[GENESCO LOGO]

(Mark One) FORM 10-Q

[X] Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934 For Quarter Ended October 31, 1998

[ ] 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
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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 such shorter period that the registrant was required to file such reports with the commission) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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Common Shares Outstanding December 4, 1998 -- 24,384,830

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PART I - FINANCIAL INFORMATION

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Balance Sheet
In Thousands

	OCTOBER 31, 1998	JANUARY 31, 1998	NOVEMBER 1, 1997
ASSETS			
CURRENT ASSETS			
Cash and short-term investments	$ 42,552	$ 49,276	$ 13,167
Accounts receivable	26,007	20,339	41,612
Inventories	127,924	102,042	128,641
Other current assets	6,121	5,802	4,590
Current assets of operations to be divested	-0-	17,105	-0-
Total current assets	202,604	194,564	188,010
Plant, equipment and capital leases, net	56,361	44,810	44,022
Other noncurrent assets	9,715	6,623	8,349
Noncurrent assets of operations to be divested	-0-	820	-0-
TOTAL ASSETS	$ 268,680	$ 246,817	$ 240,381
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 62,828	$ 71,994	$ 58,092
Provision for discontinued operations	2,997	3,017	2,995
Current payments on capital leases	8	240	355
Total current liabilities	65,833	75,251	61,442
Long-term debt	103,500	75,000	75,000
Capital leases	34	39	50
Other long-term liabilities	12,496	14,219	12,394
Provision for discontinued operations	8,822	10,344	10,886
Total liabilities	190,685	174,853	159,772
Contingent liabilities (see Note 11)			
SHAREHOLDERS' EQUITY			
Non-redeemable preferred stock	7,936	7,945	7,938
Common shareholders' equity:			
Par value of issued shares	25,113	26,264	26,243
Additional paid-in capital	127,876	132,218	132,724
Accumulated deficit	(63,923)	(75,456)	(68,439)
Accumulated other comprehensive income	(1,150)	(1,150)	-0-
Treasury shares, at cost	(17,857)	(17,857)	(17,857)
Total shareholders' equity	77,995	71,964	80,609
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 268,680	$ 246,817	$ 240,381

The accompanying Notes are an integral part of Statements.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Earnings
In Thousands

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 31, 1998	NOVEMBER 1, 1997	OCTOBER 31, 1998	NOVEMBER 1, 1997
Net sales	$ 129,764	$ 147,046	$ 395,621	$ 381,255
Cost of sales	71,687	86,387	222,281	223,596
Selling and administrative expenses	50,187	48,361	153,477	134,900
Restructuring income and other charges, net	-0-	-0-	(2,403)	(275)
Earnings from operations before other income and expenses	7,890	12,298	22,266	23,034
Other expenses (income):				
Interest expense	2,094	2,541	7,163	7,614
Interest income	(597)	(160)	(2,038)	(937)
Other expense (income)	(42)	340	540	404
Total other (income) expenses, net	1,455	2,721	5,665	7,081
Earnings before income taxes and extraordinary loss	6,435	9,577	16,601	15,953
Income taxes (benefit)	162	55	(85)	116
Earnings before extraordinary loss	6,273	9,522	16,686	15,837
Extraordinary loss from early retirement of debt	-0-	(169)	(3,651)	(169)
NET EARNINGS	$ 6,273	$ 9,353	$ 13,035	$ 15,668
Basic earnings per common share:				
Before extraordinary loss	$ .24	$ .37	$ .64	$ .62
Extraordinary loss	$ .00	$ (.01)	$ (.14)	$ (.01)
Net earnings	$ .24	$ .36	$ .50	$ .61
Diluted earnings per common share:				
Before extraordinary loss	$ .23	$ .35	$ .61	$ .58
Extraordinary loss	$ .00	$ (.01)	$ (.14)	$ (.01)
Net earnings	$ .23	$ .34	$ .47	$ .57

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Cash Flows
In Thousands

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 31, 1998	NOVEMBER 1, 1997	OCTOBER 31, 1998	NOVEMBER 1, 1997
OPERATIONS:				
Net earnings	$ 6,273	$ 9,353	$ 13,035	$ 15,668
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,421	2,217	7,528	6,647
Provision for deferred income taxes	-0-	-0-	-0-	(687)
Provision for losses on accounts receivable	(23)	63	124	1,114
Impairment of long-lived assets and other charges	-0-	-0-	-0-	831
Loss on retirement of debt	-0-	169	3,651	169
Restructuring charge (credit)	-0-	-0-	(2,403)	(1,106)
Other	126	286	567	924
Effect on cash of changes in working capital and other assets and liabilities:				
Accounts receivable	1,127	(5,937)	(2,240)	(8,337)
Inventories	(1,502)	(5,175)	(22,994)	(32,757)
Other current assets	(728)	(773)	(315)	(81)
Accounts payable and accrued liabilities	(6,087)	(1,261)	(9,498)	254
Other assets and liabilities	155	278	(2,945)	375
Net cash provided by (used in) operations	1,762	(780)	(15,490)	(16,986)
INVESTING ACTIVITIES:				
Capital expenditures	(5,347)	(5,066)	(19,350)	(17,603)
Proceeds from businesses divested and asset sales	188	1	14,114	193
Net cash used in investing activities	(5,159)	(5,065)	(5,236)	(17,410)
FINANCING ACTIVITIES:				
Payments of long-term debt	-0-	-0-	(77,220)	-0-
Payments on capital leases	(20)	(156)	(237)	(1,080)
Stock repurchase	(7,699)	-0-	(7,699)	-0-
Dividends paid	(76)	-0-	(1,502)	-0-
Long-term borrowings	-0-	-0-	103,500	-0-
Exercise of stock options and related income tax benefits	494	654	2,128	4,378
Deferred note expense	-0-	-0-	(3,914)	-0-
Other	1	890	(1,054)	890
Net cash provided by (used in) financing activities	(7,300)	1,388	14,002	4,188
NET CASH FLOW	(10,697)	(4,457)	(6,724)	(30,208)
Cash and short-term investments at beginning of period	53,249	17,624	49,276	43,375
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	$ 42,552	$ 13,167	$ 42,552	$ 13,167
SUPPLEMENTAL CASH FLOW INFORMATION:				
Net cash paid (received) for:				
Interest	$ 3,427	$ 534	$ 10,489	$ 9,094
Income taxes	87	22	(14)	105

