

(Mark One)

Form 10-Q

Quarterly Report Pursuant To
Section 13 or 15(d) of the
Securities Exchange Act of 1934
For Quarter Ended
May 3, 2003

Transition Report Pursuant To
Section 13 or 15(d) of the
Securities Exchange Act of 1934

Securities and Exchange Commission
Washington, D.C. 20549
Commission File No. 1-3083

Genesco Inc.

A Tennessee Corporation
I.R.S. No. 62-0211340
Genesco Park
1415 Murfreesboro Road
Nashville, Tennessee 37217-2895
Telephone 615/367-7000

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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Common Shares Outstanding June 6, 2003 – 21,745,410

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheet

Consolidated Earnings

Consolidated Cash Flows

Consolidated Shareholders' Equity

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

SIGNATURE

CERTIFICATIONS

Section 906 Certification of the CEO

Section 906 Certification of the CFO

[Table of Contents](#)

INDEX

	<u>Page</u>
Part I. Financial Information	
Item 1. Financial Statements (unaudited):	
Consolidated Balance Sheet — May 3, 2003, February 1, 2003 and May 4, 2002	3
Consolidated Earnings — Three Months Ended May 3, 2003 and May 4, 2002	4
Consolidated Cash Flows — Three Months Ended May 3, 2003 and May 2, 2002	5
Consolidated Shareholders' Equity — Year Ended February 1, 2003 and Three Months Ended May 3, 2003	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	28
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K	30
Signature	31
Certifications	32

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Genesco Inc.

and Consolidated Subsidiaries

Consolidated Balance Sheet

In Thousands

	May 3, 2003	February 1, 2003	May 4, 2002
Assets			
Current Assets			
Cash and cash equivalents	\$ 57,671	\$ 55,929	\$ 44,266
Accounts receivable	19,394	19,412	22,513
Inventories	163,769	168,622	143,448
Deferred income taxes	11,658	11,909	14,807
Other current assets	14,181	13,559	12,584
Total current assets	266,673	269,431	237,618
Plant, equipment and capital leases	126,979	127,542	125,419
Deferred income taxes	17,787	17,787	8,611
Other noncurrent assets	4,545	4,454	4,829
Noncurrent assets of discontinued operations	-0-	-0-	499
Total Assets	\$415,984	\$419,214	\$376,976
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	\$ 41,694	\$ 43,660	\$ 38,243
Accrued liabilities	37,623	43,263	36,942
Provision for discontinued operations	668	1,343	3,060
Total current liabilities	79,985	88,266	78,245
Long-term debt	103,245	103,245	103,245
Other long-term liabilities	46,210	44,924	24,416
Provision for discontinued operations	-0-	-0-	91
Total liabilities	229,440	236,435	205,997
Contingent liabilities (see Note 8)			
Shareholders' Equity			
Non-redeemable preferred stock	7,594	7,599	7,626
Common shareholders' equity:			
Common stock, \$1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
May 3, 2003 – 22,233,874/21,745,410;			
February 1, 2003 – 22,221,566/21,733,102;			
May 4, 2002 – 22,403,893/21,915,429	22,234	22,222	22,404
Additional paid-in capital	97,591	97,488	99,824
Retained earnings	107,042	103,779	75,921
Accumulated other comprehensive loss	(30,060)	(30,452)	(16,939)
Treasury shares, at cost	(17,857)	(17,857)	(17,857)
Total shareholders' equity	186,544	182,779	170,979
Total Liabilities and Shareholders' Equity	\$415,984	\$419,214	\$376,976

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Genesco Inc.
and Consolidated Subsidiaries
Consolidated Earnings
Three Months Ended
In Thousands, except per share amounts

	May 3, 2003	May 4, 2002
Net sales	\$192,746	\$190,593
Cost of sales	104,654	100,445
Selling and administrative expenses	80,653	75,226
Earnings from operations before interest	7,439	14,922
Interest expense	2,206	1,965
Interest income	(174)	(293)
Total interest expense, net	2,032	1,672
Pretax earnings	5,407	13,250
Income taxes	2,070	5,048
Net Earnings	\$ 3,337	\$ 8,202
Basic net earnings per common share	\$ 0.15	\$ 0.37
Diluted net earnings per common share	\$ 0.15	\$ 0.33

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Genesco Inc.
and Consolidated Subsidiaries
Three Months Ended
Consolidated Cash Flows
In Thousands

	May 3, 2003	May 4, 2002
OPERATIONS:		
Net earnings	\$ 3,337	\$ 8,202
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,109	4,362
Provision for losses on accounts receivable	160	39
Other	271	285
Effect on cash of changes in working capital and other assets and liabilities:		
Accounts receivable	(178)	(2,695)
Inventories	4,853	(592)
Other current assets	(622)	133
Accounts payable and accrued liabilities	(7,638)	4,669
Other assets and liabilities	940	(22)
Net cash provided by operating activities	6,232	14,381
INVESTING ACTIVITIES:		
Capital expenditures	(4,647)	(17,363)
Proceeds from asset sales	153	-0-
Net cash used in investing activities	(4,494)	(17,363)
FINANCING ACTIVITIES:		
Stock repurchase	(31)	-0-
Dividends paid	(74)	(74)
Options exercised	109	932
Other	-0-	6
Net cash provided by financing activities	4	864
Net Cash Flow	1,742	(2,118)
Cash and cash equivalents at beginning of period	55,929	46,384
Cash and cash equivalents at end of period	\$57,671	\$ 44,266
Supplemental Cash Flow Information:		
Net cash paid for:		
Interest	\$ 3,447	\$ 3,489
Income taxes	3,046	363

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Genesco Inc.
and Consolidated Subsidiaries
Consolidated Shareholders' Equity
In Thousands

