of $224 million in 1993 and a 54 percent decrease in operating earnings to about $4 million. In an extremely difficult year in the retail fabric business, this performance reflects progress in

controlling costs and strengthening the organization. As a part of our fourth quarter restructuring announcement, it was disclosed that Brown

Group is undertaking a strategic review of Cloth World to develop a plan to achieve the greatest value for the corporation from this business.

SHAREHOLDER PERSPECTIVE: SOLID TOTAL RETURNS
- ---

Investors have recognized the value of the changes Brown Group has made. The emerging earning power of Famous Footwear and Pagoda, the "turn-around" potential at Brown Shoe, and the dividend made possible by strong cash flow from investment reduction and discontinuation of mature and losing businesses, have supported the investment value of the company well.

- --

Compound Annual Rates of Total Return to Shareholders

<TABLE>
<CAPTION>

			5 Year		
	5 Yr.	4 Yr.	3 Yr.	2 Yr.	1 Yr.
<S>	<C>	<C>	<C>	<C>	<C>
Brown Group	6.41	17.90	19.35	22.48	26.00
"Peer" Group	3.36	1.65	-0.32	-15.85	-18.23
Broad Index	13.69	13.50	15.25	11.71	12.88

			15 Year		
	15 Yr.	12 Yr.	8 Yr.	4 Yr.	1 Yr.
Brown Group	15.89	13.35	5.66	17.90	26.00
"Peer" Group	11.96	11.92	6.81	1.65	-18.23
Broad Index	15.63	16.52	14.49	13.50	12.88

</TABLE>

- --

As the table above confirms, the compound annual rate of total return to Brown Group shareholders was higher than that of "Peer" companies (as characterized in the Proxy Statement) in each of the past five years, and higher than the Standard and Poor's broad index in four of the five years.

Taking a longer view, the compound annual rate of total return to shareholders for the past 15 years has been 15.89 percent, modestly higher than that of the Standard and Poor's broad index for the same period. During this 15-year period every investor who purchased the stock (at a quarter-end) and held it through year-end 1993, has seen the value of his or her investment increase.

An assessment of the shareholders' perspective at this time is appropriate, because the changes in 1993 mark the end of the evolutionary restructuring of Brown Group. The company is now solidly positioned in the businesses of the future. We will continue to seek the greatest value to our shareholders from Cloth World, but with this exception the extended period of divestiture and consolidation is completed.

1994 will be a year of transition as we carry out the changes we have planned. The process of downsizing and restructuring entails job loss, and the human costs of the changes we have made are considerable. It will continue to be our policy and our practice to deal with those adversely affected by the changes with understanding and compassion.

But the company will not compromise in completing these changes in 1994, and as they are carried out, Brown Group's performance should strengthen.

In 1995 Brown Group should be a $2 billion corporation with the market position, organization, investment and cost base, sourcing capability and earning power to support profitable expansion and continuing increased total returns to our shareholders.

/s/ B.A. Bridgewater, Jr.

B. A. Bridgewater, Jr.
Chairman of the Board, President
and Chief Executive Officer

April 20, 1994

FAMOUS FOOTWEAR

Famous Footwear, the largest chain of branded family shoe stores in the United States, is well-positioned to answer today's consumer demand for branded family footwear at value-oriented prices. This company continues to turn in impressive financial results. In fiscal 1993, sales were $491 million, up 32 percent over 1992, and operating earnings increased significantly.

Famous Footwear is headquartered in Madison, Wisconsin and has a 30-year history of selling "brand names for less." Acquired by Brown Group in 1981 when it was a 36-store regional chain, this business now operates 507 Famous Footwear stores, 15 family shoe stores and 45 women's footwear outlet stores throughout the United States. Typical Famous Footwear stores are located in strip shopping centers or outlet malls and average 5,000 square feet. The stores offer men's, women's and children's shoes at prices that are generally 10 to 40 percent below list price. Athletic footwear makes up more than 40 percent of total sales.

SOLID INFRASTRUCTURE

Famous Footwear's history of success can be attributed to its solid infrastructure of management, systems and distribution capabilities that will continue to support its rapid and profitable growth into the next century. The company boasts a state-of-the-art distribution center, located near Madison. Including its mezzanine level, the distribution center contains 750,000 square feet, including a 220,000 square foot addition built during fiscal 1993. It has the capacity to ship 1.2 million pairs of shoes weekly. During 1993, the company began the roll-out of an in-store interactive information system, reorganized its merchandising departments, and added new leadership. Ms. Jo Ann K. Day was named Vice President of Human Resources, Peter T. Murray was named Chief Financial Officer, Richard P. Kuether was named Vice President of Logistics and David L. Schemery was named Vice President of Manufacturing and General Manager of Famous Fixtures, a rapidly expanding subsidiary.

- --------------------------------

Number of Famous Footwear Stores

1993 -- 567
1992 -- 477
1991 -- 353
1990 -- 304
1989 -- 257

- --------------------------------

FUTURE SUCCESS
- --------------

With its solid infrastructure in place, Famous Footwear has the capability to continue to grow in sales and earning power in the branded footwear retail industry. The company plans to add a net of 150 stores in 1994, with sales expected to increase to more than $600 million.

PAGODA
- ------

Pagoda is Brown Group's global marketing and sourcing organization, operating three primary divisions: Pagoda U.S.A. and Pagoda International, which are marketing organizations; and Pagoda Trading, which is the worldwide sourcing operation created by the merger of Brown Group International and Pagoda's importing organization early in 1993. Pagoda's sales, including sales to affiliates, in 1993 reached $613 million, and operating earnings also increased. Today, Pagoda continues to grow, taking advantage of its considerable ability to meet the needs of retailers and wholesalers of both popular-priced and better-grade footwear. The company has strong factory relationships, sourcing flexibility that is the industry standard, and a long-standing reputation for providing superior value, quality and service.

- ---

Pagoda Brands

Air Step
Barbie for Girls 1
Brittania 2
Buster Brown

Donnay 3
Dr. Scholl's 4
DeLiso
Disney 5
Fanfares
The Flintstones 6
G. I. Joe 7
Jordache 8
Penaljo
Playskool 9
Reed St. James 10
Revelations
Rookie League 11
Wildcats

Other licensed brands

- --

1 Under license from Mattel, Inc.
2 Under license from Levi Strauss & Co.
3 Under license from Donnay International, S. A.
4 Under license from Schering-Plough HealthCare Products, Inc.
5 Under license from Walt Disney Productions, Inc.
6 Under license from MCA/Universal Merchandising, Inc. and Turner Home Entertainment, Inc.
7 Under license from Hasbro, Inc.
8 Under license from Jordache Enterprises, Inc.
9 Under license from Playskool, Inc.
10 Under license from Haggar Apparel Company
11 Under license from Major League Baseball Properties, Inc.

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PAGODA U.S.A.

- -------------

The Pagoda U.S.A. division markets branded and unbranded footwear to an extensive network of both mass-merchandise and mid-tier shoe stores throughout the country. The company operates five divisions: Women's; Children's; Men's; Athletics; and the Westport division, providing DeLiso, Fanfares, Penaljo and private label footwear to mid-tier retailers and department stores. Branded shoes account for about 60 percent of Pagoda U.S.A.'s sales, up from 24 percent in 1990. This reflects the company's emphasis on expanding its selection of branded footwear and strengthening its distribution to better-grade shoe stores and other retailers.

The Dr. Scholl's licensed brand was very successful for Pagoda U.S.A. in 1993. National attention was paid to the return of the Dr. Scholl's exercise sandal, and the other Dr. Scholl's styles for men and women also performed very well. The company expects this success to continue in 1994. In 1993, Pagoda signed a licensing agreement to design and market shoes featuring characters from The Flintstones, just in time for the 1994 release of the Steven Spielberg film featuring the same zany stone-age characters. Another exciting movie Pagoda U.S.A. is set to capitalize on is the 1994 release of Disney's newest animated film, The Lion King.

Pagoda U.S.A. continues to develop opportunities to expand its selection of popular brands and to maintain its position as one of the leading distributors of footwear in the country.

PAGODA INTERNATIONAL
- --------------------

Through its Pagoda International division, the company is well-positioned to take advantage of the growing global footwear market, selling branded footwear in Europe, Latin America and the Far East. Pagoda International operates marketing offices in Hong Kong; Paris, France; Sao Paulo, Brazil; and also markets footwear in Mexico and Latin America through its St. Louis headquarters offices. The ability to market internationally recognized licensed brands and proprietary brands of footwear globally is bringing momentum to Pagoda International. The company markets chil-

dren's shoes featuring Disney characters throughout the world. It markets the popular Donnay athletic brand in Europe, and is expanding the distribution of the Buster Brown and Naturalizer brands worldwide. The company continues to build this business by providing other popular brands to its customers. Mexico will become an important market to Pagoda International as it supplies its brands to the American retailers expanding into Mexico as well as continuing to supply Mexican retailers.

PAGODA TRADING
- --------------

Pagoda Trading sourced 81 million pairs of shoes in 1993, making it one of the world's leading suppliers of imported footwear for men, women and children. The company operates sourcing offices in Brazil, Italy, Taiwan, Korea, Poland, Indonesia, China and Hong Kong, sourcing footwear from many of these countries and from Uruguay. In 1993, Pagoda Trading continued to expand its sourcing network, establishing additional factory relationships to supply footwear from the Czech Republic, Vietnam, the Philippines and Bangladesh. Pagoda Trading will begin supplying footwear from these countries in 1994.

Through its diverse sourcing capabilities, Pagoda Trading is able to ensure continuity of supply while meeting its customers' quality, price, style and delivery needs. The company ships footwear all over the world, including to U. S. customers as well as those served by the Pagoda International division. The company employs foreign national management in its sourcing offices to work with the factories and sales organizations to understand the needs of the various customers it serves throughout the world and to ensure those needs are met.

BROWN SHOE COMPANY
- ------------------

Brown Shoe Company is a leading marketer of branded women's footwear. For fiscal 1993, the company reported sales, including sales to affiliates, of $377 million, but operated at a loss for the year. The changes announced in 1993, including the closing of several shoe factories and the reduction of overhead, will strengthen Brown Shoe Company's operations and prepare it for more profitable growth in the future.

FOCUS ON BRANDS

- ---------------

During 1993, the company continued to focus on its four major brands -- Naturalizer, Life Stride, Connie and NaturalSport -- which are sold in leading department stores, footwear specialty stores and family footwear stores throughout the country. In 1993, Brown Shoe Company introduced improvements in the product and styling of each brand to appeal to the needs of today's consumer. The updated styling included an enhanced selection of casual shoes, wovens and new materials.

- --

Number of Independently Operated U.S. Naturalizer Stores

1993 -- 231
1992 -- 316
1991 -- 333
1990 -- 339
1989 -- 350

- --

Naturalizer is the most recognized women's footwear brand in the U.S. Women choose Naturalizer for its comfort and fit characteristics, large selection of sizes and widths, quality and style. This moderately priced brand performed very well in 1993, continuing to lead the comfort market. The NC 2000 line with enhanced comfort technology in both dress and casual styles was introduced in 1992 and performed very well in 1993. Brown Shoe Company has introduced new styling and comfort technologies to this line, and the consumer response has been very strong. The independently operated Naturalizer shoe stores performed particularly well during the year and continue to be an important distribution channel for the brand.

