

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For quarter ended: October 30, 1999  
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- OR -

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For the transaction period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER - 1-3083

GENESCO INC.  
-----

(Exact name of registrant as specified in its charter)

TENNESSEE  
-----

62-0211340  
-----

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer Identification No.)

GENESCO PARK, 1415 MURFREESBORO ROAD, NASHVILLE, TENNESSEE  
-----

37217-2895  
-----

(Address of principal executive offices)

(Zip Code)

(615) 367-7000  
-----

(Registrant's phone number including area code)

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  No

Indicate the number of shares outstanding of each of the issuer's common stock,  
as of the latest practicable date: Common Shares Outstanding December 3, 1999 -  
22,001,574.

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## PART I - FINANCIAL INFORMATION

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Consolidated Balance Sheet  
In Thousands

|   | OCTOBER 30,<br>1999<br>----- | JANUARY 30,<br>1999<br>----- | OCTOBER 31,<br>1998<br>----- |
|---|------------------------------|------------------------------|------------------------------|
| <b>ASSETS</b>                                     |                              |                              |                              |
| <b>CURRENT ASSETS</b>                             |                              |                              |                              |
| Cash and short-term investments                   | \$ 38,543                    | \$ 58,743                    | \$ 42,552                    |
| Accounts receivable                               | 25,996                       | 26,258                       | 26,007                       |
| Inventories                                       | 129,787                      | 117,213                      | 127,924                      |
| Deferred income taxes                             | 10,775                       | 19,327                       | -0-                          |
| Other current assets                              | 5,984                        | 6,719                        | 6,121                        |
|   | -----                        | -----                        | -----                        |
| Total current assets                              | 211,085                      | 228,260                      | 202,604                      |
|   | -----                        | -----                        | -----                        |
| Plant, equipment and capital leases, net          | 64,850                       | 58,387                       | 56,361                       |
| Deferred income taxes                             | 10,370                       | 10,370                       | -0-                          |
| Other noncurrent assets                           | 10,117                       | 10,181                       | 9,715                        |
|   | -----                        | -----                        | -----                        |
| <b>TOTAL ASSETS</b>                               | <b>\$ 296,422</b>            | <b>\$ 307,198</b>            | <b>\$ 268,680</b>            |
|   | =====                        | =====                        | =====                        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                              |                              |                              |
| <b>CURRENT LIABILITIES</b>                        |                              |                              |                              |
| Accounts payable and accrued liabilities          | \$ 73,817                    | \$ 70,606                    | \$ 62,836                    |
| Provision for discontinued operations             | 2,083                        | 1,876                        | 2,997                        |
|   | -----                        | -----                        | -----                        |
| Total current liabilities                         | 75,900                       | 72,482                       | 65,833                       |
|   | -----                        | -----                        | -----                        |
| Long-term debt                                    | 103,500                      | 103,500                      | 103,500                      |
| Other long-term liabilities                       | 6,373                        | 6,446                        | 12,530                       |
| Provision for discontinued operations             | 6,615                        | 8,191                        | 8,822                        |
|   | -----                        | -----                        | -----                        |
| Total liabilities                                 | 192,388                      | 190,619                      | 190,685                      |
|   | -----                        | -----                        | -----                        |
| Contingent liabilities (see Note 8)               |                              |                              |                              |
| <b>SHAREHOLDERS' EQUITY</b>                       |                              |                              |                              |
| Non-redeemable preferred stock                    | 7,884                        | 7,918                        | 7,936                        |
| Common shareholders' equity:                      |                              |                              |                              |
| Common stock, \$1 par value:                      |                              |                              |                              |
| Authorized: 80,000,000 shares                     |                              |                              |                              |
| Issued: October 30, 1999 - 22,282,538;            |                              |                              |                              |
| January 30, 1999 - 24,327,109;                    |                              |                              |                              |
| October 31, 1998 - 25,113,324                     | 22,282                       | 24,327                       | 25,113                       |
| Additional paid-in capital                        | 101,407                      | 126,095                      | 127,876                      |
| Accumulated deficit                               | (9,682)                      | (23,904)                     | (63,923)                     |
| Accumulated other comprehensive income            | -0-                          | -0-                          | (1,150)                      |
| Treasury shares, at cost                          | (17,857)                     | (17,857)                     | (17,857)                     |
|   | -----                        | -----                        | -----                        |
| Total shareholders' equity                        | 104,034                      | 116,579                      | 77,995                       |
|   | -----                        | -----                        | -----                        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 296,422</b>            | <b>\$ 307,198</b>            | <b>\$ 268,680</b>            |
|   | =====                        | =====                        | =====                        |

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

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Consolidated Earnings  
In Thousands

|  | THREE MONTHS ENDED  |                     | NINE MONTHS ENDED   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | OCTOBER 30,<br>1999 | OCTOBER 31,<br>1998 | OCTOBER 30,<br>1999 | OCTOBER 31,<br>1998 |
| Net sales  | \$145,968           | \$ 129,764          | \$ 400,527          | \$395,621           |
| Cost of sales  | 80,621              | 71,687              | 221,154             | 222,281             |
| Selling and administrative expenses                    | 53,418              | 50,145              | 150,946             | 154,017             |
| Restructuring income and other charges, net            | -0-                 | -0-                 | -0-                 | (2,403)             |
| Earnings from operations before interest               | 11,929              | 7,932               | 28,427              | 21,726              |
| Interest expense                                       | 2,058               | 2,094               | 6,095               | 7,163               |
| Interest income  | (404)               | (597)               | (1,645)             | (2,038)             |
| Total interest expense, net                            | 1,654               | 1,497               | 4,450               | 5,125               |
| Earnings before income taxes<br>and extraordinary loss | 10,275              | 6,435               | 23,977              | 16,601              |
| Income taxes (benefit)                                 | 4,071               | 162                 | 9,530               | (85)                |
| Earnings before extraordinary loss                     | 6,204               | 6,273               | 14,447              | 16,686              |
| Extraordinary loss from<br>early retirement of debt    | -0-                 | -0-                 | -0-                 | (3,651)             |
| NET EARNINGS   | \$ 6,204            | \$ 6,273            | \$ 14,447           | \$ 13,035           |
| Basic earnings per common share:                       |                     |                     |                     |                     |
| Before extraordinary loss                              | \$ .28              | \$ .24              | \$ .63              | \$ .64              |
| Extraordinary loss                                     | \$ .00              | \$ .00              | \$ .00              | \$ (.14)            |
| Net earnings   | \$ .28              | \$ .24              | \$ .63              | \$ .50              |
| Diluted earnings per common share:                     |                     |                     |                     |                     |
| Before extraordinary loss                              | \$ .26              | \$ .23              | \$ .60              | \$ .61              |
| Extraordinary loss                                     | \$ .00              | \$ .00              | \$ .00              | \$ (.14)            |
| Net earnings   | \$ .26              | \$ .23              | \$ .60              | \$ .47              |

