GENESCO INC
Form 10-Q
September 12, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarter Ended August 3, 2013

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from to

Commission File No. 1-3083

Genesco Inc.
(Exact name of registrant as specified in its charter)

Tennessee (State or other jurisdiction of incorporation or organization)	62-0211340 (I.R.S. Employer Identification No.)
Genesco Park, 1415 Murfreesboro Road Nashville, Tennessee	37217-2895
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (615) 367-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer; an accelerated filer; a non-accelerated filer; or a smaller reporting company. See definitions of “large accelerated filer,” accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes o No x

As of August 30, 2013, 23,978,580 shares of the registrant's common stock were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Assets	August 3, 2013	February 2, 2013 (As restated)	July 28, 2012 (As restated)
Current Assets:			
Cash and cash equivalents	$46,027	$59,795	$47,222
Accounts receivable, net of allowances of $5,048 at August 3, 2013, $6,082 at February 2, 2013 and $6,071 at July 28, 2012	50,188	48,214	45,709
Inventories	628,074	505,344	555,626
Deferred income taxes	24,076	23,725	22,685
Prepaids and other current assets	60,867	45,193	57,990
Total current assets	809,232	682,271	729,232
Property and equipment:			
Land	6,066	6,128	6,119
Buildings and building equipment	20,256	20,390	20,336
Computer hardware, software and equipment	122,203	120,757	122,881
Furniture and fixtures	155,981	148,903	137,063
Construction in progress	14,590	8,702	11,388
Improvements to leased property	322,082	318,376	305,891
Property and equipment, at cost	641,178	623,256	603,678
Accumulated depreciation	(396,589)	(381,587)	(372,150)
Property and equipment, net	244,589	241,669	231,528
Deferred income taxes	19,795	18,731	19,542
Goodwill	277,398	273,827	269,310
Trademarks, net of accumulated amortization of $3,884 at August 3, 2013, $3,350 at February 2, 2013 and $2,787 at July 28, 2012	75,815	77,408	77,768
Other intangibles, net of accumulated amortization of $18,812 at August 3, 2013, $17,220 at February 2, 2013 and $15,406 at July 28, 2012	10,223	11,598	13,177
Other noncurrent assets	20,297	20,568	33,203
Total Assets	$1,457,349	$1,326,072	$1,373,760

Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Liabilities and Equity	August 3, 2013	February 2, 2013 (As restated)	July 28, 2012 (As restated)
Current Liabilities:			
Accounts payable	$244,752	$118,350	$212,938
Accrued employee compensation	49,045	55,241	42,923
Accrued other taxes	22,855	25,985	22,393
Accrued income taxes	43	2,096	2,778
Current portion – long-term debt	5,312	5,675	5,497
Other accrued liabilities	55,532	60,659	65,141
Provision for discontinued operations	7,243	7,192	7,511
Total current liabilities	384,782	275,198	359,181
Long-term debt	67,813	45,007	95,001
Pension liability	19,704	20,514	24,470
Deferred rent and other long-term liabilities	147,678	157,407	141,328
Provision for discontinued operations	4,180	4,159	4,267
Total liabilities	624,157	502,285	624,247
Commitments and contingent liabilities			
Equity			
Non-redeemable preferred stock	1,307	3,924	4,066
Common equity:			
Common stock, $1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
August 3, 2013 – 24,468,597/23,980,133			
February 2, 2013 – 24,484,915/23,996,451			
July 28, 2012 – 24,782,586/24,294,122	24,469	24,485	24,783
Additional paid-in capital	181,196	170,360	164,032
Retained earnings	673,939	669,189	605,190
Accumulated other comprehensive loss	(31,804)	(28,241)	(32,825)
Treasury shares, at cost (488,464 shares)	(17,857)	(17,857)	(17,857)
Total Genesco equity	831,250	821,860	747,389
Noncontrolling interest – non-redeemable	1,942	1,927	2,124
Total equity	833,192	823,787	749,513
Total Liabilities and Equity	$1,457,349	$1,326,072	$1,373,760

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

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Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Operations
(In Thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	August 3, 2013	July 28, 2012 (As restated)	August 3, 2013	July 28, 2012 (As restated)
Net sales	$574,746	$543,522	$1,166,134	$1,143,666
Cost of sales	291,938	270,463	584,889	563,701
Selling and administrative expenses	274,420	256,810	545,804	526,578
Asset impairments and other, net	(7,140)	404	(5,811)	539
Earnings from operations	15,528	15,845	41,252	52,848
Interest expense, net:				
Interest expense	1,158	1,217	2,219	2,349
Interest income	(18)	(10)	(40)	(25)
Total interest expense, net	1,140	1,207	2,179	2,324
Earnings from continuing operations before income taxes	14,388	14,638	39,073	50,524
Income tax expense	5,923	4,629	16,099	18,761
Earnings from continuing operations	8,465	10,009	22,974	31,763
Provision for discontinued operations, net	125	41	224	218
Net Earnings	$8,340	$9,968	$22,750	$31,545
Basic earnings per common share:				
Continuing operations	$0.36	$0.41	$0.99	$1.30
Discontinued operations	0.00	0.00	(0.01)	(0.01)
Net earnings	$0.36	$0.41	$0.98	$1.29
Diluted earnings per common share:				
Continuing operations	$0.36	$0.41	$0.97	$1.29
Discontinued operations	(0.01)	(0.01)	(0.01)	(0.01)
Net earnings	$0.35	$0.40	$0.96	$1.28

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In Thousands, except as noted)

	Three Months Ended		Six Months Ended	
	August 3, 2013	July 28, 2012 (As restated)	August 3, 2013	July 28, 2012 (As restated)
Net earnings	$8,340	$9,968	$22,750	$31,545
Other comprehensive income (loss):				
Loss on foreign currency forward contract, net of tax of $0.0 million for three and six months ended July 28, 2012	—	(9)	—	(20)
Pension liability adjustment net of tax of $0.6 million and $1.2 million for the three and six months ended Aug. 3, 2013	916	—	1,900	—
Postretirement liability adjustment net of tax of $0.0 million for the three and six months ended August 3, 2013	16	—	32	—
Foreign currency translation adjustments	(3,175)	(4,169)	(5,495)	161
Total other comprehensive (loss) income	(2,243)	(4,178)	(3,563)	141
Comprehensive income	$6,097	$5,790	$19,187	$31,686