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock
Balance February 2, 2002	\$7,634	\$22,331	\$98,622	\$(17,857)
Net earnings	-0-	-0-	-0-	-0-
Dividends paid	-0-	-0-	-0-	-0-
Exercise of options	-0-	122	1,443	-0-
Issue shares - Employee Stock Purchase Plan	-0-	49	533	-0-
Tax effect of exercise of stock options	-0-	-0-	516	-0-
Stock repurchases	-0-	(286)	(3,758)	-0-
Gain on foreign currency forward contracts (net of tax of \$0.3 million)	-0-	-0-	-0-	-0-
Minimum pension liability adjustment (net of tax benefit of \$8.7 million)	-0-	-0-	-0-	-0-
Other	(35)	6	132	-0-
Comprehensive income				
Balance February 1, 2003	7,599	22,222	97,488	(17,857)
Net earnings	-0-	-0-	-0-	-0-
Dividends paid	-0-	-0-	-0-	-0-
Exercise of options	-0-	9	100	-0-
Tax effect of exercise of stock options	-0-	-0-	4	-0-
Stock repurchases	-0-	(3)	(29)	-0-
Gain on foreign currency forward contracts (net of tax of \$0.2 million)	-0-	-0-	-0-	-0-
Other	(5)	6	28	-0-
Comprehensive income				
Balance May 3, 2003	\$7,594	\$22,234	\$97,591	\$(17,857)

[Additional columns below]

	Retained Earnings	Accumulated Other Comprehensive Loss	Comprehensive Income	Total Share- holders' Equity
Balance February 2, 2002	\$ 67,793	\$(17,336)		\$161,187
Net earnings	36,280	-0-	\$ 36,280	36,280
Dividends paid	(294)	-0-	-0-	(294)
Exercise of options	-0-	-0-	-0-	1,565
Issue shares - Employee Stock Purchase Plan	-0-	-0-	-0-	582
Tax effect of exercise of stock options	-0-	-0-	-0-	516
Stock repurchases	-0-	-0-	-0-	(4,044)
Gain on foreign currency forward contracts (net of tax of \$0.3 million)	-0-	439	439	439
Minimum pension liability adjustment (net of tax benefit of \$8.7 million)	-0-	(13,555)	(13,555)	(13,555)
Other	-0-	-0-	-0-	103
Comprehensive income			23,164	
Balance February 1, 2003	103,779	(30,452)		182,779
Net earnings	3,337	-0-	3,337	3,337
Dividends paid	(74)	-0-	-0-	(74)
Exercise of options	-0-	-0-	-0-	109
Tax effect of exercise of stock options	-0-	-0-	-0-	4
Stock repurchases	-0-	-0-	-0-	(32)
Gain on foreign currency forward contracts (net of tax of \$0.2 million)	-0-	392	392	392

Other	-0-	-0-	-0-	29
Comprehensive income			\$ 3,729	
Balance May 3, 2003	\$107,042	\$(30,060)		\$186,544

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**Genesco Inc.
and Consolidated Subsidiaries**
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies

Interim Statements

The consolidated financial statements contained in this report are unaudited but reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods of the fiscal year ending January 31, 2004 ("Fiscal 2004") and of the fiscal year ended February 1, 2003 ("Fiscal 2003"). The results of operations for any interim period are not necessarily indicative of results for the full year. The interim financial statements should be read in conjunction with the financial statements and notes thereto included in the annual report on Form 10-K.

Nature of Operations

The Company's businesses include the design or sourcing, marketing and distribution of footwear principally under the *Johnston & Murphy* and *Dockers* brands and the operation at May 3, 2003 of 1,017 *Jarman*, *Journeys*, *Journeys Kidz*, *Johnston & Murphy* and *Underground Station* retail footwear stores and leased departments.

Basis of Presentation

All subsidiaries are included in the consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Reclassifications

Certain reclassifications have been made to conform prior years' data to the current year presentation.

Cash and Cash Equivalents

Included in cash and cash equivalents at February 1, 2003 and May 3, 2003, are cash equivalents of \$47.4 million and \$50.1 million, respectively. Cash equivalents are highly-liquid debt instruments having an original maturity of three months or less.

Inventories

Wholesale inventories are stated at the lower of cost or market, with cost determined principally by the first-in, first-out method. Retail inventories are stated at the lower of cost or market with cost determined under the retail inventory method.

**Genesco Inc.
and Consolidated Subsidiaries**
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Plant, Equipment and Capital Leases

Plant, equipment and capital leases are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method over the following estimated useful lives:

Buildings and building equipment	20-45 years
Machinery, furniture and fixtures	3-15 years

Leasehold improvements and properties under capital leases are amortized on the straight-line method over the shorter of their useful lives or their related lease terms.

Impairment of Long-Term Assets

The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount.

Postretirement Benefits

Substantially all full-time employees are covered by a defined benefit pension plan. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

Revenue Recognition

Retail sales are recorded at the point of sale and are net of estimated returns. Wholesale revenue is recorded net of estimated returns when the related goods have been shipped and legal title has passed to the customer.

Shipping and Handling Costs

Shipping and handling costs are charged to cost of sales in the period incurred.

Preopening Costs

Costs associated with the opening of new stores are expensed as incurred.

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were \$5.1 million and \$5.3 million for the first quarter of Fiscal 2004 and 2003, respectively.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Environmental Costs

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated and are evaluated independently of any future claims for recovery. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Income Taxes

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount the Company believes is more likely than not to be realized in the foreseeable future.

Capitalized Interest

Statement of Financial Accounting Standards (SFAS) No. 34, "Capitalization of Interest Cost" requires capitalizing interest cost as a part of the historical cost of acquiring certain assets, such as assets that are constructed or produced for a company's own use. The Company capitalized \$0.3 million of interest cost in the first quarter of Fiscal 2003 in connection with the Company's new distribution center.

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock (see Note 7).

Other Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income" requires, among other things, the Company's minimum pension liability adjustment and unrealized gains or losses on foreign currency forward contracts to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at May 3, 2003 consists of a \$30.8 million minimum pension liability adjustment, net of tax, and a \$0.7 million gain on foreign currency forward contracts, net of tax.

Business Segments

Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information" requires that companies disclose "operating segments" based on the way management disaggregates the company for making internal operating decisions (see Note 9).

