

INDEX

	PAGE

Part 1 - Financial Information	1
Consolidated Balance Sheet - August 1, 1998, January 31, 1998 and August 2, 1997	1
Consolidated Earnings - Three Months Ended and Six Months Ended August 1, 1998 and August 2, 1997	2
Consolidated Cash Flows - Three Months Ended and Six Months Ended August 1, 1998 and August 2, 1997	3
Consolidated Shareholders' Equity - Year Ended January 31, 1998 and Six Months Ended August 1, 1998	4
Notes to Consolidated Financial Statements	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Part II - Other Information	30
Signature	31

PART I - FINANCIAL INFORMATION

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Balance Sheet
In Thousands

	AUGUST 1, 1998	JANUARY 31, 1998	AUGUST 2, 1997
	-----	-----	-----
ASSETS			
CURRENT ASSETS			
Cash and short-term investments	\$ 53,249	\$ 49,276	\$ 17,624
Accounts receivable	27,112	20,339	31,738
Inventories	126,421	102,042	123,466
Other current assets	5,393	5,802	3,817
Current assets of operations to be divested	-0-	17,105	-0-
	-----	-----	-----
Total current assets	212,175	194,564	176,645
	-----	-----	-----
Plant, equipment and capital leases, net	53,754	44,810	41,378
Other noncurrent assets	9,874	6,623	9,483
Noncurrent assets of operations to be divested	-0-	820	-0-
	-----	-----	-----
TOTAL ASSETS	\$ 275,803	\$ 246,817	\$ 227,506
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 68,943	\$ 71,994	\$ 54,767
Provision for discontinued operations	2,969	3,017	3,580
Current payments on capital leases	27	240	479
	-----	-----	-----
Total current liabilities	71,939	75,251	58,826
	-----	-----	-----
Long-term debt	103,500	75,000	75,000
Capital leases	35	39	82
Other long-term liabilities	12,024	14,219	12,239
Provision for discontinued operations	9,323	10,344	10,784
	-----	-----	-----
Total liabilities	196,821	174,853	156,931
	-----	-----	-----
Contingent liabilities (see Note 11)			
SHAREHOLDERS' EQUITY			
Non-redeemable preferred stock	7,951	7,945	7,938
Common shareholders' equity:			
Par value of issued shares	26,545	26,264	26,141
Additional paid-in capital	133,613	132,218	132,145
Accumulated deficit	(70,120)	(75,456)	(77,792)
Accumulated other comprehensive income	(1,150)	(1,150)	-0-
Treasury shares, at cost	(17,857)	(17,857)	(17,857)
	-----	-----	-----
Total shareholders' equity	78,982	71,964	70,575
	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 275,803	\$ 246,817	\$ 227,506
	=====	=====	=====

The accompanying Notes are an integral part of Statements.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Earnings
In Thousands

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	AUGUST 1, 1998	AUGUST 2, 1997	AUGUST 1, 1998	AUGUST 2, 1997
Net sales	\$ 132,049	\$ 120,024	\$ 265,857	\$ 234,209
Cost of sales	74,298	70,896	150,285	137,209
Selling and administrative expenses	51,615	43,108	103,599	86,539
Restructuring income and other charges, net	(2,403)	(275)	(2,403)	(275)
Earnings from operations before other income and expenses	8,539	6,295	14,376	10,736
Other expenses (income):				
Interest expense	2,180	2,528	5,069	5,073
Interest income	(636)	(361)	(1,441)	(777)
Other expense (income)	336	(49)	582	64
Total other (income) expenses, net	1,880	2,118	4,210	4,360
Earnings before income taxes and extraordinary loss	6,659	4,177	10,166	6,376
Income taxes (benefit)	34	44	(247)	61
Earnings before extraordinary loss	6,625	4,133	10,413	6,315
Extraordinary loss from early retirement of debt	(3,651)	-0-	(3,651)	-0-
NET EARNINGS	\$ 2,974	\$ 4,133	\$ 6,762	\$ 6,315
Basic earnings per common share:				
Before extraordinary loss	\$.25	\$.16	\$.40	\$.24
Extraordinary loss	\$ (.14)	\$.00	\$ (.15)	\$.00
Net earnings	\$.11	\$.16	\$.25	\$.24
Diluted earnings per common share: (see Notes 10 and 12)				
Before extraordinary loss	\$.24	\$.15	\$.37	\$.23
Extraordinary loss	\$ (.13)	\$.00	\$ (.13)	\$.00
Net earnings	\$.11	\$.15	\$.24	\$.23

