



STEVE

MADDEN



Brand Overview

The cutting-edge image and creative designs of the Steven Madden Brand family appeal to stylish men, women, and children of various ages. Our fashion-forward footwear is available at major department stores, specialty retailers, and our company-owned stores and Internet shop.

The success of our brands is a direct result of our unparalleled understanding of our customers. We accurately detect new trends in each of our divisions and swiftly deliver those trends to our customers in the form of a Steven Madden, Ltd. product. In this way, we provide our brand-conscious consumers the innovative and exciting footwear offerings that they want when they want them.



Our flagship brand is our fashion-forward standard. It has evolved into the junior designer footwear label of choice in an ever widening variety of styles. Steve Madden Womens offers the right look at the right time for trendy young women between 16 and 25 years old. The shoes are multi-faceted with options from dress to casual to boots and sell for \$39 to \$100. As an extension of the popular line, we offer accessories including socks, belts, and sunglasses.

STEVEN

SHOES BY STEVE MADDEN



Having replaced David Aaron in 2003, Steven embodies the feminine, cosmopolitan look of today's sophisticated women. The 26 to 45 year old age group has exhibited strong demand for the line of dress shoes, casual shoes, and boots for \$70 to \$120. A success right from its inception, the sleek, innovative line is gaining increasing recognition and popularity.



In May of 2003, we signed a long-term license agreement to design, manufacture, and distribute Candie's footwear on an exclusive basis worldwide. A natural fit with our other brands, Candie's enjoys a different and enviable market positioning given its strength in the value tier of junior fashion footwear. The innovative, well-known line of footwear caters to women and children and rounds out our available categories and price points.

UNIONBAY®



In order to add breadth to our mens offering, we entered a license agreement in January of 2003 to design, manufacture, and market the UNIONBAY label for young men and boys. The casual shoes and boots feature wearable urban looks and retro designs with comfortable unit bottoms of unique design.



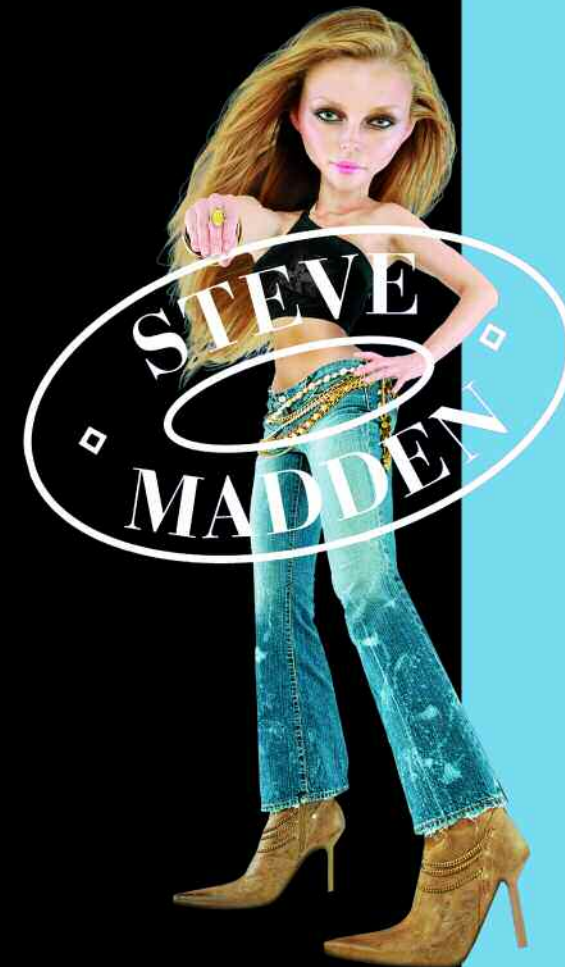
Steve Madden Mens was introduced in 2001 and rolled out in 2002 to an extraordinary reception. The line offers men, between 18 and 46 years old, a stylish and edgy variety of shoes, including fashion dress shoes, casual shoes, and boots priced at \$70 to \$100.