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 30,<br>1999 | OCTOBER 31,<br>1998 | OCTOBER 30,<br>1999 | OCTOBER 31,<br>1998 |
| OPERATIONS:  |                     |                     |                     |                     |
| Net earnings   | \$ 6,204            | \$ 6,273            | \$ 14,447           | \$ 13,035           |
| Adjustments to reconcile net income to net cash provided<br>by operating activities: |                     |                     |                     |                     |
| Depreciation and amortization  | 2,626               | 2,421               | 7,504               | 7,528               |
| Provision for deferred income taxes  | 3,766               | -0-                 | 8,552               | -0-                 |
| Provision for losses on accounts receivable  | 377                 | (23)                | 545                 | 124                 |
| Loss on retirement of debt   | -0-                 | -0-                 | -0-                 | 3,651               |
| Restructuring charge (credit)  | -0-                 | -0-                 | -0-                 | (2,403)             |
| Other  | 163                 | 126                 | 790                 | 567                 |
| Effect on cash of changes in working capital and other assets<br>and liabilities:    |                     |                     |                     |                     |
| Accounts receivable  | (4,241)             | 1,127               | (1,819)             | (2,240)             |
| Inventories  | (10,567)            | (1,502)             | (20,253)            | (22,994)            |
| Other current assets   | (116)               | (728)               | 734                 | (315)               |
| Accounts payable and accrued liabilities   | (142)               | (6,087)             | 3,269               | (9,498)             |
| Other assets and liabilities   | (1,904)             | 155                 | (1,657)             | (2,945)             |
| Net cash provided by (used in) operations  | (3,834)             | 1,762               | 12,112              | (15,490)            |
| INVESTING ACTIVITIES:  |                     |                     |                     |                     |
| Capital expenditures   | (5,087)             | (5,347)             | (15,303)            | (19,350)            |
| Proceeds from businesses divested and asset sales                                    | 11                  | 188                 | 10,066              | 14,114              |
| Net cash used in investing activities  | (5,076)             | (5,159)             | (5,237)             | (5,236)             |
| FINANCING ACTIVITIES:  |                     |                     |                     |                     |
| Payments of long-term debt   | -0-                 | -0-                 | -0-                 | (77,220)            |
| Payments on capital leases   | (1)                 | (20)                | (2)                 | (237)               |
| Dividends paid   | (75)                | (76)                | (225)               | (1,502)             |
| Long-term borrowings   | -0-                 | -0-                 | -0-                 | 103,500             |
| Stock repurchase   | (2,497)             | (7,699)             | (30,761)            | (7,699)             |
| Exercise of stock options and related income tax benefits                            | 947                 | 494                 | 3,913               | 2,128               |
| Deferred note expense  | -0-                 | -0-                 | -0-                 | (3,914)             |
| Other  | -0-                 | 1                   | -0-                 | (1,054)             |
| Net cash provided by (used) in financing activities                                  | (1,626)             | (7,300)             | (27,075)            | 14,002              |
| NET CASH FLOW  | (10,536)            | (10,697)            | (20,200)            | (6,724)             |
| Cash and short-term investments at<br>beginning of period                            | 49,079              | 53,249              | 58,743              | 49,276              |
| CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD                                     | \$ 38,543           | \$ 42,552           | \$ 38,543           | \$ 42,552           |
| SUPPLEMENTAL CASH FLOW INFORMATION:  |                     |                     |                     |                     |
| Net cash paid (received) for:  |                     |                     |                     |                     |
| Interest   | \$ 3,417            | \$ 3,427            | \$ 7,015            | \$ 10,489           |
| Income taxes   | 195                 | 87                  | 1,847               | (14)                |

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

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Consolidated Shareholders' Equity  
In Thousands

|   | TOTAL<br>NON-REDEEMABLE<br>PREFERRED<br>STOCK | COMMON<br>STOCK | ADDITIONAL<br>PAID-IN<br>CAPITAL | TREASURY<br>STOCK | ACCUMULATED<br>(DEFICIT) |
|---|---|-----------------|----------------------------------|-------------------|--------------------------|
| BALANCE JANUARY 31, 1998                    | \$ 7,945                                      | \$ 26,264       | \$ 132,218                       | \$ (17,857)       | \$ (75,456)              |
| Net earnings                                | -0-   | -0-             | -0-                              | -0-               | 53,128                   |
| Dividends paid                              | -0-   | -0-             | -0-                              | -0-               | (1,576)                  |
| Exercise of options                         | -0-   | 230             | 845                              | -0-               | -0-                      |
| Issue shares - restricted stock options     | -0-   | 67              | 533                              | -0-               | -0-                      |
| Issue shares - Employee Stock Purchase Plan | -0-   | 107             | 387                              | -0-               | -0-                      |
| Tax effect of exercise of stock options     | -0-   | -0-             | 1,887                            | -0-               | -0-                      |
| Stock repurchases                           | -0-   | (2,343)         | (9,889)                          | -0-               | -0-                      |
| Minimum pension liability adjustment        | -0-   | -0-             | -0-                              | -0-               | -0-                      |
| Other                                       | (27)  | 2               | 114                              | -0-               | -0-                      |
| Comprehensive Income                        |   |                 |                                  |                   |                          |
| BALANCE JANUARY 30, 1999                    | \$ 7,918                                      | \$ 24,327       | \$ 126,095                       | \$ (17,857)       | \$ (23,904)              |
| Net earnings                                | -0-   | -0-             | -0-                              | -0-               | 14,447                   |
| Dividends paid                              | -0-   | -0-             | -0-                              | -0-               | (225)                    |
| Exercise of options                         | -0-   | 475             | 2,526                            | -0-               | -0-                      |
| Issue shares - Employee Stock Purchase Plan | -0-   | 122             | 417                              | -0-               | -0-                      |
| Tax effect of exercise of stock options     | -0-   | -0-             | 373                              | -0-               | -0-                      |
| Stock repurchases                           | -0-   | (2,654)         | (28,107)                         | -0-               | -0-                      |
| Other                                       | (34)  | 12              | 103                              | -0-               | -0-                      |
| Comprehensive Income                        |   |                 |                                  |                   |                          |
| Balance October 30, 1999                    | \$ 7,884                                      | \$ 22,282       | \$ 101,407                       | \$ (17,857)       | \$ (9,682)               |

|   | ACCUMULATED<br>OTHER<br>COMPREHENSIVE<br>INCOME | COMPREHENSIVE<br>INCOME | TOTAL<br>SHARE-<br>HOLDERS'<br>EQUITY |
|---|---|-------------------------|---------------------------------------|
| BALANCE JANUARY 31, 1998                    | \$ (1,150)                                      |                         | \$ 71,964                             |
| Net earnings                                | -0-   | 53,128                  | 53,128                                |
| Dividends paid                              | -0-   | -0-                     | (1,576)                               |
| Exercise of options                         | -0-   | -0-                     | 1,075                                 |
| Issue shares - restricted stock options     | -0-   | -0-                     | 600                                   |
| Issue shares - Employee Stock Purchase Plan | -0-   | -0-                     | 494                                   |
| Tax effect of exercise of stock options     | -0-   | -0-                     | 1,887                                 |
| Stock repurchases                           | -0-   | -0-                     | (12,232)                              |
| Minimum pension liability adjustment        | 1,150   | 1,150                   | 1,150                                 |
| Other                                       | -0-   | -0-                     | 89                                    |
| Comprehensive Income                        |   | \$ 54,278               |                                       |
| BALANCE JANUARY 30, 1999                    | \$ -0-  |                         | \$ 116,579                            |
| Net earnings                                | -0-   | 14,447                  | 14,447                                |
| Dividends paid                              | -0-   | -0-                     | (225)                                 |
| Exercise of options                         | -0-   | -0-                     | 3,001                                 |
| Issue shares - Employee Stock Purchase Plan | -0-   | -0-                     | 539                                   |
| Tax effect of exercise of stock options     | -0-   | -0-                     | 373                                   |
| Stock repurchases                           | -0-   | -0-                     | (30,761)                              |
| Other                                       | -0-   | -0-                     | 81                                    |
| Comprehensive Income                        |   | \$ 14,447               |                                       |
| Balance October 30, 1999                    | \$ -0-  |                         | \$ 104,034                            |

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 29, 2000 ("Fiscal 2000") and of the fiscal year ended January 30, 1999 ("Fiscal 1999"). 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 30, 1999 of 665 Jarman, Journeys, Johnston & Murphy, General Shoe Warehouse, Underground Station, Stone & Co. and Nautica retail footwear stores and leased departments. Because of the acquisition of Mercantile by Dillard's Inc., the Company ended its operation of the Jarman leased departments. The Company transferred the remaining Jarman leased departments to Dillard's Inc. and Saks Inc. during the first quarter ended May 1, 1999. The Jarman leased departments' business contributed sales of approximately \$10.6 million for the third quarter of Fiscal 1999 and sales of \$1.2 million and \$35.9 million for the first nine months of Fiscal 2000 and 1999, respectively. The Jarman leased departments' business contributed operating earnings of \$0.9 million for the third quarter of Fiscal 1999 and operating income (loss) of \$(0.3) million and \$1.5 million for the first nine months of Fiscal 2000 and 1999, respectively.