Life Stride also is among women's top brand choices. It ranks seventh in awareness among all women's brands. Life Stride features contemporary, fashion-right styling at price points starting around $30. The target consumer for Life Stride is the younger career woman, although the shoes appeal to a broad range of consumers looking for the right combination of fashion and value. Life Stride's increasing selection of casual shoes has sold well. The brand's Night Life evening shoe styles and its Soft System line with extra comfort features also are popular.

Connie features more updated styling with moderate pricing in the $40 to $55 range. This brand offers good value in freshly styled leather footwear. The Connie consumer appreciates the brand's reputation for style, quality and value. The company also has focused on increasing the selection of casual styles for the Connie brand to meet the needs of the consumer looking for footwear to complement the more casual influence in ready-to-wear.

NaturalSport meets the needs of women looking for both fitness and high-performance walking shoes as well as comfort casuals. The brand continues to grow, with strong trade and consumer acceptance. NaturalSport recently launched its new line of shoes featuring the exclusive Cradle technology and supporting marketing program. The new Cradle technology is a product innovation that already has proven successful. The supporting marketing program helps to educate the consumer to make the right choice for her walking needs depending on the intensity level at which she walks.

- -------------------------

Brown Shoe Company Brands

- Connie
- Life Stride
- Naturalizer
- NaturalSport

- -------------------------

QUALITY AND VALUE

- -----------------

Brown Shoe Company brands are recognized for their moderate pricing and high quality, comfort and fit characteristics. Brown Shoe continues to operate five U.S. plants, primarily producing the Naturalizer brand. In addition, the company works

closely with Pagoda Trading to import shoes that meet its customers' value, quality and delivery needs. The ability to source footwear from around the world allows Brown Shoe Company the flexibility to provide a wide range of styles at various price-points.

The company has organized its marketing and customer service efforts around its three primary channels of distribution -- department stores, specialty stores and family shoe stores. This allows Brown Shoe Company to provide service directed to the distinct needs of each group of customers.

In an ongoing effort to serve better the needs of its customers in each channel of distribution, the company continually develops its Electronic Data Interchange and Quick Response capabilities. These technologies enable customers to communicate directly with Brown Shoe Company for efficient and timely order placement and replenishment.

NATURALIZER RETAIL

- ------------------

Brown Group operates 367 company-owned Naturalizer specialty stores in major malls and shopping centers throughout the United States. These stores present the company's flagship brand -- Naturalizer. The restructuring announced in 1993 aligned the Naturalizer retail division with the Naturalizer wholesale division, providing the opportunity for more closely coordinated brand positioning.

The company's Naturalizer retail stores are important distribution channels for both the Naturalizer and NaturalSport brands. Women know that they can find the widest selection of styles and sizes of these brands at Naturalizer stores. Targeted marketing and customer service programs enhance the consumer's experience when shopping at Naturalizer stores. These stores help maintain Naturalizer's position as the most recognized women's shoe brand in the country.

- ---

Number of Company Operated U.S. Naturalizer Stores

1993 -- 367
1992 -- 355
1991 -- 384
1990 -- 382
1989 -- 360

- ---

CANADIAN OPERATIONS

- --------------------

The company's Canadian operations comprise the retailing, manufacturing and wholesaling of footwear for men, women and children. Sales in 1993 for the Canadian operations were $66 million collectively and operating earnings increased. Brown Shoe Company of Canada, Ltd. operates two footwear production facilities in Canada and wholesales footwear to department stores, specialty stores and family shoe stores throughout Canada. Naturalizer is a leading brand in Canada and is sold through 83 company-owned Naturalizer stores, 57 independently operated Naturalizer stores, as well as through department stores and other fine retailers. The company also operates the F. X. LaSalle

chain of 15 better-grade shoe stores and four Famous Footwear stores in Canada.

Operations during 1993 improved dramatically as retail sales grew with solid store-for-store gains and the net addition of seven Naturalizer stores and one F. X. LaSalle store. This sales growth, coupled with continued efficiency improvement programs and asset control efforts, resulted in major profit improvements for the Canadian wholesale, retail and manufacturing operations.

- --------------------------

Number of Canadian Stores
Naturalizer
1993 -- 83
1992 -- 76
1991 -- 73
1990 -- 69
1989 -- 53
F. X. LaSalle
1993 -- 15
1992 -- 14
1991 -- 14
1990 -- 13
1989 -- 11

- --------------------------

In 1994, the company will mark the 100th anniversary of the F. X. LaSalle chain in Canada. Jean-Guy Vaudry recently was named President of the company's Canadian retail operations, replacing Guy Vincent who announced his retirement after a 32-year career in the footwear retail industry.

CLOTH WORLD

- -----------

Cloth World is a 340-store chain of retail stores featuring quality apparel fabrics, home decorating, soft crafts and sewing supplies at competitive prices. Cloth World is the fourth largest retail fabric chain in the United States; its sales increased to $224 million in fiscal 1993, while operating earnings declined. The retail fabric industry in 1993 experienced its third consecutive difficult year, with many competitors reporting losses for the year. The difficulties have been the result of a shrinking demand for apparel and the related competitiveness of the ready-to-wear industry as well as excess fabric store capacity. In light of the overall industry conditions, the performance of Cloth World reflects very good navigation through some difficult times, and good positioning for future success.

GROWTH AREAS

Cloth World was acquired by Brown Group in 1970 when it had only 14 stores. Cloth World stores average 12,000 square feet and are located in strip centers. The company also operates a 300,000 square foot distribution center in Amarillo, Texas. Fabrics for home sewing account for more than half of total sales at Cloth World. The company's home decorating and soft craft merchandise departments have been successful and represent future areas of growth and profit potential for Cloth World.

Number of Cloth World Stores

1993	340
1992	354
1991	322
1990	316
1989	316

In 1994, Cloth World will focus on offering the best value to its customers. This means continued emphasis on expense control, while offering the greatest selection of sewing, home decorating and craft merchandise. In the value-conscious '90s, Cloth World has positioned itself as a leading fabric retailer that the consumer can rely on for value and selection. Despite the overall industry conditions, Cloth World will continue to offer the consumer the value and shopping convenience she wants.

FINANCIAL STATEMENTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

1993 Compared to 1992

The financial results for both 1993 and 1992 reflect the impact of unusual business changes. In January 1994, the corporation announced a series of restructuring initiatives, which included plant, office and store closures; consolidation of Brown Shoe Company and Pagoda; and corporate and divisional staffing reductions, and provided for additional environmental monitoring costs at its closed tannery, which resulted in an aftertax charge to earnings from continuing operations of $29.5 million. Also in January 1994, the corporation announced plans to discontinue and withdraw from the Wohl Leased Shoe Department business, which resulted in an aftertax charge of $24.4 million to net earnings. The corporation implemented the Statement of Financial Accounting Standards (SFAS) #112, "Employers' Accounting for Postemployment Benefits," in 1993. This change in accounting principle resulted in a charge to earnings in 1993 of $2.2 million. Earnings for 1992 included aftertax charges of $14.8 million related to plant closures, inventory liquidation, and the closing of the corporation's tannery in Gowanda, New York.

Brown Group's sales of $1.60 billion in fiscal 1993 were 8% higher than the $1.48 billion in fiscal 1992. A loss of $6.7 million in 1993 from continuing operations, before the cumulative effect of an accounting change, compares to earnings from continuing operations in 1992 of $8.1 million. A net loss of $31.6 million in 1993 compares to net earnings of $4.7 million in 1992.

Sales of the Footwear Segment increased 9% in 1993 compared to 1992. Operating earnings for the segment were $11.9 million in 1993 compared to $28.5 million in 1992. Operating earnings for 1993 and 1992 included pretax charges of $45.4 million and $22.4 million, respectively, which were discussed above, and relate to the Brown Shoe and Wohl Shoe Companies.

Famous Footwear had another record year in which total sales increased 32% and 9.3% on a store-for-store basis. Operating earnings increased 33% to $43.1 million in 1993 compared to 1992. For the second consecutive year, this business has had an aftertax return on invested capital of approximately 20%. There was a net addition of 90 stores during the year, bringing the total number of stores to 567. To accommodate growth, the company's distribution center was expanded in 1993. Plans for 1994 provide for continued growth of this business through a net addition of 150 stores.

Pagoda, Brown Group's international marketing and sourcing operation, also continued its trend of sales and earnings growth. Sales increased 16% and operating earnings increased 37% due to increased volume and expense leverage. The continued growth of this business is primarily driven by the success of licensed footwear, in particular, footwear marketed under the Dr. Scholl's and Disney character brands sold primarily to large mass-merchandisers. During 1993 Pagoda introduced the Penaljo and Revelations brands. Also in 1993, this division successfully completed the merger of Brown Group International into Pagoda. This consolidation will strengthen sourcing capabilities and improve operating efficiencies.

Brown Shoe Company's sales declined 16% in 1993, reflecting lower shipments of the company's branded product. This business was unprofitable for the second consecutive year. Included in results for 1993 are charges to further reduce capacity and overhead costs, and to provide for additional ongoing environmental compliance costs at the company's closed tannery. The 1993 charge provided for the closing of five manufacturing facilities in 1994. In 1992, charges were recorded for the closing of three factories, a warehouse, and the company's tannery. These closures reflect the ongoing shift from domestically manufactured to imported product. The remaining domestic manufacturing capacity will be primarily supporting the "quick response" business of the Naturalizer brand. In January 1994, it was announced that Brown Shoe will be consolidated with Pagoda, which should improve efficiencies and contribute to Brown Shoe operating profitably in 1994.

Wohl Shoe Company (excluding Leased Departments, which are included in Discontinued Operations) consists of the Naturalizer, Connie, and Regal concept stores. Sales for the concept stores decreased 3% in 1993 and the company recorded a substantial loss. Included in results for 1993 are charges for the closure of more than 100 company-owned Regal and Connie shoe stores. These two chains have experienced declining performance for the past several years. The Naturalizer stores, which had been operated by Wohl Shoe Company, will be aligned with the Naturalizer wholesale division of Brown Shoe Company in 1994. Total sales for Naturalizer stores increased 10% in 1993 and 1.6% on a store-for-store basis. There was a net addition of 12 stores during the year, bringing the total number of stores to 367.

In January 1994 the corporation adopted a formal plan to withdraw from the Wohl Leased Shoe Department business, which involves the management of shoe departments in department stores. Most of the leases are cancelable after a period of notice by either party and the corporation expects to complete most of the withdrawals by the end of 1994. The $34.8 million pretax

charge for the estimated costs of exiting the business, which is reflected as discontinued operations in net earnings, consists of the following:

* Charges of $14.6 million for asset writeoffs associated with leasehold improvements and headquarters facility closure;
* Inventory writedowns and results of operations during the phaseout period of $7.2 million;
* Charges of $8.5 million for severance and benefit costs; and
* Other fees and costs of $4.5 million.

Non-cash writeoffs included in these charges totaled approximately $14.6 million. The remaining $20.2 million of discontinued operations charges will impact cash flow in the third and fourth quarters of fiscal 1994 and may extend into the first quarter of fiscal 1995. The liquidation of this business will generate positive cash flow, which will be reinvested in the corporation's more profitable businesses and used to pay down debt.