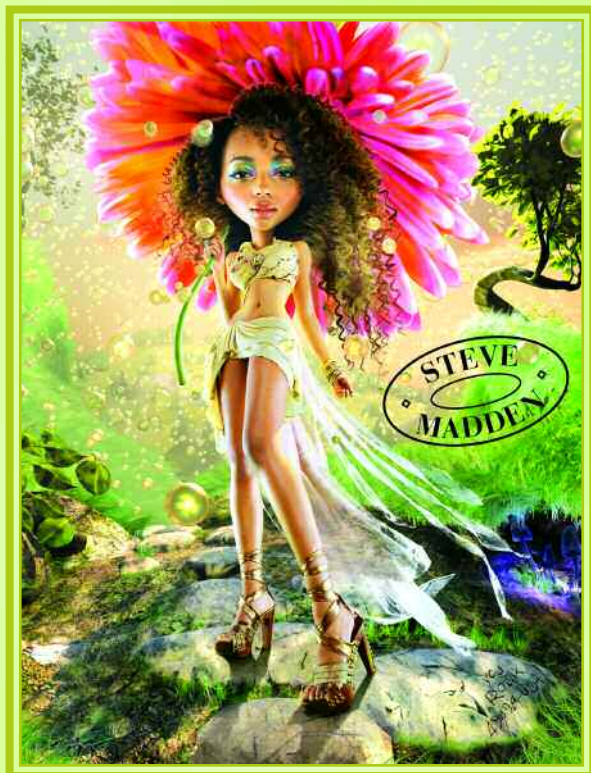
Stevies represents a lifestyle brand for young girls 6 to 12 years old. We are establishing a brand connection with these customers, who have become more brand and fashion conscious as a result of their broad exposure to the Internet, MTV, and other targeted media. The fun and funky shoes cost \$29 to \$45.



l.e.i. lends us a leading position in the junior footwear space. Between \$29 and \$49, the dress shoes, sandals and casual boots appeal to a growing market segment of women and children ages 6 to 20.



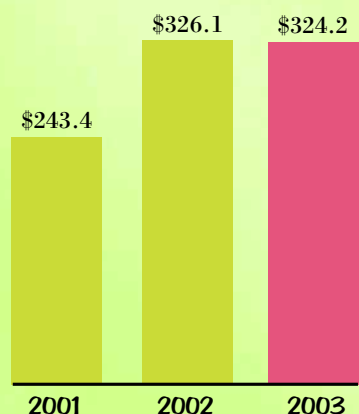
Financial Highlights



Year Ended December 31,

Income Statement	2003	2002	2001
Net sales	\$324,204,000	\$326,136,000	\$243,391,000
Gross profit	126,019,000	126,683,000	99,873,000
Income from operations	33,626,000	33,212,000	19,362,000
Net income	20,454,000	19,841,000	12,116,000
Net income per share:			
Basic	\$1.58	\$1.58	\$1.04
Diluted	\$1.45	\$1.45	\$0.94
Average common shares outstanding:			
Basic	12,985,265	12,594,861	11,617,862
Diluted	14,138,511	13,709,879	12,947,864

Balance Sheet	2003	2002	2001
Cash, cash equivalents, and marketable securities	\$85,732,000	\$79,223,000	\$50,179,000
Short and long-term debt	0	0	0
Stockholders' equity	\$159,187,000	\$130,075,000	\$102,360,000



Net Sales
(In Millions)



Gross Profit
(In Millions)



Net Income
(In Millions)

Mission Statement

To sustain our position as a leading fashion-forward company by using our test-and-react business model to build on our branded footwear dominance, expand and diversify our product offering, and capitalize on strategic opportunities with strong partners in both the domestic and international markets.