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

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Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In Thousands)

	Three Months Ended		Six Months Ended	
	August 3, 2013	July 28, 2012 (As restated)	August 3, 2013	July 28, 2012 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	$8,340	$9,968	$22,750	$31,545
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	16,454	15,291	32,883	30,544
Amortization of deferred note expense and debt discount	198	198	396	396
Deferred income taxes	2,667	1,099	(2,726)	(2,510)
(Recoveries) provision for losses on accounts receivable	(443)	(592)	(636)	855
Impairment of long-lived assets	209	391	1,417	437
Restricted stock expense	2,954	2,444	5,852	4,655
Provision for discontinued operations	206	67	369	360
Tax benefit of stock options and restricted stock exercised	(3,000)	(2,340)	(3,080)	(4,666)
Other	567	281	515	639
Effect on cash from changes in working capital and other assets and liabilities, before acquisitions:				
Accounts receivable	(5,683)	2,474	(1,533)	(2,864)
Inventories	(118,727)	(109,802)	(123,396)	(118,708)
Prepaids and other current assets	(20,286)	(15,048)	(15,811)	(17,763)
Accounts payable	104,525	55,981	122,721	64,386
Other accrued liabilities	12,733	9,934	(18,659)	(16,892)
Other assets and liabilities	(7,751)	587	(4,572)	8,093
Net cash (used in) provided by operating activities	(7,037)	(29,067)	16,490	(21,493)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(19,425)	(18,415)	(37,206)	(32,533)
Acquisitions, net of cash acquired	(11,006)	(10,797)	(11,006)	(10,797)
Proceeds from asset sales	60	21	60	38
Net cash used in investing activities	(30,371)	(29,191)	(48,152)	(43,292)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of long-term debt	(1,917)	(6,404)	(3,243)	(7,597)
Borrowings under revolving credit facility	91,100	156,400	200,700	190,700
Payments on revolving credit facility	(69,400)	(84,600)	(174,600)	(123,900)
Tax benefit of stock options and restricted stock exercised	3,000	2,340	3,080	4,666
Share repurchases	(2,589)	(20,227)	(11,218)	(20,227)
Change in overdraft balances	22,808	4,058	4,487	9,612
Redemption of preferred shares	—	—	(1,462)	—
Dividends paid on non-redeemable preferred stock	—	(35)	(33)	(81)
Exercise of stock options and issue shares - Employee Stock Purchase Plan	761	—	920	4,783
Other	1	(1)	2	—
Net cash provided by financing activities	43,764	51,531	18,633	57,956
Effect of foreign exchange rate fluctuations on cash	3	(875)	(739)	261
Net Increase (Decrease) in Cash and Cash Equivalents	6,359	(7,602)	(13,768)	(6,568)

Cash and cash equivalents at beginning of period	39,668	54,824	59,795	53,790
Cash and cash equivalents at end of period	$46,027	$47,222	$46,027	$47,222
Supplemental Cash Flow Information:				
Net cash paid for:				
Interest	$891	$850	$1,762	$1,709
Income taxes	24,662	27,528	29,204	44,913

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Equity
(In Thousands)

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Non Controlling Interest Non-Redeemable	Total Equity
Balance January 28, 2012 (As restated)	$ 4,957	$24,758	$149,479	$598,360	$ (32,966)	$(17,857)	$ 2,249	$728,980
Net earnings (As restated)	—	—	—	112,435	—	—	—	112,435
Other comprehensive income	—	—	—	—	4,725	—	—	4,725
Dividends paid on non-redeemable preferred stock	—	—	—	(147)	—	—	—	(147)
Exercise of stock options	—	224	4,584	—	—	—	—	4,808
Issue shares – Employee Stock Purchase Plan	—	2	155	—	—	—	—	157
Employee and non-employee restricted stock	—	—	10,508	—	—	—	—	10,508
Restricted stock issuance	—	194	(194)	—	—	—	—	—
Restricted shares withheld for taxes	—	(76)	—	(4,455)	—	—	—	(4,531)
Tax benefit of stock options and restricted stock exercised	—	—	4,820	—	—	—	—	4,820
Shares repurchased	—	(646)	—	(37,004)	—	—	—	(37,650)
Other	(1,033)	29	1,008	—	—	—	—	4
Noncontrolling interest – loss	—	—	—	—	—	—	(322)	(322)
Balance February 2, 2013 (As restated)	3,924	24,485	170,360	669,189	(28,241)	(17,857)	1,927	823,787
Net earnings (As restated)	—	—	—	22,750	—	—	—	22,750
Other comprehensive loss	—	—	—	—	(3,563)	—	—	(3,563)
Dividends paid on non-redeemable preferred stock	—	—	—	(33)	—	—	—	(33)
Exercise of stock options	—	43	877	—	—	—	—	920
Employee and non-employee	—	—	5,852	—	—	—	—	5,852

restricted stock								
Restricted stock issuance	—	213	(213)	—	—	—	—	—
Restricted shares withheld for taxes	—	(105)	105	(6,938)	—	—	—	(6,938)
Tax benefit of stock options and restricted stock exercised	—	—	3,080	—	—	—	—	3,080
Shares repurchased	—	(189)	—	(11,029)	—	—	—	(11,218)
Redemption of preferred shares	(1,462)	—	—	—	—	—	—	(1,462)
Other	(1,155)	22	1,135	—	—	—	—	2
Noncontrolling interest – loss	—	—	—	—	—	—	15	15
Balance August 3, 2013	$ 1,307	$24,469	$181,196	$673,939	$ (31,804)	$(17,857)	$ 1,942	$833,192

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

Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies

Interim Statements
The condensed consolidated financial statements and notes 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 February 1, 2014 ("Fiscal 2014") and of the fiscal year ended February 2, 2013 ("Fiscal 2013"). The results of operations for any interim period are not necessarily indicative of results for the full year. As noted in the Form 8-K filed on September 12, 2013, the Company plans to file a Form 10-K/A to restate the Fiscal 2013, 2012 and 2011 Consolidated Financial Statements and a Form 10-Q/A to restate the three months ended May 4, 2013 Condensed Consolidated Financial Statements as further discussed in Note 2.