The accompanying Notes are an integral part of these 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	ACCUMULATED (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME	COMPREHENSIVE INCOME	TOTAL SHARE-HOLDERS' EQUITY
BALANCE FEBRUARY 1, 1997	$ 7,944	$ 25,195	$ 122,615	$ (17,857)	$(84,107)	$ -0-	-0-	$ 53,790
Exercise of options	-0-	458	2,809	-0-	-0-	-0-	-0-	3,267
Issue shares - Employee Stock Purchase Plan	-0-	70	496	-0-	-0-	-0-	-0-	566
Net earnings	-0-	-0-	-0-	-0-	8,651	-0-	8,651	8,651
Issue shares - litigation settlement	-0-	525	6,175	-0-	-0-	-0-	-0-	6,700
Tax effect of exercise of stock options	-0-	-0-	42	-0-	-0-	-0-	-0-	42
Minimum pension liability adjustment	-0-	-0-	-0-	-0-	-0-	(1,150)	(1,150)	(1,150)
Other	1	16	81	-0-	-0-	-0-	-0-	98
Comprehensive Income							$ 7,501	
BALANCE JANUARY 31, 1998	$ 7,945	$ 26,264	$ 132,218	$ (17,857)	$(75,456)	$(1,150)		$ 71,964
Net earnings	-0-	-0-	-0-	-0-	13,035	-0-	13,035	13,035
Dividends paid	-0-	-0-	-0-	-0-	(1,502)	-0-	-0-	(1,502)
Exercise of options	-0-	212	822	-0-	-0-	-0-	-0-	1,034
Issue shares - restricted stock options	-0-	67	533	-0-	-0-	-0-	-0-	600
Issue shares - Employee Stock Purchase Plan	-0-	107	387	-0-	-0-	-0-	-0-	494
Stock repurchase	-0-	(1,539)	(6,160)	-0-	-0-	-0-	-0-	(7,699)
Minimum pension liability adjustment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	(9)	2	76	-0-	-0-	-0-	-0-	69
Comprehensive Income							$ 13,035	
BALANCE OCTOBER 31, 1998	$ 7,936	$ 25,113	$ 127,876	$ (17,857)	$(63,923)	$ (1,150)		$ 77,995

The accompanying Notes are an integral part of these 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 30, 1999 ("Fiscal 1999") and of the fiscal year ended January 31, 1998 ("Fiscal 1998"). The results of operations for any interim period are not necessarily indicative of results for the full year. The 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 manufacture or sourcing, marketing and distribution of footwear principally under the Johnston & Murphy, Dockers and Nautica brands, the tanning and distribution of leather by the Volunteer Leather division and the operation at October 31, 1998 of 678 Jarman, Journeys, Johnston & Murphy, General Shoe Warehouse, Underground Station and Nautica retail footwear stores and leased departments. Because of the acquisition by Dillards Inc. of Mercantile, the Company will end its operation of the Jarman leased departments. Except for 21 stores which Dillards Inc. closed or sold in September and November 1998, the Company expects to operate the remaining 82 leased departments at least through the remainder of the current fiscal year. The Jarman leased departments' business contributed approximately $4.1 million in operating earnings and $52.3 million in sales to the Company's results in the fiscal year ended January 31, 1998. The Jarman leased departments' business contributed approximately $1.5 million in operating earnings and $35.9 million in sales to the Company's results for the nine months ended October 31, 1998. The Jarman leased departments had inventory of $16.2 million and total assets of $20.0 million at October 31, 1998.

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 generally accepted accounting principles 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 presentation.

CASH AND SHORT-TERM INVESTMENTS
Included in cash and short-term investments at January 31, 1998 and October 31, 1998, are short-term investments of $45.6 million and $37.1 million, respectively. Short-term investments are highly-liquid debt instruments having an original maturity of three months or less.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVENTORIES
Inventories of wholesaling and manufacturing companies are stated at the lower of cost or market, with cost determined principally by the first-in, first-out method. Retail inventories are determined by the retail method.

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.

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.

HEDGING CONTRACTS
In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments, the Company enters into foreign currency forward exchange contracts for Italian Lira. At January 31, 1998 and October 31, 1998, the Company had approximately $15.0 million and $18.9 million, respectively, of such contracts outstanding. Forward exchange contracts have an average term of approximately four months. Gains and losses arising from these contracts offset gains and losses from the underlying hedged transactions. The Company monitors the credit quality of the major national and regional financial institutions with whom it enters into such contracts.

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.

In accordance with SFAS 106, postretirement benefits such as life insurance and health care are accrued over the period the employee provides services to the Company.

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.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

NOTE 2
RESTRUCTURINGS

FISCAL 1998 RESTRUCTURING
As a result of the continued weakness in the western boot market, the Company approved a plan in the fourth quarter of Fiscal 1998 to exit the western boot business (the "Boot Divestiture"). In connection with the Boot Divestiture, the Company recorded a charge to earnings of $17.3 million, including $11.3 million in asset writedowns. The carrying value of the assets held for sale was reduced to fair value based on estimated selling values less estimated costs to sell. In addition to the asset writedown, the Company recorded $3.2 million in employee-related costs and $2.8 million of facility shutdown and other costs in the fourth quarter of Fiscal 1998. Net sales of the Company's western boot business for Fiscal 1998, 1997 and 1996 were $45.4 million, $56.1 million and $57.3 million, respectively. The operating losses for the Company's western boot business for Fiscal 1998 and 1997 were $3.7 million and $2.2 million, respectively. The Company's western boot business had operating income of $1.6 million for Fiscal 1996.

On June 12, 1998, the Company and Texas Boot, Inc. entered into an agreement providing for the purchase by Texas Boot, Inc. of most of the assets related to the western boot business, including the Company's 26 store Boot Factory retail chain, which the Company had not planned to include in the Boot Divestiture. The Company completed the sale of its western boot business to Texas Boot, Inc. on July 14, 1998. Net earnings for the second quarter ended August 1, 1998 reflects a restructuring gain of $2.4 million primarily from the Boot Divestiture. The $2.4 million gain represents savings of employee-related costs and facility shutdown costs due to facilities assumed and employees retained by the buyer.

The Company's actions relating to the Boot Divestiture resulted in the elimination of 622 jobs, including all positions related to the western boot business and the Boot Factory retail chain.

In addition to the charge related to the Boot Divestiture, the Company took a charge of $0.6 million during the fourth quarter of Fiscal 1998 to consolidate staff functions in one operating division as well as to account for the costs of eliminating a production process at its remaining footwear plant.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 3
ACCOUNTS RECEIVABLE

IN THOUSANDS	OCTOBER 31, 1998	JANUARY 31, 1998
Trade accounts receivable	$ 23,286	$ 19,947
Miscellaneous receivables	4,981	3,142
Total receivables	28,267	23,089
Allowance for bad debts	(862)	(988)
Other allowances	(1,398)	(1,762)
NET ACCOUNTS RECEIVABLE	$ 26,007	$ 20,339

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. No single customer accounted for more than 8% of the Company's trade receivables balance as of October 31, 1998.