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Derivative Instruments and Hedging Activities

The Company implemented Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" in the first quarter of Fiscal 2002. This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. Under certain conditions, a derivative may be specifically designated as a fair value hedge or a cash flow hedge. The accounting for changes in the fair value of a derivative are recorded each period in current earnings or in other comprehensive income depending on the intended use of the derivative and the resulting designation. For the first quarter ended May 3, 2003, the Company recorded an unrealized gain on foreign currency forward contracts of \$0.6 million in accumulated other comprehensive loss, before taxes.

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments for its Johnston & Murphy division, the Company enters into foreign currency forward exchange contracts for Euro to make Euro denominated payments with a maximum hedging period of twelve months. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged. The settlement terms of the forward contracts correspond with the payment terms for the merchandise inventories. As a result, there is no hedge ineffectiveness to be reflected in earnings. At February 1, 2003 and May 3, 2003, the Company had approximately \$7.6 million and \$20.8 million, respectively, of such contracts outstanding. Forward exchange contracts have an average remaining term of approximately two and one half months. The unrealized gain based on spot rates under these contracts at February 1, 2003 was \$0.2 million and at May 3, 2003 was \$1.0 million. The Company monitors the credit quality of the major national and regional financial institutions with which it enters into such contracts.

The Company estimates that the majority of net-hedging gains will be reclassified from accumulated other comprehensive loss into earnings through lower cost of sales over the succeeding year.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Stock Incentive Plans

The Company implemented Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" in the fourth quarter of Fiscal 2003. This statement amends the disclosure provisions of FASB Statement No. 123, "Accounting for Stock Based Compensation" to require prominent disclosure about the effect on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation and amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information.

As of May 3, 2003, the Company had two fixed stock incentive plans and four restricted stock incentive plans. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, no compensation cost has been recognized other than for the Company's restricted stock incentive plans as the exercise price is greater than or equal to the market price as of the date of grant. The compensation cost that has been charged against income for its restricted plans was \$0.2 million and \$0.1 million for the first quarter of Fiscal 2004 and 2003, respectively. The compensation cost that has been charged against income for its directors' restricted stock plan was \$28,839 and \$26,334 for the first quarter of Fiscal 2004 and 2003, respectively. There was no additional stock incentive plan compensation reflected in net income, as all options granted under the fixed stock plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation cost for all of the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology prescribed by FASB Statement No. 123 "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(In thousands, except per share amounts)	Three Months Ended	
	May 3, 2003	May 4, 2002
Net income, as reported	\$3,337	\$8,202
<i>Add:</i> stock-based employee compensation expense included in reported net income, net of related tax effects	119	62
<i>Deduct:</i> total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(515)	(543)
Pro forma net income	\$2,941	\$7,721
Earnings per share:		
Basic — as reported	\$ 0.15	\$ 0.37
Basic — pro forma	\$ 0.13	\$ 0.35
Diluted — as reported	\$ 0.15	\$ 0.33
Diluted — pro forma	\$ 0.13	\$ 0.32

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Other New Accounting Principles

In November 2002, the Emerging Issues Task Force (“EITF”) issued EITF Issue No. 02-16, “Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor.” The new pronouncement addresses the accounting for cash consideration received by a customer from a vendor and rebates or refunds from a vendor that are payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified time period. This statement requires the above to be treated as a reduction of cost of inventory purchased. The Company adopted this statement effective beginning the first quarter of Fiscal 2004. The adoption did not have a material impact on its results of operations or financial condition.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 2
Impairment and Other Charges

Impairment and Other Charges

The Company recorded a pretax charge to earnings of \$2.5 million (\$1.6 million net of tax) in the fourth quarter of Fiscal 2003. The charge includes \$2.4 million in asset impairments related to 14 underperforming retail stores identified as suitable for closing if acceptable lease terminations can be negotiated, the payments related to the termination of one of those leases, and \$0.1 million in severance payments. The majority of these items relate to the Johnston & Murphy division.

Note 3
Accounts Receivable

In thousands	May 3, 2003	February 1, 2003
Trade accounts receivable	\$20,464	\$19,196
Miscellaneous receivables	1,616	2,650
Total receivables	22,080	21,846
Allowance for bad debts	(833)	(690)
Other allowances	(1,853)	(1,744)
Net Accounts Receivable	\$19,394	\$19,412

The Company's footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Credit risk is affected by conditions or occurrences within the economy and the retail industry. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. One customer accounted for 18% and another customer accounted for 15% of the Company's trade receivables balance as of May 3, 2003 and no other customer accounted for more than 7% of the Company's trade receivables balance as of May 3, 2003.

Note 4
Inventories

In thousands	May 3, 2003	February 1, 2003
Raw materials	\$ 335	\$ 662
Wholesale merchandise	27,174	37,387
Retail merchandise	136,260	130,573
Total Inventories	\$163,769	\$168,622

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 5
Plant, Equipment and Capital Leases, Net

In thousands	May 3, 2003	February 1, 2003
Plant and equipment:		
Land	\$ 4,843	\$ 4,913
Buildings and building equipment	13,981	13,967
Machinery, furniture and fixtures	83,193	84,076
Construction in progress	9,053	9,338
Improvements to leased property	101,137	99,011
Capital leases:		
Buildings	37	37
Plant, equipment and capital leases, at cost	212,244	211,342
Accumulated depreciation and amortization:		
Plant and equipment	(85,239)	(83,774)
Capital leases	(26)	(26)
Net Plant, Equipment and Capital Leases	\$126,979	\$127,542

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 6
Provision for Discontinued Operations and Restructuring Reserves

Provision for Discontinued Operations

In thousands	Employee Related Costs*	Facility Shutdown Costs	Other	Total
Balance February 2, 2002	\$ 3,918	\$ 3,306	\$ 10	\$ 7,234
Charges and adjustments, net	(2,485)	(3,567)	20	(6,032)
Balance February 1, 2003	1,433	(261)	30	1,202
Charges and adjustments, net	(628)	1	-0-	(627)
Balance May 3, 2003	805	(260)	30	575
Current portion	805	(167)	30	668
Total Noncurrent Provision for Discontinued Operations**	\$ -0-	\$ (93)	\$-0-	\$ (93)

* Includes \$0.8 million of apparel union pension withdrawal liability.