The restructuring initiatives and additional environmental provisions, which were announced in January 1994, resulted in a $45.4 million pretax charge to Footwear Segment earnings and consisted of the following:

* Charges of $13.3 million for asset writeoffs associated with the disposal of five manufacturing facilities of Brown Shoe Company and over 150 shoe stores currently operated by Wohl Shoe Company;

* Charges of $10.4 million related to lease buyouts and termination costs for retail store closures and leased machinery from closed manufacturing facilities;

* Inventory writedowns of $7.9 million to liquidate store inventories;

* Charges of $8.8 million for severance and benefit costs for those employees terminated due to plant and store closures, consolidation of Pagoda and Brown Shoe Company and reduction of headquarters staffing; and

* Provision of $5.0 million for additional environmental monitoring costs at the corporation's closed tannery.

Non-cash writeoffs included in the above charges totaled approximately $13.3 million. The remaining $27.1 million of restructuring charges will impact cash flow in the second through fourth quarters of fiscal 1994 and may extend into the first quarter of fiscal 1995. Once completed in late fiscal 1994 or early fiscal 1995, the restructuring will result in lower overhead expenses at Brown Shoe Company and Pagoda. More importantly, it will generate positive cash flow, which will be reinvested in the corporation's profitable and expanding Famous Footwear and Pagoda businesses and used to partially pay down debt. The impact on cash flow of environmental costs is discussed later.

Canadian retailing sales increased 9% in 1993 and 6.8% on a store-for-store basis. Earnings also improved in 1993 through increased sales, improved margins, and leveraging of expenses. With the net addition of eight stores in 1993, this chain now operates 102 stores. The Canadian manufacturing/wholesaling operation also had improved results in 1993 despite a sales decline of 10%. This operation returned to profitability after recording a slight loss in 1992. The improved results were due to improved margins and lower bad debt expense.

Sales for the Cloth World chain of fabric stores were flat in 1993 with store-for-store sales decreasing 1.6%. The company operated 340 stores at year-end, which is 14 stores fewer than at fiscal year-end 1992. Operating earnings decreased to $3.9 million in 1993 from $8.4 million in 1992. Earnings were once again negatively impacted by the continued promotional retail fabric environment. However, Cloth World continues to be profitable in this very difficult environment.

The 4.6% increase in Brown Group's interest expense in 1993 reflects increased borrowing levels to fund growth at Famous Footwear and Pagoda partially offset by lower interest rates.

The corporation's effective tax rate in 1993 was 43.2% compared to 16.1% in

1992. For a reconciliation of these rates compared to the statutory rate, see Note 5 to the consolidated financial statements.

The corporation has an overall net deferred tax asset of $41 million at January 29, 1994, which relates primarily to differences in book and taxable income arising from discontinued operations reserves, restructuring charges, and normal recurring operations (e.g., inventory valuation reserves and adjustments, and employee benefit accruals). No valuation allowance is considered necessary as management believes it is more likely than not that the deferred tax asset will be realized through a combination of (1) the carryback to prior years of the net operating loss generated as executed transactions cause the deductions to be recognized and (2) the offset of the deductions against taxable income produced in the normal course of business in subsequent periods. Management also has available certain tax planning strategies, which, if implemented, could fully consume the net deferred tax asset after the above described utilization. Management will continue to evaluate the realizability of the deferred tax asset.

1992 Compared to 1991
- ---------------------

Brown Group's sales of $1.48 billion for fiscal 1992 were 4% higher than the $1.42 billion for fiscal 1991. Earnings from continuing operations of $8.1 million in 1992 compare to earnings from continuing operations before the cumulative effect of accounting changes in 1991 of $15.4 million. The 1992 earnings from continuing operations were negatively impacted by approximately $14.8 million of aftertax charges related to factory closings and overhead reduction at Brown Shoe Company and inventory liquidation at Wohl Shoe Company. Net earnings, after reflecting discontinued operations and cumulative accounting changes from the adoption of new accounting pronouncements for postretirement health and life insurance benefits and income taxes, were $4.7 million in 1992 and $3.8 million in 1991.

Sales of the Footwear Segment increased 4% in 1992 compared to 1991. Operating earnings for the segment were $28.5 million in 1992 compared to $38.1 million in 1991. Included in Footwear Segment operating earnings for 1992 are pretax charges discussed above totaling $22.4 million.

Famous Footwear had a record year for both sales and earnings. Total sales increased 39% and 13.4% on a store-for-store basis. There was a net addition of 124 stores during 1992. Operating earnings nearly doubled to $32.3 million in 1992 compared to 1991.

Pagoda's sales increased 20% and operating earnings increased 22% in 1992. These increases were primarily driven by the success of women's, men's and children's licensed footwear.

Brown Shoe Company's sales and earnings declined in 1992, reflecting the continued financial distress of many of its independent customers and the continued shift from domestically manufactured to imported product. Sales of both branded and private label footwear were negatively affected. Earnings were negatively impacted by additional charges for capacity and overhead reductions. Decisions were made to close three factories, a warehouse, and the company's tannery, further reduce office staff and make organizational changes. As a result of these charges, a loss was recorded for 1992.

Wohl Shoe Company's concept store sales decreased $30 million or 15% in 1992, reflecting store-for-store sales declines and a net reduction of 98 stores. Earnings were significantly impacted by charges to reduce inventories, which resulted in a loss for 1992. Earnings for Naturalizer and Connie stores, despite savings from ongoing cost reduction efforts, continued to be negatively impacted by promotions and lower sales.

The $22.4 million of nonrecurring pretax charges recorded by the Footwear Segment in the first quarter of 1992, which were previously discussed, consisted of the following major components: $3.0 million for employee severance costs related to factory closings and overhead reduction at Brown Shoe Company; $5.8 million to cover inventory liquidation at Wohl Shoe Company; $9.6 million for the closing and disposal of three Brown Shoe Company factories, a warehouse, and the corporation's tannery; and $4.0 million for the writeoff of machinery no longer used in production. Non-cash writeoffs included in these charges totaled approximately $7.8 million. Expenditures negatively impacting cash flow in 1993 and 1992 totaled approximately $5.5 million and $8.3 million, respectively, primarily for closure of the tannery and inventory liquidation costs. The balance of these charges that will be expended in fiscal 1994, excluding environmental costs discussed separately, totals $.8 million.

The Canadian retailing operation achieved a 3% store-for-store sales gain. Earnings increased from the loss incurred in 1991 to a slight profit in 1992 ending the year with 94 retail shoe stores. The Canadian manufacturing/wholesaling operation had a difficult year as a result of the recessionary economic climate in Canada and continued pressure from imported footwear. The poor economy led to the bankruptcies of several large customers, increasing bad debt expense in 1992. Both sales and earnings decreased in 1992 resulting in a loss for the year.

The Cloth World chain of fabric stores recorded an overall sales increase of $4 million with a net increase of 32 stores during 1992. However, same-store sales declined by 2%. Operating earnings decreased to $8.4 million from $12.1 million in 1991. Earnings were negatively impacted by lower margins, which resulted from a difficult and promotional fabric retail environment.

The 5.2% increase in Brown Group's interest expense in 1992 reflected increased borrowing levels required to fund the growth of Famous Footwear.

The corporation's effective tax rate in 1992 was 16.1% compared to 29.6% in 1991. For a reconciliation of these rates compared to the statutory rate, see Note 5 to the consolidated financial statements.

IMPACT OF INFLATION

The effects of inflation have been minor over the past few years and are not expected to have a significant impact in the foreseeable future.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL

The capital required for the continued growth at Famous Footwear and Pagoda could not be totally funded by operations in 1993. As a result, the corporation increased its total debt to $289 million at the end of fiscal

1993 from $232 million at the end of fiscal 1992. Accordingly, the corporation's ratio of total debt to total capitalization increased to 55.3% at the end of 1993 from 44.5% at the end of 1992. This ratio was also negatively impacted since charges for restructuring and discontinued operations were reflected in 1993 net earnings while the positive cash flow from these activities, which will be partially used to reduce debt, will not be reflected until 1994.

Working capital at the end of 1993 was $241 million, which was lower than the $263 million at the end of 1992. As a result, the corporation's current ratio, the relationship of current assets to current liabilities, decreased to 1.6 to 1 from 1.9 to 1 at the end of 1992. These decreases are primarily due to cash used by operating activities, such as increases in inventories for new stores at Famous Footwear, which was partially offset by an increase in trade accounts payable. Accounts receivable decreased in 1993 primarily as a result of lower sales at Brown Shoe Company. Prepaid expenses and other current assets increased as a result of current deferred tax assets related to restructuring reserves. These reserves are reflected in various accounts but primarily in accrued employee compensation and benefits and other accrued expenses.

Cash used by investing activities was primarily for capital expenditures in 1993 of $30.2 million compared to $22.2 million in 1992. The 1993 capital expenditures were primarily for the opening of new retail stores, expansion of the Famous Footwear distribution center, and the remodeling of existing retail units. Capital expenditures for 1994 are planned to be slightly higher than in 1993 and will consist primarily of store openings and system improvements at Famous Footwear.

Expenditures required in 1994 related to the corporation's restructuring and discontinued operations will be more than offset by cash generated through associated asset sales and inventory and accounts receivable liquidations. It is expected that the excess cash generated by these changes and improved operations in 1994 will enable the company to continue to fund the growth at Famous Footwear and Pagoda while reducing overall debt levels. Although borrowing levels are currently higher than in the past, the corporation's current borrowing capacity is more than adequate to fund all operational needs.

To fund short-term working capital needs, the corporation issues commercial paper, which is rated A-2 by Standard and Poor's Corporation and P-2 by Moody's Investor Service. In addition, the corporation maintains lines of credit totaling approximately $230 million.

Financing activities reflect an increase in notes payable and a decrease in current maturities of long-term debt, which is partially due to the rearrangement of $75 million of the corporation's long-term debt. During 1992, the corporation took steps to rearrange its debt structure to take advantage of lower interest rates. In January 1993 the corporation issued $50 million in 6.47% senior notes to partially refinance its $75 million

8-1/8% debentures that were originally due in 1996. In the interim period, prior to redemption, these proceeds were used to reduce short-term commercial paper borrowing. In April 1993 the corporation called for redemption of these debentures. They were paid with proceeds from the issuance of commercial paper.

DIVIDENDS

Brown Group paid a dividend of $1.60 per share in 1993, which was the same as in 1992, and marked the 71st year of consecutive quarterly dividends.

ENVIRONMENTAL MATTERS

The corporation is involved in environmental remediation and ongoing compliance at its closed New York tannery site and two associated landfill locations. In fiscal 1992 the corporation provided $1.7 million for remediation costs. Due to a change in the expected holding period of the property, an additional $6.6 million was charged to earnings in fiscal 1993 to provide for additional remediation costs and future environmental compliance costs. This additional charge included $5.0 million which was recorded in conjunction with restructuring charges in January 1994. Environmental compliance costs include maintenance and operating costs with respect to pollution control facilities, cost of ongoing monitoring programs, and similar costs. Based upon current environmental regulations, the corporation has estimated the remaining remediation costs to be approximately $.7 million, which will be expended in fiscal 1994, and future environmental compliance costs to be approximately $4.6 million, which will be expended over the next 30 years. These amounts have been accrued and are reflected in the corporation's January 29, 1994 Balance Sheet.