NOTE 4
INVENTORIES

IN THOUSANDS	OCTOBER 31, 1998	JANUARY 31, 1998
Raw materials	$ 2,990	$ 4,452
Work in process	2,171	2,261
Finished goods	28,160	28,458
Retail merchandise	94,603	66,871
TOTAL INVENTORIES	$127,924	$102,042

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 5
PLANT, EQUIPMENT AND CAPITAL LEASES, NET

IN THOUSANDS	OCTOBER 31, 1998	JANUARY 31, 1998
Plant and equipment:		
Land	$ 263	$ 263
Buildings and building equipment	2,444	2,515
Machinery, furniture and fixtures	33,322	34,338
Construction in progress	7,791	6,767
Improvements to leased property	60,450	51,136
Capital leases:		
Buildings	293	200
Machinery, furniture and fixtures	4,002	4,777
Plant, equipment and capital leases, at cost	108,565	99,996
Accumulated depreciation and amortization:		
Plant and equipment	(48,064)	(50,519)
Capital leases	(4,140)	(4,667)
NET PLANT, EQUIPMENT AND CAPITAL LEASES	$ 56,361	$ 44,810

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 6
ASSETS OF OPERATIONS TO BE DIVESTED

IN THOUSANDS	JANUARY 31, 1998
Current assets:	
Accounts receivable, net of allowance of $3,325	$ 7,684
Inventory	9,418
Other current assets	3
TOTAL CURRENT ASSETS	$17,105
Noncurrent assets:	
Plant and equipment	783
Capitalized lease rights	37
TOTAL NONCURRENT ASSETS	$ 820

NOTE 7

PROVISION FOR DISCONTINUED OPERATIONS AND RESTRUCTURING RESERVES

PROVISION FOR DISCONTINUED OPERATIONS

IN THOUSANDS	EMPLOYEE RELATED COSTS*	OTHER	TOTAL
Balance January 31, 1998	$12,036	$ 1,325	$13,361
Charges and adjustments, net	(1,385)	(157)	(1,542)
Balance October 31, 1998	10,651	1,168	11,819
Current portion	1,945	1,052	2,997
TOTAL NONCURRENT PROVISION FOR DISCONTINUED OPERATIONS	$ 8,706	$ 116	$ 8,822

*Union pension withdrawal liability.

RESTRUCTURING RESERVES

IN THOUSANDS	EMPLOYEE RELATED COSTS	FACILITY SHUTDOWN COSTS	OTHER	TOTAL
Balance January 31, 1998	$ 3,593	$ 1,983	$ 1,532	$ 7,108
Charges and adjustments, net	(3,267)	(621)	(366)	(4,254)
Balance October 31, 1998	326	1,362	1,166	2,854
Current portion (included in accounts payable and accrued liabilities)	326	1,033	1,107	2,466
TOTAL NONCURRENT RESTRUCTURING RESERVES (INCLUDED IN OTHER LONG-TERM LIABILITIES)	$ -0-	$ 329	$ 59	$ 388

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 8
LONG-TERM DEBT

IN THOUSANDS	OCTOBER 31, 1998	JANUARY 31, 1998
10 3/8% senior notes due February 2003	$ -0-	$75,000
5 1/2% convertible subordinated notes due April 2005	103,500	-0-
Total long-term debt	103,500	75,000
Current portion	-0-	-0-
Total Noncurrent Portion of Long-Term Debt	$103,500	$75,000

REVOLVING CREDIT AGREEMENT:
On September 24, 1997, the Company entered into a revolving credit agreement with three banks providing for loans or letters of credit of up to $65 million. The agreement, as amended January 30, 1998 and March 31, 1998, expires September 24, 2002. This agreement replaced a $35 million revolving credit agreement providing for loans or letters of credit. The replacement of the $35 million revolving credit agreement resulted in an extraordinary loss of $169,000, recognized in the third quarter of Fiscal 1998. Outstanding letters of credit at October 31, 1998 were $5.4 million; no loans were outstanding at that date.

Under the revolving credit agreement, the Company may borrow at the prime rate or LIBOR plus 1.5% which may be changed if the Company's pricing ratio (as defined in the credit agreement) changes. Facility fees are 0.425% per annum on $65.0 million and also varies based on the pricing ratio. 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 equity ratios. The Company is required by the credit agreement to reduce the outstanding principal balance of the revolving loans to zero for 30 consecutive days during each period beginning on December 15 of any fiscal year and ending on April 15 of the following fiscal year. The revolving credit agreement, as amended, contains other covenants which restrict the payment of dividends and other payments with respect to capital stock. In addition, annual capital expenditures are limited to $30.0 million for Fiscal 1998 and thereafter, subject to possible carryforwards from the previous year of up to $3.0 million if less is spent in the current year. The Company was in compliance with the financial covenants contained in the revolving credit agreement at October 31, 1998.

10 3/8% SENIOR NOTES DUE 2003:
On February 1, 1993, the Company issued $75 million of 10 3/8% senior notes due February 1, 2003. These notes were redeemed on May 8, 1998, resulting in a $3.7 million extraordinary loss for early retirement of debt recognized in the second quarter of Fiscal 1999.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 8

LONG-TERM DEBT, CONTINUED

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5 1/2% CONVERTIBLE SUBORDINATED NOTES DUE 2005:
On April 9, 1998, the Company issued $103.5 million of 5 1/2% convertible subordinated notes due April 15, 2005. The notes are convertible into 47.5172 shares of common stock per $1,000 principal amount of Notes (equivalent to a conversion price of $21.045 per share of common stock), subject to adjustment. During the second quarter the Company used: 1) $79.9 million of the proceeds to repay all of the Company's 10 3/8% senior notes including interest and expenses incurred in connection therewith, resulting in an extraordinary loss of $3.7 million, 2) $1.3 million of the proceeds to pay preferred dividends in arrears because of certain covenants in the indenture relating to the senior notes, and 3) the remaining proceeds for general corporate purposes.

The indenture pursuant to which the convertible subordinated notes were issued does not restrict the incurrence of Senior Debt by the Company or other indebtedness or liabilities by the Company or any of its subsidiaries.

NOTE 9
COMPREHENSIVE INCOME

The Company implemented Statement of Financial Accounting Standards (SFAS) 130, "Reporting Comprehensive Income" in the first quarter of Fiscal 1999. This statement establishes standards for reporting and display of comprehensive income. SFAS 130 requires the minimum pension liability adjustment to be included in other comprehensive income. The adoption of this statement had no impact on the Company's net income or shareholders' equity for the quarter and nine months ended October 31, 1998 or November 1, 1997.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 10
EARNINGS PER SHARE

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED OCTOBER 31, 1998			FOR THE THREE MONTHS ENDED NOVEMBER 1, 1997		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
Earnings before extraordinary loss	$ 6,273			$ 9,522		
Less: Preferred stock dividends	(75)			(75)		
BASIC EPS						
Income available to common shareholders	6,198	25,600	$ .24	9,447	25,702	$ .37
EFFECT OF DILUTIVE SECURITIES						
Options		662			1,449	
Contingent Options(1)		67			133	
Employees' Preferred Stock(2)		74			80	
DILUTED EPS						
Income available to common shareholders plus assumed conversions	$ 6,198	26,403	$ .23	$ 9,447	27,364	$ .35

(1) These options are contingent upon service to the Company and the Company's common stock trading at various prices.