Dear Shareholders, Customers, and Employees:

Over the past several years, Steven Madden, Ltd. has evolved into a leading fashion-forward footwear company. As recently as two or three years ago, the Steve Madden brand was largely defined by a single, distinctive look for girls and young women. Today, we offer not only a broad assortment of styles for women but also a variety of shoes for men, boys, and young children, and to complement our footwear, we have leveraged the brand to include certain accessory categories. Our nimble test-and-react system, together with the dedication and talent of our employees, defines our culture and the way we operate. These elements have been the mechanism that successfully guides our development. In fact, over the past few years, we have made tremendous progress toward becoming a complete global lifestyle branded company. Even through challenging conditions, we have always held fast to the core elements of our business – delivery of timely product, a well-known portfolio of brands, an unmatched business model, and a pristine balance sheet. The resilience and versatility of our operations and the dedication of our employees enable us to remain on course to achieving our goals, driving profitability, and enhancing shareholder value for the long-term.

2003 marked a very significant year in our evolution. Despite the highly competitive and promotional retail environment, we both continued to build a foundation on which to expand and diversify our Company and further developed our business in response to changes in footwear trends and customer preferences. Specifically, we are proud of the following important accomplishments:

- Diversified our product offering by adding Candie's and UNIONBAY brands as well as introducing Steven, which replaced David Aaron
- Maintained and strengthened our debt-free balance sheet
- Extended our reach in international markets by selling in Europe
- Broadened our distribution by increasing wholesale channels and enlarging our retail store base
- Enhanced our infrastructure through obtaining new technology and improving operational systems

Alongside these accomplishments, we demonstrated our ability to adapt and respond to consumer demand. We began to move our product focus from a traditional, casual base into broader, dressier lines. The transition is a work in progress as we are constantly listening to our customers and using our test-and-react strategy to translate their demands into our diverse, branded products. We are confident that our fundamental strengths equip us with the tools to manage such shifts in industry dynamics and to continue evolving as a Company.

Excellent Financial Health Keeps Our Business Fundamentally Sound

In 2003, our financial health remained superb particularly as 2003 followed a record breaking 2002. Sales for the year were \$324.2 million compared with \$326.1 million last year. Annual expenses were nearly flat over 2002 on a total dollar basis and as a percent of sales. Net income increased 3% to \$20.5 million, or \$1.45 per diluted share, on 14,139,000 diluted weighted average shares outstanding. In fiscal 2002, net income was \$19.8 million, or \$1.45 per diluted share, on 13,710,000 diluted weighted average shares outstanding. Combined with our sales and earnings results, we maintained the flexibility afforded us by our \$85.7 million in cash, cash equivalents and investment securities, no short- or long-term debt, and \$159.2 million in stockholder equity. These results exhibit the stable, financial base that supports our expanding business.





Superior Brand Equity Defines Our Message

The Steve Madden brand stands for fashion-forward footwear and accessories for trend-conscious men, women, and children. During 2003, we deepened our brand portfolio not only by increasing our product offering but also by replacing the David Aaron line with the Steven line, supported by a new development team and marketing campaign. Candie's brought us a widely recognized brand of fresh, young shoes at affordable prices while UNIONBAY introduced depth to our male line. Our seven brands embody the latest styles, and our customers know that we will provide the products that are an expression of their youthful and stylish lifestyles.

Growth and Diversification Drive Our Promising Future

Looking to the near-term and beyond, we believe that we are well positioned to capitalize on the progress made in 2003. We anticipate facing challenges associated with adding divisions and moving into the different categories that accommodate our customers, but our strong operational foundation and our unique ability to change with our customer clearly defines and differentiates us. Our multi-faceted business allows for opportunities across various strategic growth platforms, and we will pursue those opportunities which drive sales performance while increasing profitability.