** Included in other noncurrent assets

Restructuring Reserves

In thousands	Employee Related Costs	Facility Shutdown Costs	Other	Total
Balance February 2, 2002	\$ 1,661	\$2,504	\$ 406	\$ 4,571
Additional provision February 1, 2003	106	70	-0-	176
Charges and adjustments, net	(1,344)	354	(406)	(1,396)
Balance February 1, 2003	423	2,928	-0-	3,351
Charges and adjustments, net	(140)	(100)	-0-	(240)
Balance May 3, 2003	283	2,828	-0-	3,111
Current portion (included in accrued liabilities)	283	711	-0-	994
Total Noncurrent Restructuring Reserves (included in other long-term liabilities)	\$ -0-	\$2,117	\$ -0-	\$ 2,117

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 7
Earnings Per Share

(In thousands, except per share amounts)	For the Three Months Ended May 3, 2003			For the Three Months Ended May 4, 2002		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	\$3,337			\$8,202		
Less: Preferred stock dividends	(74)			(74)		
Basic EPS						
Income available to common shareholders	3,263	21,743	\$.15	8,128	21,876	\$.37
Effect of Dilutive Securities						
Options		201			465	
5 1/2% convertible subordinated notes	-0-	-0-		968	4,906	
Employees' preferred stock(1)		65			67	
Diluted EPS						
Income available to common shareholders plus assumed conversions	\$3,263	22,009	\$.15	\$9,096	27,314	\$.33

(1) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock is higher than basic earnings per share for the period. Therefore, conversion of the convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,674, 38,324 and 24,946, respectively.

The amount of the interest on the convertible subordinated notes (net of tax) for the period ended May 3, 2003 per common share obtainable on conversion is higher than basic earnings per share, therefore the convertible debt is not reflected in diluted earnings per share because it is antidilutive.

The weighted shares outstanding reflects the effect of the stock buy back programs of up to 7.5 million shares announced by the Company in Fiscal 1999 - 2003. The Company has repurchased 7.0 million shares as of May 3, 2003.

**Genesco Inc.
and Consolidated Subsidiaries**
Notes to Consolidated Financial Statements

**Note 8
Legal Proceedings**

New York State Environmental Proceedings

The Company was a defendant in a civil action filed by the State of New York against the City of Gloversville, New York, and 33 other private defendants. The action arose out of the alleged disposal of certain hazardous material directly or indirectly into a municipal landfill and sought recovery for the costs of investigating and performing remedial actions and damage to natural resources. The Company paid approximately \$0.2 million in October 2002, in exchange for a release from further liability related to the site.

In 1995, the Company received notice from the New York State Department of Environmental Conservation (the "Department") that it deemed remedial action to be necessary with respect to certain contaminants in the vicinity of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969, and that it considered the Company a potentially responsible party. In August 1997, the Department and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study ("RIFS") and implementing an interim remediation measure with regard to the site, without admitting liability or accepting responsibility for any future remediation of the site. In conjunction with the consent order, the Company entered into an agreement with the owner of the site providing for a release from liability for property damage and for necessary access to the site, for payments totaling \$400,000. The Company estimates that the cost of conducting the RIFS and implementing the interim remedial measure will be in the range of \$4.1 million to \$4.3 million, \$3.8 million of which the Company has already paid. The Company believes that it has adequately reserved for the costs of conducting the RIFS and implementing the interim remedial measure contemplated by the consent order, but there is no assurance that the consent order will ultimately resolve the matter. The Company is also currently assessing various methods of preventing potential future impact of contamination from the site on two public wells that are in the expected future path of the groundwater plume from the site. The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict the extent of its liability, if any, beyond that voluntarily assumed by the consent order.

In May 2003, the Company filed a declaratory judgment action in the U. S. District Court for the Middle District of Tennessee against former general liability insurance carriers that underwrote policies covering the Company during periods relevant to this matter. The action seeks a determination that the carriers' defense and indemnity obligations under the policies extend to the site. No discovery has occurred in the action and the Company has indicated its willingness to discuss its settlement with the carriers.

Whitehall Environmental Matters

Pursuant to a work plan approved by the Michigan Department of Environmental Quality ("MDEQ") the Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's Volunteer Leather Company facility in Whitehall, Michigan.

On June 29, 1999, the Company submitted a remedial action plan (the "Plan") for the site to MDEQ and subsequently amended it to include additional upland remediation to bring the property into compliance with regulatory standards for non-industrial uses. The Company, with the approval of MDEQ, had previously installed horizontal wells to capture groundwater from a portion of the site and treat it by air sparging. The Plan proposed continued operation of this system for an indefinite period and monitoring of groundwater samples to ensure that the system is functioning as intended.

**Genesco Inc.
and Consolidated Subsidiaries**
Notes to Consolidated Financial Statements

Note 8
Legal Proceedings, Continued

The Company has completed further testing in response to MDEQ comments and expects to submit a revised Plan for MDEQ approval. The Company has not yet adopted a revised Plan, which when submitted will be subject to MDEQ comment, but management does not presently expect remediation of the site to have a material effect on its financial condition or results of operations.

On June 30, 1999, the City of Whitehall filed an action against the Company in the circuit court for the City of Muskegon alleging that the Company's and its predecessors' past wastewater management practices have adversely affected the environment, and seeking injunctive relief under Parts 17 and 201 of the Michigan Natural Resources Environmental Protection Act ("MNREPA") to require the Company to correct the alleged pollution, primarily lake sediment contamination. Further, the City alleged violations of City ordinances prohibiting blight and litter, and that the Whitehall Volunteer Leather plant constitutes a public nuisance. The Company, the City of Whitehall and MDEQ settled their disagreement over lake sediments for a lump sum payment of \$3.35 million by the Company in the first quarter of Fiscal 2003. In connection with the settlement, the City's lawsuit has been dismissed with prejudice.