(2) 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 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 30,816, 40,869 and 24,946, respectively.

The amount of the interest on the convertible subordinated notes (net of tax) per common share obtainable on conversion of the notes is higher than basic earnings per share for the period. Therefore, conversion of the convertible notes is not reflected in diluted earnings per share, because it would have been antidilutive.

The weighted shares outstanding reflects the effect of the stock buy back program of up to 2.6 million shares announced by the Company in August 1998. The Company repurchased 1.5 million shares as of October 31, 1998.

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NOTE 10
EARNINGS PER SHARE, CONTINUED

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	FOR THE THREE MONTHS ENDED OCTOBER 31, 1998			FOR THE THREE MONTHS ENDED NOVEMBER 1, 1997		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
Earnings before extraordinary loss	$16,686			$15,837		
Less: Preferred stock dividends	(225)			(226)		
BASIC EPS						
Income available to common shareholders	16,461	25,850	$.64	15,611	25,362	$.62
EFFECT OF DILUTIVE SECURITIES						
Options		1,176			1,416	
Contingent Options(1)		67			133	
Employees' Preferred Stock(2)		74			80	
DILUTED EPS						
Income available to common shareholders plus assumed conversions	$16,461	27,167	$.61	$15,611	26,991	$.58

(1) These options are contingent upon service to the Company and the Company's common stock trading at various prices.

(2) 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 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 30,816, 40,869 and 24,946, respectively.

The amount of the interest on the convertible subordinated notes (net of tax) per common share obtainable on conversion of the notes is higher than basic earnings per share for the period. Therefore, conversion of the convertible notes is not reflected in diluted earnings per share, because it would have been antidilutive.

The weighted shares outstanding reflects the effect of the stock buy back program of up to 2.6 million shares announced by the Company in August 1998. The Company repurchased 1.5 million shares as of October 31, 1998.

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NOTE 11
LEGAL PROCEEDINGS

New York State Environmental Proceedings
The Company is 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 in a municipal landfill and seeks recovery under a federal environmental statute and certain common law theories for the costs of investigating and performing remedial actions and damage to natural resources. The environmental authorities have selected a plan of remediation for the site with a total estimated cost of approximately $10.0 million. The Company has filed an answer to the complaint denying liability and asserting numerous defenses. The Company, along with other defendants, and the State of New York are participating in non-binding mediation in an attempt to agree upon an allocation of the remediation costs. Because of uncertainties related to the ability or willingness of the other defendants to pay a portion of remediation costs, the availability of New York State funding and insurance coverage, the applicability of joint and several liability and the basis for contribution claims among the defendants, management is unable to predict the outcome of the action. However, management does not presently expect the action to have a material effect on the Company's financial condition or results of operations.

The Company has received notice from the New York State Department of Environmental Conservation (the "Department") that it deems 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 considers 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 approximately $1.6 million. 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 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 whether its liability, if any, beyond that voluntarily assumed by the consent order will have a material effect on its financial condition or results of operations.

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NOTE 11
LEGAL PROCEEDINGS, CONTINUED

Whitehall Environmental Sampling
The Michigan Department of Environmental Quality ("MDEQ") 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. In response to the testing data, the Company submitted and MDEQ approved a work plan, pursuant to which the Company performed a hydrogeological study and a series of studies regarding wastes on-site and groundwater. On the basis of these studies, the Company has proposed a remedial action plan involving installation of horizontal wells to capture groundwater from a portion of the site, treatment of the groundwater either after its use in the manufacturing process or through an air sparge system, and installation of monitoring wells. The Company's environmental consultants estimate capital cost associated with the plan to be in the range of $100,000 to $180,000, with operations and maintenance costs in the range of $10,000 to $15,000 per year. Based on these estimates and assuming the plan's approval by the MDEQ, the Company does not believe that soil and groundwater remediation at the site will have a material impact on its financial condition or results of operations. The proposed plan does not address lake sediments. Officials of MDEQ have been quoted in press reports as proposing a $3.5 million lake sediment cleanup with $2.5 million to be funded by responsible parties, which would presumably include but not be limited to the Company. The Company is continuing to study the lake sediment issues, and at present is unable to predict whether and to what extent it may be required to participate in a remediation of sediments, or whether its participation, if any, will have a material effect on its financial condition or results of operations.

Other Legal Proceedings
On August 8, 1997, the trustee in bankruptcy of a Texas boot retailer filed an action in Texas state court against the Company and an unrelated boot wholesaler and retail chain alleging violations of a Texas antitrust statute and breach of contract by the Company. The trustee's allegations against the Company involve its decision not to consign additional boot inventories to the bankrupt retailer for its liquidation sale. The complaint seeks damages in an unspecified amount. The Company has filed an answer denying all material allegations in the complaint and does not presently expect the action to have a material effect on its financial condition or results of operations.

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This discussion and the notes to the Consolidated Financial Statements include certain forward-looking statements. Actual results could differ materially from those reflected by the forward-looking statements in the discussion and a number of factors may adversely affect future results, liquidity and capital resources. These factors include a continuation of recent softness in the retail footwear market, which the Company believes to be reflected in lower than planned revenues. They also include the timing and acceptance of products being introduced to the market by the Company, such as the planned launch early in Fiscal 2000 of a new line of athletic footwear by the Nautica footwear division. Additionally, as discussed elsewhere in this report, during the second quarter of Fiscal 1999 the Company announced a plan to address the anticipated loss of its leased men's shoe departments in Mercantile Stores Company's department stores, which involved a transition out of the leased department business and an accelerated store opening plan. The timing and terms of such transition and the ability to open and operate the additional stores on schedule and at expected levels of profitability are also among the factors that could lead to material differences from the expectations reflected in the forward looking statements in this report. Failure by the Company to successfully complete its plans for addressing the Year 2000 issue, discussed elsewhere in this report, or failures related to the issue by key suppliers of goods or services to the Company or by the customers of the Company could also result in a failure to meet expectations reflected in forward-looking statements. Other factors that could also lead to such a failure to meet expectations reflected in forward looking statements include international trade developments affecting foreign sourcing of products, the outcome of various litigation and environmental contingencies, including those discussed in Note 11 to the Consolidated Financial Statements, the solvency of the retail customers of the Company and the ability to minimize operating expenses and to take other appropriate measures to deal with changes in markets for the Company's products. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, future revenue and margin trends cannot be reliably predicted and the Company may accordingly alter its business strategies.