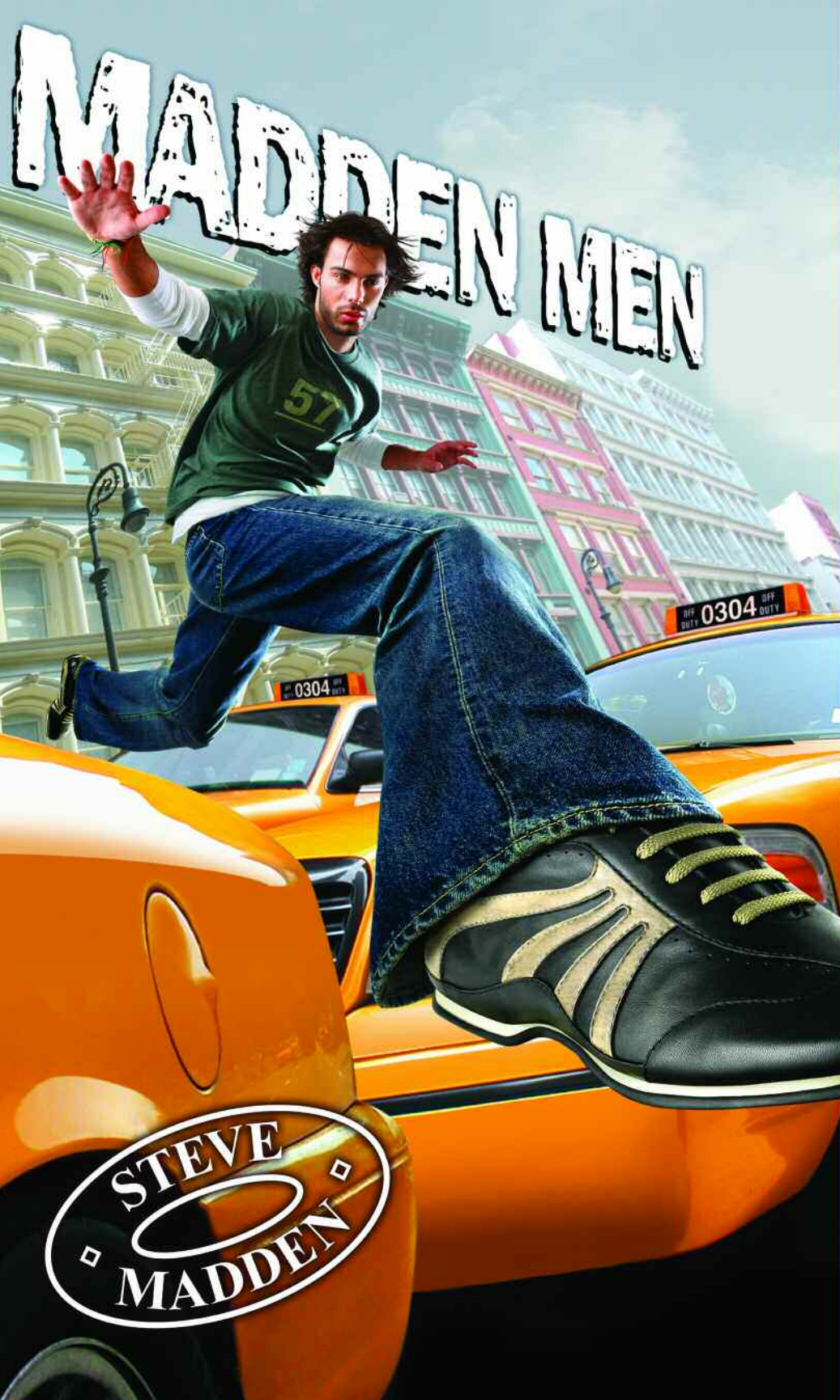
That said, we will focus our efforts on endeavors that both meet customer needs and fulfill our growth objectives going forward. We plan to invest and expand our presence in the most profitable wholesale doors and to enhance our specialized concept shops. Regarding company-owned stores, we expect to open between 8 and 12 new retail locations during 2004. As distribution in Europe gains traction, we will explore other avenues for establishing an international presence. We will also consider leveraging our brand equity by selectively evaluating licensing agreements and/or acquisitions that complement our existing divisions and meet our financial criteria. In terms of marketing, we will continue our laser targeted approach to attracting customers through promotions, advertising and the Internet. To maintain the efficiency of our operations, we will look for ways to further improve and modernize our infrastructure. Finally, we believe in strengthening the entire Steven Madden, Ltd. team, which is already comprised of the most creative and devoted people in the footwear industry. More than any other element, they are the critical component in the overall framework necessary to execute our initiatives.