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Cash Flows
In Thousands

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	AUGUST 1, 1998	AUGUST 2, 1997	AUGUST 1, 1998	AUGUST 2, 1997
OPERATIONS:				
Net earnings	\$ 2,974	\$ 4,133	\$ 6,762	\$ 6,315
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,722	2,279	5,107	4,430
Provision for deferred income taxes	-0-	(687)	-0-	(687)
Provision for losses on accounts receivable	(407)	46	147	1,051
Impairment of long-lived assets and other charges	-0-	831	-0-	831
Restructuring charge (credit)	(2,403)	(1,106)	(2,403)	(1,106)
Loss on retirement of debt	3,651	-0-	3,651	-0-
Other	178	416	441	638
Effect on cash of changes in working capital and other assets and liabilities:				
Accounts receivable	(2,602)	3,027	(3,367)	1,600
Inventories	(14,943)	(15,275)	(21,492)	(27,582)
Other current assets	83	509	413	692
Accounts payable and accrued liabilities	7,613	3,057	(3,411)	(2,485)
Other assets and liabilities	(258)	(134)	(3,100)	97
Net cash used in operations	(3,392)	(2,904)	(17,252)	(16,206)
INVESTING ACTIVITIES:				
Capital expenditures	(6,519)	(6,853)	(14,003)	(12,537)
Proceeds from businesses divested and asset sales	13,926	114	13,926	192
Net cash provided by (used in) investing activities	7,407	(6,739)	(77)	(12,345)
FINANCING ACTIVITIES:				
Payments of long-term debt	(77,220)	-0-	(77,220)	-0-
Payments on capital leases	(70)	(164)	(217)	(924)
Dividends paid	(1,426)	-0-	(1,426)	-0-
Long-term borrowings	-0-	-0-	103,500	-0-
Exercise of stock options and related income tax benefits	614	1,010	1,634	3,724
Deferred note expense	(440)	-0-	(3,914)	-0-
Other	74	-0-	(1,055)	-0-
Net cash provided by (used in) financing activities	(78,468)	846	21,302	2,800)
NET CASH FLOW	(74,453)	(8,797)	3,973	(25,751)
Cash and short-term investments at beginning of period	127,702	26,421	49,276	43,375
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	\$ 53,249	\$ 17,624	\$ 53,249	\$ 17,624
SUPPLEMENTAL CASH FLOW INFORMATION:				
Net cash paid (received) for:				
Interest	\$ 2,528	\$ 4,123	\$ 7,062	\$ 8,560
Income taxes	76	75	(101)	83

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	ACCUMULATED (DEFICIT)	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL SHARE- HOLDERS' EQUITY
BALANCE FEBRUARY 1, 1997	\$ 7,944	\$ 25,195	\$122,615	\$(84,107)	\$(17,857)	\$ -0-	\$ 53,790
Exercise of options	-0-	458	2,809	-0-	-0-	-0-	3,267
Issue shares - Employee Stock Purchase Plan	-0-	70	496	-0-	-0-	-0-	566
Net earnings	-0-	-0-	-0-	8,651	-0-	-0-	8,651
Issue shares - litigation settlement	-0-	525	6,175	-0-	-0-	-0-	6,700
Tax effect of exercise of stock options	-0-	-0-	42	-0-	-0-	-0-	42
Minimum pension liability adjustment	-0-	-0-	-0-	-0-	-0-	(1,150)	(1,150)
Other	1	16	81	-0-	-0-	-0-	98
BALANCE JANUARY 31, 1998	\$ 7,945	\$ 26,264	\$132,218	\$(75,456)	\$(17,857)	\$ (1,150)	\$ 71,964
Net earnings	-0-	-0-	-0-	6,762	-0-	-0-	6,762
Dividends paid	-0-	-0-	-0-	(1,426)	-0-	-0-	(1,426)
Exercise of options	-0-	212	822	-0-	-0-	-0-	1,034
Issue shares - restricted stock options	-0-	67	533	-0-	-0-	-0-	600
Other	6	2	40	-0-	-0-	-0-	48
BALANCE AUGUST 1, 1998	\$ 7,951	\$ 26,545	\$133,613	\$(70,120)	\$(17,857)	\$ (1,150)	\$ 78,982

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 of Jarman, Journeys, Johnston & Murphy, General Shoe Warehouse, Nautica and Underground Station retail footwear stores and leased departments. Because of the merger of Dillard's Inc. and Mercantile Stores Company, the Company expects to end its operations of the Jarman leased departments. Except for 17 stores which Dillard's Inc. closed or sold in September, the Company expects to operate the remaining 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 to the Company's results in the fiscal year ended January 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 August 1, 1998, are short-term investments of \$45.6 million and \$47.7 million, respectively. Short-term investments are highly-liquid debt instruments having an original maturity of three months or less.

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.

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.

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 August 1, 1998, the Company had approximately \$15.0 million and \$30.3 million, respectively, of such contracts outstanding. Forward exchange contracts have an average term of approximately five 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. 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 sale of the western boot operations. 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 is expected to result in the elimination of approximately 640 jobs, including all positions related to the western boot business and the Boot Factory retail chain. Primarily due to the sale of the western boot business and the closing of the Iuka, Mississippi manufacturing plant, 622 jobs of the approximately 640 jobs were eliminated in the first six months of Fiscal 1999.