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 30, 1999 and October 30, 1999, are short-term investments of \$53.5 million and \$33.5 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 over estimated useful lives:

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

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

IMPAIRMENT OF LONG-TERM ASSETS

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

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 and Euro. At January 30, 1999 and October 30, 1999, the Company had approximately \$21.2 million and \$35.3 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.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 1  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

REVENUE RECOGNITION

Retail sales are recorded net of actual returns, and exclude all taxes, while wholesale revenue is recorded net of estimated returns when the related goods have been shipped and legal title has passed to the customer.

PREOPENING COSTS

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

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs were \$14.5 million and \$15.0 million for the first nine months of Fiscal 2000 and 1999, respectively.

ENVIRONMENTAL COSTS

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

INCOME TAXES

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

EARNINGS PER COMMON SHARE

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

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.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 2  
RESTRUCTURINGS

Workforce Reduction

In connection with the divestiture of the western boot business and the substantial completion of the exiting of the Jarman leased department business, the Company reviewed the structure and level of staffing in all of its operations. Upon completion of the review, the Company recorded a \$1.3 million charge to earnings, included in selling and administrative expenses, during the fourth quarter of Fiscal 1999 for a workforce reduction of 66 positions, of which 59 positions were eliminated by October 30, 1999. Twenty-six of the positions eliminated related to the Jarman Lease division, with the remainder being primarily employed at corporate headquarters.

Fiscal 1998 Restructuring

As a result of the continued weakness in the western boot market, the Company approved a plan (the "Boot Divestiture") 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 in the fourth quarter of Fiscal 1998, 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. The charges related to the Boot Divestiture also included \$3.2 million in employee-related costs and \$2.8 million of facility shutdown and other costs. 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 sales of the Company's western boot business were \$16.6 million and the operating loss was \$1.5 million for the nine months ended October 31, 1998.

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.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 3  
ACCOUNTS RECEIVABLE

| IN THOUSANDS              | OCTOBER 30,<br>1999<br>----- | JANUARY 30,<br>1999<br>----- |
|---------------------------|------------------------------|------------------------------|
| Trade accounts receivable | \$ 27,257                    | \$ 23,106                    |
| Miscellaneous receivables | 1,834                        | 5,430                        |
|                           | -----                        | -----                        |
| Total receivables         | 29,091                       | 28,536                       |
| Allowance for bad debts   | (982)                        | (1,075)                      |
| Other allowances          | (2,113)                      | (1,203)                      |
|                           | -----                        | -----                        |
| NET ACCOUNTS RECEIVABLE   | \$ 25,996<br>=====           | \$ 26,258<br>=====           |

The Company's footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Credit risk is affected by conditions or occurrences within the economy and the retail industry. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. One customer accounted for 12% of the Company's trade receivables balance as of October 30, 1999 and no other customer accounted for more than 10% of the Company's trade receivables balance as of October 30, 1999.

NOTE 4  
INVENTORIES

| IN THOUSANDS       | OCTOBER 30,<br>1999<br>----- | JANUARY 30,<br>1999<br>----- |
|--------------------|------------------------------|------------------------------|
| Raw materials      | \$ 2,772                     | \$ 2,969                     |
| Work in process    | 2,319                        | 2,077                        |
| Finished goods     | 26,684                       | 33,949                       |
| Retail merchandise | 98,012                       | 78,218                       |
|                    | -----                        | -----                        |
| TOTAL INVENTORIES  | \$129,787<br>=====           | \$117,213<br>=====           |

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 5  
PLANT, EQUIPMENT AND CAPITAL LEASES, NET

| IN THOUSANDS                                 | OCTOBER 30,<br>1999<br>----- | JANUARY 30,<br>1999<br>----- |
|--|------------------------------|------------------------------|
| Plant and equipment:                         |                              |                              |
| Land   | \$ 263                       | \$ 263                       |
| Buildings and building equipment             | 2,726                        | 2,729                        |
| Machinery, furniture and fixtures            | 43,046                       | 39,587                       |
| Construction in progress                     | 8,405                        | 8,819                        |
| Improvements to leased property              | 57,101                       | 56,790                       |
| Capital leases:                              |                              |                              |
| Buildings                                    | 392                          | 200                          |
| Machinery, furniture and fixtures            | 2,916                        | 4,026                        |
|  | -----                        | -----                        |
| Plant, equipment and capital leases, at cost | 114,849                      | 112,414                      |
| Accumulated depreciation and amortization:   |                              |                              |
| Plant and equipment                          | (46,854)                     | (49,993)                     |
| Capital leases                               | (3,145)                      | (4,034)                      |
|  | -----                        | -----                        |
| NET PLANT, EQUIPMENT AND CAPITAL LEASES      | \$ 64,850<br>=====           | \$ 58,387<br>=====           |

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 6  
PROVISION FOR DISCONTINUED OPERATIONS AND RESTRUCTURING RESERVES

PROVISION FOR DISCONTINUED OPERATIONS

| IN THOUSANDS  | EMPLOYEE<br>RELATED<br>COSTS* | OTHER  | TOTAL     |
|---|-------------------------------|--------|-----------|
|   | -----                         | -----  | -----     |
| Balance January 30, 1999                                  | \$ 9,693                      | \$ 374 | \$ 10,067 |
| Charges and adjustments, net                              | (995)                         | (374)  | (1,369)   |
|   | -----                         | -----  | -----     |
| Balance October 30, 1999                                  | 8,698                         | -0-    | 8,698     |
| Current portion   | 2,083                         | -0-    | 2,083     |
|   | -----                         | -----  | -----     |
| TOTAL NONCURRENT PROVISION FOR<br>DISCONTINUED OPERATIONS | \$ 6,615                      | \$ -0- | \$ 6,615  |
|   | =====                         | =====  | =====     |

\*Union pension withdrawal liability.

RESTRUCTURING RESERVES

| IN THOUSANDS   | EMPLOYEE<br>RELATED<br>COSTS | FACILITY<br>SHUTDOWN<br>COSTS | OTHER  | TOTAL    |
|--|------------------------------|-------------------------------|--------|----------|
|  | -----                        | -----                         | -----  | -----    |
| Balance January 30, 1999   | \$ 268                       | \$ 955                        | \$ 985 | \$ 2,208 |
| Charges and adjustments, net   | (70)                         | (266)                         | (204)  | (540)    |
|  | -----                        | -----                         | -----  | -----    |
| Balance October 30, 1999   | 198                          | 689                           | 781    | 1,668    |
| Current portion (included in accounts<br>payable and accrued liabilities)            | 198                          | 594                           | 781    | 1,573    |
|  | -----                        | -----                         | -----  | -----    |
| TOTAL NONCURRENT RESTRUCTURING RESERVES<br>(INCLUDED IN OTHER LONG-TERM LIABILITIES) | \$ -0-                       | \$ 95                         | \$ -0- | \$ 95    |
|  | =====                        | =====                         | =====  | =====    |