In addition to the tannery site, the corporation has been identified as a potentially responsible party by various federal and state authorities for remediation at certain other landfills. The corporation is one of many parties involved at these sites. The corporation's involvement relates to the disposal of solvents and other by-products of the corporation's closed tannery and shoe manufacturing facilities. Based upon current information available as to the corporation's ultimate liability related to these sites, it is estimated to be in the range of $.4 million to $.7 million. At January 29, 1994, $.5 million has been accrued to cover these costs.

FIVE YEAR SUMMARY

<TABLE>
<CAPTION>

Thousands, except per share	1993 (52 weeks)	1992 (52 weeks)	1991 (52 weeks)	1990 (52 weeks)	1989 (53 weeks)
<S>	<C>	<C>	<C>	<C>	<C>
Operations					
Net sales	$1,597,811	$1,481,644	$1,422,345	$1,429,939	$1,446,471
Cost of goods sold	1,041,096	959,879	924,107	919,987	944,599
Gross profit	556,715	521,765	498,238	509,952	501,872

Selling and administrative expenses	529,741	487,402	463,435	452,952	449,412
Interest expense	17,591	16,821	15,997	18,174	20,748
Other expense (income)--net	21,211	7,924	(3,139)	(3,764)	(3,831)
	568,543	512,147	476,293	467,362	466,329
Earnings (loss) from continuing operations before income taxes and cumulative effect of accounting changes	(11,828)	9,618	21,945	42,590	35,543
Income taxes	(5,116)	1,553	6,506	14,413	11,536
Earnings (loss) from continuing operations before cumulative effect of accounting changes	(6,712)	8,065	15,439	28,177	24,007
Earnings (loss) from discontinued operations, net of income taxes	1,714	(3,401)	256	3,598	6,820
Gain on (provision for) disposal of discontinued operations, net of income taxes	(24,400)				3,000
Cumulative effect of changes in accounting for postemployment benefits in 1993 and postretirement benefits and income taxes in 1991	(2,214)		(11,931)		
Net earnings (loss)	$ (31,612)	$ 4,664	$ 3,764	$ 31,775	$ 33,827
Returns from continuing operations before accounting changes:					
Return on net sales	(.4)%	.5%	1.1%	2.0%	1.7%
Return on beginning stockholders'					

equity	(2.3)%	2.6%	4.6%	8.3%	7.2%
Return on average invested capital	(1.2)%	1.6%	2.9%	5.0%	4.4%
Dividends paid	$ 27,979	$ 27,714	$ 27,646	$ 27,789	$ 27,999
Capital expenditures	30,175	22,170	22,751	27,666	26,442
Per Common Share					
Earnings (loss) from continuing operations before accounting changes	$ (.39)	$ .47	$ .90	$ 1.64	$ 1.39
Net earnings (loss)	(1.83)	.27	.22	1.85	1.95
Dividends paid	1.60	1.60	1.60	1.60	1.60
Stockholders' equity	13.27	16.69	18.10	19.47	19.39
Financial Position					
Receivables, net	$ 109,968	$ 114,594	$ 84,353	$ 101,878	$ 122,313
Inventories	375,465	333,215	304,908	295,287	261,083
Working capital	240,554	262,611	297,239	285,310	306,440
Property, plant and equipment, net	97,430	99,536	112,824	114,103	110,923
Total assets	771,734	735,691	682,033	714,875	689,058
Long-term debt and capitalized lease obligations	135,324	123,024	144,564	128,611	132,398
Stockholders' equity	233,863	288,988	313,387	336,182	338,963
Average Common Shares Outstanding	17,270	17,132	17,070	17,184	17,346

</TABLE>

All data presented reflects the fiscal year ended on the Saturday nearest to January 31.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

Thousands, except number of shares	January 29, 1994	January 30, 1993
<S>	<C>	<C>
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16,892	$ 21,625

Receivables, net of allowances of $11,425 in 1993 and $10,482 in 1992	109,968	114,594
Inventories, net of adjustment to last-in, first-out cost of $52,849 in 1993 and $65,962 in 1992	375,465	333,215
Net current assets of discontinued operations	38,942	50,181
Deferred income taxes	47,774	19,557
Prepaid expenses and other current assets	22,824	18,980
Total Current Assets	611,865	558,152
Net Noncurrent Assets of Discontinued Operations	7,062	22,944
Other Assets	55,377	55,059
Property, Plant and Equipment, Net	97,430	99,536
	$771,734	$735,691
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	$146,090	$ 11,645
Trade accounts payable	105,437	102,815
Employee compensation and benefits	43,591	32,968
Other accrued expenses	64,696	46,175
Income taxes	3,788	5,073
Current maturities of long-term debt	7,709	96,865
Total Current Liabilities	371,311	295,541
Other Liabilities		
Long-term debt, including capitalized lease obligations	135,324	123,024
Deferred income taxes	7,152	4,398
Other liabilities	24,084	23,740
Total Other Liabilities	166,560	151,162
Stockholders' Equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; no shares outstanding	--	--
Common stock, $3.75 par value, 100,000,000 shares authorized; 17,619,768 and 17,318,883 shares outstanding	66,075	64,947
Additional capital	35,979	28,264
Cumulative translation adjustment	(3,287)	(1,571)
Unamortized value of restricted stock	(6,827)	(4,166)
Retained earnings	141,923	201,514
Total Stockholders' Equity	233,863	288,988
	$771,734	$735,691

</TABLE>

See notes to consolidated financial statements.

CONSOLIDATED EARNINGS

<TABLE>
<CAPTION>

Thousands, except per share	1993	1992	1991
<S>	<C>	<C>	<C>
Net Sales	$1,597,811	$1,481,644	$1,422,345
Cost of goods sold	1,041,096	959,879	924,107
Gross profit	556,715	521,765	498,238
Selling and administrative expenses	529,741	487,402	463,435
Interest expense	17,591	16,821	15,997
Other expense (income) -- net	21,211	7,924	(3,139)
	568,543	512,147	476,293
Earnings (Loss) From Continuing Operations Before Income Taxes and Cumulative Effect of Accounting Changes	(11,828)	9,618	21,945
Income taxes	(5,116)	1,553	6,506
Earnings (Loss) From Continuing Operations Before Cumulative Effect of Accounting Changes	(6,712)	8,065	15,439
Cumulative effect of changes in accounting for postemployment benefits in 1993 and postretirement benefits and income taxes in 1991	(2,214)	--	(11,931)
Discontinued operations:			
Earnings (loss) from operations, net of tax	1,714	(3,401)	256
Provision for disposal, net of tax benefit	(24,400)	--	--
Net Earnings (Loss)	$ (31,612)	$ 4,664	$ 3,764
Earnings (Loss) Per Common Share:			
Continuing operations before cumulative effect of accounting changes	$ (.39)	$ .47	$ .90
Cumulative effect of changes in accounting for postemployment benefits in 1993 and postretirement benefits and income taxes in 1991	(.13)	--	(.70)
Discontinued operations:			
Earnings (loss) from operations	.10	(.20)	.02
Provision for disposal	(1.41)	--	--
Net Earnings (Loss)	$ (1.83)	$ .27	$ .22

</TABLE>

See notes to consolidated financial statements.

CONSOLIDATED CASH FLOWS

<TABLE>
<CAPTION>

Thousands	1993	1992	1991
<S>	<C>	<C>	<C>
Operating Activities:			
Net earnings (loss)	$(31,612)	$ 4,664	$ 3,764
Adjustments to reconcile net earnings to net cash provided (used) by continuing operating activities:			
Cumulative effect of changes in accounting for postemployment benefits in 1993 and postretirement benefits and income taxes in 1991	2,214	--	11,931
Discontinued operations	22,686	3,401	(256)
Depreciation and amortization	22,803	23,682	25,152
Loss on sale of facilities and equipment	12,547	8,728	3,266
Provision for losses on accounts receivable	5,272	7,771	3,902
Changes in operating assets and liabilities:			
Receivables	(646)	(3,012)	8,623
Sale of receivables	--	(35,000)	5,000
Inventories	(42,250)	(28,307)	(9,621)
Prepaid expenses and other current assets	(30,869)	(4,894)	(4,667)
Trade accounts payable and accrued expenses	28,360	16,296	(3,938)
Income taxes	(1,285)	5,007	156
Other, net	(1,384)	(3,125)	(2,548)
Net Cash Provided (Used) by Operating Activities of:			
Continuing operations	(14,164)	(4,789)	40,764
Discontinued operations	4,435	(1,378)	27,574
Net Cash Provided (Used) by Operating Activities	(9,729)	(6,167)	68,338
Investing Activities:			
Capital expenditures	(30,175)	(22,170)	(22,751)
Proceeds from sales of fixed assets and businesses	1,407	595	483
Payments received on notes receivable from sales of businesses	--	--	219
Net Cash Provided (Used) in Investing Activities	(28,768)	(21,575)	(22,049)
Financing Activities:			
Increase (decrease) in short-term notes payable	134,445	(2,751)	(42,389)

Principal payments of long-term debt and capitalized leases	(97,102)	(14,310)	(3,672)
Additions to long-term debt	20,000	75,288	30,000
Proceeds from issuance of common stock	4,400	171	154
Payments for purchase of treasury stock	--	--	(388)
Dividends paid	(27,979)	(27,714)	(27,646)
Net Cash Provided (Used) by Financing Activities	33,764	30,684	(43,941)
Increase (Decrease) in Cash and Cash Equivalents	(4,733)	2,942	2,348
Cash and Cash Equivalents at Beginning of Year	21,625	18,683	16,335
Cash and Cash Equivalents at End of Year	$ 16,892	$21,625	$18,683

</TABLE>
See notes to consolidated financial statements.

CONSOLIDATED STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>
Thousands, except number of shares

	Common Stock					
	Shares	Dollars	Additional Capital	Cumulative Translation Adjustment	Unamortized Value of Restricted Stock	Retained Earnings
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance February 2, 1991	17,264,381	$64,742	$26,837	$ 1,942	$(6,093)	$248,754
Net earnings						3,764
Dividends ($1.60 per share)						(27,646)
Stock issued under employee benefit plans	5,864	22	132			
Purchase of common stock for treasury	(15,000)	(56)	(24)			(308)
Currency translation adjustment				(354)		
Stock issued						

under restricted stock plan, net	56,500	212	1,192		(1,404)	
Amortization of deferred compensation under restricted stock plan					1,675	
	----------	-------	-------	-------	-------	--------
Balance February 1, 1992	17,311,745	64,920	28,137	1,588	(5,822)	224,564
Net earnings						4,664
Dividends ($1.60 per share)						(27,714)
Stock issued under employee benefit plans	6,888	26	145			
Currency translation adjustment				(3,159)		
Stock issued under restricted stock plan, net	250	1	(18)		17	
Amortization of deferred compensation under restricted stock plan					1,639	
	----------	-------	-------	-------	-------	--------
Balance January 30, 1993	17,318,883	64,947	28,264	(1,571)	(4,166)	201,514
Net loss						(31,612)
Dividends ($1.60 per share)						(27,979)
Stock issued under employee benefit plans	168,385	631	3,769			
Currency translation adjustment				(1,716)		
Stock issued under restricted stock plan, net	132,500	497	3,946		(4,443)	
Amortization						

of deferred compensation under restricted stock plan					1,782	
Balance January 29, 1994	17,619,768	$66,075	$35,979	$(3,287)	$(6,827)	$141,923

</TABLE>
See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Brown Group, Inc. and its majority-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts in the consolidated financial statements for periods prior to the fourth quarter of fiscal 1993 have been reclassified to conform to the current presentation.