The talent of our employees and the loyalty of our customers have been the drivers of our progress over the years. For that, we thank them and also rely on them to be the engine that leads us into the promising future. We at Steven Madden, Ltd. appreciate the lasting support and confidence of our valued shareholders. We are excited as we move forward and anticipate more success in the years ahead.

Jamieson Karson
Vice Chairman & Chief Executive Officer

Richard Olicker
President & Chief Operating Officer

Arvind Dharja
Chief Financial Officer



Unparalleled Business Model Differentiates Us

Our test-and-react strategy truly differentiates us from our competitors and increases our market share.

This flexible model ensures that we not only accurately interpret fashion trends but also present them to our customers faster than our competitors.

We implement a production and replenishment system that allows us to maximize opportunities in season. We are able to effectively execute this model due to a strong infrastructure of human resources and technology to support the process.

Our designs lead the footwear industry due to the fact that we are dedicated to assembling the most talented, creative, and devoted team for each and every brand in our portfolio. With new brands in the mix, we will require more people to put our operating model into practice. We utilize the latest available technology that supplies us with superior inventory management capabilities. Our inventory turn was 9.2 times during 2003, and both wholesale and retail inventories are lean and current year after year. We cautiously manage on an ongoing basis our planning, sourcing, and shipping processes throughout each fiscal year.

A woman is shown from the back, wearing a black, long-sleeved, off-the-shoulder dress with a complex, grid-like pattern. She is holding a black high-heeled shoe in her right hand. The background is a solid orange color.

Multi-channel Distribution Accesses Diversified Markets and Wide Range of Customers

From wholesale to retail to the Internet, our distribution represents a truly multi-channel method of market penetration. In other words, we reach our customers in every way they choose to shop.

In 2003, we opened new doors at wholesale and further developed our in-store concept shops. Given certain shifting industry trends, we faced some challenges in our wholesale division at the end of 2003. In response to these challenges, we acted aggressively to liquidate slower moving inventory and support the initiatives of our wholesale customers to clear products through retail channels. Wholesale revenues for the year were \$228.7 million versus \$234.3 million in 2002.

Relative to our wholesale division, our retail stores give us a higher degree of control as to the direction and image of our merchandise since we can observe directly and respond even more quickly to customer needs. During the year, we opened six new stores and closed three, ending 2003 with 83 locations, up from 80 in 2002. In 2003, retail contributed \$95.5 million to net sales, a 4% increase over last year's \$91.9 million. Same store sales decreased 3.9% but productivity remains high, with sales per square foot of \$644.

Our online store remains a very important means of reaching an even wider audience for our brands especially since it is our largest store in terms of revenues. During 2003, we combined our various web sites separately dedicated to men, women, and children into a single site. We also partnered with Amazon.com in a revenue sharing arrangement where our Company is a featured store under Amazon's shoe directory.

We keep our brands up-to-date, in demand, and top-of-mind through our unique grass roots marketing strategy that promotes our exciting brands and maximizes our visibility. Through sponsored events and in-store promotions, trade, print, and outdoor media, editorial coverage, product placement, and radio advertising, we reach our customers in a variety of carefully targeted ways.

Targeted Marketing Promotes Our Lifestyle Brand



Stevie's Talent Search



Blink Radio DJ Search



Rock-N-Sole



Midnight Madness



Bus Advertisement



In terms of sponsored events, we continue to align ourselves with organizations and activities that attract our consumer base and/or support our fashion lifestyle concept. Annual event highlights include the Stevies Model Search, the Rock N' Sole Band Search, and the Jingle Ball concert series, which we expanded this year to include Dallas, Miami and New York. Our outdoor media utilizes buses, bus shelters, subways, metro lights and billboards, and mall advertising. Third party endorsements from celebrities also add a tangible, aspirational element to our message. Not only VJs on MTV can be found wearing our shoes but also celebrities like Kid Rock in a recent music video. This integrated overall marketing approach attracts the appropriate consumers from different angles and retains them with creative reinforcement.