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 7  
EARNINGS PER SHARE

| (IN THOUSANDS, EXCEPT<br>PER SHARE AMOUNTS)                             | FOR THE THREE MONTHS ENDED<br>OCTOBER 30, 1999 |                         |                     | FOR THE THREE MONTHS ENDED<br>OCTOBER 31, 1998 |                         |                     |
|---|--|-------------------------|---------------------|--|-------------------------|---------------------|
|   | INCOME<br>(NUMERATOR)                          | SHARES<br>(DENOMINATOR) | PER-SHARE<br>AMOUNT | INCOME<br>(NUMERATOR)                          | SHARES<br>(DENOMINATOR) | PER-SHARE<br>AMOUNT |
| Earnings before extraordinary loss                                      | \$ 6,204                                       |                         |                     | \$ 6,273                                       |                         |                     |
| Less: Preferred stock dividends   | (75)   |                         |                     | (75)   |                         |                     |
| <b>BASIC EPS</b>  |  |                         |                     |  |                         |                     |
| Income available to<br>common shareholders                              | 6,129  | 21,786                  | \$ .28<br>=====     | 6,198  | 25,600                  | \$ .24<br>=====     |
| Plus: Interest on 5 1/2% convertible<br>subordinated notes (net of tax) | 962  |                         |                     | -0-  |                         |                     |
| <b>EFFECT OF DILUTIVE SECURITIES</b>                                    |  |                         |                     |  |                         |                     |
| Options   |  | 695                     |                     |  | 662                     |                     |
| 5 1/2% convertible subordinated notes                                   |  | 4,918                   |                     |  | -0-                     |                     |
| Contingent Options(1)   |  | -0-                     |                     |  | 67                      |                     |
| Employees' Preferred Stock(2)   |  | 72                      |                     |  | 74                      |                     |
| <b>DILUTED EPS</b>  |  |                         |                     |  |                         |                     |
| Income available to common<br>shareholders plus assumed<br>conversions  | \$ 7,091<br>=====                              | 27,471<br>=====         | \$ .26<br>=====     | \$ 6,198<br>=====                              | 26,403<br>=====         | \$ .23<br>=====     |

(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 stock is higher than basic earnings per share for the period. Therefore, conversion of the convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,816, 40,869 and 24,946, respectively.

The weighted shares outstanding reflects the effect of the stock buy back program of up to 5.8 million shares announced by the Company in August 1998, January 1999 and August 1999. The Company has repurchased 5.0 million shares as of October 30, 1999.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 7  
EARNINGS PER SHARE, CONTINUED

| (IN THOUSANDS, EXCEPT<br>PER SHARE AMOUNTS)                             | FOR THE NINE MONTHS ENDED<br>OCTOBER 30, 1999 |                         |                     | FOR THE NINE MONTHS ENDED<br>OCTOBER 31, 1998 |                         |                     |
|---|---|-------------------------|---------------------|---|-------------------------|---------------------|
|   | INCOME<br>(NUMERATOR)                         | SHARES<br>(DENOMINATOR) | PER-SHARE<br>AMOUNT | INCOME<br>(NUMERATOR)                         | SHARES<br>(DENOMINATOR) | PER-SHARE<br>AMOUNT |
| Earnings before extraordinary loss                                      | \$ 14,447                                     |                         |                     | \$ 16,686                                     |                         |                     |
| Less: Preferred stock dividends   | (225)   |                         |                     | (225)   |                         |                     |
| <b>BASIC EPS</b>  |   |                         |                     |   |                         |                     |
| Income available to<br>common shareholders                              | 14,222  | 22,603                  | \$ .63<br>=====     | 16,461  | 25,850                  | \$ .64<br>=====     |
| Plus: Interest on 5 1/2% convertible<br>subordinated notes (net of tax) | 2,887   |                         |                     | -0-   |                         |                     |
| <b>EFFECT OF DILUTIVE SECURITIES</b>                                    |   |                         |                     |   |                         |                     |
| Options   |   | 692                     |                     |   | 1,176                   |                     |
| 5 1/2% convertible subordinated notes                                   |   | 4,918                   |                     |   | -0-                     |                     |
| Contingent Options(1)   |   | -0-                     |                     |   | 67                      |                     |
| Employees' Preferred Stock(2)   |   | 73                      |                     |   | 74                      |                     |
| <b>DILUTED EPS</b>  |   |                         |                     |   |                         |                     |
| Income available to common<br>shareholders plus assumed<br>conversions  | \$ 17,109<br>=====                            | 28,286<br>=====         | \$ .60<br>=====     | \$ 16,461<br>=====                            | 27,167<br>=====         | \$ .61<br>=====     |

(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 stock is higher than basic earnings per share for the period. Therefore, conversion of the convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,816, 40,869 and 24,946, respectively.

The weighted shares outstanding reflects the effect of the stock buy back program of up to 5.8 million shares announced by the Company in August 1998, January 1999 and August 1999. The Company has repurchased 5.0 million shares as of October 30, 1999.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 8  
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 into 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 \$12.0 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 to pay a portion of remediation costs and insurance coverage available to the various defendants, 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 in the range of \$1.6 million to \$2.0 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.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 8  
LEGAL PROCEEDINGS, CONTINUED

Whitehall Environmental Sampling

Pursuant to a work plan approved by the Michigan Department of Environmental Quality ("MDEQ") the Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's Volunteer Leather Company facility in Whitehall, Michigan. On June 29, 1999, the Company submitted a final remedial action plan for the site to MDEQ. The plan proposes no action with respect to soils at the site, which are in compliance with applicable regulatory standards, or lake sediments, which the Company believes do not pose a threat to human health or the environment and do not violate any applicable regulatory standard. The Company, with the approval of MDEQ, previously installed horizontal wells to capture groundwater from a portion of the site and treat it by air sparging. The remedial action plan proposes continued operation of this system for an indefinite period and monitoring of groundwater samples to ensure that the system is functioning as intended. The remedial action plan is subject to MDEQ approval. If the plan is approved, the Company does not expect it to have a material impact on its financial condition or results of operations. However, there can be no assurance that the plan will be approved as submitted, and the Company is unable to predict whether any further remediation that may ultimately be required will have a material effect on its financial condition or results of operations.

On June 30, 1999, the City of Whitehall filed an action against the Company in the circuit court for the City of Muskegon under various state environmental statutes and City ordinances, seeking to compel a more extensive cleanup of the site than the remediation plan proposes. The Company has filed an answer denying all the material allegations in the City's complaint, asserting affirmative defenses and including a counterclaim against the city for contribution.

Whitehall Accident

On June 4, 1999, a truck driver employed by a carrier for a chemical vendor died after inhaling a toxic vapor produced when he deposited a chemical compound that he was delivering to the Company's Whitehall, Michigan, leather tannery into a tank containing another chemical solution. Regulatory authorities, including the National Transportation Safety Board and the Michigan Occupational Safety and Health Administration, are investigating the incident. The Michigan agency has issued six citations alleging regulatory infractions identified in the course of a general compliance review following the accident. Proposed monetary penalties associated with the citations total \$15,100. The Company is assessing the citations and intends to contest some or all of them. The Company is currently unable to predict the additional effect, if any, of the incident on its financial condition or results of operations.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 9  
BUSINESS SEGMENT INFORMATION

The Company has four reportable segments: Specialty Retail Footwear, comprised of Journeys, Jarman, Underground Station, Stone & Co. and General Shoe Warehouse; Branded Footwear, comprised of Johnston & Murphy retail and wholesale, Dockers Footwear and Nautica Footwear; Leather; and Western Boots, which was divested in Fiscal 1999. All the Company's segments, except Leather, sell footwear products at either retail or wholesale. The Leather segment is comprised of Volunteer Leather, a leather tanning and finishing company which sells primarily to military boot manufacturers and other customers.

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

The Company's reportable segments are based on an organization methodology used by management in order to make operating decisions and assess performance along types of products sold. Specialty Retail Footwear primarily sells branded products from other companies while Branded Footwear primarily sells the Company's owned and licensed brands.