SIGNIFICANT DEVELOPMENTS

5 1/2% Convertible Subordinated Notes

On April 9, 1998, the Company issued $103.5 million of 5 1/2% convertible subordinated notes due April 15, 2005. During the second quarter the Company used: 1) $79.9 million of the proceeds to repay all of the Company's 10 3/8% senior notes including interest and expenses incurred in connection therewith, resulting in an extraordinary loss of $3.7 million, 2) $1.3 million of the proceeds to pay dividends in arrears because of certain convenants in the indenture relating to the senior notes, and 3) the remaining proceeds for general corporate purposes. See Note 8 to the Company's Consolidated Financial Statements included elsewhere herein.

Leased Department Transition; Modified Accelerated Growth Plan

Under a longstanding agreement with Mercantile Stores Company, Inc. the Company operated the men's shoe departments in Mercantile department stores through the Company's Jarman lease Division. Because of the acquisition by Dillards Inc. of Mercantile, the Company will end its

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operation of the leased departments. Except for 21 stores which Dillards Inc. closed or sold during September and November 1998, the Company expects to operate the remaining 82 leased departments through the remainder of the current fiscal year. The Jarman leased departments' business contributed approximately $4.1 million in operating earnings and $52.3 million in net sales to the Company's results in the fiscal year ended January 31, 1998. The Jarman leased departments' business contributed approximately $1.5 million in operating earnings and $35.9 million in sales to the Company's results for the nine months ended October 31, 1998. The Jarman leased departments had inventory of $16.2 million and total assets of $20.0 million at October 31, 1998. The 21 stores closed or sold by Dillards Inc. had store operating income of approximately $0.2 million for the three month period ending January 31, 1998.

During the second quarter ended August 1, 1998, the Company announced an accelerated store opening schedule to address the loss of the Jarman Lease business. In response to some uncertainty in the retail footwear market, the Company modified the schedule during the third quarter. The Company currently intends to open 50 to 60 Journeys stores, 15 to 20 Johnston & Murphy shops and factory stores and 10 to 15 Jarman and Underground Station stores during Fiscal 2000. The Company also implemented expense reductions and anticipated some additional wholesale volume in its plans to address the Mercantile transition. The Company established accruals for severance related to the expense reductions of approximately $0.5 million in the second quarter ended August 1, 1998. Additional accruals for severance could be recorded depending on final terms of the Mercantile transition.

Share Repurchase Program
During the third quarter ended October 31, 1998, the Company authorized the purchase, from time to time, up to 2.6 million shares of the Company's common stock. The purchases may be made on the open market or in privately negotiated transactions. As of October 31, 1998, the Company had repurchased 1.5 million shares at a cost of $7.7 million.

Fiscal 1998 Restructuring
As a result of the continued weakness in the western boot market, the Company approved a plan in the fourth quarter of Fiscal 1998 to exit the western boot business (the "Boot Divestiture"). In connection with the Boot Divestiture, the Company recorded a charge to earnings of $17.3 million, including $11.3 million in asset writedowns. The carrying value of the assets held for sale was reduced to fair value based on estimated selling values less estimated costs to sell. In addition to the asset writedown, the Company recorded $3.2 million in employee-related costs and $2.8 million of facility shutdown and other costs in the fourth quarter of Fiscal 1998. Net sales of the Company's western boot business for Fiscal 1998, 1997 and 1996 were $45.4 million, $56.1 million and $57.3 million, respectively. The operating losses for the Company's western boot business for Fiscal 1998 and 1997 were $3.7 million and $2.2 million, respectively. The Company's western boot business had operating income of $1.6 million for Fiscal 1996.

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On June 12, 1998, the Company and Texas Boot, Inc. entered into an agreement providing for the purchase by Texas Boot, Inc. of most of the assets related to the western boot business, including the Company's 26 store Boot Factory retail chain, which the Company had not planned to include in the Boot Divestiture. The Company completed the sale of its western boot business to Texas Boot, Inc. on July 14, 1998. Net earnings for the second quarter ended August 1, 1998 reflects a restructuring gain of $2.4 million primarily from the Boot Divestiture. The $2.4 million gain represents savings of employee-related costs and facility shutdown costs due to facilities assumed and employees retained by the buyer.

The Company's actions relating to the Boot Divestiture resulted in the elimination of 622 jobs, including all positions related to the western boot business and the Boot Factory retail chain.

In addition to the charge related to the Boot Divestiture, the Company took a charge of $0.6 million during the fourth quarter of Fiscal 1998 to consolidate staff functions in one operating division as well as to account for the costs of eliminating a production process at its remaining footwear plant.

RESULTS OF OPERATIONS - THIRD QUARTER FISCAL 1999 COMPARED TO FISCAL 1998

The Company's net sales in the third quarter ended October 31, 1998 decreased 11.8% to $129.8 million from $147.0 million in the third quarter ended November 1, 1997. Pro forma for the Boot Divestiture as if it occurred at the beginning of last year's third quarter, the Company's net sales increased 0.4% to $129.8 million for the third quarter ended October 31, 1998 from $129.2 million in the same period last year. Gross margin for the quarter decreased 4.3% to $58.1 million in the third quarter this year from $60.7 million in the same period last year but increased as a percentage of net sales from 41.3% to 44.8%. Selling and administrative expenses increased 3.8% from the third quarter last year and increased as a percentage of net sales from 32.9% to 38.7%. Pretax earnings in the third quarter ended October 31, 1998 were $6.4 million compared to $9.6 million for the third quarter ended November 1, 1997. Net earnings for the third quarter ended October 31, 1998 were $6.3 million ($0.23 diluted earnings per share) compared to $9.4 million ($0.34 diluted earnings per share) for the third quarter ended November 1, 1997. Net earnings for the third quarter ended November 1, 1997 included an extraordinary loss for the early retirement of debt of $169,000.

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Footwear Retail

	Three Months Ended October 31, 1998	Three Months Ended November 1, 1997	% Change
	(dollars in thousands)		
Net sales	$ 95,053	$ 91,403	4.0%
Net sales-ongoing operations(1)	$ 95,053	$ 87,396	8.8%
Operating income	$ 7,701	$ 11,063	(30.4)%
Operating margin	8.1 %	12.1%	

(1) Pro forma for the Boot Divestiture as if it occurred at the beginning of the periods presented.

Primarily due to a 17% increase in average retail stores operated, net sales from footwear retail operations increased 4.0% for the third quarter ended October 31, 1998, compared to the same period last year. The Company opened 43 stores and closed 21 stores during the third quarter ended October 31, 1998. The average price per pair decreased 3% and unit sales increased 7% for the third quarter of Fiscal 1999.