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	AUGUST 1, 1998 -----	JANUARY 31, 1998 -----
Trade accounts receivable	\$ 25,692	\$ 19,947
Miscellaneous receivables	4,275	3,142
	-----	-----
Total receivables	29,967	23,089
Allowance for bad debts	(911)	(988)
Other allowances	(1,944)	(1,762)
	-----	-----
NET ACCOUNTS RECEIVABLE	\$ 27,112 =====	\$ 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 12% of the Company's trade receivables balance as of August 1, 1998.

NOTE 4
INVENTORIES

IN THOUSANDS	AUGUST 1, 1998 -----	JANUARY 31, 1998 -----
Raw materials	\$ 3,952	\$ 4,452
Work in process	2,390	2,261
Finished goods	30,255	28,458
Retail merchandise	89,824	66,871
	-----	-----
TOTAL INVENTORIES	\$126,421 =====	\$102,042 =====

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 5
PLANT, EQUIPMENT AND CAPITAL LEASES, NET

IN THOUSANDS	AUGUST 1, 1998	JANUARY 31, 1998
	-----	-----
Plant and equipment:		
Land	\$ 263	\$ 263
Buildings and building equipment	2,444	2,515
Machinery, furniture and fixtures	37,162	34,338
Construction in progress	7,462	6,767
Improvements to leased property	52,702	51,136
Capital leases:		
Buildings	456	200
Machinery, furniture and fixtures	4,136	4,777
	-----	-----
Plant, equipment and capital leases, at cost	104,625	99,996
Accumulated depreciation and amortization:		
Plant and equipment	(46,662)	(50,519)
Capital leases	(4,209)	(4,667)
	-----	-----
NET PLANT, EQUIPMENT AND CAPITAL LEASES	\$53,754	\$ 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	(918)	(151)	(1,069)
	-----	-----	-----
Balance August 1, 1998	11,118	1,174	12,292
Current portion	1,911	1,058	2,969
	-----	-----	-----
TOTAL NONCURRENT PROVISION FOR DISCONTINUED OPERATIONS	\$ 9,207	\$ 116	\$ 9,323
	=====	=====	=====

*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	(2,326)	(321)	(427)	(3,074)
	-----	-----	-----	-----
Balance August 1, 1998	1,267	1,662	1,105	4,034
Current portion (included in accounts payable and accrued liabilities)	1,267	1,235	985	3,487
	-----	-----	-----	-----
TOTAL NONCURRENT RESTRUCTURING RESERVES (INCLUDED IN OTHER LONG-TERM LIABILITIES)	\$ -0-	\$ 427	\$ 120	\$ 547
	=====	=====	=====	=====

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 8
LONG-TERM DEBT

IN THOUSANDS	AUGUST 1, 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 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 recognized in the third quarter of Fiscal 1998 of \$169,000. Outstanding letters of credit at August 1, 1998 were \$9.8 million.

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 new 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 August 1, 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 May 8, 1998 resulting in a \$3.7 million extraordinary loss for early retirement of debt in the second quarter ended August 1, 1998.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 8
LONG-TERM DEBT, CONTINUED

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 will be 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 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 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 six months ended August 1, 1998 or August 2, 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 AUGUST 1, 1998			FOR THE THREE MONTHS ENDED AUGUST 2, 1997		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
Earnings before extraordinary loss	\$ 6,625			\$ 4,133		
Less: Preferred stock dividends	(75)			(75)		
BASIC EPS						
Income available to common shareholders	6,550	26,034	\$.25 =====	4,058	25,468	\$.16 =====
Plus: Interest on 5 1/2% convertible subordinated notes	-0-			-0-		
EFFECT OF DILUTIVE SECURITIES						
Options		1,363			1,482	
5 1/2% convertible subordinated notes		-0-			-0-	
Contingent Options(1)		67			133	
Employees' Preferred Stock(2)		80			80	
DILUTED EPS						
Income available to common shareholders plus assumed conversions	\$ 6,550 =====	27,544 =====	\$.24 =====	\$ 4,058 =====	27,163 =====	\$.15 =====

(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 dilutive effect of the convertible preferred stock was not reflected in diluted earnings per share because it is antidilutive. The amount of the dividend for the period per common share obtainable on conversion is higher than basic earnings per share. 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) for the period 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.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 10
EARNINGS PER SHARE, CONTINUED

