GEOX

2018 HALF-YEAR
FINANCIAL REPORT

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Geox S.p.A.
Registered Offices in Italy - Via Feltrina Centro 16, Biadene di Montebelluna (Treviso)
Share Capital - Euro 25,920,733.1 fully paid
Tax Code and Treviso Companies Register No. 03348440268

DIRECTORS' REPORT

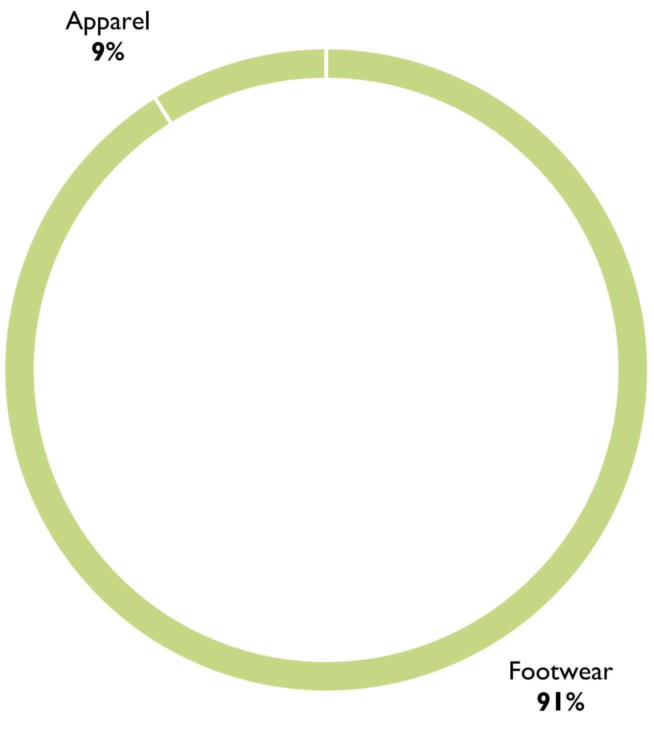
Profile

The Geox Group creates, produces, promotes and distributes Geox-brand footwear and apparel, the main feature of which is the use of innovative and technological solutions that can guarantee the ability to breathe and remain waterproof at the same time.

The extraordinary success that Geox has achieved is due to the technological characteristics of its shoes and apparel. Thanks to a technology that has been protected by 39 different patents and by 12 more recent patent applications, "Geox" products ensure technical characteristics that improve foot and body comfort in a way that consumers are able to appreciate immediately.

Geox's innovation stems essentially from the creation and development of special outsoles: thanks to a special membrane that is permeable to vapour but impermeable to water, rubber outsoles are able to breathe and leather outsoles remain waterproof. In the apparel sector the innovation increases the expulsion of body’s internal humidity thanks to hollow spaces and aerators.

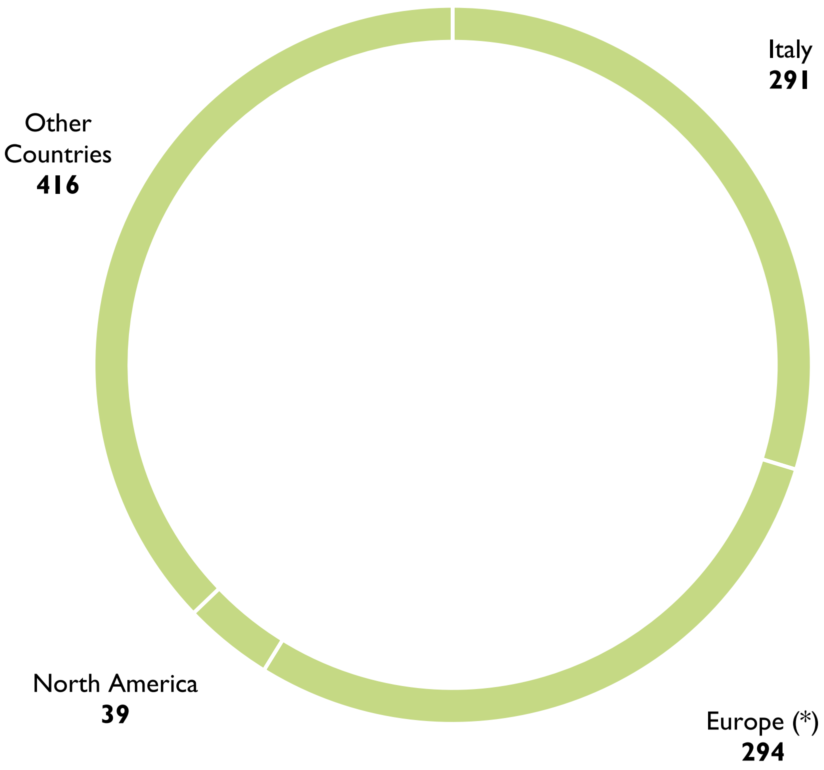
Geox is market leader in Italy in its own segment and is one of the leading brands world-wide in the "International Fashion-Lifestyle Casual Footwear Market" (source: Shoe Intelligence, 2017).



The distribution system

Geox distributes its products through over 10,000 multi-brand selling points and also through a Geox shops network (Franchising and DOS – directly operated stores).

As of June 30, 2018, the overall number of "Geox Shops" came to 1,040, of which 604 in franchising and 436 operated directly.



Geox Shops

(*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

The production system

Geox's production system is organized so as to ensure the attainment of three strategic objectives:

- maintaining high quality standards;
- continuously improving flexibility and time to market;
- increasing productivity and reducing costs.

Production takes place in selected factories mainly in the Far East. All stages of the production process are strictly under the control and coordination of Geox organization.

Great care is taken by the Group in selecting third-party producers, taking into account their technical skills, quality standards and ability to handle the production volumes which are assigned by the agreed deadlines.

All of the output from these manufacturing locations is consolidated at the Group's distribution centers in Italy for Europe, New Jersey for the North America, Tokyo for Japan, Shanghai for China and Hong Kong for the rest of Asia.

It’s to be noted that during 2017 the investment in the Serbian plant has been started with a full production capacity.
The plant, co-financed by the Republic of Serbia, is located in Vranje, an area where there is a high level of know-how in the production of footwear.

Human Resources

At June 30, 2018 the Group had 5,318 employees, with a decrease of 27 compared with 5,345 employees at 31 December 2017.

As of June 30, 2018 the Group employees are divided as follows:

Level	**06-30-2018**	**12-31-2017**
Managers	44	44
Middle Managers and Office Staff	1,056	907
Shop Employees	2,832	3,039
Factory Workers	1,386	1,355
Total	**5,318**	**5,345**

The graph shows the employees broken down by geographic area:

Shareholders

Financial communication

Geox maintains a constant dialogue with individual shareholders, institutional investors and financial analysts through its Investor Relations function, which actively provides information to the market to consolidate and enhance confidence and level of understanding of the Group and its businesses.

The Investor Relations section, at www.geox.biz, provides historical financial data and highlights, investor presentations, quarterly publications, official communications and real time trading information on Geox shares.

Control of the Company

LIR S.r.l. holds a controlling interest in the share capital of Geox S.p.A. with a shareholding of 71.10%. LIR S.r.l., with registered offices in Montebelluna (TV), Italy, is an investment holding company that belongs entirely to Mario Moretti Polegato and Enrico Moretti Polegato (who respectively own 85% and 15% of the share capital).

The shareholder structure of Geox S.p.A. based on the number of shares held is as follows:

Shareholder structure (*)	Number of shareholders	Number of shares
from 1 to 5.000 shares	10,878	12,971,243
from 5.001 to 10.000 shares	621	4,764,242
10.001 shares and over	436	237,437,015
Lack of information on disposal of individual positions previously reported		4,034,831
Total	**11,935**	**259,207,331**

(*) As reported by Computershare on June 29, 2018

Shares held by directors and statutory auditors

As mentioned previously, the directors Mr. Mario Moretti Polegato and Mr. Enrico Moretti Polegato directly hold the entire share capital of LIR S.r.l., the Parent Company of Geox S.p.A..

Directors, statutory auditors and executives with strategic responsibilities have submitted declarations that they hold 100,000 shares of the Company as of June 30, 2018.

Company officers

Board of Directors

Name	Position and independent status (where applicable)
Mario Moretti Polegato (1)	Chairman and Executive Director
Enrico Moretti Polegato (1)	Vice Chairman and Executive Director
Matteo Carlo Maria Mascazzini (1)	CEO and Executive Director (*)
Claudia Baggio	Director
Lara Livolsi (3)	Independent Director
Alessandro Antonio Giusti (2) (3)	Director
Duncan L. Niederauer	Independent Director
Francesca Meneghel (2)	Independent Director
Manuela Soffientini (2)	Independent Director
Ernesto Albanese (3)	Independent Director
Livio Libralesso	Director

(1) Member of the Executives Committee
(2) Member of the Audit, Risk and Sustainability Committee
(3) Member of the Nomination and Compensation Committee

(*) Powers and responsibilities for ordinary and extraordinary administration, within the limits indicated by law and the Articles of Association, in compliance with the powers of the Shareholders' Meeting, the Board of Directors and the Executive Committee, in accordance with the Board of Directors' resolution of April 17, 2018.

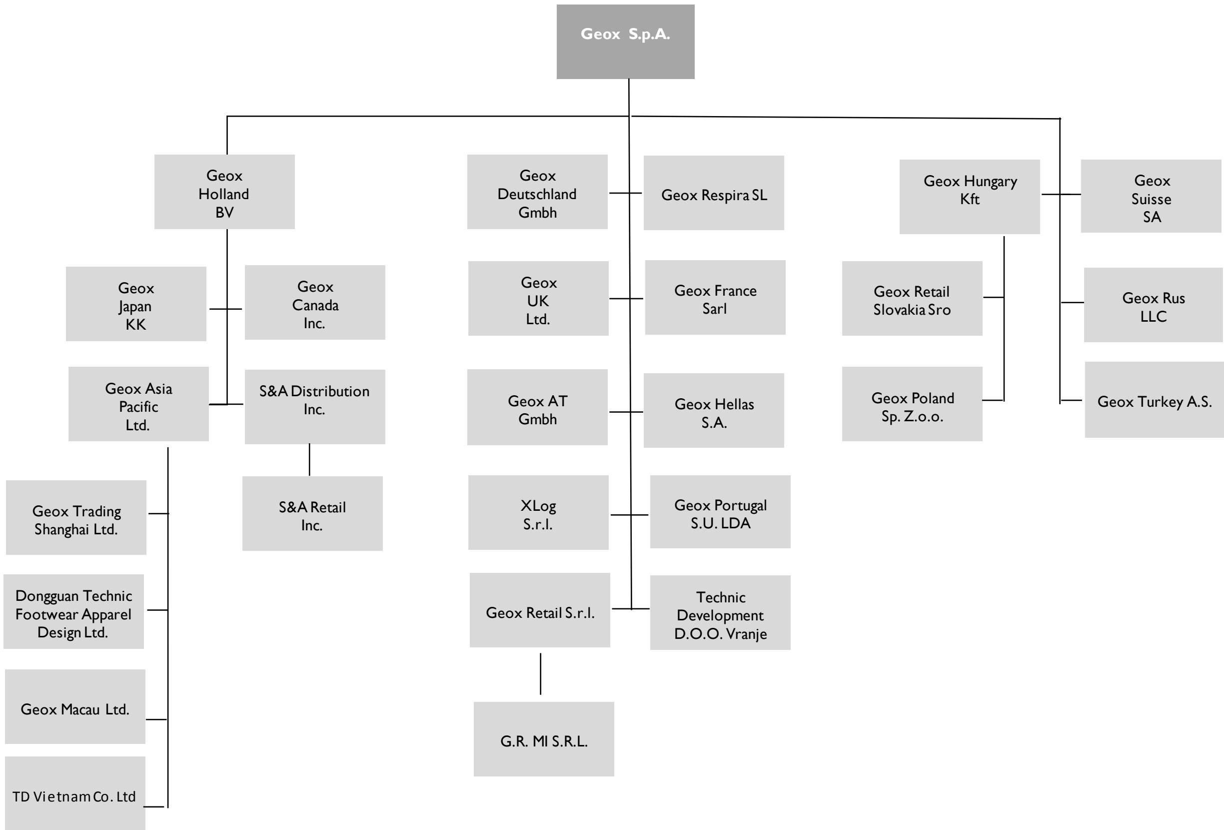
Board of Statutory Auditors

Name	Position
Sonia Ferrero	Chairman
Francesco Gianni	Statutory Auditor
Fabrizio Colombo	Statutory Auditor
Fabio Buttignon	Alternate Auditor
Giulia Massari	Alternate Auditor

Independent Auditors

Deloitte & Touche S.p.A.