Corporate assets include cash, deferred income taxes, prepaid pension cost and deferred note expense. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, restructuring gains and losses, interest expense, interest income, and other charges. Other includes severance and litigation charges and a \$2.4 million restructuring gain in Fiscal 1999.

| THREE MONTHS ENDED<br>OCTOBER 30, 1999 | SPECIALTY<br>RETAIL<br>FOOTWEAR | BRANDED<br>FOOTWEAR | LEATHER  | CORPORATE | CONSOLIDATED |
|--|---------------------------------|---------------------|----------|-----------|--------------|
|  | -----                           | -----               | -----    | -----     | -----        |
| Sales                                  | \$ 78,915                       | \$ 62,255           | \$ 6,439 | \$ -0-    | \$ 147,609   |
| Intercompany sales                     | -0-                             | (1,273)             | (368)    | -0-       | (1,641)      |
| Net sales to external customers        | 78,915                          | 60,982              | 6,071    | -0-       | 145,968      |
| Operating income (loss)                | 8,994                           | 5,320               | 568      | (2,953)   | 11,929       |
| Interest expense                       | -0-                             | -0-                 | -0-      | 2,058     | 2,058        |
| Interest income                        | -0-                             | -0-                 | -0-      | 404       | 404          |
| Other                                  | -0-                             | -0-                 | -0-      | -0-       | -0-          |
| Pretax earnings (loss)                 | 8,994                           | 5,320               | 568      | (4,607)   | 10,275       |
| Total assets                           | 109,918                         | 90,328              | 9,244    | 86,932    | 296,422      |
| Depreciation                           | 1,245                           | 772                 | 114      | 495       | 2,626        |
| Capital expenditures                   | 3,791                           | 808                 | 17       | 471       | 5,087        |

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 9  
BUSINESS SEGMENT INFORMATION, CONTINUED

| THREE MONTHS ENDED<br>OCTOBER 31, 1998 | SPECIALTY<br>RETAIL<br>FOOTWEAR | BRANDED<br>FOOTWEAR | LEATHER  | WESTERN<br>BOOT | CORPORATE | CONSOLIDATED |
|--|---------------------------------|---------------------|----------|-----------------|-----------|--------------|
| Sales                                  | \$ 72,955                       | \$ 53,984           | \$ 5,137 | \$ -0-          | \$ -0-    | \$ 132,076   |
| Intercompany sales                     | -0-                             | (1,864)             | (448)    | -0-             | -0-       | (2,312)      |
| Net sales to external customers        | 72,955                          | 52,120              | 4,689    | -0-             | -0-       | 129,764      |
| Operating income (loss)                | 5,302                           | 4,946               | 182      | 57              | (2,541)   | 7,946        |
| Interest expense                       | -0-                             | -0-                 | -0-      | -0-             | 2,094     | 2,094        |
| Interest income                        | -0-                             | -0-                 | -0-      | -0-             | 597       | 597          |
| Other                                  | -0-                             | -0-                 | -0-      | -0-             | (14)      | (14)         |
| Pretax earnings (loss)                 | 5,302                           | 4,946               | 182      | 57              | (4,052)   | 6,435        |
| Total assets                           | 109,019                         | 83,415              | 9,117    | -0-             | 67,129    | 268,680      |
| Depreciation                           | 1,270                           | 657                 | 121      | -0-             | 373       | 2,421        |
| Capital expenditures                   | 2,779                           | 990                 | -0-      | -0-             | 1,578     | 5,347        |

| NINE MONTHS ENDED<br>OCTOBER 30, 1999 | SPECIALTY<br>RETAIL<br>FOOTWEAR | BRANDED<br>FOOTWEAR | LEATHER   | CORPORATE | CONSOLIDATED |
|---------------------------------------|---------------------------------|---------------------|-----------|-----------|--------------|
| Sales                                 | \$205,443                       | \$ 182,740          | \$ 17,644 | \$ -0-    | \$405,827    |
| Intercompany sales                    | -0-                             | (3,915)             | (1,385)   | -0-       | (5,300)      |
| Net sales to external customers       | 205,443                         | 178,825             | 16,259    | -0-       | 400,527      |
| Operating income (loss)               | 18,257                          | 17,751              | 1,093     | (8,145)   | 28,956       |
| Interest expense                      | -0-                             | -0-                 | -0-       | 6,095     | 6,095        |
| Interest income                       | -0-                             | -0-                 | -0-       | 1,645     | 1,645        |
| Other                                 | -0-                             | -0-                 | -0-       | (529)     | (529)        |
| Pretax earnings (loss)                | 18,257                          | 17,751              | 1,093     | (13,124)  | 23,977       |
| Total assets                          | 109,918                         | 90,328              | 9,244     | 86,932    | 296,422      |
| Depreciation                          | 3,664                           | 2,220               | 343       | 1,277     | 7,504        |
| Capital expenditures                  | 10,187                          | 2,939               | 37        | 2,140     | 15,303       |

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 9  
BUSINESS SEGMENT INFORMATION, CONTINUED

| NINE MONTHS ENDED<br>OCTOBER 31, 1998 | SPECIALTY<br>RETAIL<br>FOOTWEAR | BRANDED<br>FOOTWEAR | LEATHER   | WESTERN<br>BOOT | CORPORATE | CONSOLIDATED |
|---------------------------------------|---------------------------------|---------------------|-----------|-----------------|-----------|--------------|
|                                       | -----                           | -----               | -----     | -----           | -----     | -----        |
| Sales                                 | \$ 204,128                      | \$ 166,139          | \$ 15,868 | \$ 16,560       | \$ -0-    | \$ 402,695   |
| Intercompany sales                    | -0-                             | (5,034)             | (2,040)   | -0-             | -0-       | (7,074)      |
| Net sales to external customers       | 204,128                         | 161,105             | 13,828    | 16,560          | -0-       | 395,621      |
| Operating income (loss)               | 12,354                          | 17,430              | 310       | (1,472)         | (8,497)   | 20,125       |
| Interest expense                      | -0-                             | -0-                 | -0-       | -0-             | 7,163     | 7,163        |
| Interest income                       | -0-                             | -0-                 | -0-       | -0-             | 2,038     | 2,038        |
| Other                                 | -0-                             | -0-                 | -0-       | -0-             | 1,601     | 1,601        |
| Pretax earnings (loss)                | 12,354                          | 17,430              | 310       | (1,472)         | (12,021)  | 16,601       |
| Total assets                          | 109,019                         | 83,415              | 9,117     | -0-             | 67,129    | 268,680      |
| Depreciation                          | 3,573                           | 2,005               | 438       | 336             | 1,176     | 7,528        |
| Capital expenditures                  | 12,495                          | 2,646               | 157       | -0-             | 4,052     | 19,350       |

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 this discussion and a number of factors may adversely affect future results, liquidity and capital resources. These factors include changes in consumer demand or tastes or other changes in the Company's markets that affect sales in its retail stores or sales by its Branded Footwear operations at wholesale, changes in business strategies or directions of the Company's competitors, the Company's ability to open, staff and support additional retail stores on schedule and at acceptable expense levels and otherwise to execute its business strategies and the cost and availability of externally sourced products. While the Company believes that it has successfully remediated its own systems to enable them to deal with issues related to the Year 2000 date change, and while it has made extensive efforts to gain assurance of Year 2000 readiness from third parties that it considers key to business, Year 2000 issues could also cause actual results to be different from expectations. 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 and the outcome of various litigation and environmental contingencies, including those discussed in Note 8 to the Consolidated Financial Statements. 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 alter its business strategies to address changing conditions.

SIGNIFICANT DEVELOPMENTS

Leased Department Transition

Under an 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 1998 acquisition of Mercantile by Dillard's Inc., the Company has ended its operation of the leased departments. The Company transferred the remaining Jarman leased departments to Dillard's Inc. and Saks Inc. during the first quarter ended May 1, 1999. The Jarman leased departments' business contributed sales of \$10.6 million for the third quarter of Fiscal 1999 and sales of \$1.2 million and \$35.9 million for the first nine months of Fiscal 2000 and 1999, respectively. The Jarman leased departments' business contributed operating earnings of \$0.9 million for the third quarter of Fiscal 1999. It had an operating loss of \$0.3 million in the first nine months of Fiscal 2000, compared to operating income of \$1.5 million for the first nine months of Fiscal 1999.