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	FOR THE SIX MONTHS ENDED AUGUST 1, 1998			FOR THE SIX MONTHS ENDED AUGUST 2, 1997		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
Earnings before extraordinary loss	\$10,413			\$ 6,315		
Less: Preferred stock dividends	(150)			(150)		
BASIC EPS						
Income available to common shareholders	10,263	25,975	\$.40 =====	6,165	25,192	\$.24 =====
Plus: Interest on 5 1/2% convertible subordinated notes	-0-			-0-		
EFFECT OF DILUTIVE SECURITIES						
Options		1,426			1,400	
5 1/2% convertible subordinated notes		-0-			-0-	
Contingent Options(1)		67			133	
Employees' Preferred Stock(2)		80			80	
DILUTED EPS						
Income available to common shareholders plus assumed conversions	\$10,263 =====	27,548 =====	\$.37 =====	\$ 6,165 =====	26,805 =====	\$.23 =====

(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 dilutive effect of the convertible preferred stock was not reflected in diluted earnings per share because it is antidilutive. The amount of the dividend for the period per common share obtainable on conversion is higher than basic earnings per share. 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) for the period 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.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

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 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 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. In conjunction with the consent order, the Company entered into an agreement with the owner of the site providing for necessary access to 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 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.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

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 sponge system, and installation of monitoring wells. The Company's consulting engineers estimate capital cost associated with the plan to be in the range of \$100,000 to \$180,000 with operations and maintenance cost 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 at present unable to predict whether and to what extent it may in the future be required to participate in a remediation of lake 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 expect the action to have a material effect on its financial condition or results of operations.

NOTE 12
DILUTED EARNINGS PER SHARE RESTATEMENT

An error was discovered in calculating the dilutive effect of outstanding convertible subordinated notes on diluted earnings per share, and as a result, the Company revised diluted earnings per share for the second quarter and six months of Fiscal 1999. Diluted earnings per share before extraordinary loss for the second quarter and six months ended August 1, 1998 equalled \$0.24 per share rather than the \$0.25 per share previously reported and \$0.37 per share rather than the \$0.40 per share previously reported, respectively. Diluted net earnings per share for the second quarter and six months ended August 1, 1998 equalled \$0.11 per share rather than the \$0.14 previously reported and \$0.24 per share rather than the \$0.28 per share previously reported, respectively. The error involved the treatment in the diluted earnings per share calculation of the interest and shares potentially issuable relating to the Company's 5 1/2% convertible subordinated notes issued in the first quarter of Fiscal 1999.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
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. 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 softness in the general retail environment, the timing and acceptance of products being introduced to the market, 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, the level of margins achievable in the marketplace and the ability to minimize operating expenses and to deal with changes in markets for the Company's products, including the market for tanned leather used in military footwear. Additionally, as discussed below, the Company has announced an accelerated store opening plan to address the anticipated loss of its leased men's shoe departments in Mercantile Stores Company's department stores. The timing and terms of the transition out of the leased department business 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. 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 further alter its business strategies during Fiscal 1999.

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 covenants 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.

Accelerated Growth Plan

The Company's Jarman Lease Division had an arrangement with Mercantile Stores Company in which Jarman Lease operated Mercantile's men's shoe departments. Because of the merger of Dillard's Inc. and Mercantile Stores Company, the Company expects to end its operation of the men's leased departments. Except for 17 stores which Dillard's Inc. closed or sold in September, the Company expects to operate the remaining leased departments at least through the remainder of the current fiscal year. As a result of the termination of the arrangement between the Company and Mercantile Stores Company, the Company has announced an accelerated store opening schedule to address the loss of the Jarman Lease business. The Company intends to open 51 Journeys stores in addition to the stores originally planned to be opened during the next two years and an additional five Johnston & Murphy stores in fiscal year 2000.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

The Mercantile shoe departments' business contributed approximately \$4.1 million in operating earnings to the Company's results in the fiscal year ended January 31, 1998. The 17 stores closed or sold by Dillard's Inc. had store operating income of approximately \$0.4 million for the five month period ending January 31, 1998. The Company also implemented expense reductions and anticipates 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.

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. 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 sale of the western boot operations. 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 is expected to result in the elimination of approximately 640 jobs, including all positions related to the western boot business and the Boot Factory retail chain. Primarily due to the sale of the western boot business and the closing of the Iuka, Mississippi manufacturing plant, 622 jobs of the approximately 640 jobs were eliminated in the first six months of Fiscal 1999.