Patent Actions

In January 2003, the Company was named a defendant in an action filed in the United States District Court for the Eastern District of Pennsylvania, Schoenhaus, et al. vs. Genesco Inc., et al., alleging that certain features of shoes in the Company's Johnston & Murphy line infringe the plaintiff's patent, misappropriate trade secrets and involve conversion of the plaintiff's proprietary information and unjust enrichment of the Company. The Company has filed an answer denying plaintiffs' claims and a motion to dismiss at least a portion of the claims and intends to defend the matter vigorously.

In March 2002, the Company was named a defendant in Lemelson Medical, Education & Research Foundation Limited Partnership v. Federal Express Corporation, et al., in the U. S. District Court for the District of Arizona. The case is one of a number of similar cases alleging patent infringement against users of bar code technology. The case was stayed prior to any discovery pending the outcome of suits in other jurisdictions which challenge the validity of the subject patents. The complaint seeks injunctive relief and unspecified damages. The Company intends to defend the matter vigorously if the outcome of the other suits does not result in its dismissal.

SEC Matter

The Company discovered, investigated, publicly announced and self-reported to the Securities and Exchange Commission in December 2001 certain accounting errors relating to the timing of certain shipments of Johnston & Murphy products in fiscal year 2001. By letter dated March 4, 2003, the staff of the Commission advised the Company that it intended to recommend that the Commission institute a cease and desist proceeding against the Company under the periodic reporting, books and records and internal control provisions of the Securities Exchange Act of 1934 in connection with the errors. The staff's stated recommendations with respect to the Company do not include the imposition of monetary fines against the Company or any restatement of previously announced results. The Company has cooperated with the Commission's investigation and continues to cooperate while it seeks to resolve the matter. The Company believes the resolution of this matter will not have a material adverse impact on the Company.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 9
Business Segment Information

The Company currently operates four reportable business segments (not including corporate): Journeys, comprised of Journeys and Journeys Kidz retail footwear operations; Underground Station/Jarman Group, comprised of the Underground Station and Jarman retail footwear operations; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Dockers Footwear. All the Company's segments sell footwear products at either retail or wholesale.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company's reportable segments are based on the way management organizes the segments in order to make operating decisions and assess performance along types of products sold. Journeys and Underground Station/Jarman Group sell primarily branded products from other companies while Johnston & Murphy and Dockers Footwear sell primarily the Company's owned and licensed brands.

Corporate assets include cash, deferred income taxes, deferred note expense and corporate fixed assets. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, interest expense and interest income.

Three Months Ended May 3, 2003 In thousands	Journeys	Underground Station/ Jarman Group	Johnston & Murphy	Dockers	Corporate	Consolidated
Sales	\$ 98,715	\$34,573	\$40,216	\$19,620	\$ 53	\$193,177
Intercompany sales	-0-	-0-	-0-	(431)	-0-	(431)
Net sales to external customers	98,715	34,573	40,216	19,189	53	192,746
Operating income (loss)	5,563	1,560	1,800	2,553	(4,037)	7,439
Interest expense	-0-	-0-	-0-	-0-	2,206	2,206
Interest income	-0-	-0-	-0-	-0-	174	174
Earnings before income taxes from continuing operations	5,563	1,560	1,800	2,553	(6,069)	5,407
Total assets	134,605	47,274	63,910	25,870	144,325	415,984
Depreciation	2,412	804	623	34	1,236	5,109
Capital expenditures	2,290	1,213	612	4	528	4,647

Genesco Inc.
and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 9
Business Segment Information, Continued

Three Months Ended May 4, 2002 In thousands	Journeys	Underground Station/ Jarman Group	Johnston & Murphy	Dockers	Corporate	Consolidated
Sales	\$ 91,474	\$33,199	\$42,365	\$24,390	\$ -0-	\$191,428
Intercompany sales	-0-	-0-	-0-	(835)	-0-	(835)
Net sales to external customers	91,474	33,199	42,365	23,555	-0-	190,593
Operating income (loss)	8,203	2,650	4,107	2,787	(2,825)	14,922
Interest expense	-0-	-0-	-0-	-0-	1,965	1,965
Interest income	-0-	-0-	-0-	-0-	293	293
Earnings before income taxes from continuing operations	8,203	2,650	4,107	2,787	(4,497)	13,250
Total assets	126,385	44,105	62,987	22,591	120,908	376,976
Depreciation	2,083	759	776	34	710	4,362
Capital expenditures	5,949	813	242	9	10,350	17,363

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and the notes to the Consolidated Financial Statements include certain forward-looking statements, which include all statements not made solely with respect to historical fact and those regarding our intent, belief or expectations. Actual results could differ materially from those reflected by the forward-looking statements in this discussion and a number of factors may adversely affect the forward looking statements and future results, liquidity and capital resources. These factors include:

- Lower than expected consumer demand for the Company's products, whether caused by weakness in the overall economy or by changes in fashions or tastes that the Company fails to anticipate or respond to appropriately.
- Changes in demand or buying patterns by significant wholesale customers.
- Disruptions in product supply or distribution, including those related to our reliance on foreign sources of product and to the transition to a new distribution center, and costs associated with those factors.
- Further unfavorable trends in foreign currency exchange rates or other factors increasing the cost of goods sold.
- Disruptions from a planned transition to a new wholesale merchandising system.
- The inability to adjust inventory levels to sales.
- Changes in business strategies by the Company's competitors (including pricing and promotional discounts).
- The Company's ability to open, staff and support additional retail stores on schedule and at acceptable expense levels.
- Unfavorable variations from planned pension expense levels.
- The outcome of litigation and environmental matters involving the Company, including those discussed in Note 8 to the Consolidated Financial Statements.

Forward-looking statements reflect the expectations of the Company at the time they are made, and investors should rely on them only as expressions of opinion about what may happen in the future and only at the time they are made. The Company undertakes no obligation to update any forward-looking statement. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, predictions about future revenue and margin trends are inherently unreliable and the Company may alter its business strategies to address changing conditions.