Nature of Operations
The Company's business includes the design and sourcing, marketing and distribution of footwear and accessories through retail stores in the U.S., Puerto Rico and Canada primarily under the Journeys, Journeys Kidz, Shi by Journeys, Underground by Journeys and Johnston & Murphy banners and under the Schuh banner in the United Kingdom and the Republic of Ireland; through e-commerce websites including journeys.com, journeyskidz.com, shibyjourneys.com, undergroundbyjourneys.com, schuh.co.uk and johnstonmurphy.com and catalogs, and at wholesale, primarily under the Company's Johnston & Murphy brand, the licensed Dockers brand and other brands that the Company licenses for men's footwear. The Company's business also includes Lids Sports Group, which operates headwear and accessory stores in the U.S. and Canada primarily under the Lids, Hat World and Hat Shack banners; the Lids Locker Room and Lids Clubhouse businesses, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, operating under various trade names; certain e-commerce operations and an athletic team dealer business operating as Lids Team Sports. Including both the footwear businesses and the Lids Sports Group business, at August 3, 2013, the Company operated 2,488 retail stores in the U.S., Puerto Rico, Canada, the United Kingdom and the Republic of Ireland.
During the six months ended August 3, 2013, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys and Underground by Journeys retail footwear chains, catalog and e-commerce operations; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised as described in the preceding paragraph; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce and catalog operations and wholesale distribution; and (v) Licensed Brands, comprised of Dockers® Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip®Footwear, occupational footwear primarily sold directly to consumers; and other footwear brands.

Principles of Consolidation
All subsidiaries are consolidated in the Condensed Consolidated Financial Statements. All significant intercompany transactions and accounts have been eliminated.

Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Use of Estimates
The preparation of financial statements in conformity with U.S. 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.

Significant areas requiring management estimates or judgments include the following key financial areas:

Inventory Valuation
The Company values its inventories at the lower of cost or market.

In its footwear wholesale operations, its Schuh Group segment and its Lids Sports Group wholesale operations, except for the Anaconda Sports wholesale division, cost is determined using the first-in, first-out (“FIFO”) method. Market value is determined using a system of analysis which evaluates inventory at the stock number level based on factors such as inventory turn, average selling price, inventory level, and selling prices reflected in future orders. The Company provides reserves when the inventory has not been marked down to market value based on current selling prices or when the inventory is not turning and is not expected to turn at levels satisfactory to the Company.

The Lids Sports Group retail segment and its Anaconda Sports wholesale division employ the moving average cost method for valuing inventories and apply freight using an allocation method.

The Company provides a valuation allowance for slow-moving inventory based on negative margins and estimated shrink based on historical experience and specific analysis, where appropriate.

In its retail operations, other than the Schuh Group and Lids Sports Group retail segments, the Company employs the retail inventory method, applying average cost-to-retail ratios to the retail value of inventories. Under the retail inventory method, valuing inventory at the lower of cost or market is achieved as markdowns are taken or accrued as a reduction of the retail value of inventories.

Inherent in the retail inventory method are subjective judgments and estimates, including merchandise mark-on, markups, markdowns, and shrinkage. These judgments and estimates, coupled with the fact that the retail inventory method is an averaging process, could produce a range of cost figures. To reduce the risk of inaccuracy and to ensure consistent presentation, the Company employs the retail inventory method in multiple subclasses of inventory with similar gross margins, and analyzes markdown requirements at the stock number level based on factors such as inventory turn, average selling price, and inventory age. In addition, the Company accrues markdowns as necessary. These additional markdown accruals reflect all of the above factors as well as current agreements to return products to vendors and vendor agreements to provide

Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

markdown support. In addition to markdown provisions, the Company maintains provisions for shrinkage and damaged goods based on historical rates.

Inherent in the analysis of both wholesale and retail inventory valuation are subjective judgments about current market conditions, fashion trends, and overall economic conditions. Failure to make appropriate conclusions regarding these factors may result in an overstatement or understatement of inventory value.

Impairment of Long-Lived 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 the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement or understatement of the value of long-lived assets. See also Notes 4 and 6.
The goodwill impairment test involves performing a qualitative assessment, on a reporting unit level, based on current circumstances. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a two-step impairment test will not be performed. However, if the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step impairment test is performed. Alternatively, the Company may elect to bypass the qualitative assessment and proceed directly to the two-step impairment test, on a reporting unit level. The first step is a comparison of the fair value and carrying value of the business unit with which the goodwill is associated. The Company estimates fair value using the best information available, and computes the fair value derived by an income approach utilizing discounted cash flow projections. The income approach uses a projection of a reporting unit's estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. A key assumption in the Company's fair value estimate is the weighted average cost of capital utilized for discounting its cash flow projections in its income approach. The Company believes the rate it used in its latest annual test, which was completed in the fourth quarter, was consistent with the risks inherent in its business and with industry discount rates. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures.
Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements.

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting

Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, the Company would allocate the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

Environmental and Other Contingencies
The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters. The Company has made pretax accruals for certain of these contingencies, including approximately $0.2 million and $0.1 million in the second quarter of Fiscal 2014 and 2013, respectively, and $0.4 million for each of the first six months of Fiscal 2014 and 2013. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Operations because they relate to former facilities operated by the Company. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals, 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 best estimate of probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves, that some or all reserves will 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. See also Notes 4 and 10.