The Company's comparable store sales and store count at the end of the periods were as follows:

	Comparable Sales Changes	Store Count October 31, 1998	Store Count November 1, 1997
Journeys	-3%	254	170
Johnston & Murphy (including factory stores)	+7%	132	125
Jarman Retail	-13%	168(1)	154
Jarman Lease	-24%	86	86
Boot Factory Outlet Stores	NA	0	26
Other Outlet Stores	-3%	38	15
Total Retail	-7%	678	576

(1) Includes sixteen Underground Station Stores.

Retail gross margin for the quarter increased 2.1% to $46.0 million in the third quarter this year from $45.0 million in the same period last year. Retail gross margin decreased as a percentage of net sales to 48.4% from 49.3%, primarily from increased markdowns to stimulate sales. Retail operating expenses increased 13.6% in the third quarter of Fiscal 1999 from the same quarter last year, primarily due to the 17% increase in average stores operated, which resulted in increased occupancy related expenses and selling salaries, and due to increased advertising expenses. In addition, divisional management expenses increased in the third quarter of Fiscal 1999 to support new store growth. Overall retail operating expenses increased as a percentage of net sales from 36.9% for the third quarter of this year to 40.3% for the third quarter of last year.

Retail operating income for the third quarter ended October 31, 1998 was down 30.4% to $7.7 million compared to $11.1 million in the same period last year, due to decreased margins as a percentage of net sales and increased expenses as a percentage of net sales.

On July 14, 1998, the Company sold its Boot Factory retail chain in conjunction with the Boot Divestiture. For the third quarter ended November 1, 1997, the chain had net sales and operating income of $4.0 million and $244,000, respectively.

Footwear Wholesale & Manufacturing

	Three Months Ended		
	October 31, 1998	November 1, 1997	% Change
	(dollars in thousands)		
Net sales	$ 34,711	$ 55,643	(37.6)%
Net sales-ongoing operations(1)	$ 34,711	$ 41,852	(17.1)%
Operating income	$ 2,517	$ 3,785	(33.5)%
Operating margin	7.3%	6.8%	

(1) Pro forma for the Boot Divestiture as if it occurred at the beginning of the periods presented.

Net sales from footwear wholesale and manufacturing operations decreased 37.6% to $34.7 million for the third quarter ended October 31, 1998, from $55.6 million in the same period last year, reflecting primarily the absence of sales in the third quarter ended October 31, 1998 from the operations divested, lower tanned leather sales and lower sales in the Company's Nautica division. Nautica sales were down primarily due to the weak retail footwear environment, a lack of orders from a major customer engaged in an inventory reduction program and the delay until early next year of the planned launch of a revamped athletic footwear line in conjunction with a line of coordinating athletic clothing by Nautica Apparel, which management believes accounted for a

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decline in Nautica athletic sales from the third quarter last year. Tanned leather sales were down due to lower orders from military footwear suppliers, which have been impacted by a continuing decrease in demand for leather military footwear. Leather for such footwear makes up the bulk of the Company's tanned leather business. The Company expects the decline in tanned leather sales to continue at least through the remainder of Fiscal 1999. Pro forma for the Boot Divestiture, wholesale sales attributable to ongoing operations decreased 17.1% to $34.7 million for the third quarter ended October 31, 1998, from $41.9 million in the same period last year, reflecting primarily decreased sales in the Company's Nautica division and lower tanned leather sales.

Wholesale gross margin for the third quarter ended October 31, 1998 decreased 22.6% to $12.1 million from $15.6 million in the same period last year, primarily because of the absence in this year's third quarter of gross margin from the divested operations and the lower Nautica sales. As a percentage of net sales, gross margin increased from 28.1% to 34.9%, primarily from changes in sales mix.

Wholesale operating expenses decreased 18.5% for the third quarter ended October 31, 1998 primarily as a result of the Boot Divestiture. These expenses increased as a percentage of net sales from 21.1% to 27.6%, primarily as a result of higher divisional administrative expenses to support expected growth in the branded footwear businesses and increased advertising expenses.

Wholesale operating income decreased from $3.8 million for the third quarter ended November 1, 1997, to $2.5 million for the third quarter ended October 31, 1998, due to decreased sales and increased expenses as a percentage of net sales.

The Company completed the Boot Divestiture on July 14, 1998. For the third quarter ended November 1, 1997, the wholesale western boot business had net sales and operating loss of $13.8 million and $1.0 million, respectively.

Corporate and Interest Expenses
Corporate and other expenses for the third quarter ended October 31, 1998, were $2.3 million compared to $2.9 million for the same period last year, a decrease of 20.9%. The decrease in corporate expenses is attributable primarily to decreased compensation expense, including decreased performance-related stock based compensation and decreased bonus accruals based on the Company's decreased earnings, and to decreased professional fees.

Interest expense decreased 18% from $2.5 million for the third quarter ended November 1, 1997, to $2.1 million for the third quarter ended October 31, 1998, primarily due to the decrease in interest rates on the Company's long-term debt from 10 3/8% on $75 million borrowings to 5 1/2% on $103.5 million borrowings. Interest income increased 273% for the third quarter of Fiscal 1999, from $0.2 million for the third quarter of Fiscal 1998 to $0.6 million, due to increases in average short-term investments as a result of the increased cash from the Boot Divestiture and the net proceeds from the issuance of $103.5 million of 5 1/2% convertible subordinated notes. There were

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no borrowings under the Company's revolving credit facility during the three months ended October 31, 1998 or the three months ended November 1, 1997.

RESULTS OF OPERATIONS - NINE MONTHS FISCAL 1999 COMPARED TO FISCAL 1998

The Company's net sales for the nine months ended October 31, 1998 increased 3.8% to $395.6 million from $381.3 million for the nine months ended November 1, 1997. Pro forma for the Boot Divestiture, the Company's net sales increased 12.8% to $379.1 million for the nine months ended October 31, 1998 from $336.1 million in the same period last year. Gross margin increased 9.9% to $173.3 million for the first nine months of this year from $157.7 million for the same period last year and increased as a percentage of net sales from 41.4% to 43.8% for such periods. Selling and administrative expenses increased 13.8% from the first nine months last year and increased as a percentage of net sales from 35.4% to 38.8%. Pretax earnings for the nine months ended October 31, 1998 were $16.6 million compared to $16.0 million for the nine months ended November 1, 1997. Pretax earnings for the nine months ended October 31, 1998 and November 1, 1997 included a net restructuring gain of $2.4 million and $0.3 million, respectively. Net earnings for the nine months ended October 31, 1998 were $13.0 million ($0.47 diluted earnings per share) compared to $15.7 million ($0.57 diluted earnings per share) for the nine months ended November 1, 1997. Net earnings for the first nine months of this year included a tax credit of $85,000 and an extraordinary loss of $3.7 million for the early retirement of debt. Net earnings for the nine months ended November 1, 1997 included an extraordinary loss of $169,000 for the early retirement of debt.