Significant Developments

Impairment and Other Charges

The Company recorded a pretax charge to earnings of \$2.5 million (\$1.6 million net of tax) in the fourth quarter of Fiscal 2003. The charge includes \$2.4 million in asset impairments related to 14 underperforming retail stores identified as suitable for closing if acceptable lease terminations can be negotiated, the payments related to the termination of one of those leases, and \$0.1 million in severance payments. The majority of these items relate to the Johnston & Murphy division. See

[Table of Contents](#)

Notes 2 and 6 to the Consolidated Financial Statements.

Business Segments

The Company currently operates four reportable business segments (not including the corporate segment): Journeys, comprised of the Journeys and Journeys Kidz retail footwear operations; Underground Station/Jarman Group, comprised of the Underground Station and Jarman retail footwear operations; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Dockers Footwear.

Results of Operations – First Quarter Fiscal 2004 Compared to Fiscal 2003

The Company's net sales in the first quarter ended May 3, 2003 increased 1.1% to \$192.7 million from \$190.6 million in the first quarter ended May 4, 2002. Gross margin decreased 2.3% to \$88.1 million in the first quarter this year from \$90.1 million in the same period last year and decreased as a percentage of net sales from 47.3% to 45.7%. Selling and administrative expenses in the first quarter this year increased 7.2% from the first quarter last year and increased as a percentage of net sales from 39.5% to 41.8%. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Pretax earnings for the first quarter ended May 3, 2003 were \$5.4 million compared to \$13.3 million for the first quarter ended May 4, 2002.

Net earnings for the first quarter ended May 3, 2003 were \$3.3 million (\$0.15 diluted earnings per share) compared to \$8.2 million (\$0.33 diluted earnings per share) for the first quarter ended May 4, 2002. The Company recorded an effective income tax rate of 38.3% in the first quarter this year compared to 38.1% in the same period last year.

Journeys

	Three Months Ended		% Change
	May 3, 2003	May 4, 2002	
	(dollars in thousands)		
Net sales	\$98,715	\$91,474	7.9%
Operating income	\$ 5,563	\$ 8,203	(32.2)%
Operating margin	5.6%	9.0%	

Reflecting primarily a 14% increase in average Journeys stores operated (i.e., the sum of the number of stores open on the first day of the fiscal quarter and the last day of each fiscal month during the quarter divided by four) offset by a 3% decrease in comparable store sales, net sales from Journeys increased 7.9% for the first quarter ended May 3, 2003 compared to the same period last year. The average price per pair of shoes decreased 3% in the first quarter of Fiscal 2004, reflecting increased markdowns and changes in product mix, while unit sales increased 9% during the same period. Journeys operated 631 stores at the end of the first quarter of Fiscal 2004, including 37 Journeys Kidz stores, compared to 564 stores at the end of the first quarter last year, including 21 Journeys Kidz stores.

[Table of Contents](#)

Journeys operating income for the first quarter ended May 3, 2003 was down 32.2% to \$5.6 million compared to \$8.2 million for the first quarter ended May 4, 2002. The decrease was due to decreased gross margin as a percentage of net sales, primarily reflecting increased markdowns, and to increased expenses as a percentage of net sales.

Underground Station/Jarman Group

	Three Months Ended		% Change
	May 3, 2003	May 4, 2002	
	(dollars in thousands)		
Net sales	\$34,573	\$33,199	4.1%
Operating income	\$ 1,560	\$ 2,650	(41.1)%
Operating margin	4.5%	8.0%	

Reflecting primarily a 3% increase in average stores operated, net sales from the Underground Station/Jarman Group increased 4.1% for the first quarter ended May 3, 2003 compared to the same period past year. Comparable store sales were down 2% for the Underground Station/Jarman Group, but comparable store sales for Underground Station were up 7%. The average price per pair of shoes decreased 4% in the first quarter of Fiscal 2004, primarily reflecting increased markdowns and changes in product mix, while unit sales increased 5% during the same period. Underground Station/Jarman Group operated 236 stores at the end of the first quarter of Fiscal 2004, including 122 Underground Station stores. The Underground Station/Jarman Group had operated 228 stores at the end of the first quarter last year, including 102 Underground Station stores.

Underground Station/Jarman Group operating income for the first quarter ended May 3, 2003 was \$1.6 million compared to \$2.7 million for the first quarter ended May 4, 2002. The decrease was due to decreased gross margin as a percentage of net sales, primarily reflecting increased markdowns, and increased expenses as a percentage of net sales.

Johnston & Murphy

	Three Months Ended		% Change
	May 3, 2003	May 4, 2002	
	(dollars in thousands)		
Net sales	\$40,216	\$42,365	(5.1)%
Operating income	\$ 1,800	\$ 4,107	(56.2)%
Operating margin	4.5%	9.7%	

Johnston & Murphy net sales decreased 5.1% to \$40.2 million for the first quarter ended May 3, 2003 from \$42.4 million for the first quarter ended May 4, 2002, reflecting primarily a 7% decrease in comparable store sales for Johnston & Murphy retail operations. Johnston & Murphy wholesale sales decreased 3% for the first quarter ended May 3, 2003. Retail operations accounted for 67.3% of Johnston & Murphy segment sales in the first quarter this year, down from 67.9% in the first quarter last year. The average price per pair of shoes for Johnston & Murphy retail decreased 2% in the first quarter this year, primarily due to increased markdowns and changes in product mix, and

[Table of Contents](#)

unit sales decreased 4% during the same period. Unit sales for the Johnston & Murphy wholesale business decreased 2% in the first quarter of Fiscal 2004 while the average price per pair of shoes was flat for the same period. The store count for Johnston & Murphy retail operations at the end of the first quarter of Fiscal 2004 included 150 Johnston & Murphy stores and factory stores compared to 148 Johnston & Murphy stores and factory stores at the end of the first quarter of Fiscal 2003.