Revenue Recognition
Retail sales are recorded at the point of sale and are net of estimated returns and exclude sales and value added taxes. Catalog and internet sales are recorded at estimated time of delivery to the customer and are net of estimated returns and exclude sales and value added taxes. Wholesale revenue is recorded net of estimated returns and allowances for markdowns, damages and miscellaneous claims when the related goods have been shipped and legal title has passed to the customer. Shipping and handling costs charged to customers are included in net sales. Estimated returns are based on historical returns and claims. Actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Income Taxes
As part of the process of preparing the Condensed Consolidated Financial Statements, the Company is required to estimate its income taxes in each of the tax jurisdictions in which it operates. This process involves estimating actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. These temporary differences result in deferred tax assets and liabilities, which are included within the Condensed Consolidated Balance Sheets. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. To the extent the Company believes that recovery of an asset is at risk, valuation allowances are established. To the extent valuation allowances are established or increased in a period, the Company includes an expense within the tax provision in the Condensed Consolidated Statements of Operations. These deferred tax valuation allowances may be released in future years when management considers that it is more likely than not that some portion or all of the deferred tax assets will be realized. In making such a determination, management will need to periodically evaluate whether or not all available evidence, such as future taxable income and reversal of temporary differences, tax planning strategies, and recent results of operations, provides sufficient positive evidence to offset any potential negative evidence that may exist at such time. In the event the deferred tax valuation allowance is released, the Company would record an income tax benefit for the portion or all of the deferred tax valuation allowance released. At August 3, 2013, the Company had a deferred tax valuation allowance of $3.4 million.

Income tax reserves for certain tax positions are determined using the methodology required by the Income Tax Topic of the Accounting Standards Codification ("Codification"). This methodology requires companies to assess each income tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company’s determinations and estimates prove to be inaccurate, the resulting adjustments could be material to its future financial results.

The Company recorded an effective income tax rate of 41.2% in the second quarter of Fiscal 2014 compared to 31.6% for the same period last year and 41.2% and 37.1% for the first six months of Fiscal 2014 and 2013, respectively. The tax rates for Fiscal 2013 were lower due to certain state tax credits recognized last year compared to this year.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Postretirement Benefits Plan Accounting
Full-time employees who had at least 1,000 hours of service in calendar year 2004, except employees in the Lids Sports Group and Schuh Group segments, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005. 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.

As required by the Compensation – Retirement Benefits Topic of the Codification, the Company is required to recognize the overfunded or underfunded status of postretirement benefit plans as an asset or liability in its Condensed Consolidated Balance Sheets and to recognize changes in that funded status in accumulated other comprehensive loss, net of tax, in the year in which the changes occur.

The Company accounts for the defined benefit pension plans using the Compensation-Retirement Benefits Topic of the Codification. As permitted under this topic, pension expense is recognized on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Share-Based Compensation
The Company has share-based compensation plans covering certain members of management and non-employee directors. The Company recognizes compensation expense for share-based payments based on the fair value of the awards as required by the Compensation – Stock Compensation Topic of the Codification. There was no share-based compensation expense related to stock options for the second quarters and first six months of Fiscal 2014 or 2013. The Company has not issued any new stock option awards since the first quarter of Fiscal 2008. For the second quarter of Fiscal 2014 and 2013, restricted stock expense was $3.0 million and $2.4 million, respectively. For the first six months of Fiscal 2014 and 2013, restricted stock expense was $5.9 million and $4.7 million, respectively. The fair value of employee restricted stock is determined based on the closing price of the Company's stock on the date of the grant. The benefits of tax deductions in excess of recognized compensation expense are reported as a financing cash flow.

During the three months and six months ended August 3, 2013, the Company issued 199,392 shares of employee restricted stock at a grant date fair value of $65.11 per share which vest in four equal annual installments over a four-year term. For the three months and six months ended July 28, 2012, the Company issued 194,232 shares of employee restricted stock at a grant date fair value of $57.58 per share which vest in four equal annual installments over a four-year term. For the three and six months ended August 3, 2013, the Company issued 9,280 shares of director restricted stock at a weighted average price of $68.91 which vest on the first anniversary of the

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Note 1
Summary of Significant Accounting Policies, Continued

grant date. For the three months and six months ended July 28, 2012, the Company issued 9,888 shares and 10,224 shares, respectively, of director restricted stock at a weighted average price of $64.70 and $65.06, respectively, which vest on the first anniversary of the grant date. An outside director can elect irrevocably to receive all or a specified portion of his annual retainers for board membership and any committee chairmanship for the following fiscal year in a number of shares of restricted stock (the "Retainer Stock"). Shares of the Retainer Stock are granted as of the first business day of the fiscal year as to which the election is effective, subject to forfeiture to the extent not earned upon the outside director's ceasing to serve as a director or committee chairman during such fiscal year. During the six months ended August 3, 2013, the Company issued 4,790 shares of Retainer Stock at a grant date fair value of $59.53 per share which vest over one year. The Company did not issue any Retainer Stock for the three months ended August 3, 2013 or the three and six months ended July 28, 2012.

Cash and Cash Equivalents
Included in cash and cash equivalents at August 3, 2013, February 2, 2013 and July 28, 2012 are cash equivalents of $0.0 million, $0.2 million and $0.1 million, respectively. Cash equivalents are highly-liquid financial instruments having an original maturity of three months or less. At August 3, 2013, substantially all of the Company's domestic cash was invested in deposit accounts at FDIC-insured banks. The majority of payments due from banks for domestic customer credit card transactions process within 24 - 48 hours and are accordingly classified as cash and cash equivalents.

At August 3, 2013, February 2, 2013 and July 28, 2012, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately $40.6 million, $36.1 million and $48.6 million, respectively. These amounts are included in accounts payable.

Concentration of Credit Risk and Allowances on Accounts Receivable
The Company's footwear wholesale businesses sell primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Customer credit risk is affected by conditions or occurrences within the economy and the retail industry as well as by customer specific factors. The Company's Lids Team Sports wholesale business sells primarily to colleges and high school athletic teams and their fan bases. Including both footwear wholesale and Lids Team Sports wholesale business receivables, one customer accounted for 7% and two other customers each accounted for 6% of the Company's total trade receivables balance, while no other customer accounted for more than 5% of the Company's total trade receivables balance as of August 3, 2013.