Footwear Retail

	Nine Months Ended		
	October 31, 1998	November 1, 1997	% Change
	(dollars in thousands)		
Net sales	$ 273,351	$ 241,345	13.3%
Net sales-ongoing operations(1)	$ 268,676	$ 231,190	16.2%
Operating income	$ 18,879	$ 24,319	(22.4)%
Operating margin	6.9%	10.1%	

(1) Pro forma for the Boot Divestiture as if it occurred at the beginning of the periods presented.

Primarily due to a 19% increase in average retail stores operated, net sales from footwear retail operations increased 13.3% for the nine months ended October 31, 1998, compared to the same period last year. The Company opened 150 stores and closed 59 stores during the nine months

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ended October 31, 1998. The average price per pair decreased 3% while unit sales increased 16% for the first nine months of Fiscal 1999.

The Company's comparable store sales and store count at the end of the periods were as follows:

		Store Count	
	Comparable Sales Changes	October 31, 1998	November 1, 1997
Journeys	+1%	254	170
Johnston & Murphy (including factory stores)	+8%	132	125
Jarman Retail	-7%	168(1)	154
Jarman Lease	-9%	86	86
Boot Factory Outlet Stores	-10%	0	26
Other Outlet Stores	+2%	38	15
Total Retail	-1%	678	576

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(1) Includes sixteen Underground Station Stores.

Retail gross margin increased 12.0% to $133.4 million for the first nine months of this year from $119.1 million in the same period last year. Retail gross margin decreased as a percentage of net sales to 48.8% from 49.3%, primarily from increased markdowns to stimulate sales. Retail operating expenses increased 21.1% in the first nine months of Fiscal 1999 from the same period last year, primarily due to the 19% increase in average stores operated, which resulted in increased occupancy related expenses and selling salaries, and due to increased advertising expenses. In addition, divisional management expenses increased in the first nine months of Fiscal 1999 to support new store growth. Overall retail operating expenses increased as a percentage of net sales from 39.1% for the first nine months of this year to 41.8% in the same period last year.

Retail operating income for the nine months ended October 31, 1998 was down 22.4% to $18.9 million compared to $24.3 million in the same period last year, due primarily to increased expenses.

On July 14, 1998, the Company sold its Boot Factory retail chain in conjunction with the Boot Divestiture. For the nine months ended October 31, 1998, the chain had net sales and operating loss of $4.7 million and $535,000, respectively, compared to net sales and operating income of $10.2 million and $35,000, respectively, in the same period last year.

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Footwear Wholesale & Manufacturing

	Nine Months Ended		
	October 31, 1998	November 1, 1997	% Change
	(dollars in thousands)		
Net sales	$ 122,270	$ 139,910	(12.6)%
Net sales-ongoing operations(1)	$ 110,385	$ 104,926	5.2%
Operating income	$ 11,157	$ 6,366	75.3%
Operating margin	9.1%	4.6%	

(1) Pro forma for the Boot Divestiture as if it occurred at the beginning of the periods presented.

Net sales from footwear wholesale and manufacturing operations decreased 12.6% to $122.3 million for the nine months ended October 31, 1998, from $139.9 million in the same period last year, reflecting primarily the decrease in sales for the nine months ended October 31, 1998 due to the operations divested and lower tanned leather sales. Tanned leather sales were down due to lower orders from military footwear suppliers, which have been impacted by a continuing decrease in demand for leather military footwear. Leather for such footwear makes up the bulk of the Company's tanned leather business. The Company expects the decline in tanned leather sales to continue at least through the remainder of Fiscal 1999. Pro forma for the Boot Divestiture, wholesale sales attributable to ongoing operations increased 5.2% to $110.4 million for the nine months ended October 31, 1998, from $104.9 million in the same period last year, reflecting primarily increased sales of men's branded footwear.

Wholesale gross margin for the nine months ended October 31, 1998 increased 3.5% to $39.9 million from $38.6 million in the same period last year. As a percentage of net sales, gross margin increased from 27.6% to 32.6%, primarily from changes in sales mix.

Wholesale operating expenses decreased 4.9% for the nine months ended October 31, 1998 primarily from the Boot Divestiture. These expenses increased as a percentage of net sales from 23.1% to 25.2%, primarily as a result of higher divisional administrative expenses to support expected growth in the branded footwear businesses, increased royalty expenses from increased sales and increased advertising expenses.

Wholesale operating income increased from $6.4 million for the nine months ended November 1, 1997, to $11.2 million for the nine months ended October 31, 1998, due to increased margin and

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decreased expenses, $1.9 million decrease in western boot business operating losses and the $2.4 million gain from the Boot Divestiture. Wholesale operating income for the nine months ended October 31, 1998 included $250,000 of environmental and litigation settlement costs.

The Company completed the Boot Divestiture on July 14, 1998. For the nine months ended October 31, 1998, the wholesale western boot business had net sales and operating loss of $11.9 million and $1.4 million, respectively, compared to net sales and operating loss of $35.0 million and $3.3 million, respectively, in the same period last year.

Corporate And Interest Expenses
Corporate and other expenses for the nine months ended October 31, 1998, were $8.3 million compared to $8.1 million for the same period last year, an increase of 3.2%. The increase in corporate expenses is attributable primarily to increased legal fees in the first half of Fiscal 1999 and to expenses related to systems development in order to be Year 2000 compliant.

Interest expense decreased 5.9% for the nine months ended October 31, 1998 compared to the nine months ended November 1, 1997, primarily due to the decrease in interest rates on the Company's long-term debt from 10 3/8% on $75 million borrowings to 5 1/2% on $103.5 million borrowings. Interest income increased 118% for the first nine months of Fiscal 1999, from $0.9 million for the first nine months of Fiscal 1998 to $2.0 million, due to increases in average short-term investments as a result of the increased cash from the Boot Divestiture and the net proceeds from the issuance of $103.5 million of 5 1/2% convertible subordinated notes. There were no borrowings under the Company's revolving credit facility during the nine months ended October 31, 1998 or the nine months ended November 1, 1997.

LIQUIDITY AND CAPITAL RESOURCES

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

	October 31, 1998	November 1, 1997
	(dollars in millions)	
Cash and short-term investments	$ 42.6	$ 13.2
Working capital	$136.8	$126.6
Long-term debt (includes current maturities)	$103.5	$ 75.0
Current ratio	3.1x	3.1x

On April 9, 1998, the Company issued $103.5 million in principal amount of its 5 1/2% Convertible Subordinated Notes due 2005. On May 8, 1998, using a portion of the proceeds of the sale of the

Convertible Subordinated Notes, the Company redeemed $75 million in principal amount of its 10 3/8% Senior Notes due 2003, at 102.96% of their face value.