Johnston & Murphy operating income for the first quarter ended May 3, 2003 decreased 56.2% compared to the same period last year, primarily due to decreased gross margin as a percentage of net sales, reflecting increased markdowns and increased cost of products from the appreciation of the Euro, and increased expenses as a percentage of net sales.

Dockers

	Three Months Ended		
	May 3, 2003	May 4, 2002	% Change
	(dollars in thousands)		
Net sales	\$19,189	\$23,555	(18.5)%
Operating income	\$ 2,553	\$ 2,787	(8.4)%
Operating margin	13.3%	11.8%	

Dockers net sales decreased 18.5% to \$19.2 million for the first quarter ended May 3, 2003, from \$23.6 million for the first quarter ended May 4, 2002. The sales decrease reflected lower levels of at once orders. Factors reflected in the sales decline included retailers' response to the retail environment, fewer close-out shipments than last year, a decline in sales to a formerly significant department store account reflecting a strategic change in its product offering and a shift in the annual initial shipment of seasonal product to a major volume moderate account that occurred during the quarter last year to the previous quarter this year. Unit sales for Dockers decreased 17% for the first quarter this year and the average price per pair of shoes decreased 3% for the same period reflecting changes in sales mix.

Dockers operating income for the first quarter ended May 3, 2003 decreased 8.4% from \$2.8 million for the first quarter ended May 4, 2002 to \$2.6 million, primarily due to decreased sales and increased expenses as a percentage of net sales.

Corporate and Interest Expenses

Corporate and other expenses for the first quarter ended May 3, 2003 were \$4.0 million compared to \$2.8 million for the first quarter ended May 4, 2002 for an increase of 42.9%. The increase in corporate expenses in the first quarter this year is attributable primarily to increased expenses related to the Company's new distribution center, which began operations in the second quarter of Fiscal 2003.

Interest expense increased 12.3% from \$2.0 million in the first quarter ended May 4, 2002 to \$2.2 million for the first quarter ended May 3, 2003, primarily due to capitalized interest of \$0.3 million in the first quarter last year for the Company's new distribution center. See Note 1 to the Consolidated Financial Statements.

[Table of Contents](#)

Interest income decreased 40.6% from \$0.3 million in the first quarter last year to \$0.2 million in the first quarter this year due to decreases in interest rates. There were no borrowings under the Company's revolving credit facility during the three months ended May 3, 2003 or May 4, 2002.

Liquidity and Capital Resources

The following table sets forth certain financial data at the dates indicated.

	May 3, 2003	May 4, 2002
	(dollars in millions)	
Cash and cash equivalents	\$ 57.7	\$ 44.3
Working capital	\$186.7	\$159.4
Long-term debt (includes current maturities)	\$103.2	\$103.2

Working Capital

The Company's business is somewhat seasonal, with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year. Historically, cash flow from operations has been generated principally in the fourth quarter of each fiscal year.

Cash provided by operating activities was \$6.2 million in the first three months of Fiscal 2004 compared to \$14.4 million in the first three months of Fiscal 2003. The \$8.2 million decrease in cash flow from operating activities reflects primarily a \$4.9 million decrease in earnings and a \$14.1 million reduction in cash flow from changes in accounts payable primarily due to changes in buying patterns offset by an increase in cash flow from changes in inventory and accounts receivable of \$5.4 million and \$2.5 million, respectively. The \$5.4 million improvement in cash flow from inventory was due to slower growth in our retail inventory and a bigger reduction in the wholesale inventory as the Company tried to more closely align its inventories with sales growth. The \$2.5 million improvement in cash flow from accounts receivable was due to the lower wholesale sales.

The \$4.9 million decrease in inventories at May 3, 2003 from February 1, 2003 levels reflects primarily decreases in Dockers and Johnston & Murphy wholesale inventories due to seasonal shipments offset by seasonal increases in retail inventory and inventory purchased to support the net increase of 26 stores in the first quarter this year.

Accounts receivable at May 3, 2003 increased \$0.2 million compared to February 1, 2003 primarily due to increased days sales outstanding.

[Table of Contents](#)

Cash provided (or used) due to changes in accounts payable and accrued liabilities are as follows:

	Three Months Ended	
	May 3, 2003	May 4, 2002
	(in thousands)	
Accounts payable	\$(1,966)	\$12,130
Accrued liabilities	(5,672)	(7,461)
	<u>\$(7,638)</u>	<u>\$ 4,669</u>

The fluctuations in cash provided due to changes in accounts payable for the first quarter this year from the first quarter last year are due to changes in buying patterns, inventory levels and payment terms negotiated with individual vendors. The change in cash used for changes in accrued liabilities for the first quarter this year from the first quarter last year was due primarily to higher incentive compensation payments, higher payments associated with the new distribution center and higher payments associated with prior restructurings and discontinued operations in the prior year.

There were no revolving credit borrowings during the first three months ended May 3, 2003 and May 4, 2002, as cash generated from operations and cash on hand funded seasonal working capital requirements and capital expenditures. On July 16, 2001, the Company entered into a revolving credit agreement with five banks, providing for loans or letters of credit of up to \$75.0 million. The agreement, as amended September 6, 2001, expires July 16, 2004.

Capital Expenditures

Total capital expenditures in Fiscal 2004 are expected to be approximately \$22.5 million. These include expected retail capital expenditures of \$18.1 million to open approximately 50 Journeys stores, 4 Journeys Kidz stores, 6 Johnston & Murphy stores and factory stores and 25 Underground Station stores and to complete 25 major store renovations, including five conversions of Jarman stores to Underground Station stores. The amount of capital expenditures in Fiscal 2004 for wholesale operations and other purposes are expected to be approximately \$4.4 million, including approximately \$1.8 million for new systems to improve customer service and support the Company's growth.

Future Capital Needs

The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its planned capital expenditures through Fiscal 2004. The Company may borrow under its credit facility from time to time, particularly in the fall, to support seasonal working capital requirements. The approximately \$1.7 million of costs associated with the prior restructurings and discontinued operations that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand. Additionally, the Company may from time to time consider proposals to refinance or retire the outstanding subordinated convertible notes prior to their final maturity date in April 2005 which could involve the use of some cash on hand.