Group Structure



The structure of the Group controlled by Geox S.p.A., which acts as an operating holding company, is split into 3 macro-groups:

- **Non-EU trading companies.** Their role is to monitor and develop the business in the various markets. They operate on the basis of licensing or distribution agreements stipulated with the Parent Company.

- **EU companies.** At the beginning their role was to provide commercial customer services and coordinate the sales network in favor of the Parent Company which distributes the products directly on a wholesale basis. Then, they started to manage the Group's own shops in the various countries belonging to the European Union.

- **European trading companies.** They are responsible for developing and overseeing their area in order to provide a better customer service, increasing the presence of the Group through localized direct sales force and investments in showrooms closer to the market. The trading companies in Switzerland, Russia and Turkey also have the need of purchasing a product immediately marketable in the territory, having already complied with the customs.

The Group's economic performance

Economic results summary

The main results are outlined below:

- Net sales of Euro 414.1 million, with a decrease of 8.2% compared to Euro 451.1 million of the first half 2017;
- EBITDA of Euro 25.2 million, compared to Euro 34.7 million of the first half 2017, with a 6.1% margin (7.7% in the same period of 2017);
- EBIT of Euro 8.8 million, compared to Euro 17.4 million of the first half 2017, with a 2.1% margin (3.9% in the first half of 2017);
- Net income of Euro 1.5 million, compared to Euro 8.4 million of the first half 2017.

In the following table a comparison is made between the consolidated income statement:

(Thousands of Euro)	I half 2018	%	I half 2017	%	2017	%
Net sales	**414,081**	**100.0%**	**451,120**	**100.0%**	**884,529**	**100.0%**
Cost of sales	(205,226)	(49.6%)	(228,948)	(50.8%)	(456,914)	(51.7%)
Gross profit	**208,855**	**50.4%**	**222,172**	**49.2%**	**427,615**	**48.3%**
Selling and distribution costs	(23,570)	(5.7%)	(24,751)	(5.5%)	(47,268)	(5.3%)
General and administrative expenses	(161,589)	(39.0%)	(162,962)	(36.1%)	(317,624)	(35.9%)
Advertising and promotion	(12,786)	(3.1%)	(10,499)	(2.3%)	(22,561)	(2.6%)
Operating result	**10,910**	**2.6%**	**23,960**	**5.3%**	**40,162**	**4.5%**
Restructuring charges	(2,098)	(0.5%)	(6,513)	(1.4%)	(10,020)	(1.1%)
EBIT	**8,812**	**2.1%**	**17,447**	**3.9%**	**30,142**	**3.4%**
Net interest	(2,445)	(0.6%)	(3,182)	(0.7%)	(3,392)	(0.4%)
PBT	**6,367**	**1.5%**	**14,265**	**3.2%**	**26,750**	**3.0%**
Income tax	(4,848)	(1.2%)	(5,887)	(1.3%)	(11,367)	(1.3%)
Tax rate	*76.1%*	0%	*41.3%*		*42.5%*	
Net result	**1,519**	**0.4%**	**8,378**	**1.9%**	**15,383**	**1.7%**
EPS (Earnings per shares)	**0.01**		**0.03**		**0.06**	
EBITDA	**25,240**	**6.1%**	**34,705**	**7.7%**	**63,989**	**7.2%**
Restructuring charges	(2,098)	(0.5%)	(6,513)	(1.4%)	(10,020)	(1.1%)
EBITDA adjusted	**27,338**	**6.6%**	**41,218**	**9.1%**	**74,009**	**8.4%**

EBITDA: is the EBIT plus depreciation, amortization and can be directly calculated from the financial statements as integrated by the notes (Note 5).

EBITDA and EBITDA adjusted are not defined under IFRS accounting standards applied in the European Union and therefore their definition should be attentively assessed and analyzed by investors. Those measures are included in this report in order to improve the level of transparency for the financial community. Management considers that adjusted measures help evaluating Group's operating performance and help the comparison with companies operating in the same sector. Those indicators aim to give a supplementary view of results excluding the impact of unusual, not recurring and not operating items.

Disclaimer

This Report, and in particular the section entitled "Outlook for operation and significant subsequent events", contains forward-looking statements. These statements are based on the Group's current expectations and projections about future events and, by their nature, are subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future, and, as such, undue reliance should not be placed on them. Actual results may differ materially from those expressed in such statements as a result of a variety of factors, including: volatility and deterioration of capital and financial markets, changes in commodity prices, changes in general economic conditions, economic growth and other changes in business conditions, changes in government regulation (in each case, in Italy or abroad), and many other factors, most of which are outside of the Group's control.

Sales

Consolidated sales in the first half of 2018 amounted to Euro 414.1 million, down 8.2% compared with the previous year (-7.2% at constant forex). Results for the first half of the year were mainly affected by performance in the first quarter (characterised by lower discounted sales and the delayed start to the spring season) and by the ramp-up of the rationalization programme for mono-brand stores, especially with regard to franchised stores, whose network has been reduced by approximately 20% over the last 18 months.

Sales by Distribution Channel

(Thousands of Euro)	I half 2018	%	I half 2017	%	Var. %
Wholesale	**191,166**	**46.2%**	**201,999**	**44.8%**	**(5.4%)**
Franchising	48,549	11.7%	67,880	15.0%	(28.5%)
DOS*	174,366	42.1%	181,241	40.2%	(3.8%)
Geox Shops	**222,915**	**53.8%**	**249,121**	**55.2%**	**(10.5%)**
Net sales	**414,081**	**100.0%**	**451,120**	**100.0%**	**(8.2%)**

* Directly Operated Store

Sales generated by wholesale stores, representing 46% of Group revenues (45% in the first half of 2017), amounted to Euro 191.2 million (-5.4% at current forex, -4.6% at constant forex). The decline recorded in the first half of the year is mainly down to a more selective approach with regard to partners, fewer sales of discounted goods from previous seasons (as a result of stock levels being significantly reduced in 2017) and a more unfavourable exchange rate effect. However, the second quarter recorded positive performance (+10.6% compared with the second quarter of 2017) thanks to a recovery in orders, as certain clients had asked for deliveries to be postponed during the first quarter (in light of the delayed start to the spring season).

Sales generated by directly-operated stores, DOS, representing 42% of Group revenues, recorded a reduction at Euro 174.4 million (-3.8% at current exchange rates, -2.1% at constant forex). This performance was mainly due to lower discounted sales in January and February (after stock levels were optimised in 2017) and the unusual weather conditions in March. The trend improved in the second quarter and sales were in line with the same period of the previous year.

Comparable sales generated by directly-operated stores to date (week 1 - week 30) report a decline of -3.7%, recovering from the -4.7% recorded at the end of June and -8.9% recorded at the end of March. In particular, improved performance has been recorded since mid-April, thanks also to the return of more normal weather conditions in the Group's main markets. Positive performance has also been recorded in July, thanks to the summer sales getting off to a good start.

Sales generated by the franchising channel, which account for 12% of Group revenues, amounted to Euro 48.5 million, reporting a decline of 28.5% (-28.3% at constant forex). Performance in the franchising channel particularly reflects the planned rationalization of the store network in the last quarters, with a net reduction of 62 stores in 2017 and 34 in the first half of 2018 (approximately 20% of the entire franchising network) due to closures and conversions into DOS.

Net sales by region

(Thousands of Euro)	I half 2018	%	I half 2017	%	Var. %
Italy	124,331	30.0%	137,032	30.4%	(9.3%)
Europe (*)	179,907	43.4%	198,949	44.1%	(9.6%)
North America	24,132	5.8%	28,434	6.3%	(15.1%)
Other countries	85,711	20.7%	86,705	19.2%	(1.1%)
Net sales	**414,081**	**100.0%**	**451,120**	**100.0%**	**(8.2%)**

(*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

Sales generated in Italy, representing 30% of Group revenues (30% also in the first half of 2017), amounted to Euro 124.3 million, compared with Euro 137.0 million in the first half of 2017 (-9.3%). This trend is mainly due to the aforementioned optimization of the mono-brand store network (48 net closures in 2017 and 13 in the first half of 2018) and to the unusual weather conditions (above all in March). A positive trend was recorded in the second quarter compared with the second quarter of 2017 both in the wholesale channel and in directly-operated stores.

Sales generated in Europe, representing 43% of Group revenues (44% in the first half of 2017), amounted to Euro 179.9 million, compared with Euro 198.9 million in the first half of 2017, recording a decline of -9.6%. As was the case in Italy, this performance was mainly due to the aforementioned rationalization of the mono-brand store network (36 net closures in 2017 and 16 in the first half of 2018) and to the decline recorded in the first quarter due to the delayed start to the spring season. The second quarter recorded an improved trend both in the wholesale channel and in directly-operated stores.

North America recorded a turnover equal to Euro 24.1 million, reporting a decline of 15.1% (-9.9% at constant forex) mainly due to the negative performance of the wholesale channel, which has been subject of a careful review and selection process for partners, with a focus on players more in line with the Group's planned strategy to improve brand perception. An increase in LFL sales, on the other hand, was recorded for directly-operated stores. There were 6 net closures in 2017 and 3 in the first half of 2018.

The Rest of the World recorded a -1.1% decline in turnover compared with the first half of 2017 (+2.3% at constant forex), with a positive trend in LFL sales for directly-operated stores. Performance in the wholesale channel was positive in the first half of the year (+3.5%).

Net sales by product

(Thousands of Euro)	I half 2018	%	I half 2017	%	Var. %
Footwear	376,723	91.0%	408,216	90.5%	(7.7%)
Apparel	37,358	9.0%	42,904	9.5%	(12.9%)
Net sales	**414,081**	**100.0%**	**451,120**	**100.0%**	**(8.2%)**

Footwear sales represented 91% of consolidated sales, amounting to Euro 376.7 million, down 7.7% compared with the first half of 2017 (-6.7% at constant forex). Apparel sales represented 9% of consolidated sales, amounting to Euro 37.4 million compared with Euro 42.9 million in the first half of 2017 (-12.9% at current forex, -12.5% at constant forex).

Mono-brand store network - Geox shops

As of 30th June 2018, there was a total of 1,040 "Geox Shops", of which 436 DOS. During the first half of 2018, 19 new Geox Shops were opened and 74 were closed, in line with the store network optimization planned in more mature markets and the expansion in countries where the Group's presence is still limited but developing well.

	06-30-2018		12-31-2017		I half 2018		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	291	140	304	137	(13)	1	(14)
Europe (*)	294	152	310	155	(16)	4	(20)
North America	39	39	42	42	(3)	-	(3)
Other countries (**)	416	105	439	105	(23)	14	(37)
Total	**1,040**	**436**	**1,095**	**439**	**(55)**	**19**	**(74)**

(*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

(**) Includes Under License Agreement Shops (150 as of June 30 2018, 168 as of December 31 2017). Sales from these shops are not included in the franchising channel.

Cost of sales and Gross Profit

The cost of sales was equal to 49.6% of sales, compared with the 50.8% recorded in the first half of 2017, producing a gross margin of 50.4% (49.2% in the first half of 2017).

The improvement in gross margin is thanks to the specific measures taken to improve supply chain efficiency and to the greater weight of the DOS channel which is characterised by higher profitability.

Operating expenses and Operating income (EBIT)

Sales and distribution expenses were equal to 5.7% of sales, up slightly in percentage terms compared with the same period last year (5.5% in the first half of 2017).

General and administrative expenses amounted to Euro 161.6 million, reporting a decline of Euro 1.4 million compared with the first half of 2017, thanks to the actions taken over the last quarters to boost efficiency.

Advertising and promotion expenses amounted to Euro 12.8 million (3.1% of sales), up from the Euro 10.5 million reported in the first half of 2017. This increase is due to the higher number of marketing initiatives implemented in the first half of the year, aimed at supporting footfall in stores.

EBIT amounted to Euro 10.9 million, equal to 2.6% of sales, compared with Euro 24.0 million in the first half of 2017 (equal to 5.3% of sales).

During the first half of 2018, special items for Euro 2.1 million were also recorded, mainly relating to the organisational review of HR resources and the optimization of the store network.

During the first half of 2017, unusual expenses for Euro 6.5 million had been recorded, mainly relating to the termination of the relationship with the previous Chief Executive Officer (Euro 4.3 million), to legal costs involved with the arbitration with the former distributor on the Chinese market, and to the rationalization of the mono-brand store network.