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information, as well as customer specific factors. The Company also establishes allowances for sales returns, customer deductions and co-op advertising based on specific circumstances, historical trends and projected probable outcomes.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

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

Buildings and building equipment	20-45 years
Computer hardware, software and equipment	3-10 years
Furniture and fixtures	10 years

Leases
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 and the charge to earnings is included in selling and administrative expenses in the Condensed Consolidated Statements of Operations.

Certain leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expense on a straight-line basis over the term of the lease (which includes any rent holidays and the pre-opening period of construction, renovation, fixturing and merchandise placement) and records the difference between the amounts charged to operations and amounts paid as deferred rent.

The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The reimbursements are amortized as a reduction of rent expense over the initial lease term. Tenant allowances of $21.0 million, $20.0 million and $18.4 million at August 3, 2013, February 2, 2013 and July 28, 2012, respectively, and deferred rent of $39.4 million, $37.9 million and $35.8 million at August 3, 2013, February 2, 2013 and July 28, 2012, respectively, are included in deferred rent and other long-term liabilities on the Condensed Consolidated Balance Sheets.

Goodwill and Other Intangibles
Under the provisions of the Intangibles – Goodwill and Other Topic of the Codification, goodwill and intangible assets with indefinite lives are not amortized, but are tested at least annually, during the fourth quarter, for impairment. The Company will update the tests between annual tests if events or circumstances occur that would more likely than not reduce the fair value of the business unit with which the goodwill is associated below its carrying amount. It is also required that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with the Property, Plant and Equipment Topic of the Codification.

Intangible assets of the Company with indefinite lives are primarily goodwill and identifiable trademarks, net of amortization, acquired in connection with the acquisition of Schuh Group Ltd. in June 2011 and Hat World Corporation in April 2004. The Condensed Consolidated Balance

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Sheets include goodwill of $180.0 million for the Lids Sports Group, $96.6 million for the Schuh Group and $0.8 million for Licensed Brands at August 3, 2013, $172.3 million for the Lids Sports Group, $100.7 million for the Schuh Group and $0.8 million for Licensed Brands at February 2, 2013 and $168.5 million for the Lids Sports Group, $100.0 million for the Schuh Group and $0.8 million for Licensed Brands at July 28, 2012.

The Company tests for impairment of intangible assets with an indefinite life, relying on a number of factors including operating results, business plans, projected future cash flows and observable market data. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount. The Company has not recorded an impairment charge for intangible assets.

In connection with acquisitions, the Company records goodwill on its Condensed Consolidated Financial Statements. This asset is not amortized but is subject to an impairment test at least annually, based on projected future cash flows from the acquired business discounted at a rate commensurate with the risk the Company considers to be inherent in its current business model. The Company performs the impairment test annually as of the close of its fiscal year, or more frequently if events or circumstances indicate that the value of the asset might be impaired.

As a result of the various acquisitions comprising the Lids Team Sports team dealer business, the Company carries goodwill related to such acquisitions at a value of $14.0 million on its Condensed Consolidated Balance Sheets. The Company found that the result of its annual impairment test in January 2013, which valued the business at approximately $2.8 million in excess of its carrying value, indicated no impairment at that time. The Company may determine in future impairment tests that some or all of the carrying value of the goodwill may not be recoverable. Such a finding would require a write-off of the amount of the carrying value that is impaired, which would reduce the Company's profitability in the period of the impairment charge. Holding all other assumptions constant as of the measurement date, the Company noted that an increase in the weighted average cost of capital of 100 basis points would reduce the fair value of the Lids Team Sports business by $7.4 million. Furthermore, the Company noted that a decrease in projected annual revenue growth by one percent would reduce the fair value of the Lids Team Sports business by $0.4 million. However, if other assumptions do not remain constant, the fair value of the Lids Team Sports business may decrease by a greater amount.

Identifiable intangible assets of the Company with finite lives are trademarks, customer lists, in-place leases, non-compete agreements and a vendor contract. They are subject to amortization based upon their estimated useful lives. Finite-lived intangible assets are evaluated for impairment using a process similar to that used to evaluate other definite-lived long-lived assets, a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

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Note 1
Summary of Significant Accounting Policies, Continued

Fair Value of Financial Instruments
The carrying amounts and fair values of the Company's financial instruments at August 3, 2013 and February 2, 2013 are:

Fair Values

In thousands	August 3, 2013		February 2, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
U.S. Revolver Borrowings	$53,800	$53,969	$27,700	$27,742
UK Term Loans	19,325	19,333	22,982	22,982

Debt fair values were determined using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments and would be classified in Level 2 as defined in Note 6.

Carrying amounts reported on the Condensed Consolidated Balance Sheets for cash, cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturity of these instruments.

Cost of Sales
For the Company's retail operations, the cost of sales includes actual product cost, the cost of transportation to the Company's warehouses from suppliers and the cost of transportation from the Company's warehouses to the stores. Additionally, the cost of its distribution facilities allocated to its retail operations is included in cost of sales.

For the Company's wholesale operations, the cost of sales includes the actual product cost and the cost of transportation to the Company's warehouses from suppliers.

Selling and Administrative Expenses
Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses on the Condensed Consolidated Statements of Operations in the amounts of $2.2 million and $1.8 million for the second quarters of Fiscal 2014 and 2013, respectively, and $4.2 million and $3.8 million for the first six months of Fiscal 2014 and 2013, respectively.

Gift Cards
The Company has a gift card program that began in calendar year 1999 for its Lids Sports operations and calendar year 2000 for its footwear operations. The gift cards issued to date do not expire. As such, the Company recognizes income when: (i) the gift card is redeemed by the customer; or (ii)

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Note 1
Summary of Significant Accounting Policies, Continued

the likelihood of the gift card being redeemed by the customer for the purchase of goods in the future is remote and there are no related escheat laws (referred to as "breakage"). The gift card breakage rate is based upon historical redemption patterns and income is recognized for unredeemed gift cards in proportion to those historical redemption patterns.