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
Management's Discussion and Analysis
of Financial Condition and Results of Operations

Results of Operations - Second Quarter Fiscal 1999 Compared to Fiscal 1998

The Company's net sales in the second quarter ended August 1, 1998 increased 10.0% to \$132.0 million from \$120.0 million in the second quarter ended August 2, 1997. Pro forma for the Boot Divestiture, the Company's net sales increased 18.1% to \$126.3 million for the second quarter ended August 1, 1998 from \$106.9 million in the same period last year. Gross margin for the quarter increased 17.6% to \$57.8 million in the second quarter this year from \$49.1 million in the same period last year and increased as a percentage of net sales from 40.9% to 43.7%. Selling and administrative expenses increased 19.7% from the second quarter last year and increased as a percentage of net sales from 35.9% to 39.1%. Pretax earnings in the second quarter ended August 1, 1998 were \$6.7 million compared to \$4.2 million for the second quarter ended August 2, 1997. Pretax earnings for the second quarter ended August 1, 1998 and August 2, 1997 included a net restructuring gain of \$2.4 million and \$0.3 million, respectively. Net earnings for the second quarter ended August 1, 1998 were \$3.0 million (\$0.11 diluted earnings per share) compared to \$4.1 million (\$0.15 diluted earnings per share) for the second quarter ended August 2, 1997. Net earnings for the second quarter this year included an extraordinary loss for the early retirement of debt of \$3.7 million.

Footwear Retail

	Three Months Ended		% Change
	August 1, 1998	August 2, 1997	
	-----		-----
	(dollars in thousands)		
Net sales.....	\$92,699	\$79,918	16.0 %
Net sales - ongoing operations(1).....	\$90,509	\$76,639	18.1 %
Operating income.....	\$ 5,138	\$ 7,498	(31.5)%
Operating margin.....	5.5%	9.4%	

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

Primarily due to a 22% increase in average retail stores operated, net sales from footwear retail operations increased 16.0% for the second quarter ended August 1, 1998 compared to the same period last year. The average price per pair decreased 3% and unit sales increased 24% for the second quarter of Fiscal 1999.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

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

	Comparable Sales Changes	Store Count	
		August 1, 1998	August 2, 1997
Journeys.....	1%	232	160
Johnston & Murphy (including factory stores).....	7%	127	123
Jarman Retail.....	-7%	166(1)	147
Jarman Lease.....	-2%	103	85
Boot Factory Outlet Stores.....	-12%	0	27
Other Outlet Stores.....	0%	28	14
		---	---
Total Retail.....	0%	656	556
		===	===

(1) Includes eleven Underground Station Stores.

Primarily because of expected continuing softness through the third quarter ending October 31, 1998 in certain of its retail divisions, the Company expects its third quarter earnings to be essentially flat with last years third quarter.

Retail gross margin increased 14.8% to \$44.5 million from \$38.8 million, but decreased as a percentage of net sales to 48.0% in the second quarter of Fiscal 1999 compared to 48.6% in the same period last year, primarily from increased markdowns. Retail operating expenses increased 25.4% in the second quarter of Fiscal 1999, primarily due to the 22% 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 second quarter of Fiscal 1999 to support new store growth. Overall retail operating expenses increased as a percentage of net sales from 39.2% to 42.4%.

Retail operating income for the second quarter ended August 1, 1998 was down 31.5% to \$5.1 million compared to \$7.5 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 second quarter ended August 1, 1998, the chain had net sales and operating loss of \$2.2 million and \$383,000, respectively, compared to \$3.3 million and \$29,000, respectively, in the same period last year.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

Footwear Wholesale & Manufacturing

	Three Months Ended		% Change
	August 1, 1998	August 2, 1997	

	(dollars in thousands)		
Net sales.....	\$39,350	\$40,106	(1.9)%
Net sales - ongoing operations(1).....	\$35,776	\$30,304	18.1 %
Operating income.....	\$ 6,087	\$ 1,428	326.3 %
Operating margin.....	15.5%	3.6%	

(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 1.9% to \$39.4 million for the second quarter ended August 1, 1998, from \$40.1 million in the same period last year, reflecting primarily the continuing trend of decreased sales of western boots, primarily attributable to lower unit sales, and lower tanned leather sales. Tanned leather sales were down due to lower orders from military footwear suppliers, which have been impacted by the continuing decrease in demand for leather military footwear, which makes up the bulk of the Company's tanned leather business. The Company expects the decline in tanned leather sales to continue through the remainder of Fiscal 1999. Pro forma for the Boot Divestiture, wholesale sales attributable to ongoing operations increased 18.1% to \$35.8 million for the second quarter ended August 1, 1998, from \$30.3 million in the same period last year, reflecting primarily increased men's branded footwear wholesale sales. The increase in branded footwear wholesale sales in the second quarter of Fiscal 1999 included sales of new products introduced by the Company's Nautica division as well as new distribution channels for the division's athletic products.

Wholesale gross margin for the second quarter ended August 1, 1998 increased 28.0% to \$13.2 million from \$10.3 million in the same period last year. As a percentage of net sales, gross margin increased from 25.7% to 33.6%, primarily from changes in sales mix.

Wholesale operating expenses increased 1.8% for the second quarter ended August 1, 1998, and increased as a percentage of net sales from 22.8% to 23.7%, primarily as a result of higher divisional administrative expenses to support the expected growth in the branded businesses and increased royalty expenses from increased sales and higher royalty rates and from increased advertising expenses.