The table below analyses the EBIT obtained across business segments in which the Group operates:

		I half 2018	**%**	**I half 2017**	**%**
Footwear	Net sales	376,723		408,216	
	EBIT	9,767	2.6%	18,745	4.6%
Apparel	Net sales	37,358		42,904	
	EBIT	(955)	(2.6%)	(1,298)	(3.0%)
Total	**Net sales**	**414,081**		**451,120**	
	EBIT	**8,812**	**2.1%**	**17,447**	**3.9%**

EBITDA

EBITDA amounted to Euro 25.2 million, equal to 6.1% of sales, compared with Euro 34.7 million in 2017 (equal to 7.7% of sales).

Gross of special items and income, adjusted EBITDA amounted to Euro 27.3 million, equal to 6.6% of sales, compared with Euro 41.2 million in the first half of 2017 (equal to 9.1% of sales).

Income taxes and tax rate

Income taxes for the first half of 2018 are equal to Euro 4.8 million, compared with Euro 5.9 million in the same period last year, defining a tax rate of 76.1%. It is to be noted that this tax amount is approximately Euro 2.7 million higher owing to the non-recognition of deferred tax assets for certain loss-making subsidiaries abroad, which currently do not show any signs of a fast recovery. Without this element, taxes would therefore have amounted to Euro 2.2 million with an adjusted tax rate of approximately 35%.

The Group's financial performance

The following table summarizes the reclassified consolidated balance sheet:

(Thousands of Euro)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Intangible assets	47,941	52,061	50,803
Property, plant and equipment	60,014	61,326	60,033
Other non-current assets - net	36,963	42,567	43,276
Total non-current assets	**144,918**	**155,954**	**154,112**
Net operating working capital	**252,623**	**226,277**	**273,679**
Other current assets (liabilities), net	**(22,822)**	**(19,562)**	**(27,927)**
Net invested capital	**374,719**	**362,669**	**399,864**
Equity	347,604	349,483	346,098
Provisions for severance indemnities, liabilities and charges	7,438	7,808	7,643
Net financial position	19,677	5,378	46,123
Net invested capital	**374,719**	**362,669**	**399,864**

The Group's balance sheet and financial position shows a negative net financial position, before the fair value adjustment of derivatives, equal to -20.5 million (-33.0 million at 30th June 2017).
After said adjustment, which has a positive impact of Euro 0.8 million, compared with the negative effect of Euro 13.2 million at 30th June 2017, the net financial position is equal to Euro -19.7 million (Euro -46.1 million at 30th June 2017).

The following table shows the mix and changes in net operating working capital and other current assets (liabilities):

(Thousands of Euro)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Inventories	303,972	283,227	309,440
Accounts receivable	138,236	120,356	149,341
Accounts payable	(189,585)	(177,306)	(185,102)
Net operating working capital	**252,623**	**226,277**	273,679
% of sales for the last 12 months	***29.8%***	***25.6%***	***30.4%***
Taxes payable	(10,069)	(8,810)	(7,670)
Other non-financial current assets	26,240	25,368	20,306
Other non-financial current liabilities	(38,993)	(36,120)	(40,563)
Other current assets (liabilities), net	**(22,822)**	**(19,562)**	**(27,927)**

Net operating working capital as a percentage of sales was equal to 29.8%, compared with 30.4% in the same period last year. This change is mainly due to the reduction in trade receivables, linked to turnover performance.

The following table gives a reclassified consolidated cash flow statement:

(Thousands of Euro)	I half 2018	I half 2017	2017
Net result	**1,519**	**8,378**	**15,383**
Depreciation, amortization and impairment	16,428	17,258	33,846
Other non-cash items	1,742	3,085	10,052
	19,689	**28,721**	**59,281**
Change in net working capital	(31,274)	(20,403)	23,195
Change in other current assets/liabilities	3,820	22,501	16,076
Cash flow from operations	**(7,765)**	**30,819**	**98,552**
Capital expenditure	(12,213)	(7,801)	(30,841)
Disposals	350	457	4,373
Net capital expenditure	**(11,863)**	**(7,344)**	**(26,468)**
Free cash flow	**(19,628)**	**23,475**	**72,084**
Dividends	(15,552)	(5,184)	(5,184)
Change in net financial position	**(35,180)**	**18,291**	**66,900**
Initial net financial position - prior to fair value adjustment of derivatives	**15,148**	**(51,620)**	**(51,620)**
Change in net financial position	(35,180)	18,291	66,900
Translation differences	(418)	376	(132)
Final net financial position - prior to fair value adjustment of derivatives	**(20,450)**	**(32,953)**	**15,148**
Fair value adjustment of derivatives	773	(13,170)	(20,526)
Final net financial position	**(19,677)**	**(46,123)**	**(5,378)**

During the first half of the year, investments were made for a total of Euro 12.2 million, compared with Euro 7.8 million in the first half of 2017, mainly linked to the store restyling programme aimed at improving performance.

Consolidated capital expenditure is analyzed in the following table:

(Thousands of Euro)	I half 2018	I half 2017	2017
Trademarks and patents	223	254	531
Opening and restructuring of Geox Shop	7,849	3,916	16,393
Production plant	330	315	698
Industrial plant and equipment	1,292	959	2,695
Logistic	435	387	3,054
Information technology	1,730	1,815	6,653
Offices furniture, warehouse and fittings	354	155	817
Total	**12,213**	**7,801**	**30,841**

The following table gives a breakdown of the net financial position:

(Thousands of Euro)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Cash and cash equivalents	28,217	75,616	44,401
Current financial assets - excluding derivatives	487	418	404
Bank borrowings and current portion of long-term loans	(46,545)	(44,729)	(46,551)
Current financial liabilities - excluding derivatives	(69)	(117)	(168)
Net financial position - current portion	**(17,910)**	**31,188**	**(1,914)**
Non-current financial assets	22	22	23
Long-term loans	(2,562)	(16,062)	(31,062)
Net financial position - non-current portion	**(2,540)**	**(16,040)**	**(31,039)**
Net financial position - prior to fair value adjustment of derivatives	**(20,450)**	**15,148**	**(32,953)**
Fair value adjustment of derivatives	773	(20,526)	(13,170)
Net financial position	**(19,677)**	**(5,378)**	**(46,123)**

Treasury shares and equity interests in parent companies

Note that pursuant to art. 40.2 d) of D.Lgs 127, the Group does not hold any of its own shares nor shares in parent companies, whether directly or indirectly, nor did it buy or sell such shares during the period.

Stock Option

On December 18, 2008, the Extraordinary Shareholders' Meeting authorized a divisible cash increase in capital, waiving option, for a maximum par value of Euro 1,200,000, by issuing up to n. 12,000,000 ordinary shares to service one or more share incentive plans reserved for the directors, employees and/or collaborators of the Company and/or its subsidiaries, in order to encourage beneficiaries to pursue the Company's medium-term plans, increase their loyalty to the Company and promote better relations within the Company.

At the date of this report there is only one cycle of stock option plan. This cycle is made up of a vesting period, from the date the options are granted, and a maximum period to exercise them (exercise period). Any options not vesting or, in any case, not exercised by the expiration date are automatically cancelled to all effects, releasing both the Company and the beneficiary from all obligations and liabilities.

The ability to exercise the options, which is determined tranche by tranche, depends on the Company achieving certain cumulative targets during the vesting periods, with reference to economic indicators, as shown in the Geox Group's consolidated business plan.

The plan, which was approved by the Board on April 19, 2016, establishes a maximum number of options (4,000,000) and envisaged a grant cycle to be made within the month of December 2017.

At the date of this report a number of 1,783,215 options were granted with a strike price calculated as the average of the official price of Geox in the thirty days prior the date of the grant, amounted to Euro 2.86 (for 1,656,954 options) and to Euro 3,61 (for 126,261 options).

The vesting period is 3 years and ends with the approval of the consolidated financial statements for the year ended December 31, 2018, while the exercise period ends on December 31, 2020. The exercise of the Options is subject to the achievement of Net Profit as resulting from the Geox Group's Business Plan.

The stock options granted to the directors of the Group and the executives with strategic responsibilities are summarized below:

		Option held at the beginning of the year			Option granted during the period		
(A) Name	**(B) Position**	**(1) Number of option**	**(2) Average Strike Price**	**(3) Average Expiry Date**	**(4) Number of option**	**(5) Average Strike Price**	**(6) Average Expiry Date**
Gregorio Borgo (*)	CEO	572,905	1.995	2020	-	-	-
Executives with strategic responsibilities		1,417,263	2.86	2020	-	-	-

	Options exercised during the period			Options expired in 2018 (**)	Options held at the end of the period		
(A) Name	**(7) Number of option**	**(8) Average Strike Price**	**(9) Average Expiry Date**	**(10) Number of option**	**(11)=1+4-7-10 Number of option**	**(12) Average Strike Price**	**(13) Average Expiry Date**
Gregorio Borgo	-	-	-	572,905	-	1.995	2020
Exec. Strat. Resp.	-	-	-	138,947	1,278,316	2.86	2020

(*)Resigned on January 18, 2018
(**)Options expired for termination of employment, termination of exercise period or non-achievement of performance targets laid down in the plan

Transactions between Related Parties

During the period, there were no transactions with related parties which can be qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties is provided in Note 31 of the Consolidated Financial Statements.

Outlook for operation and significant subsequent events

Management believes that a certain degree of prudence is still required when forecasting revenues and operating result for the full-year because, although an improved sales trend is expected in the second half of the year and expectations for an improvement in percentage gross margin have been confirmed, it seems very challenging that these factors will be able to compensate for the decline in sales recorded during the first half of the year.

For this reason, management is even more determined to pursue the implementation of measures with an immediate effect, such as:

- An increase of investments in communications with at the same time a speed up of developments regarding the use of digital and social media.
- Store network optimization, albeit with less intensity than in previous quarters.
- The ongoing restyling plan aimed at improving performance.
- The initiatives to further increase productivity, ensure a lean organization and boost operating efficiency which were successfully implemented in 2017 and which are continuing in 2018.
- Developing current managers and boosting their loyalty, at the same time as introducing new key managers, also in strategic markets, who have significant experience in international organisations.

In addition to the above, it is furthermore believed that the strategic review that has already been launched should be continued with even greater determination. This review should lead to objectives and results being achieved that are more in line with our brand, and will be presented , shortly, in the new 2019-2021 business plan.

Biadene di Montebelluna, July 31, 2018

for the Board of Directors
The Chairman
Mr. Mario Moretti Polegato

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Consolidated income statement

(Thousands of Euro)	Notes	I half 2018	of which related party	I half 2017	of which related party	2017	of which related party
Net sales	3-31	**414,081**	**138**	**451,120**	**34**	**884,529**	**69**
Cost of sales	31	(205,226)	25	(228,948)	-	(456,914)	7
Gross profit		**208,855**		**222,172**		**427,615**	
Selling and distribution costs		(23,570)	-	(24,751)	-	(47,268)	-
General and administrative expenses	4-31	(161,589)	(3,090)	(162,962)	(1,070)	(317,624)	(4,180)
Advertising and promotion	31	(12,786)	(84)	(10,499)	(150)	(22,561)	(220)
Restructuring charges	7	(2,098)	-	(6,513)	-	(10,020)	-
Net asset impairment	0	-	-	-	-	-	-
EBIT	3	**8,812**		**17,447**		**30,142**	
Net interest	8	(2,445)	-	(3,182)	-	(3,392)	-
PBT		**6,367**		**14,265**		**26,750**	
Income tax	9	(4,848)	-	(5,887)	-	(11,367)	-
Net result		**1,519**		**8,378**		**15,383**	
Earnings per share [Euro]	10	0.01		0.03		0.06	
Diluted earnings per share [Euro]	10	0.01		0.03		0.06	

Consolidated statement of comprehensive income

(Thousands of Euro)	I half 2018	of which related party	I half 2017	of which related party	2017	of which related party
Net income	**1,519**		**8,378**		**15,383**	
Other comprehensive income that will not be reclassified subsequently to profit or loss:						
- Net gain (loss) on actuarial defined-benefit plans	(6)	-	(16)	-	(29)	-
Other comprehensive income that may be reclassified subsequently to profit or loss:						
- Net gain (loss) on Cash Flow Hedge, net of tax	13,432	-	(18,356)	-	(23,306)	-
- Currency translation	(1,272)	-	1,559	-	2,902	-
Net comprehensive income	**13,673**		**(8,435)**		**(5,050)**	