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. Cash flow from operations is ordinarily generated principally in the fourth quarter of each fiscal year.

Cash used in operating activities was $15.5 million in the first nine months of Fiscal 1999 compared to $17.0 million in the first nine months of Fiscal 1998. The $1.5 million improvement in cash flow from operating activities primarily reflects less seasonal growth due to the Boot Divestiture and lower seasonal growth in accounts receivable from lower wholesale sales.

The $25.9 million increase in inventories from January 31, 1998 levels reflects planned increases in retail inventory to support the net increase of 91 stores in the first nine months of Fiscal 1999, increases in men's branded wholesale inventory to support growth in certain of the wholesale businesses and lower than anticipated sales in certain product styles.

Accounts receivable at October 31, 1998 increased $6.8 million compared to January 31, 1998, primarily due to increased sales of men's branded footwear.

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

	Nine Months Ended	
	October 31, 1998	November 1, 1997
	(in thousands)	
Accounts payable	$ 580	$ 6,794
Accrued liabilities	(10,078)	(6,540)
	$ (9,498)	$ 254

The fluctuations in accounts payable are due to changes in buying patterns, payment terms negotiated with individual vendors and changes in inventory levels. The change in accrued liabilities was primarily due to payment of bonuses, interest payments on the Company's long-term debt and payments of severance costs and liabilities related to the Restructurings.

There were no revolving credit borrowings during the nine months ended October 31, 1998 or the nine months ended November 1, 1997, as cash generated from operations and cash on hand funded seasonal working capital requirements and capital expenditures. On September 24, 1997, the Company entered into a revolving credit agreement with three banks providing for loans or letters of credit of up to $65 million. On January 30, 1998 the revolving credit agreement was amended to

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permit the Boot Divestiture. On March 31, 1998, the revolving credit agreement was amended to permit the issuance of the Company's 5 1/2% Convertible Subordinated Notes due 2005. The agreement, as amended, expires September 24, 2002.

Capital Expenditures

Total capital expenditures in Fiscal 1999 are expected to be approximately $26.5 million. These include expected retail expenditures of $19.3 million to open approximately 159 new retail stores and to complete 28 major store renovations. Capital expenditures for wholesale and manufacturing operations and other purposes are expected to be approximately $7.2 million, including approximately $4.9 million for new computer systems to improve customer service and support the Company's growth.

Year 2000

The Year 2000 issue is the result of computer programs' being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal activities.

The Company has determined that it will be required to modify or replace significant portions of its software so that its computer systems will properly utilize dates beyond December 31, 1999. The Company has also begun the process of upgrading and modernizing its major information systems, including its wholesale and retail operating systems and its financial systems. The replacement systems are expected to be Year 2000 compliant.

The Company will utilize both internal and external resources to reprogram or replace and test software for Year 2000 compliance. The Company currently has 100% of the estimated human resources it expects to be required in the remediation and testing process committed.

The Company plans to complete its Year 2000 project no later than the end of the third quarter of Fiscal 2000. The Company has completed the remediation, including final testing, of approximately 47% of its identified 2.1 million lines of code in its legacy systems. The Company added 0.4 million lines of code associated with existing wholesale systems to the code to be remediated due to delays until the second half of Fiscal 2000 in system replacements. The Company is using three of five modules of its new financial system at the end of the third quarter of Fiscal 1999 and plans to have the other parts in service by the end of the first quarter of Fiscal 2000. The Company's contingency plan for its systems replacement calls for remediation of the existing retail systems if certain hurdles in the replacement process are not met by March 1999.

The total cost of upgrading most of the Company's major operating systems, including the Year 2000 project for Fiscal years 1998 through 2000, is estimated at $20 million and is being funded

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through operating cash flows and cash on hand. Of the total project cost, approximately $12 million is attributable to the purchase of new software and hardware which will be capitalized. The remaining $8 million will be expensed, including projected costs of $4.0 million for Fiscal 1999. Cumulative to date expenditures are $5.1 million plus cumulative capital expenditures of $7.7 million.

The Company has developed plans for formal communications with all of its significant suppliers and large customers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 issues. The communications began in the last quarter of Fiscal 1998 and the Company anticipates initial completion in the fourth quarter of Fiscal 1999 with follow-up continuing until the Year 2000 with critical trading partners based on the initial responses. There can be no assurance the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have material adverse effect on the Company. The Company is presently developing contingency plans to determine what actions the Company will take if its trading partners are not Year 2000 compliant. The Company expects such contingency plans to be completed by the end of the first quarter of Fiscal 2000.

The costs of the project and the date on which the Company plans to complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. Management uses outside consultants to review the adequacy of its Year 2000 plans. However, there can be no assurance that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

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 11 to the Company's Consolidated Financial Statements included elsewhere herein. The Company has made provisions for certain of these contingencies, including provisions of $150,000 and $500,000 in discontinued operations in Fiscal 1997 and Fiscal 1996, respectively, and $250,000 and $500,000 reflected in Fiscal 1998 and Fiscal 1996, respectively. The Company monitors these proceedings on an ongoing basis and at least quarterly 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 as of the close of the most recent fiscal quarter. Because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, however, there can be no assurance that

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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.

Future Capital Needs

The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its capital expenditures through Fiscal 1999, although the Company may borrow from time to time to support seasonal working capital requirements. The approximately $5.5 million of costs associated with the Boot Divestiture, and prior restructurings that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand. The Company has also authorized the repurchase, from time to time, up to 2.6 million shares of the Company's common stock. These purchases will be funded from available cash. During the third quarter of Fiscal 1999, the Company repurchased 1.5 million shares at a cost of $7.7 million.

There were $5.4 million of letters of credit outstanding under the revolving credit agreement at October 31, 1998, leaving availability under the revolving credit agreement of $59.6 million.

Changes In Accounting Principles

The Company implemented Statement of Financial Accounting Standards (SFAS) 130, "Reporting Comprehensive Income" in the first quarter of Fiscal 1999. This statement establishes standards for reporting and display of comprehensive income. For additional information, see Note 9 to the Company's Consolidated Financial Statements included elsewhere herein.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

(27) Financial Data Schedule (for SEC use only)

REPORTS ON FORM 8-K

The Company filed current reports on Form 8-K on the following dates and to report the following matters:

(a) On October 20, 1998, to announce its expectations for earnings in the quarter ending October 31, 1998.

(b) On November 17, 1998, to announce its discovery of a mathematical error in its calculation of diluted earnings per share.

(c) On November 19, 1998, to announce the amendment of the Rights Agreement governing its shareholder rights plan.

SIGNATURE

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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
December 15, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
COMPANY'S THIRD QUARTER FISCAL 1999 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY
REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
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FEB-01-1998
OCT-31-1998
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127,924
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16,686
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(3,651)
0
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.47