Wholesale operating income increased from \$1.4 million for the second quarter ended August 2, 1997, to \$6.1 million for the second quarter ended August 1, 1998, due to increased sales from ongoing operations and increased margins. Wholesale operating income for the second quarter ended August 1, 1998 included \$250,000 of litigation expenses.

GENESCO INC.
 AND CONSOLIDATED SUBSIDIARIES
 Management's Discussion and Analysis
 of Financial Condition and Results of Operations

During the fourth quarter of Fiscal 1998, the Company adopted a plan to exit the western boot business. The Company sold its western boot business July 14, 1998. For the second quarter ended August 1, 1998 the western boot business had net sales and operating loss of \$3.6 million and \$0.4 million, respectively, compared to net sales and operating loss of \$9.8 million and \$1.9 million, respectively, in the same period last year.

Corporate and Interest Expenses

Corporate and other expenses for the second quarter ended August 1, 1998 were \$3.0 million compared to \$2.6 million for the same period last year, an increase of 17.0%. The increase in corporate expenses is attributable primarily to increased legal fees and expenses related to systems development in order to be Year 2000 compliant.

Interest expense decreased 14% from \$2.5 million for the second quarter ended August 2, 1997 to \$2.2 million for the second quarter ended August 1, 1998, primarily due to the decrease in interest rates on the Company's long-term debt from 10 3/8% to 5 1/2% and interest income increased 76% from \$0.4 million to \$0.6 million due to increases in average short-term investments as a result of the increased cash from the sale of the western boot business and 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 three months ended August 1, 1998 or August 2, 1997.

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

The Company's net sales for the six months ended August 1, 1998 increased 13.5% to \$265.9 million from \$234.2 million for the six months ended August 2, 1997. Pro forma for the Boot Divestiture, the Company's net sales increased 20.5% to \$249.3 million for the six months ended August 1, 1998 from \$206.9 million in the same period last year. Gross margin for the quarter increased 19.1% to \$115.6 million for the six months this year from \$97.0 million for the same period last year and increased as a percentage of net sales from 41.4% to 43.5%. Selling and administrative expenses increased 19.7% from the first six months last year and increased as a percentage of net sales from 36.9% to 39.0%. Pretax earnings for the six months ended August 1, 1998 were \$10.2 million compared to \$6.4 million for the six months ended August 2, 1997. Pretax earnings for the six months ended August 1, 1998 and August 2, 1997 included a net restructuring gain of \$2.4 million and \$0.3 million, respectively. Net earnings for the six months ended August 1, 1998 were \$6.8 million (\$0.24 diluted earnings per share) compared to \$6.3 million (\$0.23 diluted earnings per share) for the six months ended August 2, 1997. Net earnings for the six months this year included a tax credit of \$247,000 and an extraordinary loss of \$3.7 million for the early retirement of debt.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

Footwear Retail

	Six Months Ended		% Change
	August 1, 1998	August 2, 1997	
	(dollars in thousands)		
Net sales.....	\$178,298	\$149,942	18.9 %
Net sales - ongoing operations(1).....	\$173,623	\$143,794	20.7 %
Operating income.....	\$ 11,178	\$ 13,256	(15.7)%
Operating margin.....	6.3%	8.8%	

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

Primarily due to a 2% increase in comparable store sales and a 21% increase in average retail stores operated, net sales from footwear retail operations increased 18.9% for the six months ended August 1, 1998 compared to the same period last year. The average price per pair decreased 2% while unit sales increased 21% for the first six months of Fiscal 1999.

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

	Comparable Sales Changes	Store Count	
		August 1, 1998	August 2, 1997
Journeys.....	4%	232	160
Johnston & Murphy (including factory stores).....	9%	127	123
Jarman Retail.....	-3%	166(1)	147
Jarman Lease.....	-1%	103	85
Boot Factory Outlet Stores.....	-10%	0	27
Other Outlet Stores.....	4%	28	14
Total Retail.....	2%	656	556

(1) Includes eleven Underground Station Stores.

Retail gross margin increased 18.1% to \$87.5 million from \$74.1 million but decreased as a percentage of net sales to 49.1% in the first six months of Fiscal 1999 compared to 49.4% in the same period last year, primarily from increased markdowns. Retail operating expenses increased 25.2% in the first six months of Fiscal 1999, primarily due to the 21% increase in average stores

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

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 six months of Fiscal 1999 to support new store growth. Overall retail operating expenses increased as a percentage of net sales from 40.5% to 42.6%.

Retail operating income for the six months ended August 1, 1998 was down 15.7% to \$11.2 million compared to \$13.3 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 six months ended August 1, 1998, the chain had net sales and operating loss of \$4.7 million and \$589,000, respectively, compared to \$6.1 million and \$209,000, respectively, in the same period last year.