Consolidated statement of financial position

(Thousands of Euro)	Notes	June 30, 2018	of which related party	Dec. 31, 2017	of which related party	June 30, 2017	of which related party
ASSETS:							
Intangible assets	11	47,941		52,061		50,803	
Property, plant and equipment	12	60,014		61,326		60,033	
Deferred tax assets	13	30,834		36,394		38,561	
Non-current financial assets	18-30	22		22		23	
Other non-current assets	14	12,814		13,512		13,011	
Total non-current assets		**151,625**		**163,315**		**162,431**	
Inventories	15	303,972		283,227		309,440	
Accounts receivable	16-31	138,236	195	120,356	134	149,341	518
Other non-financial current assets	17-31	26,240	1,901	25,368	1,902	20,306	1,901
Current financial assets	18-30	3,972		2,110		2,339	
Cash and cash equivalents	19	28,217		75,616		44,401	
Current assets		**500,637**		**506,677**		**525,827**	
Total assets		**652,262**		**669,992**		**688,258**	
LIABILITIES AND EQUITY:							
Share capital	20	25,921		25,921		25,921	
Reserves	20	320,164		308,179		311,799	
Net income	20	1,519		15,383		8,378	
Equity		**47,604**		**349,483**		**46,098**	
Employee severance indemnities	21	2,669		2,698		2,716	
Provisions for liabilities and charges	22	4,769		5,110		4,927	
Long-term loans	23	2,562		16,062		31,062	
Other long-term payables	24	6,685		7,339		8,296	
Total non-current liabilities		**16,685**		**31,209**		**47,001**	
Accounts payable	25-31	189,585	149	177,306	1,503	185,102	623
Other non-financial current liabilities	26	38,993		36,120		40,563	
Taxes payable	27	10,069		8,810		7,670	
Current financial liabilities	18-30	2,781		22,335		15,273	
Bank borrowings and current portion of long-term loans	28	46,545		44,729		46,551	
Current liabilities		**287,973**		**289,300**		**295,159**	
Total liabilities and equity		**652,262**		**669,992**		**688,258**	

Consolidated statement of cash flow

(Thousands of Euro)	Notes	I half 2018	I half 2017	2017
CASH FLOW FROM OPERATING ACTIVITIES:				
Net result	20	**1,519**	**8,378**	**15,383**
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
Depreciation and amortization and impairment	5	16,428	17,258	33,846
Increase in (use of) deferred taxes and other provisions		5,344	(2,057)	4,374
Provision for employee severance indemnities, net		(41)	50	25
Other non-cash items		(3,561)	5,092	5,653
		18,170	**20,343**	**43,898**
Change in assets/liabilities:				
Accounts receivable		(21,531)	(20,531)	(131)
Other assets		489	20,006	17,704
Inventories		(21,690)	10,080	40,456
Accounts payable		11,947	(9,952)	(17,130)
Other liabilities		2,154	3,846	(1,417)
Taxes payable		1,177	(1,351)	(211)
		(27,454)	**2,098**	**39,271**
Operating cash flow		**(7,765)**	**30,819**	**98,552**
CASH FLOW USED IN INVESTING ACTIVITIES:				
Capital expenditure on intangible assets	11	(2,671)	(2,120)	(12,490)
Capital expenditure on property, plant and equipment	12	(9,542)	(5,681)	(18,351)
		(12,213)	**(7,801)**	**(30,841)**
Disposals		350	457	4,373
(Increase) decrease in financial assets		(66)	904	866
Cash flow used in investing activities		**(11,929)**	**(6,440)**	**(25,602)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:				
Increase (decrease) in short-term bank borrowings, net		(537)	2,586	5,789
Loans:				
- Proceeds		15,000	20,000	20,000
- Repayments		(26,500)	(35,500)	(55,355)
Dividends		(15,552)	(5,184)	(5,184)
Cash flow used in financing activities		**(27,589)**	**(18,098)**	**(34,750)**
Increase (decrease) in cash and cash equivalents		**(47,283)**	**6,281**	**38,200**
Cash and cash equivalents, beginning of the period	19	**75,616**	**38,663**	**38,663**
Effect of translation differences on cash and cash equivalents		(116)	(543)	(1,247)
Cash and cash equivalents, end of the period	19	**28,217**	**44,401**	**75,616**
Supplementary information to the cash flow statement:				
- Interest paid during the period		2,136	1,668	3,394
- Interest received during the period		1,083	985	2,216
- Taxes paid during the period		1,862	1,267	4,101

Consolidated statement of changes in equity

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Net income	Group equity
Balance at December 31, 2016	**25,921**	**5,184**	**37,678**	**(4,066)**	**11,461**	**281,529**	**2,010**	**359,717**
Allocation of 2016 result	-	-	-	-	-	2,010	(2,010)	-
Distribution of dividends	-	-	-	-	-	(5,184)	-	(5,184)
Net comprehensive result	-	-	-	2,902	(23,306)	(29)	15,383	(5,050)
Balance at December 31, 2017	**25,921**	**5,184**	**37,678**	**(1,164)**	**(11,845)**	**278,326**	**15,383**	**349,483**
IFRS 9 First time adoption	-	-	-	-	(401)	401	-	-
Allocation of 2017 result	-	-	-	-	-	15,383	(15,383)	-
Distribution of dividends	-	-	-	-	-	(15,552)	-	(15,552)
Net comprehensive result	-	-	-	(1,272)	13,432	(6)	1,519	13,673
Balance at June 30, 2018	**25,921**	**5,184**	**37,678**	**(2,436)**	**1,186**	**278,552**	**1,519**	**347,604**

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Net income	Group equity
Balance at December 31, 2016	**25,921**	**5,184**	**37,678**	**(4,066)**	**11,461**	**281,529**	**2,010**	**359,717**
Allocation of 2016 result	-	-	-	-	-	2,010	(2,010)	-
Distribution of dividends	-	-	-	-	-	(5,184)	-	(5,184)
Net comprehensive result	-	-	-	1,559	(18,356)	(16)	8,378	(8,435)
Balance at June 30, 2017	**25,921**	**5,184**	**37,678**	**(2,507)**	**(6,895)**	**278,339**	**8,378**	**346,098**

Explanatory notes

1. Information about the Company: the Group's business activity

The Geox Group coordinates the third-party suppliers production and sells Geox-brand footwear and apparel to retailers and end-consumers. It also grants distribution rights and/or use of the brand name to third parties in markets where the Group has chosen not to have a direct presence. Licensees handle production and marketing in accordance with licensing agreements and pay Geox royalties.

Geox S.p.A. is a joint-stock company incorporated in Italy and controlled by Lir S.r.l..

2. Accounting policies

Form and contents of the consolidated financial statements

These explanatory notes have been prepared by the Board of Directors on the basis of the accounting records updated to June 30, 2018. They are accompanied by the directors' report on operations, which provides information on the results of the Geox Group. The consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards adopted by the European Union (IFRS, which include IAS). The accounting principles and policies used in the preparation of the consolidated financial statements are the same as last year.

To facilitate comparison with the previous year, the accounting schedules provide comparative figures: at December 31, 2017 for the balance sheet and for the half year of 2017 in the case of the income statement.

The reporting currency is the Euro and all figures have been rounded up or down to the nearest thousand Euro.

Scope of consolidation

The consolidated financial statements at June 30, 2018 include the figures, on a line-by-line basis, of all the Italian and foreign companies in which the Parent Company holds a majority of the shares or quotas, directly or indirectly.
The companies taken into consideration for consolidation purposes are listed in the attached schedule entitled "List of companies consolidated at June 30, 2018".

Format of financial statements

The Group presents an income statement using a classification based on the "cost of sales" method, as this is believed to provide information that is more relevant. The format selected is that used for managing the business and for management reporting purposes and is consistent with international practice in the footwear and apparel sector.

For the Statement of financial position, a format has been selected to present current and non-current assets and liabilities.

The Statement of cash flow is presented using the indirect method.

In connection with the requirements of the Consob Resolution No. 15519 of July 27, 2006 as to the format of the financial statements, specific supplementary column has been added for related party transactions so as not to compromise an overall reading of the statements (Note 31).

Consolidation principles

The financial statements of the subsidiaries included in the scope of consolidation are consolidated on a line-by-line basis, which involves combining all of the items shown in their financial statements regardless of the Group's percentage interest.

If the companies included in the scope of consolidation are subject to different regulations, the most suitable reporting formats have been adopted to ensure maximum clarity, truth and fairness. The financial statements of foreign subsidiaries are reclassified where necessary to bring them into line with Group accounting policies. They are also adjusted to ensure compliance with IFRS.

In particular, for the subsidiaries included in the scope of consolidation:

- the book value of equity investments included in the scope of consolidation is eliminated against the equity of the companies concerned according to the full consolidation method. If the Group's direct or indirect investment is less than 100%, minority interests are calculated and shown separately;
- if purchase cost exceeds the net book value of the related shareholders' equity at the time of acquisition, the difference is allocated to specific assets of the companies acquired, with reference to the their fair value at the acquisition date and amortized on a straight-line basis having regard to the useful life of the investment. If appropriate, any amounts which are not allocated are recorded as goodwill. In this case, the amounts are not amortized but subjected to impairment testing at least once a year, or whenever considered necessary;
- if the book value exceeds the purchase cost, the difference is credited to the income statement.

The following are also eliminated:

- receivables and payables, costs and revenues and profits and losses resulting from intragroup transactions, taking into account the related tax effects;
- the effects of extraordinary transactions involving Group companies (mergers, capital contributions, etc).

Accounting standards

The Half-year Consolidated Financial Statements have been prepared on the historical cost basis except for the measurement of certain financial instruments (i.e. derivatives measured at fair value), as required by IFRS 9, and on a going-concern basis. The accounting principles are the same used for the preparation of the consolidated financial statements as of the year ended December 31, 2017, to which refer for a detailed description, except as set out below.

Accounting standards, amendments and interpretations applied since January 1, 2018

- IFRS 15 – *Revenue for contracts with customers* establishes a new model for recognising revenues and has been applied since January 1, 2018. There was no material impact to the Consolidated Financial Statement upon adoption of this standard.
- The final version of IFRS 9 – *Financial instruments* which includes the results of the IASB plan to replace IAS 39. IFRS 9 introduces improvements in the accounting requirements for classification and measurement of financial assets, for impairment of financial assets and for hedge accounting. The standard has been applied since January 1, 2018. There was no material impact to the Consolidated Financial Statement upon adoption of this standard.
- Amendment to IFRS 2 - *Classification and measurement of share-based payment transactions.* The Amendment is intended to clarify the accounting treatment for certain types of shared-based payment transactions. The interpretation is effective for annual periods beginning on or after January 1, 2018. The adoption of the amendment by the Group did not require changes to accounting policies or retrospective adjustments. Document *"Annual Improvements to IFRSs: 2014-2016 Cycle* which integrates existing principles. There was no material impact to the Consolidated Financial Statement upon adoption of this standard.
- Amendment to IAS 40 *Transfers of Investment Property* which clarify the transfer of a property to, or from, an investment property. There was no material impact to the Consolidated Financial Statement upon adoption of this standard.
- Interpretation of IFRIC 22 *Foreign Currency Transactions and Advance Consideration*. The interpretation covers foreign currency transactions when an entity recognizes a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. There was no material impact to the Consolidated Financial Statement upon adoption of this standard.

Accounting standards, amendments and interpretations effective not yet applicable and not early adopted by the Group

IFRS 16 – *Leases;* effective from January 1, 2019. The new standard provides a new definition of lease and introduces a principle based on the control of the asset (so called Right of use) to distinguish leasing contracts from service contracts.
Directors expect that the application of IFRS 16 could have a significant impact on the accounting of leasing contracts and the related disclosures in the consolidated financial statements of the Group in consideration of the retail network which represents the main part of the business. Based on the new standard, all the lease agreement the Group has entered into could hypothetically be considered as finance leases (property leases).
The impacts of the adoption of this standard are currently being analysed. Once this analysis has been completed, the method to be used at the date of first application will also be defined.
As of June 30, 2018 the commitments arising from lease agreement amount to Euro 289 million, as described in Note 32. Nevertheless it's to be noted that the scope of IFRS 16 does not solely cover these commitments, as it will also include other commitments.

Accounting standards, amendments and interpretations not yet approved by European Union

- IFRS 17 – *Insurance Contracts*;
- Document "*IFRIC 23 – Uncertainty over Income Tax Treatments";*
- Amendment to IAS 28 *"Long-term Intersts in Associates and Joing Ventures;*
- Document *"Annual Improvements to IFRSs: 2015-2017 Cycle*";
- Amendment to IAS 19 *"Plant Amendment, Curtailment or Settlement"*
- Amendment to IFRS 10 and IAS 28 "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture".*

Translation of foreign currency financial statements into Euro

The financial statements of foreign companies denominated in currencies other than the Euro are translated as follows:

- income statement items are translated at the average exchange rate for the period, whereas the closing rate is used for balance sheet items, except for net income and equity;
- equity items are translated at the historical exchange rate.