SHARE REPURCHASE PROGRAM

During the third quarter ended October 31, 1998, the Company's board of directors authorized the purchase, from time to time, of up to 2.6 million shares of the Company's common stock. During the fourth quarter ended January 30, 1999, the board authorized an additional 2.2 million shares to be repurchased. In August of 1999, the board authorized the repurchase from time to time of an additional 1.0 million shares. The purchases may be made on the open market or in privately negotiated transactions. As of October 30, 1999, the Company had repurchased 5.0 million shares at a cost of \$43.0 million.

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

**WORKFORCE REDUCTION**

In connection with the divestiture of the western boot business and the substantial completion of the exiting of the Jarman leased department business, the Company reviewed the structure and level of staffing in all of its operations during the third and fourth quarter of Fiscal 1999. Upon completion of the review, the Company recorded a \$1.3 million charge to earnings, included in selling and administrative expenses, during the fourth quarter of Fiscal 1999 for a workforce reduction of 66 positions, of which 59 positions were eliminated by October 30, 1999. Twenty-six of the positions eliminated related to the Jarman Lease division, with the remainder being primarily employed at corporate headquarters.

**FISCAL 1998 RESTRUCTURING**

As a result of the continued weakness in the western boot market, the Company approved a plan (the "Boot Divestiture") 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 in the fourth quarter of Fiscal 1998, 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. The charges related to the Boot Divestiture also included \$3.2 million in employee-related costs and \$2.8 million of facility shutdown and other costs. 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 sales of the Company's western boot business were \$16.6 million and the operating loss was \$1.5 million for the nine months ended October 31, 1998.

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.

**RESULTS OF OPERATIONS - THIRD QUARTER FISCAL 2000 COMPARED TO FISCAL 1999**

The Company's net sales in the third quarter ended October 30, 1999 increased 12.5% to \$146.0 million from \$129.8 million in the third quarter ended October 31, 1998. Excluding sales attributable to the Jarman lease business from last year, the Company's net sales increased 22.5% to \$146.0 million for the third quarter of this year compared to \$119.1 million for the third quarter of last year. Gross margin increased 12.5% to \$65.3 million in the third quarter this year from \$58.1 million in the same period last year but remained flat as a percentage of net sales at 44.8%. Selling and administrative expenses in the third quarter this year increased 6.5% from the third quarter last year but decreased as a percentage of net sales from 38.6% to 36.6%.

Pretax earnings in the third quarter ended October 30, 1999 were \$10.3 million compared to \$6.4 million for the third quarter ended October 31, 1998.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Management's Discussion and Analysis  
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Net earnings for the third quarter ended October 30, 1999 were \$6.2 million (\$0.26 diluted earnings per share) compared to \$6.3 million (\$0.23 diluted earnings per share) for the third quarter ended October 31, 1998. The Company recorded an effective federal income tax rate of 39.6% for the third quarter ended October 30, 1999. Net earnings for the third quarter last year included federal income taxes of \$162,000.

Specialty Retail Footwear

|                        | Three Months Ended     |                     | %<br>Change |
|------------------------|------------------------|---------------------|-------------|
|                        | October 30,<br>1999    | October 31,<br>1998 |             |
|                        | (dollars in thousands) |                     |             |
| NET SALES .....        | \$78,915               | \$72,955            | 8.2%        |
| OPERATING INCOME ..... | \$ 8,994               | \$ 5,302            | 69.6%       |
| Operating margin ..... | 11.4%                  | 7.3%                |             |

A 15% increase in comparable store sales and a 12% increase in average ongoing Specialty Retail Footwear stores operated were offset by the lost sales of the Jarman lease business, producing an 8.2% increase in net sales from Specialty Retail Footwear operations for the third quarter ended October 30, 1999 compared to the same period last year. Excluding sales attributable to the Jarman lease business from last year's third quarter, Specialty Retail Footwear net sales increased 26.6% for the third quarter of this year compared to the third quarter of last year. Excluding the Jarman lease business, the average price per pair of shoes increased 4% and unit sales increased 21% for the third quarter of Fiscal 2000.

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

|                                     | Comparable<br>Sales Changes | Store Count         |                     |
|-------------------------------------|-----------------------------|---------------------|---------------------|
|                                     |                             | October 30,<br>1999 | October 31,<br>1998 |
| Journeys .....                      | 19%                         | 307                 | 254                 |
| Jarman Retail .....                 | 11%                         | 159(1)              | 168(2)              |
| Jarman Lease .....                  | --                          | -0-                 | 86                  |
| General Shoe Warehouse .....        | -11%                        | 15                  | 16                  |
|                                     |                             | ---                 | ---                 |
| Total Specialty Retail Footwear ... | 15%                         | 481<br>===          | 524<br>===          |

(1) Includes seventeen Underground Station stores and five Stone & Co. stores.

(2) Includes sixteen Underground Station stores.

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Specialty Retail Footwear operating income for the third quarter ended October 30, 1999 increased 69.6% to \$9.0 million compared to \$5.3 million for the same period last year. The increase was due primarily to the increased sales, increased gross margin as percentage of sales and decreased expenses as a percentage of sales from the ongoing Specialty Retail Footwear businesses.

Branded Footwear

|                        | Three Months Ended     |                     | %<br>Change |
|------------------------|------------------------|---------------------|-------------|
|                        | October 30,<br>1999    | October 31,<br>1998 |             |
|                        | (dollars in thousands) |                     |             |
| Net Sales .....        | \$60,982               | \$52,120            | 17.0%       |
| Operating income ..... | \$ 5,320               | \$ 4,946            | 7.6%        |
| Operating margin ..... | 8.7%                   | 9.5%                |             |

Branded Footwear net sales increased 17.0% to \$61.0 million for the third quarter ended October 30, 1999 from \$52.1 million for the third quarter ended October 31, 1998. The increase included a 3% increase in comparable store sales for Johnston & Murphy Retail. The segment's increased net sales also reflected an 18% increase in Branded Footwear wholesale sales. The store count for Branded Footwear retail operations at the end of the third quarter this year included 143 Johnston & Murphy stores and factory stores and 41 Nautica Retail leased departments compared to 132 Johnston & Murphy stores and factory stores and 22 Nautica Retail leased departments at the end of the third quarter of last year. The average price per pair of shoes for Branded Footwear retail increased 2% for the third quarter of this year and unit sales increased 10% during the same period. Unit sales for the Branded Footwear wholesale businesses increased 20% for the third quarter of this year but the average wholesale price per pair of shoes decreased 4% for the same period reflecting increased promotional activities and mix changes.

Branded Footwear operating income for the third quarter ended October 30, 1999 increased 7.6% from \$4.9 million in the third quarter of last year to \$5.3 million in the third quarter of this year, primarily due to increased sales and decreased expenses as a percentage of sales.

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## Leather

|                        | Three Months Ended     |                     | %<br>Change |
|------------------------|------------------------|---------------------|-------------|
|                        | October 30,<br>1999    | October 31,<br>1998 |             |
|                        | (dollars in thousands) |                     |             |
| Net Sales .....        | \$6,071                | \$4,689             | 29.5%       |
| Operating income ..... | \$ 568                 | \$ 182              | 212.1%      |
| Operating Margin ..... | 9.4%                   | 3.9%                |             |

Leather net sales increased 29.5% to \$6.1 million in the third quarter ended October 30, 1999 from \$4.7 million in the third quarter ended October 31, 1998, primarily due to increased orders from military footwear suppliers, which makes up the bulk of the Company's tanned leather business.

Leather operating income increased 212.1% from \$0.2 million in the third quarter last year to \$0.6 million in the third quarter this year, primarily due to increased sales, increased gross margin as a percentage of sales and decreased expenses as a percentage of sales. The Company expects a reversal of the operating income trend from the last four quarters as margin pressures from increased raw material prices and competitive pressures on pricing result in projected lower operating income in the fourth quarter.

#### Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the third quarter ended October 30, 1999 increased 16.2% to \$3.0 million compared to \$2.5 million for the third quarter ended October 31, 1998. The increase in corporate expenses for the third quarter is attributable primarily to increased bonus accruals.

Interest expense decreased 1.7% for the third quarter ended October 30, 1999. Interest income decreased 32.3% from \$0.6 million in the third quarter of last year to \$0.4 million in the third quarter of this year, due to decreases in interest rates and investments. There were no borrowings under the Company's revolving credit facility during the three months ended October 30, 1999 or October 31, 1998.

#### RESULTS OF OPERATIONS - NINE MONTHS FISCAL 2000 COMPARED TO FISCAL 1999

The Company's net sales for the nine months ended October 30, 1999 increased 1.2% to \$400.5 million from \$395.6 million for the nine months ended October 31, 1998. Excluding sales attributable to the Jarman lease and western boot businesses from both periods, the Company's net sales increased 16.4% to \$399.3 million for the first nine months this year compared to \$343.1 million for the first nine months last year. Gross margin increased 3.5% to \$179.4 million in the first nine months this year from \$173.3 million in the same period last year and increased as a percentage of net sales from 43.8% to 44.8%. Selling and administrative expenses in the first nine months this year decreased 2.0% from the first nine months last year and decreased as a percentage of net sales from 38.9% to 37.7%.

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Pretax earnings for the nine months ended October 30, 1999 were \$24.0 million compared to \$16.6 million for the nine months ended October 31, 1998. Pretax earnings for the nine months ended October 31, 1998 included a restructuring gain of \$2.4 million primarily relating to the Boot Divestiture.

Net earnings for the nine months ended October 30, 1999 were \$14.4 million (\$0.60 diluted earnings per share) compared to \$13.0 million (\$0.47 diluted earnings per share) for the nine months ended October 31, 1998. The Company recorded an effective federal income tax rate of 39.7% for the nine months ended October 30, 1999. Net earnings for the first nine months last year included a tax credit of \$85,000 and an extraordinary loss for the early retirement of debt of \$3.7 million.

Specialty Retail Footwear

|                        | Nine Months Ended      |                     | %<br>Change |
|------------------------|------------------------|---------------------|-------------|
|                        | October 30,<br>1999    | October 31,<br>1998 |             |
|                        | (dollars in thousands) |                     |             |
| Net Sales .....        | \$205,443              | \$204,128           | 0.6%        |
| Operating Income ..... | \$ 18,257              | \$ 12,354           | 47.8%       |
| Operating Margin ..... | 8.9%                   | 6.1%                |             |

Primarily because of the loss of sales from the Jarman lease business, despite an increase in comparable store sales of 9% and an 15% increase in average ongoing Specialty Retail Footwear stores operated, net sales from Specialty Retail Footwear operations increased only 0.6% for the nine months ended October 30, 1999 compared to the same period last year. Excluding sales attributable to the Jarman lease business from both periods, Specialty Retail Footwear net sales increased 21.5% for the first nine months of this year compared to the first nine months of last year. Excluding the Jarman lease business, the average price per pair of shoes increased 6% and unit sales increased 14% for the first nine months of Fiscal 2000.

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

|                                     | Comparable<br>Sales Changes | Store Count         |                     |
|-------------------------------------|-----------------------------|---------------------|---------------------|
|                                     |                             | October 30,<br>1999 | October 31,<br>1998 |
| Journeys .....                      | 11%                         | 307                 | 254                 |
| Jarman Retail .....                 | 6%                          | 159(1)              | 168(2)              |
| Jarman Lease .....                  | NA (3)                      | -0-                 | 86                  |
| General Shoe Warehouse .....        | -11%                        | 15                  | 16                  |
|                                     |                             | ---                 | ---                 |
| Total Specialty Retail Footwear ... | 9%                          | 481                 | 524                 |
|                                     |                             | ===                 | ===                 |

(1) Includes seventeen Underground Station stores and five Stone & Co. stores.

(2) Includes sixteen Underground Station stores.

(3) The Jarman lease business was closed out in the first quarter of Fiscal 2000.

Specialty Retail Footwear operating income for the nine months ended October 30, 1999 increased 47.8% to \$18.3 million compared to \$12.4 million for the same period last year. The increase was due primarily to the increased sales, increased gross margin as a percentage of sales and decreased expenses as a percentage of sales from the ongoing Specialty Retail Footwear businesses. The Jarman leased departments had an operating loss of \$0.3 million in the first nine months this year compared to operating income of \$1.5 million for the same period last year.

#### Branded Footwear

|                        | Nine Months Ended      |                     | %<br>Change |
|------------------------|------------------------|---------------------|-------------|
|                        | October 30,<br>1999    | October 31,<br>1998 |             |
|                        | (dollars in thousands) |                     |             |
| Net Sales .....        | \$178,825              | \$161,105           | 11.0%       |
| Operating income ..... | \$ 17,751              | \$ 17,430           | 1.8%        |
| Operating margin ..... | 9.9%                   | 10.8%               |             |

Branded Footwear net sales increased 11.0% to \$178.8 million for the nine months ended October 30, 1999 from \$161.1 million for the nine months ended October 31, 1998, reflecting primarily a 4% increase in comparable store sales for Johnston & Murphy Retail and an 8% increase in Branded Footwear wholesale sales. The store count for Branded Footwear retail operations at the end of the first nine months this year included 143 Johnston & Murphy stores and factory stores and 41 Nautica Retail leased departments compared to 132 Johnston & Murphy stores and factory stores and 22 Nautica Retail leased departments at the end of the first nine months of last year. The

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average price per pair of shoes for Branded Footwear retail increased 1% for the first nine months of this year and unit sales increased 11% during the same period. Unit sales for the Branded Footwear wholesale businesses increased 9% for the first nine months of this year while the average price per pair of shoes decreased 2% for the same period reflecting increased promotional activities and mix changes.

Branded Footwear operating income for the nine months ended October 30, 1999 increased 1.8% from \$17.4 million in the first nine months of last year to \$17.8 million in the first nine months of this year, primarily due to increased sales and decreased expenses as a percentage of sales.

Leather

|                        | Nine Months Ended      |                     | %<br>Change |
|------------------------|------------------------|---------------------|-------------|
|                        | October 30,<br>1999    | October 31,<br>1998 |             |
|                        | (dollars in thousands) |                     |             |
| Net Sales .....        | \$ 16,259              | \$ 13,828           | 17.6%       |
| Operating income ..... | \$ 1,093               | \$ 310              | 252.6%      |
| Operating margin ..... | 6.7%                   | 2.2%                |             |

Leather net sales increased 17.6% to \$16.3 million for the nine months ended October 30, 1999 from \$13.8 million for the nine months ended October 31, 1998, primarily due to increased orders from military footwear suppliers, which makes up the bulk of the Company's tanned leather business.

Leather operating income increased 252.6% from \$0.3 million in the first nine months last year to \$1.1 million in the first nine months this year, primarily due to increased sales, increased gross margin as a percentage of sales and decreased expenses as a percentage of sales. The Company expects a reversal of the operating income trend from the last four quarters as margin pressures from increased raw material prices and competitive pressures on pricing result in projected lower operating income in the fourth quarter.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the nine months ended October 30, 1999 were \$8.1 million compared to \$8.5 million for the nine months ended October 31, 1998 (exclusive of other charges of \$0.5 million, primarily environmental charges, in the first nine months this year and an other credit of \$1.6 million, comprising primarily litigation and severance charges and a restructuring gain of \$2.4 million, in the first nine months last year), a decrease of 4.1%. The decrease in corporate expenses in the first nine months this year is attributable primarily to decreased professional fees.