Gift card breakage is recognized in revenues each period for which financial statements are updated. Gift card breakage recognized as revenue was $0.2 million and $0.1 million for the second quarter of Fiscal 2014 and 2013, respectively, and $0.1 million and $0.2 million for the first six months of Fiscal 2014 and 2013, respectively. The Condensed Consolidated Balance Sheets include an accrued liability for gift cards of $11.2 million, $13.1 million and $9.4 million at August 3, 2013, February 2, 2013 and July 28, 2012, respectively.

Buying, Merchandising and Occupancy Costs
The Company records buying, merchandising and occupancy costs in selling and administrative expense on the Condensed Consolidated Statements of Operations. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin.

Shipping and Handling Costs
Shipping and handling costs related to inventory purchased from suppliers are included in the cost of inventory and are charged to cost of sales in the period that the inventory is sold. All other shipping and handling costs are charged to cost of sales in the period incurred except for wholesale and unallocated retail costs of distribution, which are included in selling and administrative expenses on the Condensed Consolidated Statements of Operations.

Preopening Costs
Costs associated with the opening of new stores are expensed as incurred, and are included in selling and administrative expenses on the accompanying Condensed Consolidated Statements of Operations.

Store Closings and Exit Costs
From time to time, the Company makes strategic decisions to close stores or exit locations or activities. If stores or operating activities to be closed or exited constitute components, as defined by the Property, Plant and Equipment Topic of the Codification, and will not result in a migration of customers and cash flows, these closures will be considered discontinued operations when the related assets meet the criteria to be classified as held for sale, or at the cease-use date, whichever occurs first. The results of operations of discontinued operations are presented retroactively, net of tax, as a separate component on the Condensed Consolidated Statements of Operations, if material individually or cumulatively. To date, in Fiscal 2014, no store closings meeting the discontinued operations criteria have been material individually or cumulatively.

Assets related to planned store closures or other exit activities are reflected as assets held for sale and recorded at the lower of carrying value or fair value less costs to sell when the required criteria,

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Note 1
Summary of Significant Accounting Policies, Continued

as defined by the Property, Plant and Equipment Topic of the Codification, are satisfied. Depreciation ceases on the date that the held for sale criteria are met.

Assets related to planned store closures or other exit activities that do not meet the criteria to be classified as held for sale are evaluated for impairment in accordance with the Company's normal impairment policy, but with consideration given to revised estimates of future cash flows. In any event, the remaining depreciable useful lives are evaluated and adjusted as necessary.

Exit costs related to anticipated lease termination costs, severance benefits and other expected charges are accrued for and recognized in accordance with the Exit or Disposal Cost Obligations Topic of the Codification.

Advertising Costs
Advertising costs are predominantly expensed as incurred. Advertising costs were $11.2 million and $10.4 million for the second quarters of Fiscal 2014 and 2013, respectively, and $23.9 million and $21.1 million for the first six months of Fiscal 2014 and 2013, respectively. Direct response advertising costs for catalogs are capitalized in accordance with the Other Assets and Deferred Costs Topic for Capitalized Advertising Costs of the Codification. Such costs are amortized over the estimated future period as revenues are realized from such advertising, not to exceed six months. The Condensed Consolidated Balance Sheets include prepaid assets for direct response advertising costs of $2.4 million, $1.4 million and $1.7 million at August 3, 2013, February 2, 2013 and July 28, 2012, respectively.

Consideration to Resellers
The Company does not have any written buy-down programs with retailers, but the Company has provided certain retailers with markdown allowances for obsolete and slow moving products that are in the retailer's inventory. The Company estimates these allowances and provides for them as reductions to revenues at the time revenues are recorded. Markdowns are negotiated with retailers and changes are made to the estimates as agreements are reached. Actual amounts for markdowns have not differed materially from estimates.

Cooperative Advertising
Cooperative advertising funds are made available to most of the Company's wholesale footwear customers. In order for retailers to receive reimbursement under such programs, the retailer must meet specified advertising guidelines and provide appropriate documentation of expenses to be reimbursed. The Company's cooperative advertising agreements require that wholesale customers present documentation or other evidence of specific advertisements or display materials used for the Company's products by submitting the actual print advertisements presented in catalogs, newspaper inserts or other advertising circulars, or by permitting physical inspection of displays. Additionally, the Company's cooperative advertising agreements require that the amount of reimbursement requested for such advertising or materials be supported by invoices or other evidence of the actual costs incurred by the retailer. The Company accounts for these cooperative advertising costs as selling and administrative expenses, in accordance with the Revenue Recognition Topic for Customer Payments and Incentives of the Codification.

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Note 1
Summary of Significant Accounting Policies, Continued

Cooperative advertising costs recognized in selling and administrative expenses on the Condensed Consolidated Statements of Operations were $0.8 million and $0.7 million for the second quarters of Fiscal 2014 and 2013, respectively, and $1.8 million and $1.7 million for the first six months of Fiscal 2014 and 2013, respectively. During the first six months of Fiscal 2014 and 2013, the Company's cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

Vendor Allowances
From time to time, the Company negotiates allowances from its vendors for markdowns taken or expected to be taken. These markdowns are typically negotiated on specific merchandise and for specific amounts. These specific allowances are recognized as a reduction in cost of sales in the period in which the markdowns are taken. Markdown allowances not attached to specific inventory on hand or already sold are applied to concurrent or future purchases from each respective vendor.

The Company receives support from some of its vendors in the form of reimbursements for cooperative advertising and catalog costs for the launch and promotion of certain products. The reimbursements are agreed upon with vendors and represent specific, incremental, identifiable costs incurred by the Company in selling the vendor's specific products. Such costs and the related reimbursements are accumulated and monitored on an individual vendor basis, pursuant to the respective cooperative advertising agreements with vendors. Such cooperative advertising reimbursements are recorded as a reduction of selling and administrative expenses in the same period in which the associated expense is incurred. If the amount of cash consideration received exceeds the costs being reimbursed, such excess amount would be recorded as a reduction of cost of sales.