Footwear Wholesale & Manufacturing

	Six Months Ended		% Change
	August 1, 1998	August 2, 1997	

	August 1, 1998	August 2, 1997	

	(dollars in thousands)		
Net sales.....	\$87,559	\$84,267	3.9%
Net sales - ongoing operations(1).....	\$75,674	\$63,074	20.0%
Operating income.....	\$ 8,640	\$ 2,581	234.8%
Operating Margin.....	9.9%	3.1%	

(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 increased 3.9% to \$87.6 million for the six months ended August 1, 1998, from \$84.3 million in the same period last year, reflecting primarily increased men's branded footwear wholesale sales, which more than offset lower tanned leather sales and the continuing trend of decreased sales of western boots, primarily attributable to lower unit sales. Tanned leather sales were down due to lower orders from military footwear suppliers, which have been impacted by the continuing decrease in demand for leather military footwear, which makes up the bulk of the Company's tanned leather business. The Company expects the decline in tanned leather sales to continue through the remainder of Fiscal 1999. The increase in branded footwear wholesale sales in the first six months of Fiscal 1999 included sales of new products introduced by the Company's Nautica division as well as new distribution channels for the division's athletic products. Pro forma for the Boot Divestiture, wholesale sales attributable to ongoing operations increased 20.0% to \$75.7 million for the six months ended August 1, 1998, from \$63.1 million in the same period last year.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

Wholesale gross margin for the six months ended August 1, 1998 increased 22.6% to \$28.1 million from \$22.9 million in the same period last year. As a percentage of net sales, gross margin increased from 27.2% to 32.1%, primarily from changes in sales mix.

Wholesale operating expenses increased 4.3% for the six months ended August 1, 1998, and increased slightly as a percentage of net sales from 24.5% to 24.6%, primarily as a result of higher divisional administrative expenses to support the expected growth in the branded businesses and increased royalty expenses from increased sales and higher royalty rates and from increased advertising expenses.

Wholesale operating income increased from \$2.6 million for the six months ended August 2, 1997, to \$8.6 million for the six months ended August 1, 1998, due to increased sales and margin. Wholesale operating income for the six months ended August 1, 1998 included \$250,000 of litigation expenses.

During the fourth quarter of Fiscal 1998, the Company adopted a plan to exit the western boot business. The Company sold its western boot business July 14, 1998. For the six months ended August 1, 1998 the western boot business had net sales and operating loss of \$11.9 million and \$1.1 million, respectively, compared to net sales and operating loss of \$21.2 million and \$2.3 million, respectively, in the same period last year.

Corporate and Interest Expenses

Corporate and other expenses for the six months ended August 1, 1998 were \$6.0 million compared to \$5.2 million for the same period last year, an increase of 16.6%. The increase in corporate expenses is attributable primarily to increased legal fees and expenses related to systems development in order to be Year 2000 compliant.

Interest expense was flat for the six months ended August 1, 1998 compared to the six months ended August 2, 1997 and interest income increased 85% from \$0.8 million to \$1.4 million due to increases in average short-term investments as a result of the increased cash from the sale of the western boot business and 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 six months ended August 1, 1998 or August 2, 1997.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

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

	August 1, 1998	August 2, 1997
	-----	-----
	(dollars in millions)	
Cash and short-term investments.....	\$ 53.2	\$ 17.6
Working capital.....	\$140.2	\$117.8
Long-term debt (includes current maturities).....	\$103.5	\$ 75.0
Current ratio.....	2.9x	3.0x

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 \$17.2 million in the first six months of Fiscal 1999 compared to \$16.2 million in the first six months of Fiscal 1998. The \$1.0 million reduction in cash flow from operating activities reflects primarily the additional working capital needed to support new store growth. The Company has added a net of 69 stores in the six months ended August 1, 1998 compared to a net of 52 stores for the same period last year.

The \$24.4 million increase in inventories from January 31, 1998 levels reflects planned increases in retail inventory to support the net increase of 69 stores in the first six months of Fiscal 1999 and 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 August 1, 1998 increased \$6.8 million compared to January 31, 1998, primarily due to increased sales of men's branded footwear.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

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

	Six Months Ended	
	August 1, 1998	August 2, 1997
	(in thousands)	
Accounts payable.....	\$ 3,711	\$ 7,836
Accrued liabilities.....	(3,967)	(10,321)
	\$ (256)	\$ (2,485)
	=====	=====

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 due primarily 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 six months ended August 1, 1998 and August 2, 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 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 March 31, 1998, expires September 24, 2002.

Capital Expenditures

Total capital expenditures in Fiscal 1999 are expected to be approximately \$27.5 million. These include expected retail expenditures of \$19.5 million to open approximately 152 new retail stores and to complete 29 major store renovations. Capital expenditures for wholesale and manufacturing operations and other purposes are expected to be approximately \$8.0 million, including approximately \$5.0 million for new 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.