Accounting Period

The corporation's fiscal year is the 52 or 53 week period ending the Saturday nearest to January 31. Fiscal years 1993, 1992 and 1991 ended on January 29, 1994, January 30, 1993 and February 1, 1992, respectively. Fiscal years 1993, 1992 and 1991 each included 52 weeks.

Inventories

All inventories are valued at the lower of cost or market, with 85% of consolidated inventories using the last-in, first-out (LIFO) method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization of property, plant and equipment are provided over the estimated useful lives of the assets, or the remaining term of leases where applicable, using the straight-line method.

Income Taxes

Provision is made for the tax effects of timing differences between financial and tax reporting. These differences relate principally to depreciation, employee benefit plans, facility closing and restructuring reserves, bad debt reserves and inventory.

Earnings Per Share

Earnings per share of Common Stock is computed by dividing net earnings by the weighted average number of shares outstanding during the year. The dilutive effect of stock options is not significant and is therefore excluded from the calculation.

Pre-opening and Closing Expenses

Pre-opening expenses of new facilities are charged to operations when incurred. Costs of closing facilities, including capital asset disposition losses, lease termination costs and personnel costs, are accrued when management makes the decision to close such facilities.

Cash Flows

For purposes of the Statement of Cash Flows, short-term investments which have a maturity of three months or less are considered to be cash equivalents.

Translation of Foreign Currencies

Assets and liabilities of subsidiaries, other than those located in highly inflationary countries, are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rates of exchange prevailing during the year. The related translation adjustments are reflected in the cumulative translation adjustment section of the Consolidated Statement of Stockholders' Equity. Foreign currency gains and losses resulting from transactions and the translation of financial statements of subsidiaries in highly inflationary countries are included in results of operations.

NOTE 2: DISCONTINUED OPERATIONS

During the fourth quarter of fiscal 1993, the corporation adopted a formal plan to withdraw from the Wohl Leased Shoe Department business, which involves the management of shoe departments in department stores. Most of the leases are cancelable after a period of notice by either party and the corporation expects to complete most of the withdrawals by the end of fiscal 1994.

In connection with this plan an estimated loss on exiting this business of $24.4 million, net of income tax benefits of $10.4 million, was recognized. The loss represents primarily inventory liquidation, severance and headquarters facility closure costs and results of operations during the estimated phase-out period.

Summarized results of this business are shown separately as Discontinued Operations in the accompanying consolidated financial statements. Assets and liabilities shown are at their estimated net realizable value, and

consist primarily of inventory and leasehold improvements. Prior year financial statements have been reclassified to conform to the current year presentation. Operating results of this business are as follows (in thousands):

	1993	1992	1991
Net sales	$292,845	$303,214	$305,471
Earnings (loss) before income taxes	2,904	(4,519)	413
Income taxes	1,190	(1,118)	157
Earnings (loss) from operations	$ 1,714	$ (3,401)	$ 256

NOTE 3: RESTRUCTURING CHARGES

Included in results from continuing operations for fiscal 1993 is a pretax restructuring charge of $45.4 million, of which $11.0 million was charged to cost of goods sold and an additional $13.0 million was charged to selling and administrative expenses with the remaining $21.4 million charged to other expense. This charge covers the closing of five shoe factories, the closing of over 150 shoe stores, estimated severance costs associated with a reduction in headquarters administrative staffing and consolidation of the corporation's Brown Shoe and Pagoda divisions, and a provision for additional environmental monitoring costs related to the corporation's closed tannery. The restructuring charge, net of the related tax benefit, resulted in a reduction of $29.5 million, or $1.71 per share, in earnings from continuing operations for fiscal 1993.

Results from continuing operations in 1992 reflected pretax charges of $22.4 million, of which $5.8 million was charged to cost of goods sold and $3.0 million to selling and administrative expenses with the remaining $13.6 million charged to other expense. These charges related to the closing of three plants and a warehouse, inventory liquidation, and the closing of the corporation's tannery. These charges, net of the related tax benefits, resulted in a reduction of $14.8 million, or $.87 per share, in earnings from continuing operations for fiscal 1992.

NOTE 4: RETIREMENT AND OTHER BENEFIT PLANS

The corporation and its subsidiaries have several non-contributory pension plans covering substantially all U. S. employees. Plans covering salaried and management employees provide pension benefits that are based on the employee's highest consecutive five years of compensation during the ten years before retirement. Plans covering hourly employees and union members generally provide benefits of stated amounts for each year of service. The corporation's funding policy for all plans is to make the minimum annual contributions required by applicable regulations. The corporation also participates in several multiemployer plans, which provide defined benefits to certain of the corporation's union employees.

The following table sets forth the plans' funded status at the December 31, 1993 and 1992 measurement dates, and amounts recognized in the corporation's Balance Sheet at January 29, 1994 and January 30, 1993 (in thousands):

	1993	1992
Actuarial present value of benefit obligations:		
Vested benefit obligation	$118,243	$114,982
Accumulated benefit obligation	$123,289	$118,025
Projected benefit obligation	$138,930	$133,422
Plan assets at fair value	188,338	175,662
Excess of plan assets over projected benefit obligation	49,408	42,240
Unrecognized net gain	(20,420)	(10,617)
Unrecognized prior service costs	7,123	4,695
Unrecognized net transition asset	(7,015)	(10,067)
Net pension asset recognized in the balance sheet	$ 29,096	$ 26,251

Pension plan assets are invested primarily in listed stocks and bonds. The plan assets are valued using the current market value for bonds and a five-year moving average for equities.

Prior service costs are amortized over the average remaining service period of employees expected to receive benefits under the plan.

Pension costs included the following components (in thousands):

	1993	1992	1991
Service cost	$ 6,180	$ 6,180	$ 5,896
Interest cost	9,532	10,420	9,836
Actual return on plan assets	(30,847)	(8,715)	(31,557)
Net amortization			

and deferral	12,864	(10,675)	13,871
Multiemployer plans	143	166	192
Total pension (income)	$(2,128)	$(2,624)	$(1,762)
Actuarial assumptions used were:			
Discount rate	7.25%	7.5%	7.5%
Expected return on plan assets	9.5%	9.5%	9.5%
Compensation increase	5.0%	5.0%	5.0%

</TABLE>

The corporation sponsors several defined contribution 401(k) plans covering salaried, management and certain hourly employees who have one year of service and who are 21 years of age. Company contributions represent a partial matching of employee contributions generally up to a maximum of 3.5% of the employee's salary. The company's expense for these plans was $3,350,000 in 1993, $3,380,000 in 1992 and $3,400,000 in 1991.

In addition to providing pension benefits, the corporation sponsors unfunded defined benefit postretirement health and life insurance plans that cover both salaried and hourly employees. The postretirement health care plans are offered only to employees electing early retirement on a shared-cost basis. This coverage ceases when the employee reaches age 65 and becomes eligible for Medicare. The retiree contributions are adjusted annually, and the corporation intends to continue to increase retiree contributions in the future. The life insurance plans provide coverage ranging from $1,000 to $38,000 for qualifying retired employees.

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In applying this pronouncement, the corporation immediately recognized the Accumulated Postretirement Benefit Obligation as of the beginning of fiscal 1991 of $17,320,000 in the first quarter of 1991 as a change in accounting principle. On an aftertax basis, this charge was $11,431,000 or $.67 per share.

The following tables set forth the plans' funded status reconciled with the amount shown in the corporation's Balance Sheet at January 29, 1994 and January 30, 1993 (in thousands):

<TABLE>
<CAPTION>

	1993		1992	
	Life Health Plans	Insurance Plans	Health Plans	Life Insurance Plans
<S>	<C>	<C>	<C>	<C>
Accumulated				

postretirement benefit obligations:				
Retirees	$ 4,347	$4,825	$ 5,176	$5,215
Active participants	3,229	499	9,353	352
	$ 7,576	$5,324	$14,529	$5,567
Plan assets	$ --	$ --	$ --	$ --
Accumulated obligation in excess of plan assets	7,576	5,324	14,529	5,567
Unrecognized net gain (loss)	3,758	(310)	(1,398)	(376)
Accrued postretirement benefit cost	$11,334	$5,014	$13,131	$5,191

</TABLE>

Net postretirement benefit cost for 1991, 1992 and 1993 included the following components (in thousands):

<TABLE>
<CAPTION>

<S>	Health Plans <C>	Life Insurance Plans <C>
1991		
Service cost	$ 404	$ 19
Interest cost	960	402
Net amortization and deferral	--	--
Postretirement benefit cost	$1,364	$421
1992		
Service cost	$ 447	$ 18
Interest cost	1,032	402
Net amortization and deferral	(3)	--
Postretirement benefit cost	$1,476	$420
1993		
Service cost	$ 534	$ 25
Interest cost	667	387
Net amortization and deferral	(2,088)	--
Postretirement benefit cost	$ (887)	$412

</TABLE>

In the fourth quarter of 1993, the corporation terminated postretirement health coverage for salaried employees who will not become eligible by January 1, 1995. The effect of this change was the recognition of a pretax gain of $1.8 million.

Actuarial assumptions used were (in thousands):

<TABLE>
<CAPTION>

<S>	1993 <C>	1992 <C>	1991 <C>
Projected health care cost trend rate (A)	9%	13%	14%
Ultimate trend rate (A)	5%	6%	6%
Year ultimate trend rate is achieved	2001	2000	2000
Effect of a 1% point increase in the health care cost trend rate on the postretirement benefit obligation	$309	$1,200	$1,000
Effect of a 1% point increase in the health care cost trend rate on the aggregate of service and interest cost	84	157	140
Discount rate	7.25%	7.5%	7.5%

<FN>
(A) The health care cost trend rate assumption has a significant effect on the amounts reported. Rates listed above represent assumed increases in per capita cost of covered health care benefits for 1994, 1993 and 1992, respectively. For future years the rate was assumed to decrease gradually and remain at the ultimate trend rate thereafter.
</TABLE>

In the fourth quarter of 1993, the corporation adopted, retroactive to January 31, 1993, the Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1993, expenses related to postemployment medical benefits were recognized on a pay-as-you-go basis. The corporation elected to immediately recognize the cumulative effect of the change in accounting for postemployment benefits of $3.4 million. On an aftertax basis, this charge was $2.2 million or $.13 per share. The effect of this change on 1993 operating results was not material.

NOTE 5: INCOME TAXES

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the adjustment of previously deferred taxes for changes in tax rates under the liability method. The corporation chose to reflect the cumulative effect of adopting this pronouncement as a change in accounting principle at the beginning of fiscal 1991 with a charge to earnings of $500,000. This charge represents the writedown of net deferred tax assets and liabilities from tax rates in effect when they arose to current statutory tax rates. The adoption of the new standard had no effect on the tax provision for 1991.