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were $0.7 million for each of the second quarters of Fiscal 2014 and 2013, and $1.2 million and $1.6 million for the first six months of Fiscal 2014 and 2013, respectively. During the first six months of Fiscal 2014 and 2013, the Company's cooperative advertising reimbursements received were not in excess of the costs incurred.

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.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

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 9).

Other Comprehensive Income
The Comprehensive Income Topic of the Codification requires, among other things, the Company's pension liability adjustment, postretirement liability adjustment and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at August 3, 2013 consisted of $24.1 million of cumulative pension liability adjustments, net of tax, a cumulative post retirement liability adjustment of $0.3 million, net of tax, and a cumulative foreign currency translation adjustment of $7.4 million.

The following table summarizes the components of accumulated other comprehensive income for the six months ended August 3, 2013:

	Foreign Currency Translation	Unrecognized Pension/Postretirement Benefit Costs	Total Accumulated Other Comprehensive Income (Loss)
(In thousands)			
Balance February 2, 2013	$(1,931)	$ (26,310)	$(28,241)
Other comprehensive income (loss) before reclassifications:			
Foreign currency translation adjustment	(5,495)	—	(5,495)
Amounts reclassified from AOCI:			
Amortization of net actuarial loss (1)	—	3,188	3,188
Amortization reclassified from AOCI, before tax	—	3,188	3,188
Income tax expense (2)	—	1,256	1,256
Current period other comprehensive (loss) income, net of tax	(5,495)	1,932	(3,563)
Balance August 3, 2013	$(7,426)	$ (24,378)	$(31,804)

(1) Amount is included in net periodic benefit cost, which is recorded in selling and administrative expense on the Condensed Consolidated Statements of Operations.
(2) Relates to amounts reclassified from AOCI.

Business Segments
The Segment Reporting Topic of the Codification requires that companies disclose "operating segments" based on the way management disaggregates the Company's operations for making internal operating decisions (see Note 11).

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Notes to Condensed Consolidated Financial Statements (unaudited)

New Accounting Principles

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("AOCI"), which sets forth additional disclosure requirements for items reclassified out of accumulated other comprehensive income and into net income, and is effective for annual and interim reporting periods beginning after December 15, 2012. The Company adopted ASU No. 2013-02 in the first quarter of Fiscal 2014 by presenting amounts reclassified out of AOCI as a separate disclosure in Note 1 to the Condensed Consolidated Financial Statements. Amounts reclassified out of AOCI were related to amortization of net actuarial loss associated with the Company's pension and postretirement plans.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 2
Restatement of Previously Issued Financial Statements

The Company intends to restate its Consolidated Financial Statements for Fiscal 2013, 2012 and 2011 and its Condensed Consolidated Financial Statements for the three month periods ended May 4, 2013 and April 28, 2012. This report on Form 10-Q includes restated Condensed Consolidated Financial Statements for the three and six months ended July 28, 2012.

Under the Company's EVA Incentive Plan, bonus awards in excess of a specified cap in any year are retained and paid out over the three subsequent years, subject to reduction or elimination by deteriorating financial performance or subject to forfeiture if the participant voluntarily resigns from employment with the Company or is terminated for cause before the retained amount is paid. Historically, the Company has expensed the full amount of the retained bonus in the year in which it was determined. As a result of a review of this treatment, the Company has determined that the retained bonus should be expensed across the three-year service period rather than fully expensed in the year it is determined.

Following is a summary of the expected effects of these changes on the Company's Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, and Consolidated Statements of Cash Flows for Fiscal 2013, 2012 and 2011; and on the Company's Condensed Consolidated Balance Sheets, Statements of Operations, Statements of Comprehensive Income and Statements of Cash Flows for the three months ended May 4, 2013, three months ended April 28, 2012 and the three and six months ended July 28, 2012. The corrections have no impact on total revenues or total cash flows for the restated periods and had no impact on the Company's compliance with debt covenants in any period presented.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 2
Restatement of Previously Issued Financial Statements, Continued

	As of and for the year ended February 2, 2013		
	As Previously Reported	Adjustments	As Restated
(In Thousands, except per share amounts)			
Consolidated Balance Sheets			
Deferred income taxes	$26,448	$(7,717)	$18,731
Total assets	1,333,789	(7,717)	1,326,072
Accrued employee compensation	55,078	163	55,241
Accrued other taxes	27,004	(1,019)	25,985
Total current liabilities	276,054	(856)	275,198
Deferred rent and other long-term liabilities	177,537	(20,130)	157,407
Total liabilities	523,271	(20,986)	502,285
Retained earnings	655,920	13,269	669,189
Total Genesco equity	808,591	13,269	821,860
Total equity	810,518	13,269	823,787
Total liabilities and equity	1,333,789	(7,717)	1,326,072
Consolidated Statements of Operations and Comprehensive Income			
Cost of sales	$1,306,470	$(270)	$1,306,200
Selling and administrative expenses	1,113,340	(1,623)	1,111,717
Earnings from operations	167,970	1,893	169,863
Earnings from continuing operations before income taxes	162,939	1,893	164,832
Income tax expense	51,941	(6)	51,935
Earnings from continuing operations	110,998	1,899	112,897
Net earnings	110,536	1,899	112,435
Comprehensive Income	115,261	1,899	117,160
Basic EPS - continuing operations	4.70	0.08	4.78
Basic EPS - net earnings	4.68	0.08	4.76
Diluted EPS - continuing operations	4.62	0.07	4.69
Diluted EPS - net earnings	4.60	0.08	4.68
Consolidated Statements of Cash Flows			
Net earnings	$110,536	$1,899	$112,435
Deferred income taxes	(17,831)	213	(17,618)
Other accrued liabilities	(6,908)	284	(6,624)
Other assets and liabilities	51,739	(2,396)	49,343

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 2
Restatement of Previously Issued Financial Statements, Continued