Interest expense decreased 14.9% from \$7.2 million for the nine months ended October 31, 1998 to \$6.1 million for the nine months ended October 30, 1999, primarily due to the decrease in interest rates on the Company's long-term debt from 10 3/8% on \$75 million of borrowings to 5 1/2% on \$103.5 million of borrowings. Interest income decreased 19.3% from \$2.0 million in the first nine months of last year to \$1.6 million in the first nine months of this year, due to decreases in interest

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rates. There were no borrowings under the Company's revolving credit facility during the nine months ended October 30, 1999 or October 31, 1998.

LIQUIDITY AND CAPITAL RESOURCES

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

|  | October 30,<br>1999   | October 31,<br>1998 |
|--|-----------------------|---------------------|
|  | -----                 | -----               |
|  | (dollars in millions) |                     |
| Cash and short-term investments .....              | \$ 38.5               | \$ 42.6             |
| Working capital .....                              | \$ 135.2              | \$ 136.8            |
| Long-term debt (includes current maturities) ..... | \$ 103.5              | \$ 103.5            |
| Current ratio .....                                | 2.8x                  | 3.1x                |

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 generated principally in the fourth quarter of each fiscal year.

Cash provided by operating activities was \$12.1 million in the first nine months of Fiscal 2000 compared to \$15.5 million cash used in operating activities in the first nine months of Fiscal 1999. The \$27.6 million increase in cash flow from operating activities reflects primarily the increase in earnings, a smaller increase in inventory for the first nine months this year compared to the first nine months last year and an increase in payables due to changes in buying patterns and payment terms negotiated with individual vendors. Contributing to the inventory change was a slowdown in store openings from 150 stores in last years first nine months to 84 stores in this years first nine months and the selloff of Jarman lease inventory.

The \$20.3 million increase in inventories at October 30, 1999 from January 30, 1999 levels included in the statement of cash flows reflects planned seasonal increases in retail inventory and to support the net increase of 69 stores, excluding Jarman lease, in the first nine months of Fiscal 2000.

Accounts receivable at October 30, 1999 increased \$1.8 million compared to January 30, 1999, primarily due to the increase in Branded Footwear wholesale sales.

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

|                     | Nine Months Ended   |                     |
|---------------------|---------------------|---------------------|
|                     | October 30,<br>1999 | October 31,<br>1998 |
|                     | (in thousands)      |                     |
| Accounts payable    | \$ 7,207            | \$ 580              |
| Accrued liabilities | (3,938)             | (10,078)            |
|                     | \$ 3,269            | \$ (9,498)          |
|                     | =====               | =====               |

The fluctuations in accounts payable for the first nine months this year from the first nine months last year are due to changes in buying patterns, payment terms negotiated with individual vendors and changes in inventory levels.

The change in accrued liabilities for the first nine months this year was due primarily to scheduled interest payments, severance payments and bonus payments.

There were no revolving credit borrowings during the nine months ended October 30, 1999 and October 31, 1998, as cash generated from operations and cash on hand funded seasonal working capital requirements and capital expenditures.

#### Capital Expenditures

Total capital expenditures in Fiscal 2000 are expected to be approximately \$20.7 million. These include expected retail expenditures of \$17.2 million to open approximately 68 Journeys stores, 17 Johnston & Murphy stores and factory stores and nine Jarman Retail stores and to complete 32 major store renovations. Capital expenditures for wholesale and manufacturing operations and other purposes are expected to be approximately \$3.5 million, including approximately \$2.4 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 determined that it would 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 is in the process of upgrading and modernizing its major information systems, including

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its wholesale and retail operating systems and its financial systems. The replacement systems are expected to be Year 2000 compliant.

The Company utilized both internal and external resources to reprogram or replace and test software for Year 2000 compliance.

As of the beginning of the first quarter of Fiscal 2000, the Company is using all modules of its new financial system. The Company implemented a contingency plan that provided for remediation of the existing retail systems, adding an additional 0.5 million lines of code to be remediated. After adjusting for the additional lines of code to be remediated, the Company completed the remediation, including final testing, of all of its identified 2.5 million lines of code in its legacy systems by October 31, 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 \$18.9 million and is being funded through operating cash flows and cash on hand. Of the total project cost, approximately \$10.9 million is attributable to the purchase of new software and hardware which has been or will be capitalized. The remaining \$8.0 million has been or will be expensed, including projected costs of \$1.8 million for Fiscal 2000. Cumulative to date expenditures through October 30, 1999 are \$7.5 million plus cumulative capital expenditures of \$10.2 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 which the Company initially completed in the fourth quarter of Fiscal 1999 and the Company anticipates 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.

Under the most reasonably likely worst case scenario, the Company believes problems could arise that would relate to possible failure in one or more geographic regions of third party systems over which the Company has no control, principally relating to power and telecommunications systems. These failures could effect the Company's own stores as well as its suppliers of footwear. The Company anticipates the disruptions will be short-term in nature and because the shipment of merchandise to the Company's stores is traditionally at a low point during that time of year, the impact should be minimal. However, despite the Company's efforts in remediation and on contingency planning there can be no assurance that the Year 2000 issues will not have a material adverse impact on the Company's financial condition and operating results.

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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 8 to the Company's Consolidated Financial Statements. The Company has made provisions for certain of these contingencies, including provisions of \$150,000 in discontinued operations in Fiscal 1997, \$250,000 reflected in Fiscal 1998 and \$402,000 reflected in Fiscal 1999. 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 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 2000, although the Company may borrow from time to time to support seasonal working capital requirements. Approximately \$3.7 million of costs associated with the prior restructurings and discontinued operations that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand. The Company has also authorized the additional repurchase, from time to time, of up to 1.0 million shares of the Company's common stock. The Company intends to fund these purchases from available cash. The Company repurchased 0.2 million shares at a cost of \$2.5 million during the third quarter ended October 30, 1999. The Company completed the previously authorized repurchase of 4.8 million shares at a cost of \$40.5 million as of July 31, 1999.

There were \$5.4 million of letters of credit outstanding under the revolving credit agreement at October 30, 1999, leaving availability under the revolving credit agreement of \$59.6 million.

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The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to capital stock. At October 30, 1999, \$33.1 million was available for such payments. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, \$2.30 Series 1, \$4.75 Series 3 and \$4.75 Series 4, and on its \$1.50 Subordinated Cumulative Preferred Stock is \$300,000.

Changes in Accounting Principles

In June 1998 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, effective for fiscal years beginning after June 15, 1999. The Financial Accounting Standards Board issued SFAS No. 137 in July 1999 to delay the effective date of SFAS No. 133 for one year, to fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. Under certain conditions, a derivative may be specifically designated as a fair value hedge or a cash flow hedge. The accounting for changes in the fair value of a derivative will depend on the intended use of the derivative and the resulting designation. At this time, management has not fully evaluated the impact of SFAS No. 133.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

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

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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  
December 14, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM GENESCO INC.'S THIRD QUARTER FISCAL 2000 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

| 9-MOS   |             |
|---------|-------------|
|         | JAN-29-2000 |
|         | JAN-31-1999 |
|         | OCT-30-1999 |
|         | 5,000       |
|         | 33,543      |
|         | 25,144      |
|         | 982         |
|         | 129,787     |
|         | 211,085     |
|         | 114,849     |
|         | 49,999      |
|         | 296,422     |
| 75,900  |             |
|         | 103,500     |
| 0       |             |
|         | 7,884       |
|         | 22,282      |
|         | 73,868      |
| 296,422 |             |
|         | 400,527     |
| 400,527 |             |
|         | 221,154     |
|         | 221,154     |
|         | 0           |
|         | 830         |
|         | 6,095       |
|         | 23,977      |
|         | 9,530       |
| 14,447  |             |
|         | 0           |
|         | 0           |
|         | 0           |
|         | 14,447      |
|         | 0.63        |
|         | 0.60        |