The components of earnings (loss) before income taxes (in thousands) consisted of Domestic earnings (loss) before taxes of $(25,767), $258 and $12,994 in 1993, 1992, and 1991, respectively, and Foreign earnings before taxes of $13,939, $9,360, and $8,951 in 1993, 1992, and 1991, respectively.

The components of income tax expense are as follows (in thousands):

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Federal			
Currently payable	$ 4,231	$ 3,034	$2,469
Deferred	(14,216)	(3,206)	1,548
	(9,985)	(172)	4,017
State	2,702	1,050	1,089
Foreign	2,167	675	1,400
Total income tax expense (benefit) on earnings (loss) from continuing operations before cumulative effect of accounting changes	(5,116)	1,553	6,506
Tax benefit of cumulative effect of accounting changes	(1,192)	--	(6,389)
Tax expense (benefit) of discontinued operations:			
Results of operations	1,190	(1,118)	157
Provision for disposal	(10,454)	--	--
Total income tax expense (benefit)	$(15,572)	$ 435	$ 274

</TABLE>

Cash payments of income taxes for fiscal 1993, 1992 and 1991 were $12,855,000, $2,387,000, and $7,535,000, respectively.

The differences between the income tax expense (benefit) from continuing operations reflected in the financial statements and the amounts calculated at the federal statutory income tax rate of 35% in 1993 and 34% in 1992 and 1991 are as follows (in thousands):

	1993	1992	1991
Income taxes at statutory rate	$(4,140)	$ 3,270	$ 7,461
State income taxes, net of federal tax benefit	1,756	693	719
Foreign earnings not currently taxed	(2,056)	(2,247)	(1,934)
Effect of revaluation of net deferred tax assets due to 1993 increase in federal tax rate from 34% to 35%	(422)	--	--
Other	(254)	(163)	260
	$(5,116)	$ 1,553	$ 6,506

Significant components of the corporation's deferred income tax assets and liabilities are as follows (in thousands):

	1993	1992
Deferred tax assets		
Employee benefits, compensation, and insurance	$ 9,525	$ 8,529
Allowance for doubtful accounts	3,617	2,321
Inventory capitalization and inventory reserves	1,746	1,689
Discontinued operations, restructuring and store closing reserves	38,911	5,660
Countervailing duty reserves	3,336	2,917
Other postretirement and postemployment benefit plans	7,302	6,229
Other	8,544	6,552
Total deferred tax assets	72,981	33,897

	1993	1992
Deferred tax liabilities		
Excess depreciation	(8,122)	(7,277)
Retirement plans	(10,165)	(9,169)
LIFO inventory valuation	(11,417)	(1,923)
Other	(2,655)	(369)
Total deferred tax liabilities	(32,359)	(18,738)
Net deferred income tax asset	$40,622	$15,159

</TABLE>

No valuation reserve has been provided for these deferred tax assets at January 29, 1994 and January 30, 1993 as full realization of these assets is expected.

As of January 29, 1994, there is approximately $29,000,000 of accumulated unremitted earnings from the corporation's Canadian subsidiary and approximately $47,000,000 from other foreign entities on which deferred taxes have not been provided. Based on the current United States and Canadian income tax rates, it is anticipated that no additional United States tax would be incurred if the accumulated Canadian earnings were distributed. In the event that the other foreign entities' earnings were distributed, it is estimated that U.S. taxes, net of foreign tax credits, of approximately $16,500,000 would be due. The Internal Revenue Service has made an assessment that approximately $3,600,000 of U.S. taxes, plus interest, is currently due on unremitted foreign earnings. The corporation is litigating the assessment and believes that it will prevail.

NOTE 6: COMMITMENTS AND CONTINGENCIES

The corporation is responsible for environmental remediation and ongoing environmental compliance costs at its closed tannery production site and two landfill locations. In fiscal 1992 the corporation provided $1,700,000 for remediation costs. Due to a change in the expected holding period of the property, an additional $6,600,000 was charged to earnings in fiscal 1993 to provide for additional remediation costs and future environmental compliance costs. Environmental compliance costs include maintenance and operating costs with respect to pollution

control facilities, cost of ongoing monitoring programs, and similar costs. Based upon current environmental regulations, the corporation has estimated the remaining remediation costs to be approximately $700,000, which will be expended in fiscal 1994, and future environmental compliance costs to be approximately $4,600,000, which will be expended over the next 30 years. These amounts have been reflected in Other Accrued Expenses and Other Liabilities at January 29, 1994.

In addition to the tannery site, the corporation has been identified as a potentially responsible party by various Federal and State authorities for remediation at several sites. The corporation is one of many parties involved at these sites. The corporation's involvement relates to the disposal of solvents and other by-products of the corporation's closed tannery and shoe manufacturing facilities. Based upon current information available, the corporation's ultimate liability related to these sites is estimated to be in the range of $400,000 to $650,000. At January 29, 1994, $500,000 has been reflected in Other Accrued Expenses to cover these costs.

NOTE 7: INVENTORIES
- --------------------

Inventories are valued at the lower of cost or market determined principally by the last-in, first-out (LIFO) method and consist of the following (in thousands):

<TABLE>
<CAPTION>

	January 29 1994	January 30 1993
<S>	<C>	<C>
Finished goods	$352,243	$309,363
Work-in-progress	6,291	3,611
Raw materials and supplies	16,931	20,241
	$375,465	$333,215

</TABLE>

If the first-in, first-out (FIFO) cost method had been used, inventories would have been $52,849,000 and $65,962,000 higher at January 29, 1994 and January 30, 1993, respectively.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT
- -------------------------------------

Property, plant and equipment consist of the following (in thousands):

<TABLE>
<CAPTION>

	January 29 1994	January 30 1993
<S>	<C>	<C>
Land	$ 1,903	$ 2,014
Buildings and leasehold		

improvements	81,224	86,533
Machinery and equipment	149,815	157,231
	232,942	245,778
Allowances for depreciation and amortization	(135,512)	(146,242)
	$ 97,430	$ 99,536

</TABLE>

NOTE 9: LONG-TERM AND SHORT-TERM FINANCING ARRANGEMENTS

Long-term debt, including capitalized lease obligations, net of unamortized discounts and current maturities, consists of the following (in thousands):

<TABLE>
<CAPTION>

<S>	January 29 1994 <C>	January 30 1993 <C>
Commercial paper	$ 25,000	$ 25,000
6.47% Senior notes due 1996	50,000	50,000
8.4% - 8.6% Debentures due 1999	15,000	15,000
7.07% - 8.8% Debentures due 2002	19,987	14,985
7.125% Debentures due 2003	15,000	--
7-3/8% Sinking Fund Debentures, payments of $2,000,000 due annually to 1998	5,995	7,991
Capitalized lease obligations	3,564	9,244
Other	778	804
	$135,324	$123,024

/TABLE

Maturities of long-term debt and capitalized lease obligations for 1994 through 1998 are: 1994 -- $7,709,000; 1995 -- $2,082,000; 1996 -- $52,051,000; 1997 -- $2,046,000; 1998 -- $37,000.

The rates for the corporation's commercial paper ranged from 3.1% to 3.75% in 1993 and 3.25% to 5.1% in 1992.

In early fiscal 1993, the corporation called for redemption its 8-1/8% debentures, which were scheduled to fully mature in 1996. The balance of these debentures of $74,763,907 was classified with current maturities of long-term debt as of January 30, 1993. To refinance this debt, the corporation in December 1992 entered into a long-term private placement of $50,000,000 in 6.47% senior notes due in 1996. The remaining $25,000,000 is refinanced through commercial paper. The commercial paper is intended to be maintained on a long-term basis with ongoing credit provided by the corporation's long-term noncancelable revolving credit agreement which expires in December 1996. Accordingly, $25,000,000 of commercial paper borrowing outstanding has been classified as long-term debt at January 29, 1994 and January 30, 1993.

In December 1992, the corporation entered into a three-year interest rate swap agreement, for which cash consideration of $3,150,000 was received in 1992. Under the agreement, the corporation is paying a fixed rate of 8-1/8% on $75,000,000 and is receiving a fixed rate of 6.47% on $50,000,000 and a floating rate based on LIBOR on the remaining $25,000,000. The cash consideration received on the swap has been deferred and is being amortized as an offset to interest expense over the life of the agreement.

The corporation maintains short-term lines of credit which total approximately $230,000,000 at January 29, 1994. The maximum amount of short-term borrowings (under these arrangements and in the form of commercial paper) at the end of any month was $182,015,000 in 1993 and $68,754,000 in 1992. The average short-term borrowings during the year were $139,105,000 in 1993 and $50,575,000 in 1992. The weighted average interest rates approximated 3.6% and 4.6% in 1993 and 1992, respectively.

Cash payments of interest for fiscal 1993, 1992 and 1991 were $18,691,000, $15,823,000 and $16,581,000, respectively.

NOTE 10: LEASES
- ---------------
The corporation leases substantially all of its retail locations and certain other equipment and facilities. Approximately one-third of the retail store leases are subject to renewal options for varying periods.

In addition to minimum rental payments, certain of the retail store leases require contingent payments based on sales levels.

Rent expense from continuing operations for operating leases amounted to (in thousands):
<TABLE>
<CAPTION>

<S>	1993	1992	1991
Minimum payments	$82,085	$76,860	$73,816
Contingent payments	2,307	1,598	989
	$84,392	$78,458	$74,805

/TABLE

Rent expense has been reduced by rental income from subleases of $3,023,000 in 1993, $2,709,000 in 1992 and $2,819,000 in 1991.

Future minimum payments under noncancelable operating leases with an initial term of one year or more were as follows at January 29, 1994 (in thousands):

	Operating Leases
1994	$ 81,043
1995	74,592
1996	65,310
1997	54,194
1998	39,291
Thereafter	90,703
Total minimum lease payments	$405,133

Operating lease commitments have been reduced for rental income from noncancelable subleases by approximately $2,675,000 in 1994 and lesser amounts thereafter (total reductions $8,804,000). The lease commitments of approximately $6,141,000 related to the discontinued leased departments are excluded from the above table. The corporation is contingently liable for lease commitments of approximately $29,000,000 which primarily relate to the Meis and Etage specialty retailing chains which were sold.

NOTE 11: CAPITAL STOCK

Common Stock

The corporation's Common Stock has a par value of $3.75 per share and 100,000,000 shares are authorized. At January 29, 1994 and January 30, 1993, there were 17,619,768 shares and 17,318,883 shares, net of 4,386,129 shares and 4,687,014 shares held in treasury, outstanding,

respectively. The stock is listed and traded on the New York and Chicago Stock Exchanges (symbol BG). There were approximately 11,000 stockholders at March 1, 1994.