In August 2002, the Company's board of directors authorized the repurchase, from time to time, of up to 300,000 shares of the Company's common stock. There are 512,600 shares remaining to be repurchased under this and prior authorizations as of May 3, 2003. Any purchases would be funded

[Table of Contents](#)

from available cash. The Company has repurchased a total of 7.0 million shares at a cost of \$69.4 million under a series of authorizations since Fiscal 1999. The Company repurchased 2,500 shares during the first quarter this year at a cost of \$31,000.

There were \$10.0 million of letters of credit outstanding under the revolving credit agreement at May 3, 2003, leaving availability under the revolving credit agreement of \$65.0 million. The revolving credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage and debt to EBITDAR ratios. The Company was in compliance with these financial covenants at May 3, 2003.

The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to capital stock, including repurchases (although the Company may make payments with respect to preferred stock). At May 3, 2003, \$36.6 million was available for such payments related to common stock. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, \$2.30 Series 1, \$4.75 Series 3 and \$4.75 Series 4, and on its \$1.50 Subordinated Cumulative Preferred Stock is \$294,000.

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 8 to the Company's Consolidated Financial Statements. The Company has made accruals for certain of these contingencies, including approximately \$0.3 million reflected in Fiscal 2003 and \$2.0 million reflected in Fiscal 2002. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a reasonable estimate of the probable loss connected to the proceeding, or in cases in which no reasonable estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves may not be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

Financial Market Risk

The following discusses the Company's exposure to financial market risk related to changes in interest rates and foreign currency exchange rates.

Outstanding Debt of the Company – The Company's outstanding long-term debt of \$103.2 million 5 1/2% convertible subordinated notes due April 2005 bears interest at a fixed rate. Accordingly, there would be no immediate impact on the Company's interest expense due to fluctuations in market interest rates.

Cash and Cash Equivalents – The Company's cash and cash equivalent balances are invested in financial instruments with original maturities of three months or less. The Company does not have

Table of Contents

significant exposure to changing interest rates on invested cash at May 3, 2003. As a result, the Company considers the interest rate market risk implicit in these investments at May 3, 2003 to be low.

Foreign Currency Exchange Rate Risk - Most purchases by the Company from foreign sources are denominated in U.S. dollars. To the extent that import transactions are denominated in other currencies, it is the Company's practice to hedge its risks through the purchase of forward foreign exchange contracts. At May 3, 2003, the Company had \$20.8 million of forward foreign exchange contracts for Euro. The Company's policy is not to speculate in derivative instruments for profit on the exchange rate price fluctuation and it does not hold any derivative instruments for trading purposes. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. The unrealized gain on contracts outstanding at May 3, 2003 was \$1.0 million based on current spot rates. As of May 3, 2003, a 10% adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts by approximately \$1.6 million.

Because of the rapid appreciation in the value of the Euro relative to the dollar and the limitations of the Company's foreign currency hedging policy, the Company anticipates that product costs in the Johnston & Murphy division will increase in Fiscal 2004 as compared to the previous year. Based on anticipated demand for the year and assuming an average exchange rate for the year near levels for the first fiscal quarter, the Company estimates these increases will have an adverse effect on its pretax earnings for the year in the range of \$5.0 to \$6.0 million. The effect could be greater or less if either or both demand varies from expectations or exchange rates fluctuate.

Accounts Receivable – The Company's accounts receivable balance at May 3, 2003 is concentrated in its two remaining wholesale businesses, which sell primarily to department stores and independent retailers across the United States. One customer accounted for 17.7% and another customer accounted for 14.5% of the Company's trade accounts receivable balance as of May 3, 2003. The Company monitors the credit quality of its customers and establishes an allowance for doubtful accounts based upon factors surrounding credit risk, historical trends and other information; however, credit risk is affected by conditions or occurrences within the economy and the retail industry.

Summary – Based on the Company's overall market interest rate and foreign currency rate exposure at May 3, 2003, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2004 would not be material. However, fluctuations in foreign currency exchange rates could have a material effect on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2004.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company incorporates by reference the information regarding market risk appearing under the heading "Financial Market Risk" in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

- (a) Evaluation of disclosure controls and procedures. The Company's principal executive officer and its principal financial officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) as of a date within 90 days before the filing date of this report, have concluded that, as of such date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries required to be disclosed in the reports the Company files under the Exchange Act was timely made known to them by others within those entities.
- (b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. As a result, no corrective actions were required or undertaken.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Exhibits

99.1

Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2

Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Reports on Form 8-K

The Company furnished to the SEC current reports on Form 8-K on February 7, 2003, March 4, 2003, March 28, 2003 and April 30, 2003 containing Regulation FD disclosures under Item 9.

Information furnished under Item 9 of our current reports on Form 8-K, including the related exhibits, is not incorporated by reference in this Quarterly Report on Form 10-Q.

SIGNATURE

Pursuant to the requirements 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.

Genesco Inc.

/s/James S. Gulmi

James S. Gulmi
Chief Financial Officer
June 16, 2003

CERTIFICATIONS

I, Hal N. Pennington, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 16, 2003

/s/ Hal N. Pennington

Hal N. Pennington
Chief Executive Officer

CERTIFICATIONS

I, James S. Gulmi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 16, 2003

/s/ James S. Gulmi

James S. Gulmi
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the "Company") on Form 10-Q for the period ending May 3, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hal N. Pennington, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Hal N. Pennington

Hal N. Pennington
Chief Executive Officer
June 16, 2003

A signed original of this written statement required by Section 906 has been provided to Genesco Inc. and will be retained by Genesco Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the "Company") on Form 10-Q for the period ending May 3, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Gulmi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James S. Gulmi

James S. Gulmi
Chief Financial Officer
June 16, 2003

A signed original of this written statement required by Section 906 has been provided to Genesco Inc. and will be retained by Genesco Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