NSYNC's JC Chasez



New Jersey Nets Dancers



Hillary Duff at Jingle Ball



Hip-Hop Band 112 Store Signing

2003 proved as busy as ever in our pursuit of compelling media exposure. Over the course of the year, we sponsored events such as the Pro-Am Jam snowboarding event in Vernon, New Jersey, the Miss USA competition, and the Sundance Film Festival. Our "enter to win tickets" store events tied to special "meet and greet" opportunities drew customer interest and store traffic. In our Third Street Promenade store in Santa Monica, we hosted a live Hot 92 Jamz broadcast as well as shot and aired nationwide an MTV sorority segment. In terms of trade media, we appeared, among other places, in the launch issue of Teen Vogue, Us Weekly, Cosmopolitan, Rolling Stone, Maxim, New York Magazine, and Gotham. As for outdoor media, we put a mall poster campaign in place and built an enormous Steve Madden billboard in New York City's Herald Square across from both Macy's flagship store and our own 34th Street location.

Going forward, although we plan to stay true to our grass roots strategy, we will become more aggressive in our marketing initiatives. Already in 2004, Beyonce Knowles wore specially made shoes while performing the national anthem during Super Bowl XXXVIII, and we are sponsoring her in The Verizon Ladies First Tour which also features Alicia Keys and Missy Elliot. Beyonce is arguably the hottest teen icon in the world today and represents a stylish image aligned with that of our Company.



Strategic Growth Platforms Extend Our Reach

An important initiative for us is the expansion of our brand and our business into complementary product categories beyond footwear, into new markets, and into strategic alliances.

As a result, we continually evaluate our options in search of the right partners for both diversification and protection of the integrity of our brand. Licensing royalty and commission as well as our private label comprise our other income source and leverage our unique identity into broader product categories. In 2003, other income increased 20% to \$7.9 million, in which licensing income increased 55% to \$2.8 million and private label Adesso-Madden increased 6% to \$5.1 million. Also during the year, we heightened consumer perception of our brand on an international level when we signed an exclusive agreement with F.E.E.T. sas to sell, market, and distribute Steven Madden footwear throughout Europe, excluding the United Kingdom. In the future, we will increase our geographic exposure and further build a global footprint. We will also explore opportunities to potentially execute strategic acquisitions. We are extremely conservative in our approach to this process and will only evaluate options that would not only successfully integrate with our existing businesses but also be immediately accretive to our bottom line.



Founder

Steve Madden, Creative and Design Chief

Board of Directors

Charles Koppelman, Executive Chairman of the Board

Jamieson Karson, Chief Executive Officer & Vice Chairman of the Board

Arvind Dharia, Chief Financial Officer & Director

John Madden, Director

Peter Migliorini, Director

Marc Cooper, Director

Awadhesh Sinha, Director

Roger Gladstone, Director

Jeffrey D. Birnbaum, Director

Executive Officers

Jamieson Karson, Chief Executive Officer

Richard Olicker, President & Chief Operating Officer

Arvind Dharia, Chief Financial Officer

Robert Schmertz, President of Steve Madden Womens & Brand Manager

John McCann, President of L.e.i. Wholesale Division

Larry Paparo, President of Stevies

Harry Chen, Chairman of Madden Mens

Andrew Shames, President of Madden Mens & Unionbay

Gerald Mongeluzo, President of Adesso Madden, Inc.

Jay Litvack, President of David Aaron/Steven



Annual Meeting

10:00 am, May 21st, 2004

Steve Madden Showroom

1370 Sixth Avenue, Suite 1204

New York, NY 10019

Transfer Agent

American Stock Transfer & Trust Co.

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Brooklyn, NY 11219

Investor Relations

Financial Dynamics

Wall Street Plaza

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New York, NY 10005

212.850.5600

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Long Island City, NY 11104

718.446.1800

Common Stock

The Company's common stock is listed on the Nasdaq National Market under the ticker symbol "SHOO"

Independent Auditors

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New York, NY 10017

General Counsel

Cadwalader, Wickersham & Taft

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Dennis Block, Esq.

212.504.5555

Corporate Information



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