The difference between the equity translated at historical rates and the assets and liabilities translated at closing rates is recorded as a "Translation reserve" under "Reserves" as a part of consolidated equity.

The exchange rates used, as published by the Italian Exchange Office (U.I.C.), are as follows:

Currency	Average for 06-30-18	As at 30-06-18	Average for 31-12-17	As at 31-12-17	Average for 30-06-17	As at 30-06-17
US Dollar	1.2108	1.1658	1.1293	1.1993	1.0825	1.1412
Swiss Franc	1.1697	1.1569	1.1115	1.1702	1.0764	1.0930
British Pound	0.8797	0.8861	0.8762	0.8872	0.8601	0.8793
Canadian Dollar	1.5464	1.5442	1.4644	1.5039	1.4445	1.4785
Japanese Yen	131.6107	129.0400	126.6545	135.0100	121.6587	127.7500
Chinese Yuan	7.7100	7.7170	7.6264	7.8044	7.4417	7.7385
Czech Koruna	25.4973	26.0200	26.3272	25.5350	26.7871	26.1970
Russian Ruble	71.9802	73.1582	65.8877	69.3920	62.7349	67.5449
Polish Zloty	4.2200	4.3732	4.2563	4.1770	4.2685	4.2259
Hungarian Forint	314.0910	329.7700	309.2730	310.3300	309.4702	308.9700
Macau Pataca	9.7749	9.4212	9.0654	9.6532	8.6686	9.1740
Serbian Dinar	118.2478	118.5188	121.3703	118.6386	123.3345	120.5778
Vietnam Dong	27,565.5303	26,746.0000	25,652.0000	27,233.0000	24,580.0761	25,938.3538
Indonesian Rupiah	16,671.7396	16,654.0400	15,113.2000	16,239.1200	14,426.6965	15,209.3400
Turkish Lira	4.9551	5.3385	4.1214	4.5464	3.9379	4.0134

Subjective assessments

In applying the Group's accounting policies, the directors take decisions based on the following subjective assessments (excluding those involving estimates) which can have a significant impact on the figures in the financial statements.

Operating lease commitments (with the Group acting as lessor)

The Group has stipulated commercial lease agreements for the properties that it uses. Under these agreements, which are classified as operating leases, the Group is of the opinion that it retains all of the significant risks and rewards of ownership of the assets.

Estimates and assumptions

Drawing up financial statements and notes in compliance with IFRS requires management to make estimates and assumptions that can affect the value of the assets and liabilities in the balance sheet, including disclosures on contingent assets and liabilities at the balance sheet date. The estimates and assumptions used are based on experience and other relevant factors. So it cannot be excluded that the results over the coming months may differ from what has been forecasted, and this in turn could lead to adjustments that obviously cannot be estimated or foreseen as of today Estimates and assumptions are revised periodically and the effects of each variation made to them are reflected in the income statement for the period when the estimate is revised.

The items in the financial statements that are principally affected by these situations of uncertainty are: deferred tax assets, pension funds and other post-employment benefits, the provisions for obsolescence and slow-moving inventory and returns, provision for bad and doubtful accounts, asset impairment.

The following is a summary of the critical valuation processes and key assumptions used by management in the process of applying the accounting standards with regard to the future and which could have significant effects on the values shown in the financial statements.

Deferred tax assets

Deferred tax assets are booked on all carry-forward tax losses to the extent that it is probable that there will be adequate taxable income in the future to absorb them. The directors are required to make a significant subjective assessment to determine the amount of deferred tax assets that should be recognized. They have to assess the timing and amount of future taxable income and develop a tax planning strategy for the coming years. The book value of the tax losses that have been recognized is shown in note 13.

Pension funds and other post-employment benefits

The cost of defined-benefit pension plans and other post-employment benefits (healthcare) is determined by means of actuarial valuations. Actuarial valuations involve making assumptions about discount rates, the expected return on investment, future pay rises, mortality rates and the future increase in pensions. Because of the long-term nature of these plans, such estimates are subject to a high degree of uncertainty. Further details are provided in note 21.

Provision for returns

The Group has provided for the possibility that products already sold may be returned by customers. To this end, the Group has made certain assumptions based on the quantity of goods returned in the past and their estimated realizable value. Further details are provided in note 16.

Provision for obsolete and slow-moving inventory

The Group has set up provisions for products in inventory that may have to be sold at a discount, which means that they will have to be adjusted to their estimated realizable value. For this purpose, the Group has developed assumptions regarding the quantity of goods sold at a discount in the past and the possibility of selling them through the Group's own outlets. Further details are provided in note 15.

Provision for bad and doubtful accounts

The provision for bad and doubtful accounts is calculated on the basis of a specific analysis of items in dispute and of those balances which, even if not in dispute, show signs of delayed collection. Evaluating the overall amount of trade receivables that are likely to be paid requires the use of estimates regarding the probability of collecting such items, so it is an assessment that is subject to uncertainties. Further details are provided in note 16.

Asset Impairment

The Group has set up provisions against the possibility that the carrying amounts of tangible and intangible assets may not be recoverable from them by use. The directors are required to make a significant subjective assessment to determine the amount of asset impairment that should be recognized. They estimate the possible loss of value of assets in relation to future economic performance closely linked to them.

Potential liabilities

Geox S.p.A. underwent a tax audit by the Veneto Tax Authorities (Large Taxpayers Office) for fiscal years 2012-2013-2014-2015 with regard to Transfer Pricing versus European companies.

The audit was completed on October 18, 2017 with the notification of their tax audit report. The Company has, as usual, reserved the right to provide the necessary clarifications, depositing appropriate counter-arguments as it considers the points made by Tax Authorities to be highly questionable, being convinced that Geox S.p.A. operated within the law. Also in the light of the existing regulations and tools in order to avoid the double taxation within EU, the Company, supported by its own fiscal consultants, believes that the remarks moved from the Tax Authorities are not based on valid economic reasons.

As of today the Company defined the year 2012 and has field a tax settlement for the remaining fiscal years (ex art.6, sub.2, D.Lgs June 19th 1997, n. 218).

3. Segment reporting

For management purposes, the Group runs and controls its business according to the type of products being supplied, and for disclosure purposes these consist of two operating segments: footwear and apparel.

The directors monitor the results of these two business units separately so that they can make decisions regarding the allocation of resources and check the return on investment.
The yield of each segment is evaluated on the basis of the operating result, which is allocated to the various operating segments as follows:

- Net sales, cost of sales, direct selling costs and advertising are input directly to the segment concerned as they are clearly identifiable;

- General and administrative costs, including non-industrial depreciation and amortization, are input to the segment concerned to the extent that they are directly attributable. When such costs are common to various segments, they are allocated in proportion to their respective percentage of total cost of sales;

- The Group's financial activities (including financing costs and revenues) and income taxes are handled at Group level and not allocated to the individual segments;

- There are no problems of transfer pricing between segments as they are totally independent from each other.

The following table provides information on the Group’s business segments:

		I half 2018	**%**	**I half 2017**	**%**
Footwear	Net sales	376,723		408,216	
	EBIT	9,767	2.6%	18,745	4.6%
Apparel	Net sales	37,358		42,904	
	EBIT	(955)	(2.6%)	(1,298)	(3.0%)
Total	**Net sales**	**414,081**		**451,120**	
	EBIT	**8,812**	**2.1%**	**17,447**	**3.9%**

Segment assets and liabilities are all managed at Group level, so they are not shown separately by segment. The only exception to this rule is the value of inventories, which amount to Euro 275,023 thousand for footwear (Euro 257,085 thousand in 2017) and Euro 28,949 thousand for apparel (Euro 26,142 thousand in 2017).

The following table provides Net sales on the Group's geographical segments:

(Thousands of Euro)	I half 2018	%	I half 2017	%	Var. %
Italy	124,331	30.0%	137,032	30.4%	(9.3%)
Europe (*)	179,907	43.4%	198,949	44.1%	(9.6%)
North America	24,132	5.8%	28,434	6.3%	(15.1%)
Other countries	85,711	20.7%	86,705	19.2%	(1.1%)
Net sales	**414,081**	**100.0%**	**451,120**	**100.0%**	**(8.2%)**

(*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

4. General and administrative expenses

General and administrative expenses are analyzed in the following table:

	I half 2018	I half 2017	Change
Wages and salaries	58,642	58,666	(24)
Rental expenses	44,940	47,540	(2,600)
Other costs	60,850	62,195	(1,345)
Rental income	(1,921)	(3,263)	1,342
Other income	(922)	(2,176)	1,254
Total	**161,589**	**162,962**	**(1,373)**

Rental and lease expenses relate to the shops, offices and industrial property leased by the Group. Rental income relates to the Geox Shops owned by the Group and leased to third parties under franchising agreements.

Other costs mainly include: depreciation and amortization, services and consulting, sample costs, utilities, insurance, maintenance and bank charges.

Other income mainly includes sales of miscellaneous goods and insurance compensation.

Research and the ongoing conception and implementation of innovative solutions is a significant factor in the Group's strategies because, as already explained in the directors' report on operations, product innovation is fundamental to maintain and strengthen the Group's competitive advantage.

Research and development is a complex corporate process, which ranges from the study of technical solutions involving materials that are able to breathe while remaining waterproof, to the concession of new patents and the development of new product lines.

This process can be broken down into the following stages:

- pure research, which consists of verifying the performance of the materials used in Geox footwear and apparel. This activity's vocation is to create new patents and to implement solutions that use particular materials to make products that can breathe and at the same time remain waterproof;
- applied research, which consists of creating the collections, passing through the various phases of design, prototyping and modeling.

Research and development makes use of dedicated personnel, who transmit the results of their work to all those (designers, product managers, production technicians, etc.) who take part in the definition, industrialization and production of the Group's products.

5. Depreciation, amortization and payroll costs included in the consolidated income statement

The following table shows all of the depreciation and amortization charges included in the consolidated income statement:

	I half 2018	I half 2017	Change
Industrial depreciation and asset impairment	3,168	2,977	191
Non-industrial depreciation, amortization and asset impairment	13,260	14,281	(1,021)
Total	**16,428**	**17,258**	**(830)**

Depreciation and amortization decreased from Euro 17,258 thousand of first half 2017 to Euro 16,428 thousand of first half 2018.

Payroll costs amounted to Euro 75,306 thousand (Euro 75,683 thousand in first half 2017).

6. Personnel

The average number of employees is shown below:

	I half 2018	I half 2017	Change
Managers	44	44	-
Middle managers and office staff	1,055	1,022	33
Shop employees	2,711	2,983	(272)
Factory workers	1,407	1,199	208
Total	**5,217**	**5,248**	**(31)**

The average number of employees for first half of 2018 amounted to 5,217, reduced of 31units compared to the same period of 2017. The change is mainly due by the increase in factory workers in the Serbian Plant and the decrease in shop employees due to the planned rationalization of DOS network.

7. Restructuring charges

During first half of 2017, special items were recorded for an amount of Euro 6,5 million mainly due to the termination of employment of the previous Chief Executive Officer (Euro 4.3 million), the costs related to the arbitration with the previous distributor for the Chinese marked and the optimization of the network of directly operated and franchised stores. During the first half 2018 special items amount to 2.1 million and relate mainly to the organizational review of staff resources.

8. Net interest

This item is made up as follows:

	I half 2018	I half 2017	Change
Interest income	2,593	8,002	(5,409)
Interest expense	(5,366)	(11,174)	5,808
Exchange differences	328	(10)	338
Total	**(2,445)**	**(3,182)**	**737**

Interest income is made up as follows:

	I half 2018	I half 2017	Change
Interest from banks	20	28	(8)
Interest from customers	158	263	(105)
Other interest income	2,415	7,711	(5,296)
Total	**2,593**	**8,002**	**(5,409)**

Other interest income mainly consists of the effect of accounting for financial derivatives as explained in note 30.

Interest expense is made up as follows:

	I half 2018	I half 2017	Change
Bank interest and charges	208	117	91
Interest on loans	108	307	(199)
Other interest expense	3,354	9,319	(5,965)
Financial discounts and allowances	1,696	1,431	265
Total	**5,366**	**11,174**	**(5,808)**

The increase in "Interest on loans" is mainly due to the increase in the average debts towards banks.

Other interest expense mainly consists of the effect of accounting for financial derivatives as explained in note 30.