Each outstanding share of the corporation's Common Stock carries one Common Stock Purchase Right. When exercisable, each right will entitle its holder to buy one share of the corporation's stock at $150 per share. The Rights will become exercisable if a person acquires 20% of the corporation's common stock or makes an offer to acquire 30% of the corporation's common stock. In the event that a person acquires 40% of the common stock of the corporation, each Right shall entitle the holder, other than the acquirer, to purchase one share of common stock of the corporation for one-third of the market price of the common stock. In the event that the corporation is acquired in a merger or transfers 50% or more of its assets or earnings to any one person, each Right entitles the holder to purchase common stock of the surviving or purchasing company having a market value of twice the exercise price of the Right. The

Rights may be redeemed by the corporation at a price of $.05 per Right and they expire in March 1996.

Preferred Stock

The corporation has 1,000,000 authorized shares of $1 par value Preferred Stock. None has been issued.

NOTE 12: STOCK OPTION AND STOCK RELATED PLANS

The corporation has stock option, stock appreciation and restricted stock plans under which certain officers and employees are participants.

All stock options are granted at market value. Stock appreciation units may also be granted in tandem with options. Such units entitle the participant to receive an amount, in cash and/or stock, equal to the difference between the current market value of a share of stock at the exercise date and the option price of such share of stock. The options and appreciation units become exercisable one year from the date of the grant at a rate of 25% per year and are exercisable for up to 10 years from date of grant. Since the stock appreciation rights are issued in tandem with stock options, the exercise of either cancels the other.

Options for 843,643 and 1,076,978 shares were exercisable as of January 29, 1994 and January 30, 1993, respectively, at prices ranging from $23 to $41. Under the plans, 11,980 and 121,396 additional shares of common stock were available to be granted in the form of options or restricted stock as of January 29, 1994 and January 30, 1993, respectively.

The following summary sets forth the activity for the three years ended January 29, 1994:

<TABLE>
<CAPTION>

	Number of Option Shares	Number of Appreciation Units	Grant Prices
<S>	<C>	<C>	<C>
Outstanding February 2, 1991	1,557,901	145,834	$23 to $41
Granted	16,000	--	23 to 26
Exercised	(6,632)	--	23 to 29
Terminated	(188,284)	(61,653)	23 to 41
Outstanding February 1, 1992	1,378,985	84,181	23 to 41
Granted	--	--	
Exercised	(9,615)	--	23 to 28

Terminated	(159,017)	(20,288)	23 to 39
Outstanding January 30, 1993	1,210,353	63,893	23 to 41
Granted	10,000	--	32 to 34
Exercised	(208,054)	--	23 to 33
Terminated	(101,781)	(8,748)	23 to 41
Outstanding January 29, 1994	910,518	55,145	$23 to $39

</TABLE>

Under the corporation's restricted stock program, common stock of the corporation may be granted at no cost to certain officers and key employees. Plan participants are entitled to cash dividends and to vote their respective shares. Restrictions limit the sale or transfer of these shares during an eight-year period whereby the restrictions lapse on 50% of these shares after 4 years, 25% after 6 years and the remaining 25% after 8 years. Upon issuance of stock under the plan, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized to expense over the eight-year restriction period.

Restricted shares granted, net of forfeitures, were 132,500; 250; and 56,500 in 1993, 1992 and 1991, respectively. The expense associated with these awards was $1,781,903 in 1993, $1,639,000 in 1992 and $1,675,000 in 1991.

NOTE 13: BUSINESS SEGMENT INFORMATION

The corporation operates in two business segments: Footwear and Specialty Retailing. The Footwear Segment comprises the manufacture, supply and sale of women's, men's and children's footwear and the operation of shoe stores. The Specialty Retailing Segment comprises the Cloth World chain of retail fabric stores.

<TABLE>
<CAPTION>

Thousands	1993	1992	1991
<S>	<C>	<C>	<C>
Net Sales			
Footwear	$1,373,745	$1,257,737	$1,203,015
Specialty Retailing	224,066	223,907	219,330
	$1,597,811	$1,481,644	$1,422,345
Operating Earnings (Loss)			

Footwear (A)(B)	$ 11,894	$ 28,455	$ 38,115
Specialty Retailing	3,879	8,366	12,054
Total operating earnings	15,773	36,821	50,169
Corporate interest income and other	192	(889)	(3,249)
Corporate expense	(10,202)	(9,493)	(8,978)
Interest expense	(17,591)	(16,821)	(15,997)
Earnings (loss) from continuing operations before income taxes and accounting changes	$ (11,828)	$ 9,618	$ 21,945

<FN>
(A) 1993 includes charges totaling $45.4 million to establish reserves for the closing of retail stores, factory closings, inventory liquidation associated with the store closings and additional costs for environmental monitoring related to U. S. footwear operations.

(B) 1992 includes a charge of $22.4 million to establish reserves for organization changes, factory closings and inventory liquidation related to U. S. footwear operations.

</TABLE>

<TABLE>
<CAPTION>

Thousands	1993	1992	1991
<S>	<C>	<C>	<C>
Identifiable Assets			
Footwear	$586,776	$528,444	$500,237
Specialty Retailing	96,517	88,684	84,121
Discontinued Operations	46,004	73,125	75,149
	729,297	690,253	659,507
Corporate	42,437	45,438	22,526
	$771,734	$735,691	$682,033
Capital Expenditures			
Footwear	$ 26,066	$ 17,142	$ 19,156
Specialty Retailing	3,061	4,664	2,957

Corporate	1,048	364	638
	--------	--------	--------
	$ 30,175	$ 22,170	$ 22,751
	========	========	========
Depreciation and Amortization Expense			
Footwear	$ 19,347	$ 20,145	$ 20,496
Specialty Retailing	2,947	2,793	3,111
Corporate	509	744	1,545
	--------	--------	--------
	$ 22,803	$ 23,682	$ 25,152
	========	========	========

/TABLE

Approximately 52% of 1993 footwear sales were made at retail. When combined with the sales of the Specialty Retailing Segment, 58% of the corporation's total sales were made directly to retail customers.

The corporation's Footwear Segment also conducts foreign operations in the Far East, South America and Europe where footwear is sourced for sale primarily to United States customers and to a lesser extent European, Latin American and Asian Pacific customers, and in Canada, where there are both manufacturing and retailing operations. A summary of the corporation's operations by geographic area follows:

<TABLE>
<CAPTION>

Thousands	1993	1992	1991
<S>	<C>	<C>	<C>
Net Sales			
United States	$1,202,195	$1,139,926	$1,120,648
Far East	291,106	256,595	217,419
Other Foreign	137,189	120,565	99,346
Inter-Area Transfers	(32,679)	(35,442)	(15,068)
	----------	----------	----------
	$1,597,811	$1,481,644	$1,422,345
	==========	==========	==========
Earnings (Loss) Before Taxes and Accounting Changes			
United States	$ (25,767)	$ 258	$ 12,994
Far East	10,119	8,410	6,976

Other Foreign	3,820	950	1,975
	$ (11,828)	$ 9,618	$ 21,945
Identifiable Assets			
United States	$ 652,465	$ 628,942	$ 583,284
Far East	56,574	42,296	42,263
Other Foreign	62,695	64,453	56,486
	$ 771,734	$ 735,691	$ 682,033

</TABLE>

Inter-area transfers to affiliates are generally priced to recover cost plus an appropriate markup for profit. Identifiable foreign assets consist primarily of cash items, receivables and inventories.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts reported on the balance sheet for Cash and Cash Equivalents and Notes Payable approximate fair value due to the short maturity of these instruments.

The fair value of the corporation's long-term debt (excluding capitalized lease obligations), including current maturities, at January 29, 1994 is estimated to be $140,143,000 which compares to $133,785,000 recorded on the corporation's balance sheet at that date. The fair value at January 30, 1993 was estimated to be $213,040,000 compared to $210,567,000 recorded on the corporation's balance sheet at that date. This estimate was based on the borrowing rates currently available to the corporation for financing arrangements with similar terms and maturities.

NOTE 15: SUPPLEMENTARY INFORMATION

Balance Sheet

Cash equivalents of $21,399,000 and $31,811,000 at January 29, 1994 and January 30, 1993, respectively, are stated at cost which approximates fair value.

Statement of Consolidated Earnings

Advertising costs totaled $53,118,000, $49,175,000, and $48,502,000 in 1993, 1992 and 1991, respectively. Other expense, net included interest income of $1,475,000 in 1993, $1,472,000 in 1992 and $1,885,000 in 1991. This income was more than offset by restructuring charge components of $21,400,000 in 1993 and $13,600,000 in 1992.

REPORTS ON FINANCIAL STATEMENTS

MANAGEMENT REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Brown Group, Inc. has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles, and are not misstated due to material fraud or error. The financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

The corporation's financial statements have been audited by Ernst & Young, independent auditors elected by the stock-holders. Management has made available to Ernst & Young all the corporation's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to Ernst & Young during its audit were valid and appropriate.

The Audit Committee of Brown Group's Board of Directors comprises four outside directors. The Committee meets regularly with the corporation's independent auditors, Ernst & Young, and management. The purpose of these meetings is to review, among other things, the scope and results of the annual audit, the internal audit activities and the system of internal accounting control. To ensure complete independence, Ernst & Young and the internal audit staff have direct access to the Audit Committee without the presence of management to discuss the results of their examinations.

Management of the corporation has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. The system of internal control provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and updated as necessary. The corporation maintains an internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements thereto. Management believes that the corporation's system of internal control is adequate to accomplish the objectives discussed herein.

Management also recognizes its responsibility for fostering a strong ethical climate so that the corporation's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the corporation's code of conduct, which is published throughout the corporation. The code of conduct addresses, among other things, the necessity of ensuring open communication within the corporation; potential conflicts of interest; compliance with all domestic and foreign laws, including those relating to financial disclosure; and the confidentiality of proprietary information. The corporation maintains a systematic program to assess compliance with these policies. The results of this compliance program are discussed with the Audit Committee.

/s/ B. A. Bridgewater, Jr.   /s/ Harry E. Rich

B. A. Bridgewater, Jr.   Harry E. Rich
Chief Executive Officer   Chief Financial Officer

REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

Stockholders and Board of Directors
Brown Group, Inc.

We have audited the accompanying consolidated balance sheets of Brown Group, Inc. as of January 29, 1994 and January 30, 1993, and the related statements of consolidated earnings, stockholders' equity, and cash flows for each of the three years in the period ended January 29, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Brown Group, Inc. at January 29, 1994 and January 30, 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 29, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 4 and 5 to the consolidated financial statements, in 1991 the company changed its method of accounting for other postretirement benefits and income taxes and in 1993 changed its method of accounting for postemployment benefits.

/s/ Ernst & Young

St. Louis, Missouri
March 2, 1994

SUPPLEMENTARY FINANCIAL INFORMATION

SELECTED QUARTERLY INFORMATION unaudited
- -------------------------------

Following is a summary of selected quarterly information (in thousands of dollars except per share) for fiscal years ended January 29, 1994 and January 30, 1993.