	As of and for the year ended January 28, 2012		
	As Previously Reported	Adjustments	As Restated
(In Thousands, except per share amounts)			
Consolidated Balance Sheets			
Deferred income taxes	$28,152	$(7,504)	$20,648
Total assets	1,237,265	(7,504)	1,229,761
Accrued employee compensation	53,029	(300)	52,729
Accrued other taxes	26,293	(1,059)	25,234
Accrued income taxes	16,390	219	16,609
Total current liabilities	304,462	(1,140)	303,322
Deferred rent and other long-term liabilities	156,794	(17,734)	139,060
Total liabilities	519,655	(18,874)	500,781
Retained earnings	586,990	11,370	598,360
Total Genesco equity	715,361	11,370	726,731
Total equity	717,610	11,370	728,980
Total liabilities and equity	1,237,265	(7,504)	1,229,761
Consolidated Statements of Operations and Comprehensive Income			
Cost of sales	$1,144,281	$(649)	$1,143,632
Selling and administrative expenses	1,001,159	(16,966)	984,193
Earnings from operations	143,870	17,615	161,485
Earnings from continuing operations before income taxes	138,778	17,615	156,393
Income tax expense	55,794	7,148	62,942
Earnings from continuing operations	82,984	10,467	93,451
Net earnings	81,959	10,467	92,426
Comprehensive Income	73,298	10,467	83,765
Basic EPS - continuing operations	3.56	0.33	3.89
Basic EPS - net earnings	3.52	0.32	3.84
Diluted EPS - continuing operations	3.48	0.35	3.83
Diluted EPS - net earnings	3.43	0.36	3.79
Consolidated Statements of Cash Flows			
Net earnings	$81,959	$10,467	$92,426
Deferred income taxes	2,732	6,929	9,661
Other accrued liabilities	9,046	338	9,384
Other assets and liabilities	23,270	(17,734)	5,536

Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 2
Restatement of Previously Issued Financial Statements, Continued

	As of and for the year ended January 29, 2011		
	As Previously Reported	Adjustments	As Restated
(In Thousands, except per share amounts)			
Consolidated Balance Sheets			
Deferred income taxes	$19,130	$(575)	$18,555
Total current assets	513,055	(575)	512,480
Total assets	961,082	(575)	960,507
Accrued employee compensation	38,188	(1,381)	36,807
Accrued other taxes	17,289	(97)	17,192
Total current liabilities	234,363	(1,478)	232,885
Total liabilities	334,261	(1,478)	332,783
Retained earnings	505,224	903	506,127
Total Genesco equity	624,318	903	625,221
Total equity	626,821	903	627,724
Total liabilities and equity	961,082	(575)	960,507
Consolidated Statements of Operations and Comprehensive Income			
Cost of sales	$891,764	$(76)	$891,688
Selling and administrative expenses	803,425	$(1,069)	802,356
Earnings from operations	86,083	1,145	87,228
Earnings from continuing operations before income taxes	84,961	1,145	86,106
Income tax expense	30,414	448	30,862
Earnings from continuing operations	54,547	697	55,244
Net earnings	53,211	697	53,908
Comprehensive Income	57,710	697	58,407
Basic EPS - continuing operations	2.34	(0.04)	2.30
Basic EPS - net earnings	2.28	(0.04)	2.24
Diluted EPS - continuing operations	2.29	(0.02)	2.27
Diluted EPS - net earnings	2.24	(0.02)	2.22
Consolidated Statements of Cash Flows			
Net earnings	$53,211	$697	$53,908
Deferred income taxes	(11,866)	448	(11,418)
Other accrued liabilities	41,597	(1,145)	40,452

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Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 2
Restatement of Previously Issued Financial Statements, Continued

	As of and for the three months ended May 4, 2013		
	As Previously Reported	Adjustments	As Restated
(In Thousands, except per share amounts)			
Condensed Consolidated Balance Sheets			
Deferred income taxes	$28,469	$(5,145)	$23,324
Total assets	1,307,219	(5,145)	1,302,074
Accrued employee compensation	25,229	(1,139)	24,090
Accrued other taxes	21,726	(858)	20,868
Total current liabilities	247,109	(1,997)	245,112
Deferred rent and other long-term liabilities	170,174	(12,445)	157,729
Total liabilities	489,307	(14,442)	474,865
Retained earnings	663,240	9,297	672,537
Total Genesco equity	816,078	9,297	825,375
Total equity	817,912	9,297	827,209
Total liabilities and equity	1,307,219	(5,145)	1,302,074
Consolidated Statements of Operations and Comprehensive Income			
Cost of sales	$292,777	$174	$292,951
Selling and administrative expenses	265,014	6,370	271,384
Earnings from operations	32,268	(6,544)	25,724
Earnings from continuing operations before income taxes	31,229	(6,544)	24,685
Income tax expense	12,748	(2,572)	10,176
Earnings from continuing operations	18,481	(3,972)	14,509
Net earnings	18,382	(3,972)	14,410
Comprehensive Income	17,062	(3,972)	13,090
Basic EPS - continuing operations	0.79	(0.17)	0.62
Basic EPS - net earnings	0.79	(0.17)	0.62
Diluted EPS - continuing operations	0.78	(0.17)	0.61
Diluted EPS - net earnings	0.77	(0.16)	0.61
Condensed Consolidated Statements of Cash Flows			
Net earnings	$18,382	$(3,972)	$14,410
Deferred income taxes	(2,821)	(2,572)	(5,393)
Other accrued liabilities	(30,251)	(1,141)	(31,392)
Other assets and liabilities	(4,506)	7,685	3,179

Genesco Inc.
and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 2
Restatement of Previously Issued Financial Statements, Continued

	As of and for the three months ended April 28, 2012		
	As Previously Reported	Adjustments	As Restated
(In Thousands, except per share amounts)			
Condensed Consolidated Balance Sheets			
Deferred income taxes	$28,813	$(7,756)	$21,057
Total assets	1,260,373	(7,756)	1,252,617
Accrued employee compensation	40,009	(6,807)	33,202
Accrued other taxes	22,745	(1,198)	21,547
Total current liabilities	299,235	(8,005)	291,230
Deferred rent and other long-term liabilities	156,307	(12,084	