Financial discounts and allowances relate to the discounts granted to customers who pay in advance, as per practice in various European markets.

Exchange differences are made up as follows:

	I half 2018	I half 2017	Change
Exchange gains	28,884	23,408	5,476
Exchange losses	(28,556)	(23,418)	(5,138)
Total	**328**	**(10)**	**338**

9. Income taxes

Income taxes for the first half of 2018 are equal to Euro 4.8 million, compared with Euro 5.9 million in the same period last year, defining a tax rate of 76.1%.

The following table shows reconciliation between the Group's effective tax burden and its theoretical tax charge, based on the current tax rate in force during the period in Italy (the country of Geox S.p.A., the Parent Company):

	I half 2018	%	I half 2017	%
PBT	6,367	100.0%	14,265	100.0%
Theoretical income taxes (*)	1,528	24.0%	3,923	27.5%
Effective income taxes	4,848	76.1%	5,887	41.3%
Difference due to:	**3,320**	**52.1%**	**1,964**	**13.8%**
1) different tax rates applicable in other countries	(120)	(1.9%)	(435)	(3.0%)
2) permanent differences:				
i) IRAP and other local taxes	566	8.9%	919	6.4%
ii) other	2,874	45.1%	1,979	13.9%
Total difference	**3,320**	**52.1%**	**2,463**	**17.3%**

(*) Theoretical income taxes based on the tax rates applicable to Geox S.p.A.

It is to be noted that this tax amount is approximately Euro 2.7 million higher owing to the non-recognition of deferred tax assets for certain loss-making subsidiaries abroad, which currently do not show any signs of a fast recovery. Without this element, taxes would therefore have amounted to Euro 2.2 million with an adjusted tax rate of approximately 35%.

10. Earnings per share

EPS is calculated by dividing the net income for the period attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the net income for the period attributable to the Parent Company's shareholders by the weighted average number of shares outstanding during the period, taking into account the effects of all potentially dilutive ordinary shares (for example, vested options under a stock option plan that have not yet been exercised).

The following table shows the result and the number of ordinary shares used to calculate basic and diluted EPS in accordance with IAS 33:

	I half 2018	I half 2017	2017
Earning per share (Euro)	0.01	0.03	0.06
Diluted earnings per share (Euro)	0.01	0.03	0.06
Weighted average number of shares outstanding:			
- basic	259,207,331	259,207,331	259,207,331
- diluted	259,207,331	259,207,331	259,207,331

11. Intangible assets

Intangible assets are made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Industrial patents and intellectual property rights	11,382	13,404	(2,022)
Trademarks, concessions and licenses	551	610	(59)
Key money	33,015	34,589	(1,574)
Assets in process of formation and payments on account	1,855	2,320	(465)
Goodwill	1,138	1,138	-
Total	**47,941**	**52,061**	**(4,120)**

The following table shows the changes in intangible assets during first half 2018:

	12-31-17	Purchases and capital.	Transla-tion Differen-ces	Amort./ write-down	Disposals	Other Changes	06-30-18
Intangible assets with finite useful life:							
Industrial patents and intellectual property rights	13,404	1,148	(2)	(3,588)	(1)	421	11,382
Trademarks, concessions and licenses	610	2	-	(61)	-	-	551
Key money	34,589	731	(7)	(2,333)	(800)	835	33,015
Assets in process of formation and payments on account	2,320	790	-	-	-	(1,256)	1,855
Intangible assets with an indefinite useful life:							
Goodwill	1,138	-	-	-	-	-	1,138
Total intangible assets	**52,061**	**2,671**	**(9)**	**(5,982)**	**(801)**	**-**	**47,941**

Investments during the period mainly concern:

- personalization of the IT system for a total of Euro 925 thousand;
- the costs incurred for the registration, extension and protection of patents in various parts of the world (Euro 223 thousand);
- key money costs (Euro 731 thousand) for the amounts paid to access leased properties by taking over existing contracts or persuading tenants to terminate their contracts so that new ones could be signed with the landlords. The premises were then fitted out as Geox shops;
- assets in process of formation for a total of Euro 790 thousand. Such amounts mainly include the sums paid for the further implementations and customizing of the new IT system.

Each shop is considered a CGU and, other than those flagship stores, which, despite being open for more than two years showed negative results in terms of operating margin, it was decided to assess the recoverability of the carrying value on the basis of expected results in the next 12 months. If the value in use of a CGU is lower than its book value, its assets are written down accordingly. The intangible assets impairment fund amounts to Euro 427 thousand as of June 30, 2018 (Euro 496 thousand as of December 31, 2017).

12. Property, plant and equipment

Details of property, plant and equipment are shown in the following table:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Changes
Land and buildings	9,982	10,404	(422)
Plant and machinery	8,856	8,770	86
Industrial and commercial equipment	3,301	3,503	(202)
Other assets	12,679	12,797	(118)
Leasehold improvements	24,411	24,254	157
Construction in progress and payments on account	785	1,598	(813)
Total	**60,014**	**61,326**	**(1,312)**

The following table shows the changes in property, plant and equipment during first half 2018:

	12-31-17	Purchases and capital.	Translation Differences	Amort./ write-down	Disposals	Other Changes	06-30-18
Land and buildings	10,404	16	12	(450)	-	-	9,982
Plant and machinery	8,770	316	6	(1,113)	(83)	960	8,856
Industrial and commercial equipment	3,503	1,350	-	(1,551)	(1)	-	3,301
Other assets	12,797	3,006	(33)	(3,041)	(84)	34	12,679
Leasehold improvements	24,254	4,186	9	(4,292)	(234)	488	24,411
Construction in progress and payments on account	1,598	668	1	-	-	(1,482)	785
Total property, plant and equipment	**61,326**	**9,542**	**(5)**	**(10,447)**	**(402)**	**-**	**60,014**

Investments during the period mainly concern:

- The purchase of equipment by the productive subsidiary in Serbia;
- The purchase of industrial equipment (mainly moulds for shoe soles) by the Parent Company Geox S.p.A. and its productive subsidiary in Serbia;
- Geox shop fittings and hardware for Euro 2,769 thousand, office and showroom fittings for Euro 65 thousand, office and head office hardware for Euro 172 thousand;
- leasehold improvements of Euro 4,186 thousand. These additions relate to industrial buildings and offices for Euro 248 thousand and to premises fitted out as Geox Shop for Euro 3,938 thousand;
- construction in progress of Euro 668 thousand. These additions include amounts paid for the restyling of some Geox Shops and amounts paid for the headquarter extraordinary maintenance of the parent company Geox S.p.A. and subsidiary company Xlog S.r.l..

Each shop is considered a CGU and, other than those flagship stores, which, despite being open for more than two years showed negative results in terms of operating margin, it was decided to assess the recoverability of the carrying value on the basis of expected results in the next 12 months. If the value in use of a CGU is lower than its book value, its assets are written down accordingly. The tangible assets impairment fund amounts to Euro 1,751 thousand as of June 30, 2018 (Euro 1,988 as of December 31, 2017).

Other assets are made up as follows:

	Balance at June 30,2018	**Balance at Dec. 31, 2017**	**Change**
Electronic machines	2,218	2,468	(250)
Furniture and fittings	10,417	10,267	150
Motor vehicles and internal transport	44	62	(18)
Total	**12,679**	**12,797**	**(118)**

13. Deferred taxes

The following table analyses the change in deferred tax assets and the nature of the items and temporary differences that gave rise to them. The Group has offset the deferred tax assets and liabilities as the law permits the compensation of fiscal assets with fiscal liabilities.

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Carry-forward tax losses	533	2,531	(1,998)
Depreciation and amortization and impairment	6,997	7,132	(135)
Evaluation derivates	-	3,551	(3,551)
Provision for obsolescence and slow-moving inventory and returns	17,168	16,809	359
Provision for agents' severance indemnities	581	606	(25)
Other	7,089	6,993	96
Deferred tax assets	**32,368**	**37,622**	**(5,254)**
Depreciation and amortization and impairment	(1,125)	(1,191)	66
Evaluation derivates	(350)	-	(350)
Other	(59)	(37)	(22)
Deferred tax liabilities	**(1,534)**	**(1,228)**	**(306)**
Total deferred taxes	**30,834**	**36,394**	**(5,560)**

The deferred tax assets on carry-forward tax losses, which amounted to Euro 533 thousand at June 30, 2018, show a significant reduction compared to December 31, 2017 mainly due to the positive results generated by Italian companies. This amount has been subjected to a strict evaluation by the directors in order to book it only if future taxable profit are likely to occur, against which such losses can be utilized.

Derivatives that are defined as cash flow hedges and valued on a mark-to-market basis booked directly to equity require all related taxes also to be booked directly to equity and not to the income statement. The income taxes booked directly to equity amount to Euro 350 thousand (positive of Euro 3,568 thousand as of December 31, 2017).

Deferred tax assets included in "Other" are mainly related to provisions for liabilities and charges (note 26).

Deferred tax assets have been calculated at the tax rates applied in the various countries concerned.

14. Other non-current assets

Other non-current assets are made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Accounts receivable from others in 1 to 5 years	10,164	10,469	(305)
Accounts receivable from others in more than 5 years	2,650	3,043	(393)
Total	**12,814**	**13,512**	**(698)**

Accounts receivable from others mainly relate to guarantee deposits for utilities and shop leases for Euro 8,248 thousand (from 1 to 5 years: Euro 5,663 thousand; over 5 years: Euro 2,585 thousand), accounts receivable, payable from 1 to 5 years, for Euro 971 thousand and prepaid expenses for lease payments made in advance for Euro 3,595 thousand (from 1 to 5 years: Euro 3,530 thousand; over 5 years: 65 thousand).

15. Inventories

The following table shows the breakdown of inventories:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Raw materials	8,637	11,483	(2,846)
Work in process and semi-finished products	446	428	18
Finished products and goods for resale	294,129	270,531	23,598
Furniture and fittings	760	785	(25)
Total	**303,972**	**283,227**	**20,745**

Inventories of finished products include goods in transit acquired from countries in the Far East.

Furniture and fittings relate to furnishings that will be used or sold to franchisees for opening new Geox Shops.
The book value of inventories is not significantly different from their current cost at the end of the period.

Inventories are shown net of the provision for obsolete and slow-moving inventory, which is considered adequate for a prudent valuation of finished products from previous collections and raw materials that are no longer used.

The provision for obsolete and slow-moving inventory is analyzed below:

Balance at January 1	**14,895**
Provisions	18,228
Translation differences	(19)
Utilizations	(14,937)
Balance at June 30	**18,167**

The write-down mainly reflects the adjustment to market value based on statistical forecasts of discounted sales of products from previous collections.

16. Accounts receivable

Accounts receivable are made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Gross value	195,019	174,396	20,623
Provision for bad and doubtful accounts	(12,729)	(11,936)	(793)
Provision for returns and credit notes	(44,054)	(42,104)	(1,950)
Net value	**138,236**	**120,356**	**17,880**

Accounts receivable amounted to Euro 195.0 million at June 30, 2018.

It has to be noted that this item was influenced by non-recourse factoring transactions, amounting to Euro 18,374 thousand at December 31, 2017 and to Euro 3,633 thousand at June 30, 2018.

The following is an ageing analysis of accounts receivable:

	Not yet due	Past due 0 - 90 days	Past due 91 - 180 days	Past due over 180 days	Total
Gross value of trade receivables at June 30, 2018	133,333	34,776	12,501	14,409	**195,019**
Gross value of trade receivables at December 31, 2017	120,471	33,796	12,079	8,050	**174,396**

As regards the sales made to individual customers, there are no situations of particular concentration as all are well under the threshold of 10% of total revenues.

The book value of trade receivables coincides with their fair value.

The Group continues to maintain tight control over credit. This management practice ensures that the investment in working capital is limited.
Accounts receivable are adjusted to their estimated realizable value by means of a provision for bad and doubtful accounts based on a review of individual outstanding balances. The provision at June 30, 2017 represents a prudent estimate of the current collection risk.

Changes in the provision during the year are as follows:

Balance at January 1	**11,936**
Provisions	1,597
Translation differences	(34)
Utilizations	(770)
Balance at June 30	**12,729**

The risk of customer insolvency is significantly mitigated as specific contracts with leading credit insurance companies cover credit risk on most of the turnover. The clauses provide that, initially, the insurance is configured solely as a request to accept the credit risk up to previously agreed credit limits. The insurance does become operating only after a formal communication of non-payment by the due date. The increase of the fund is relative to the prudent assessment of the risk on the portion of receivables not covered by insurance.