<TABLE>
<CAPTION>

	Quarters			
	First	Second	Third	Fourth
<S>	<C>	<C>	<C>	<C>
1993				
Net Sales	$389,072	$381,028	$445,787	$381,924
Cost of Goods Sold	249,492	243,140	288,000	260,464
Earnings (Loss)From Continuing Operations Before Cumulative Effect of Accounting Changes	4,483	6,482	12,871	(30,548)
Cumulative Effect of Change in Accounting for Postemployment Benefits	(2,214)	--	--	--
Discontinued Operations	(284)	(915)	1,323	(22,810)
Net Earnings (Loss)	1,985	5,567	14,194	(53,358)
Per Share of Common Stock:				
Earnings (Loss) From Continuing Operations Before Cumulative Effect of Accounting Changes	.26	.38	.74	(1.76)
Cumulative Effect of Changes in Accounting for Postemployment Benefits	(.13)	--	--	--
Net Earnings (Loss)	.11	.33	.82	(3.07)
Dividends Paid	.40	.40	.40	.40
Market Value:				
High	33 7/8	33 1/2	35 3/4	36
Low	28 3/4	29 3/4	31 3/4	32 5/8
1992				
Net Sales	$368,992	$344,149	$409,682	$358,821
Cost of Goods Sold	250,844	217,231	264,792	227,012
Earnings (Loss) From Continuing Operations	(13,225)	4,947	9,311	7,032
Discontinued Operations	(7,533)	506	1,517	2,109
Net Earnings (Loss)	(20,758)	5,453	10,828	9,141
Per Share of Common Stock:				
Earnings (Loss) From Continuing Operations	(.77)	.29	.54	.41
Net Earnings (Loss)	(1.21)	.32	.63	.53
Dividends Paid	.40	.40	.40	.40

Market Value:				
High	27 3/8	24 3/4	27	29 7/8
Low	23 1/8	21	23 5/8	24 3/8

<FN>
Note 1: Fourth Quarter 1993 results from continuing operations include an aftertax charge of $29.5 million for factory and store closings and related inventory liquidation and severance costs. Results from discontinued operations include an aftertax provision of $24.4 million for the withdrawal from the leased shoe department business.

Note 2: First Quarter 1992 results from continuing operations include aftertax charges of $14.8 million related to organization changes, factory closings and inventory liquidation. Results from discontinued operations for the same period include an aftertax charge of $6.7 million related to inventory liquidations.

Directors' and Officers' Liability Insurance
The New York Business Corporation Act requires that New York corporations provide to their stockholders information regarding any policies of directors' and officers' liability insurance which have been purchased or renewed. Accordingly, notice is hereby given that on October 31, 1993 the corporation renewed, for a one-year term, a policy of directors' and officers' liability insurance from Federal Insurance Company, a member of the Chubb Insurance Group. This policy covers all duly elected directors and all duly elected or appointed officers of Brown Group, Inc. and its subsidiary companies. The policy premium for a one-year term is $98,424. To date, no claims have been paid under any policy of directors' and officers' liability insurance.
</TABLE>

DIRECTORS, OFFICERS AND OPERATING COMMITTEE

BOARD OF DIRECTORS
- ------------------

B. A. Bridgewater, Jr. 1
Chairman of the Board, President and Chief Executive Officer

Joseph L. Bower 1,3
Donald Kirk David Professor,Chairman of Doctoral Programs and Director of Research, Harvard Business School

W. L. Hadley Griffin 1
Chairman of the Executive Committee

Joan F. Lane 1,3,4
Consultant to higher education, currently associated with Stanford University; foundation trustee

John D. Macomber 3,4
Director of various corporations

William E. Maritz 2,4
Chairman of the Board and Chief Executive Officer, Maritz, Inc., a motivation, travel, training, communications and marketing research services company

General Edward C. Meyer 2,4

Retired Chief of Staff of the U.S. Army and international business consultant

Harry E. Rich 1
Executive Vice President and Chief Financial Officer

Morton I. Sosland 2,3
Chairman, Sosland Companies, Inc., a publishing and venture investing firm

Daniel R. Toll 1,2,3
Corporate and civic director

1 Member of Executive Committee
2 Member of Audit Committee
3 Member of Compensation Committee
4 Member of Governance and Nominating Committee

CORPORATE OFFICERS
- -------------------
B. A. Bridgewater, Jr.
Chairman of the Board, President and Chief Executive Officer

Harry E. Rich
Executive Vice President and Chief Financial Officer

John B. Biggs, Jr.
Senior Vice President

Brian C. Cook
Vice President -- Footwear Retailing and President, Famous Footwear

Robert D. Pickle
Vice President, General Counsel and Corporate Secretary

Andrew M. Rosen
Vice President and Treasurer

Mary Sylvia Siverts
Vice President -- Public Affairs

Thomas A. Williams
Vice President -- Footwear Wholesaling, President, Brown Shoe Company and Chairman, Pagoda

E. Lee Wyatt, Jr.
Vice President -- Planning and Controller

OPERATING COMMITTEE
- --------------------
B. A. Bridgewater, Jr.
Chairman of the Board, President and Chief Executive Officer

John B. Biggs, Jr.
Senior Vice President

Brian C. Cook
Vice President -- Footwear Retailing and President, Famous Footwear

Arthur G. Croci

President, Pagoda Trading

Ronald N. Durchfort
President, Pagoda International

Ronald A. Fromm
Executive Vice President,Famous Footwear

Curtis R. Johnson
Executive Vice President, Brown Shoe Company

Raymond F. Moseley
President, Wohl Shoe Company

Joseph P. Pearce
Executive Vice President, Brown Shoe Company

Gary M. Rich
President, Pagoda U.S.A.

Harry E. Rich
Executive Vice President and Chief Financial Officer

Donald L. Richey
President, Cloth World

Andrew M. Rosen
Vice President and Treasurer

Richard L. Stonner
Senior Vice President -- Retail Sales, Famous Footwear

Thomas A. Williams
Vice President -- Footwear Wholesaling, President, Brown Shoe Company and Chairman, Pagoda

George J. Zelinsky
Senior Vice President and General Merchandise Manager, Famous Footwear

Secretary to the Committee:

E. Lee Wyatt, Jr.
Vice President -- Planning and Controller

INVESTOR INFORMATION

CORPORATE HEADQUARTERS
Brown Group, Inc.
8300 Maryland Avenue
Post Office Box 29
St. Louis, Missouri 63166-0029
(314) 854-4000 Telephone
(314) 854-4274 Fax

FORM 10-K ANNUAL REPORT

A copy of the company's Form 10-K Annual Report, as filed with the Securities and Exchange Commission, is available without charge to stockholders upon request to:

Vice President and Treasurer
Brown Group, Inc.
8300 Maryland Avenue
Post Office Box 29
St. Louis, Missouri 63166-0029

ANNUAL MEETING
11:00 a.m.
Thursday, May 26, 1994
Brown Group, Inc.
Corporate Headquarters
8300 Maryland Avenue
St. Louis, Missouri

STOCK LISTED
New York Stock Exchange
Chicago Stock Exchange
Ticker Symbol BG

NUMBER OF STOCKHOLDERS OF RECORD
11,000

NUMBER OF EMPLOYEES
22,000

INDEPENDENT AUDITORS
Ernst & Young
St. Louis, Missouri

TRUSTEE OF DEBENTURES/NOTES
Citibank, N.A.
111 Wall Street
New York, New York 10043

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSING AGENT
Boatmen's Trust Company
Corporate Trust Division
510 Locust Street
St. Louis, Missouri 63101

DIVIDEND REINVESTMENT PLAN
A dividend reinvestment plan is offered to stockholders of Brown Group, Inc. The plan provides a means of automatic dividend reinvestment and includes a provision for voluntary investment of additional cash.

For more information contact:
Boatmen's Trust Company
Corporate Trust Division
510 Locust Street
St. Louis, Missouri 63101
(314) 466-1581 or
(800) 456-9852

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EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT
BROWN GROUP, INC.

JANUARY 29, 1994

Name	State or Country of Incorporation
Brown Cayman Ltd.	Cayman Islands
Brown Group International, Inc.	Delaware
Brown Group International Calcados Ltda.	Brazil
Brown Group Retail, Inc.	Pennsylvania
d/b/a	
Wohl Shoe Company	
Cloth World	
Famous Footwear	
Brown Retail Development Company	Louisiana
Brown Shoe Company of Canada, Ltd.	Canada
d/b/a	
Chaussures Famous	
F. X. LaSalle	
Naturalizer	
C. W. Nevada Wholesale, Inc.	Nevada
C. W. Nevada Wholesale Two, Inc.	Nevada
CW Wholesale One L.P.	Texas
Clayton License, Inc.	Delaware
Cloth World, Inc.	Missouri
Cloth World of California, Inc.	California
Cloth World of Nevada, Inc.	Nevada
Cloth World of Texas, Inc.	Texas
Concord & Brown Limited	Hong Kong
KidNATION, Inc.	Missouri
Laysan Company Limited	Hong Kong
Linway Investment Limited	Hong Kong
d/b/a	
Leeway International Company	
The Leather Factory, Inc.	Delaware
Maryland Square, Inc.	Missouri
d/b/a	
Ampersands	
Maryland Square	
Maserati Footwear, Inc.	New York
PIC International Corporation	Cayman Islands
PLD, Inc.	North Carolina
Pagoda Asia Pacific Limited	Hong Kong

Pagoda International Corporation do Brazil	Brazil
Pagoda International Corporation e CIA	Brazil
Pagoda International Footwear Limited	Hong Kong
Pagoda International Limited	Taiwan
Pagoda International SARL	France
Pagoda Netherlands C.V.	Netherlands
Pagoda Netherlands Investment Corporation	Missouri
Pagoda Trading Company, Inc.	Missouri
The Right Shoe Only, Inc.	North Carolina
Sidney Rich Associates, Inc.	Missouri
Sunbelt Footwear, Ltd.	California
Whitenox Limited	Hong Kong

Exhibit 21
Subsidiaries of the Registrant (Continued)

Wohl Shoe Company may either assume the department store name in the case of leased shoe departments, or assume one or more of the following names in the case of company-owned stores:

American Shoe Liquidators
Castleby
Connie Express
Connie Shop
Fanfares
National Shoe Liquidators
Naturalizer
Naturalizer Plus
North Carolina Leather Company
Regal Shoes

Famous Footwear does business under the following names:

Air Step/Buster Brown
Bari Shoes
Brown Shoe Company Outlet
Factory Brand Shoes
Famous Footwear
Fashion Footwear
Gattis Shoes
Jack's Shoes
Jack Somers
Naturalizer Etc.
Naturalizer Outlet
Supermarket of Shoes

Brown Group, Inc. does business under the following name:

Brown Shoe Company

EXHIBIT 23

Consent of Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Brown Group, Inc. of our report dated March 2, 1994, included in the 1993 Annual Report to Stockholders of Brown Group, Inc.

Our audits also included the financial statement schedules listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules, referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the Registration Statement Form S-8 Number 2-58347 as amended through Post Effective Amendment Number 6 dated January 25, 1983, pertaining to the Stock Purchase Plan of 1977, and Registration Statement Form S-8 Number 33-22328 dated June 6, 1988, pertaining to the Employee Stock Appreciation Plans, as Amended, and Registration Statement Form S-3 Number 33-21477 dated April 26, 1988, and related Prospectus of our report dated March 2, 1994, with respect to the consolidated financial statements and schedules of Brown Group, Inc. included and incorporated by reference in the Annual Report (Form 10-K) for the year ended January 29, 1994.

St. Louis, Missouri   Ernst & Young /s/
April 21, 1994