Based on a recent assessment, the Company determined that it will be required to modify or replace significant portions of its software so that its computer systems will properly utilize dates

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

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 will be Year 2000 compliant. The Company began using the first of five parts in its new financial system during the second quarter. The Company will utilize both internal and external resources to reprogram or replace, and test the software for Year 2000 modifications. The Company currently has 97% of its estimated resources committed and expects to have the remaining resources committed by the time the resources are required in the fourth quarter of Fiscal 1999. The Company plans to complete its Year 2000 project no later than July 31, 1999. The Company has completed the remediation of approximately 34% of its identified 1.7 million lines of code in its legacy systems. The Company's contingency plan for its systems replacement has the Company remediating its wholesale and retail systems if certain hurdles are not met by February 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 \$22 million and is being funded through operating cash flows and cash on hand. Of the total project cost, approximately \$14 million is attributable to the purchase of new software and hardware which will be capitalized. The remaining \$8 million will be expensed as incurred over 3 years, including projected costs of \$3.0 million for Fiscal 1999. Cumulative to date expenditures are \$2.8 million with cumulative capital expenditures of \$6.1 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 second half 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 the contingency plan to be completed by the end of the first quarter in 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.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Management's Discussion and Analysis
of Financial Condition and Results of Operations

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 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 future developments will not require additional reserves to be set aside, that some or all reserves may not be inadequate 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 \$6.5 million of costs associated with the Boot Divestiture, the 1994 Restructuring and the 1995 Restructuring 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.

There were \$9.8 million of letters of credit outstanding under the revolving credit agreement at August 1, 1998, leaving availability under the revolving credit agreement of \$55.2 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's annual meeting of shareholders held on June 17, 1998, shares representing a total of 26,193,850 votes were outstanding and entitled to vote. At the meeting, shareholders of the Company:

- (1) elected eight directors nominated by the board of directors by the following votes:

	Votes "For" -----	Votes "Withheld" -----
David M. Chamberlain	23,415,031	120,848
W. Lipscomb Davis, Jr.	23,411,524	124,355
Joel C. Gordon	23,414,242	121,637
Ben T. Harris	23,416,296	119,583
Kathleen Mason	23,412,727	123,152
William A. Williamson, Jr.	23,413,577	122,302
William S. Wire II	23,389,581	146,298
Gary M. Witkin	23,396,111	139,768

- (2) ratified the appointment of Price Waterhouse LLP as independent accountants for the fiscal year ending January 30, 1999 by a vote of 23,472,945 for, 32,099 against, with 30,805 abstentions: and
- (3) ratified an amendment to the Company's Restated Charter increasing to 80,000,000 the number of authorized shares of common stock by a vote of 22,739,755 for, 723,088 against, with 73,036 abstentions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

- (3)b. Amendment to the Restated Charter of Genesco Inc. dated as of June 17, 1998.
- (27) Financial Data Schedule (for SEC use only) (see Note 12)

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REPORTS ON FORM 8-K
None.

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
November 17, 1998

EXHIBIT (3) b.

The first sentence of Article Sixth of the Charter is deleted and replaced in its entirety with the following sentence:

The maximum number of shares of stock which the Corporation is authorized to have outstanding at any time is eighty million (80,000,000) shares of Common Stock of the par value of one dollar (\$1.00) per share (hereinafter sometimes called "Common Stock"); three thousand seven hundred five (3,705) shares of Cumulative Convertible Preferred Stock without nominal or par value (hereinafter sometimes called "Convertible Preferred Stock"); four hundred ninety nine thousand six hundred ten (499,610) shares of Subordinated Cumulative Convertible Preference Stock without nominal or par value (hereinafter sometimes called "Subordinated Preference Stock"); three million (3,000,000) shares of Subordinated Serial Preferred Stock without nominal or par value (hereinafter sometimes called "Serial Preferred Stock"); five million (5,000,000) shares of Subordinated Cumulative Preferred Stock without nominal or par value (hereinafter sometimes called "Cumulative Preferred Stock"); and five million (5,000,000) shares of Employees' Subordinated Convertible Preferred Stock without nominal or par value (hereinafter sometimes called "Employees' Preferred Stock").

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

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6-MOS		
	JAN-30-1999	
	FEB-01-1998	
	AUG-01-1998	
		5,529
		47,720
		23,748
		911
		126,421
	212,175	
		104,625
		50,871
	275,802	
	71,994	
		103,500
	0	
		7,951
		26,545
		44,486
275,802		
		265,857
	265,857	
		150,285
		150,285
		0
		885
	5,069	
		10,166
		(247)
	10,413	
		0
		(3,651)
		0
		6,762
		.25
		.24