Changes in the provision for returns and credit notes during the first half of 2018 are as follows:

Balance at January 1	**42,104**
Provisions	43,243
Translation differences	99
Utilizations	(41,392)
Balance at June 30	**44,054**

The provision for returns has been estimated based on the potential returns and credit notes arising from the trade agreements signed with customers, in particular with franchising ones.

17. Other non-financial current assets

This item is made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Tax credits	5,081	4,313	768
VAT recoverable	2,060	5,871	(3,811)
Advances to vendors	1,779	1,697	82
Other receivables	9,121	6,411	2,710
Accrued income and prepaid expenses	8,199	7,076	1,123
Total	**26,240**	**25,368**	**872**

As at June 30, 2018 the Group has a tax credit for an amount of Euro 1,891 thousand (Euro 1,891 thousand at the end of 2017) towards the ultimate Parent Company LIR S.r.l..

Other receivables include:

- Euro 3,633 thousand related non-recourse factoring transactions;
- Euro 1,192 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received;
- Euro 1,290 thousand of customs duty paid in USA on the purchase of goods to be sent to Canada; the Group will obtain a rebate of this amount from the local tax authorities.

Prepaid expenses mainly include prepayments for rent and for other rentals.

18. Financial assets and liabilities

The book value of the financial assets and liabilities shown below coincides with their fair value.

The following table shows the breakdown of this item:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Term bank deposits	22	22	-
Total non current financial assets	**22**	**22**	**-**
Fair value derivative contracts	3,485	1,692	1,793
Loans granted by Geox	487	418	69
Total current financial assets	**3,972**	**2,110**	**1,862**
Fair value derivative contracts	(2,712)	(22,218)	19,506
Other current financial liabilities	(69)	(117)	48
Total current financial liabilities	**(2,781)**	**(22,335)**	**19,554**

The term bank deposits of Euro 22 thousand include amounts lodged to guarantee rent contracts on foreign shops.

As regards the mark-to-market derivative contracts, see the comments in note 30.

19. Cash and cash equivalents

The amount of Euro 28,217 thousand relates to short term deposits for Euro 11 thousand, a current account in Euro for Euro 19,957 thousand, a current account in US Dollars for Euro 1,995 thousand, a current account in Chinese Yuan for Euro 835 thousand, a current account in Canadian Dollars for Euro 818 thousand, a current account in British Pound for Euro 906 thousand, a current account in Hong Kong Dollars for Euro 580 thousand, a current account in Swiss Franc for Euro 551 thousand, a current account in Rubles for Euro 601 thousand and a current account in other currencies for the rest. The term deposits relate to investments of surplus cash remunerated at a rate linked to Euribor. The cash on the current account in US Dollars is used to pay suppliers in the Far East when their invoices fall due; it has a yield substantially in line with the reference rate.

The book value of the financial assets and liabilities shown below coincides with their fair value.

20. Equity

Share capital

The share capital of Euro 25,921 thousand is fully paid and is made up of 259,207,331 shares with a par value of Euro 0.10 each.

Other reserves

This item is made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Legal reserve	5,184	5,184	-
Share premium reserve	37,678	37,678	-
Translation reserve	(2,436)	(1,164)	(1,272)
Reserve for cash flow hedges	1,186	(11,845)	13,031
Retained earnings	278,552	278,326	226
Total	**320,164**	**308,179**	**11,985**

The legal reserve amounts to Euro 5,184 thousand. This reserve is not distributable.

The share premium reserve was set up for Euro 33,466 thousand in 2004 as a result of the public offering of shares which increased the share capital by Euro 850 thousand.
During 2005, this reserve was increased by Euro 1,548 thousand following the early exercise of a tranche of the stock option plans reserved for management; this involved an increase in capital of Euro 34 thousand.
During 2008, this reserve was increased by Euro 2,635 thousand following the early exercise of the stock option plans reserved for management; this involved an increase in capital of Euro 36 thousand.
During 2009, this reserve was increased by Euro 29 thousand following the early exercise of the stock option plans reserved for management; this involved an increase in capital of Euro 1 thousand.

The reserve for cash flow hedges amounts to Euro 1,186 thousand. This reserve originated as a result of valuing the financial instruments defined as cash flow hedges at June 30, 2018. Fair value valuation of cash flow hedges is stated net of the tax effect as explained in greater detail in note 30. This reserve is not distributable.

Retained earnings consist of unallocated results earned in previous years for an amount of Euro 199,187 thousand.

Amounts are shown net of tax, where applicable.

21. Employee severance indemnities

Employee severance indemnities at June 30, 2018 amount to Euro 2,669 thousand, as shown in the following table:

Balance at December 31, 2017	**2,698**
Reversal of 0.50% withholding	(132)
Reversal of flat-rate tax	(5)
Payments to supplementary pension schemes	(546)
Advances granted to employees	(304)
Provision for the period	2,014
Payments to supplementary pension schemes run by INPS and amount paid to leavers	(1,065)
Change as a result of actuarial calculations	1
Translation differences	8
Balance at June 30, 2018	**2,669**

Changes in the provision for severance indemnities during first half 2018 show a utilization of Euro 546 thousand for payments to supplementary pension funds and one of Euro 1,065 thousand for payments to supplementary pension schemes run by INPS. This is because, based on the legislative changes introduced by Law 296/06, with effect from June 30, 2007, severance indemnities accruing after January 1, 2007 have to be paid by companies (with more than 50 employees) to a special treasury fund set up by INPS or, if the employee prefers, to a supplementary pension fund that complies with D.Lgs 252/05.

Instead, companies book a short-term payable which is then cancelled when the amount is paid over to INPS.

The actuarial valuation of the severance indemnities is carried out on the basis of the Projected Unit Credit Method in accordance with IAS 19. This method involves measurements that reflect the average present value of the pension obligations that have been accrued on the basis of the period of service that each employee has worked up to the time that the valuation is carried out, without extrapolating the employee's pay according to the legislative amendments introduced by the recent Pension Reform. The various stages of the calculation can be summarized as follows:

- for each employee on the books at the date of the valuation, an extrapolation of the severance indemnity already accrued up to the time that it will probably be paid;
- for each employee, a calculation of the severance indemnity that will probably have to be paid by the Company when the employee leaves due to dismissal, resignation, disability, death and retirement, as well as if an advance is requested;
- discounting the probable payments to the date of the valuation.

The actuarial model used for the valuation of the provision for severance indemnities is based on various assumptions, some demographic, others economic and financial. The main assumptions used in the model are as follows:

- mortality rates: RG48 life expectancy table
- disability rates: INPS tables split by age and gender
- employee turnover rate: 2.00%
- discount rate: 1.42%
- rate of severance indemnities increase: 2.625%
- inflation rate: 1.50%

The following table shows the effect that there would be on the obligation for the defined benefit obligation as a result of changes of significant actuarial assumptions at the year-end:

Changes in assumptions	
+1% employee turnover rate	(26)
-1% employee turnover rate	30
+1/4% inflation rate	55
-1/4% inflation rate	(53)
+1/4% discount rate	(81)
-1/4% discount rate	86

22. Provisions for liabilities and charges

This item is made up as follows:

	Balance at Dec. 31, 2017	**Utilization**	**Provisions**	**Translation differences**	**Actuarial adjustment**	**Balance at June 30, 2018**
Provision for agents' severance indemnities	4,694	(106)	194	(47)	(86)	4,649
Other	416	(376)	80	-	-	120
Total	**5,110**	**(482)**	**274**	**(47)**	**(86)**	**4,769**

The "provision for agents' severance indemnities" is provided for on the basis of legislative rules and collective agreements that regulate situations in which agency mandates may be terminated.
Provisions represent the best estimate of the amount that the business would have to pay to settle the obligation or transfer it to third parties at the balance sheet date. The cumulative effect of the actuarial valuation carried out in accordance with IAS 37 amounts to Euro 214 thousand.

"Other" reflects mainly an estimate of the risks involved in outstanding disputes.

23. Long-term loans

Long-term loans amounted to Euro 2,562 thousand and refer entirely to the parent company Geox S.p.A.. The item includes the long-term portion of the floating rate loan signed during 2018 for a total amount of Euro 5.0 million and expiring date July 29, 2019.

24. Other long-term payables

This item is made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Guarantee deposits	1,303	1,116	187
Accrued expenses and deferred income	5,382	6,223	(841)
Total	**6,685**	**7,339**	**(654)**

The guarantee deposits received from third parties have to guarantee business lease contracts (for Geox Shops).

Accrued expenses and deferred income mainly relate to shop lease contracts and the amount due beyond 12 months of the grant received by Republic of Serbia for the construction and start-up of the factory in Vranje for a residual amount of Euro 4,426 thousand.

25. Accounts payable

Accounts payable at June 30, 2018 amount to Euro 189,585 thousand, showing an increase of Euro 12,279 thousand if compared with December 31, 2017. All amounts are due within the next 12 months.

Terms and conditions of the above financial liabilities:

- Trade payables are normally settled within 30-90 days and do not generate interest;
- The terms and conditions applied to related parties are the same as those applied to third parties.

The book value of accounts payable coincides with their fair value.

26. Other non-financial current liabilities

This item is made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Social security institutions	3,509	4,796	(1,287)
Employees	16,759	11,706	5,053
Provisions for liabilities and charges	4,620	4,572	48
Other payables	6,690	7,816	(1,126)
Accrued expenses and deferred income	7,415	7,230	185
Total	**38,993**	**36,120**	**2,873**

The amounts due to social security institutions mainly relate to pension contributions for the first half of 2018, paid in the second half.

The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of June 30, 2018.

The provisions for liabilities and charges mainly include the estimated costs related to the change in corporate governance started in the previous years.

Other payables include mainly advances received from customers and the short term portion of deposits received.

Accrued expenses and deferred income mainly relate to shop lease contracts for the period and the amount due within 12 months of the grant received by Republic of Serbia for the construction and start-up of the factory in Vranje.

27. Taxes payable

This item is made up as follows:

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Witholding taxes	3,602	3,756	(154)
VAT payable	3,952	3,983	(31)
Income taxes for the period	2,515	1,071	1,444
Total	**10,069**	**8,810**	**1,259**

28. Bank borrowings and current portion of long-term loans

	Balance at June 30,2018	Balance at Dec. 31, 2017	Change
Cash advances	12,545	12,729	(184)
Advances against orders	10,000	-	10,000
Loans	24,000	32,000	(8,000)
Total	**46,545**	**44,729**	**1,816**

The item “loans” refers entirely to the parent company Geox S.p.A. and includes the portion due within 12 months (Euro 2.5 million) of the outstanding loans (see note 23), the residual amount (Euro 10.5 million) of the floating rate loans signed in previous years due within 12 months and the revolving credit lines for an amount of Euro 11 million and floating rate.

The loans signed in previous years are subject to a financial covenant for which Group net financial position must be lower than 75% of Group Equity.

This covenant has been accomplished at balance sheet date.

29. Share-based payments

Stock option plans

In accordance with IFRS 2, the adoption of a stock option plan requires that the fair value of the options at the grant date is recognized as a cost. This cost is charged to the income statement over the vesting period, and a specific equity reserve is booked. The fair value of these options has been determined by an independent expert using the binomial method.
At the date of this report there is only one cycle of stock option plan. The cycle is made up of a vesting period, from the date the options are granted, and a maximum period to exercise them (exercise period). Any options not vesting or, in any case, not exercised by the expiration date are automatically cancelled to all effects, releasing both the Company and the beneficiary from all obligations and liabilities.

The ability to exercise the options, which is determined tranche by tranche, depends on the Company achieving certain cumulative targets during the vesting periods, based on economic ratios, as shown in the Geox Group's consolidated business plan. If targets are not achieved, no costs are charged to the Financial Statements.

30. Risk management: objectives and criteria

Credit risk

Geox Group policy is to insure its trade receivables, thereby minimizing the risk of bad debts due to non-payment and/or significant payment delays on the part of customers. The policy of insuring against credit risk is applied to the main part of the Geox Group's accounts receivable from third parties.

The maximum risk involved in the Group's financial assets, which include cash and cash equivalents, derivative and other financial assets, is the book value of these assets in the event of counterparty insolvency.

Interest rate risk

Indebtedness to the banking system exposes the Group to the risk of interest rate fluctuations. Floating rate loans, in particular, run the risk of cash flow variations. At 30 June 2018, the Group's indebtedness to the banking system amounts to Euro 49.2 million and is entirely floating rate. This floating rate debt is based on loans and technical forms related to working capital and is therefore self-liquidating (orders, invoices, bills); in other words, it is short term and linked to the Group's normal business activity with frequent extinctions and re-openings during the course of the year according to seasonal nature of the sector's financial cycle.
In this context, given expectations of lower interest rates and the short-term nature of the debt, the Group did not deem it necessary to implement general policies to hedge the risk of interest rate fluctuations, but rather entered into a 3-year Interest Rate Swap (IRS) transaction to hedge the medium-long term loan taken out in 2016 for a residual amount of Euro 8.0 thousand and a 0.62% rate.

In terms of sensitivity analysis, we would emphasize that a positive (negative) variation of 50 b.p. in the level of interest rates applicable to short-term variable-rate financial liabilities that are not hedged would have resulted in a higher (lower) annual financial burden, gross of tax, of approximately Euro 339 thousand.

Exchange risk

The Geox Group also carries on its activity in countries outside the Euro-zone, which means that exchange rate fluctuations are an important factor to be taken into consideration.

The principal exchange rates to which the Group is exposed are the following:

- EUR/USD, in relation to purchases of finished product in U.S. dollars, made by Geox S.p.A., typically in the Far East, where the U.S. dollar is the reference currency for trade;
- EUR/GBP, EUR/CHF, EUR/RUB, EUR/PLN in relation to sales in the British, Swiss, Russian and Polish territories;
- USD/CAD, in relation to sales in Canadian dollars made by the subsidiary of the Group in the U.S. to Canada.

The Group initially calculates the amount of exchange risk, from trading transactions forecast for the coming 12 months, that is involved in the budget for the coming period. It then gradually hedges this risk during the process of order acquisition to the extent that the orders match the forecasts. These hedges take the form of specific forward contracts and options for the purchase and sale of the foreign currency. Group policy is not to arrange derivative transactions for speculative purposes.

The Board of Directors believes that the risk management policies adopted by the Geox Group are appropriate.

Group companies may find themselves with trade receivables or payables denominated in a currency different from the money of account of the company itself. In addition, it may be convenient from an economic point of view, for companies to obtain finance or use funds in a currency different from the money of account.
Changes in exchange rates may result in exchange gains or losses arising from these situations. It is the Group's policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the company's money of account.

Some of the Group's subsidiaries are located in countries which are not members of the European monetary union. As the Group's reference currency is the Euro, the income statements of those entities are converted into Euro using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the result in Euro.

The assets and liabilities of consolidated companies whose money of account is different from the Euro may acquire converted values in Euro which differ based on the fluctuation in exchange rates. The effects of these changes are recognized directly in the item Cumulative Translation Adjustments reserve, included in Other Comprehensive income.

There have been no substantial changes in first half 2018 in the nature or structure of exposure to currency risk or in the Group's hedging policies.

Liquidity risk

The sector in which the Group operates is very seasonal in nature. The year can be split into two collections (Spring/Summer and Fall/Winter), which more or less coincide with the first and second half. On the one hand, purchases and production are concentrated in the three months prior to the half-year in question, leading to an increase in inventory and, subsequently, the absorption of cash. On the other the wholesale and franchising sales are concentrated in the first three months of the half-year in question, transforming inventory into receivables. The same period sees the completion of payment of accounts payable. Receipts from customers and end consumers, on the other hand, are collected before the end of the half-year in question. These situations bring about very strong seasonal trends, also in the Group's financial cycle, which leads to peaks of absorption of financial resources in December to February and in June to August.

The Group manages liquidity risk by maintaining tight control over the various components of working capital, especially inventory and accounts receivable. The Group's credit risk hedging policies guarantee short-term collection of all accounts receivable, even those from customers in financial difficulty, eliminating almost entirely the risk of insolvency. In addition, the finished products remained in stores at the end of the season are then disposed of in a planned way in the outlets owned by the Group and through promotional sales to third parties.

The Group also has bank lines of credit in line with the strong balance sheet and which are also roomy compared to seasonal phenomena described above.

Fair value and related hierarchy

As at June 30, 2018 financial instruments are as follows:

	Notional value on 06-30-18	Fair value on 06-30-18 (debit)	Fair value on 06-30-18 (credit)
FX Forward buy agreements to hedge exch. rate risk	116,637	1,770	(247)
FX Forward sell agreements to hedge exch. rate risk	142,989	528	(2,455)
FX Currency Option agreem. to hedge exch. rate risk	212,702	1,187	-
Interest Rate Swap	8,000	-	(10)
Total financial assets/(liabilities)	**480,328**	**3,485**	**(2,712)**

IFRS 7 requires financial instruments recognized in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

The following levels are used in this hierarchy:

- Level 1 – quoted prices in active markets for the assets or liabilities being measured;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) on the market;
- Level 3 – inputs that are not based on observable market data.

All the financial assets and liabilities measured at fair value at June 30, 2018 are classified on Level 2. In first half 2018 there were no transfers from Level 1 to Level 2 or to Level 3 or vice versa.

The Group holds the following derivatives to cover exchange rate fluctuations at June 30, 2018:

- FX forward exchange agreements to hedge future purchases and sales of foreign currency;
- FX Currency Option agreements for future purchases and sales of foreign currency.

These agreements hedge future purchases and sales planned for the Fall/Winter 2018 and Spring/Summer 2019 seasons.

The fair value mentioned above agrees with the amount shown in the balance sheet. The fair value measurement of the derivatives being analyzed was carried out by means of independent valuation models on the basis of the following market data posted on June 30, 2018:

- Short-term interest rates on the currencies in question as quoted on www.euribor.org and www.bba.org.uk;
- The spot exchange rates taken directly from the European Central Bank's website and the relative volatility posted by Bloomberg.

With regard to derivative financial instruments to hedge the interest rate risk, at June 30, 2018, the Group held only an Interest Rate Swap (IRS), used to alter the profile of original interest rate risk exposure from variable rate to fixed rate. On set dates, this IRS exchanges interest flows with the counterparties, calculated on the basis of a reference notional value, at the agreed fixed and variable rates.

31. Related-party transactions

Pursuant to IAS 24, the Group's related parties are companies and people who are able to exercise control or significant influence and associated companies. Finally, are considered related parties the members of the Board of Directors, the Statutory Auditors and Executives with strategic roles of the Group and their families.

The Group has dealings with the ultimate parent company (LIR S.r.l.) and with third parties that are directly or indirectly linked by common interests to the majority shareholder. The commercial relations with these parties are based on the utmost transparency and normal market conditions. The main transactions refer to leases for buildings used by the Group and are reclassified in the items "General and administrative expenses".

The main effects on profit and loss of the transactions with these parties for first half 2018 and 2017 are summarized below:

	Total I half 2018	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	**414,081**	-	138	-	**138**	**0.03%**
Cost of sales	**(205,226)**	-	25	-	**25**	**-0.01%**
General and administrative expenses	**(161,589)**	(145)	(2,941)	(4)	**(3,090)**	**1.91%**
Advertising and promotion	**(12,786)**	(82)	(2)	-	**(84)**	**0.66%**

	Total I half 2017	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	**451,120**	-	34	-	**34**	**0.01%**
General and administrative expenses	**(162,962)**	(144)	(924)	(2)	**(1,070)**	**0.66%**
Advertising and promotion	**(10,499)**	(150)	-	-	**(150)**	**1.43%**

The main effects on financial statement of the transactions with these parties at June 30, 2018 and at December 31, 2017 are summarized below:

	Balance at June 30, 2018	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Accounts receivable	**138,236**	23	172	-	**195**	**0.14%**
Other non-financial current assets	**26,240**	1,901	-	-	**1,901**	**7.24%**
Accounts payable	**189,585**	93	56	-	**149**	**0.08%**

	Balance at December 31, 2017	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Accounts receivable	**120,356**	52	82	-	**134**	**0.11%**
Other non-financial current assets	**25,368**	1,902	-	-	**1,902**	**7.50%**
Accounts payable	**177,306**	151	1,352	-	**1,503**	**0.85%**

32. Commitments and contingent liabilities

The Group has stipulated leases for a number of industrial and commercial premises with an average duration of 5-6 years in Italy and 10 years on average abroad. In certain cases, mainly in Italy, the contract provides for tacit renewal on expiry for another 6 years. These contracts can be index-based according to the annual trend in ISTAT's consumer-price index.

The future rental payments under these contracts, as of June 30, are as follows:

	06-30-2018
Within 1 year	70,268
Within 1-5 years	155,491
Beyond 5 years	63,540
Total	**289,299**

33. Significant subsequent events after June 30, 2018

None.

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Biadene di Montebelluna, July 31, 2018

for the Board of Directors
The Chairman
Mr. Mario Moretti Polegato

Attachment I

Biadene di Montebelluna, July 31, 2018

ATTESTATION

OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART- 154-BIS, PARAS. 5 AND 5-BIS OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998 "THE FINANCIAL INTERMEDIATION CODE".

The undersigned Matteo Carlo Maria Mascazzini, Chief Executive Officer of Geox S.p.A. and Livio Libralesso, Financial Reporting Manager of Geox S.p.A., attest, bearing in mind the provisions of art. 154-bis, paras. 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the enterprise and
- the effective application,

of the administrative and accounting procedures for preparing the consolidated financial statements during first half 2018.

They also confirm that the consolidated financial statements:

a) agree with the books of account and accounting entries;

b) are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued to implement art. 9 of Legislative Decree 38/2005, and to the best of their knowledge, they are able to give a true and fair view of the assets and liabilities, results and financial position of the Issuer and of the other enterprises included in the consolidation;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of June 30, 2018;

d) Director's report includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Matteo Carlo Maria Mascazzini
CEO

Livio Libralesso
Financial Reporting Manager

Attachment 2

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2018

Location	Year end	Currency	Share capital	% held Directly	Indirectly	Total
Biadene di Montebelluna (TV), Italy	Dec. 31	EUR	25,920,733			
Munich, Germany	Dec. 31	EUR	500,000	100%		100%
Barcelona, Spain	Dec. 31	EUR	1,500,000	100%		100%
Lugano, Switzerland	Dec. 31	CHF	200,000	100%		100%
London, U.K.	Dec. 31	GBP	1,050,000	100%		100%
Tokyo, Japan	Dec. 31	JPY	452,500,000		100%	100%
Mississauga, Canada	Dec. 31	CAD	7,500,100		100%	100%
New York, Usa	Dec. 31	USD	1		100%	100%
Breda, Netherlands	Dec. 31	EUR	20,100	100%		100%
Biadene di Montebelluna (TV), Italy	Dec. 31	EUR	100,000	100%		100%
Budapest, Hungary	Dec. 31	HUF	10,000,000	99,00%	1,00%	100%
Athens, Greece	Dec. 31	EUR	220,000	100%		100%
Prievidza, Slovak Rep.	Dec. 31	EUR	6,639		100%	100%
Sallanches, France	Dec. 31	EUR	15,000,000	100%		100%
New York, Usa	Dec. 31	USD	200		100%	100%
Hong Kong, China	Dec. 31	USD	1,282		100%	100%
Signoressa di Trevignano (TV), Italy	Dec. 31	EUR	110,000	100%		100%
Moscow, Russian	Dec. 31	RUB	60,000,000	100%		100%
Wien, Austria	Dec. 31	EUR	35,000	100%		100%
Warszawa, Poland	Dec. 31	PLN	5,000		100%	100%
Lisbon, Portugal	Dec. 31	EUR	300,000	100%		100%
Vranje, Serbia	Dec. 31	RSD	802,468,425	100%		100%
Macau, China	Dec. 31	MOP	5,000,000		100%	100%
Shanghai, China	Dec. 31	CNY	69,269,816		100%	100%
Dongguan, China	Dec. 31	CNY	3,795,840		100%	100%
Istanbul, Turkey	Dec. 31	TRY	1,750,000	100%		100%
Ho Chi Minh City, Vietnam	Dec. 31	VND	3,403,499,500		100%	100%
Biadene di Montebelluna (TV), Italy	Dec. 31	EUR	20,000		100%	100%

Company’s data and information for Shareholders

Registered office

Via Feltrina Centro, 16
31044 Biadene di Montebelluna (TV)

Legal data

Share Capital: Euro 25,920,733.1 i.v.
Economic and Administrative Database no. 265360
Treviso Commercial Register and Taxpayer’s Code no. 03348440268

Investor Relations

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Livio Libralesso
General Manager – Corporate – CFO

Documents for shareholders

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Geox S.p.A.

Introduction

We have reviewed the half-yearly condensed consolidated financial statements of Geox S.p.A. and subsidiaries (Geox Group), which comprise the consolidated statement of financial position as of June 30, 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Geox Group as at June 30, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Treviso, Italy
August 2, 2018

This report has been translated into the English language solely for the convenience of international readers.