GEOX
RESPIRA

ANNUAL REPORT 2018

Annual Report 2018

THE GEOX GROUP

HISTORY

It was almost 25 years ago when Mario Moretti Polegato, founder and chairman of Geox, came up with the revolutionary idea of piercing the rubber soles of his shoes, allowing his feet to breathe during a trip under the hot sun of Reno, in Nevada. So, why not create a product that's as flexible and strong as a normal rubber sole, at the same time as guaranteeing extraordinary performance in terms of breathability and water resistance?

When he got back to Italy, Moretti Polegato decided to develop his idea in a small footwear company belonging to his family, creating a new technology for rubber soles: that's how the first "shoe that breathes" was born, which he immediately patented.

After pitching his invention to well-established footwear companies without success, and, having passed a market test with a range of kids' shoes, Moretti Polegato began manufacturing his Geox shoes independently. He improved and perfected the initial patent and went on to extend the range of products to include not just children's shoes, but men's and women's too.

That's how everyday design encountered avant-garde technology, a project whose very name symbolises its close link with nature and real life. In fact, the word Geox is made up of 'Geo' - the Greek for "earth" - and 'X', the symbol for the most advanced technology, developed in Italian laboratories and exclusively patented throughout the world. This name captures all of the effort and energy of our drive and know-how, our care and attention, using research to support quality and everyday elegance.

"BREATHES" stands for innovation, research and continuous experimentation: a philosophy that unites creativity and performance, style and technology, respect for the environment and for people.

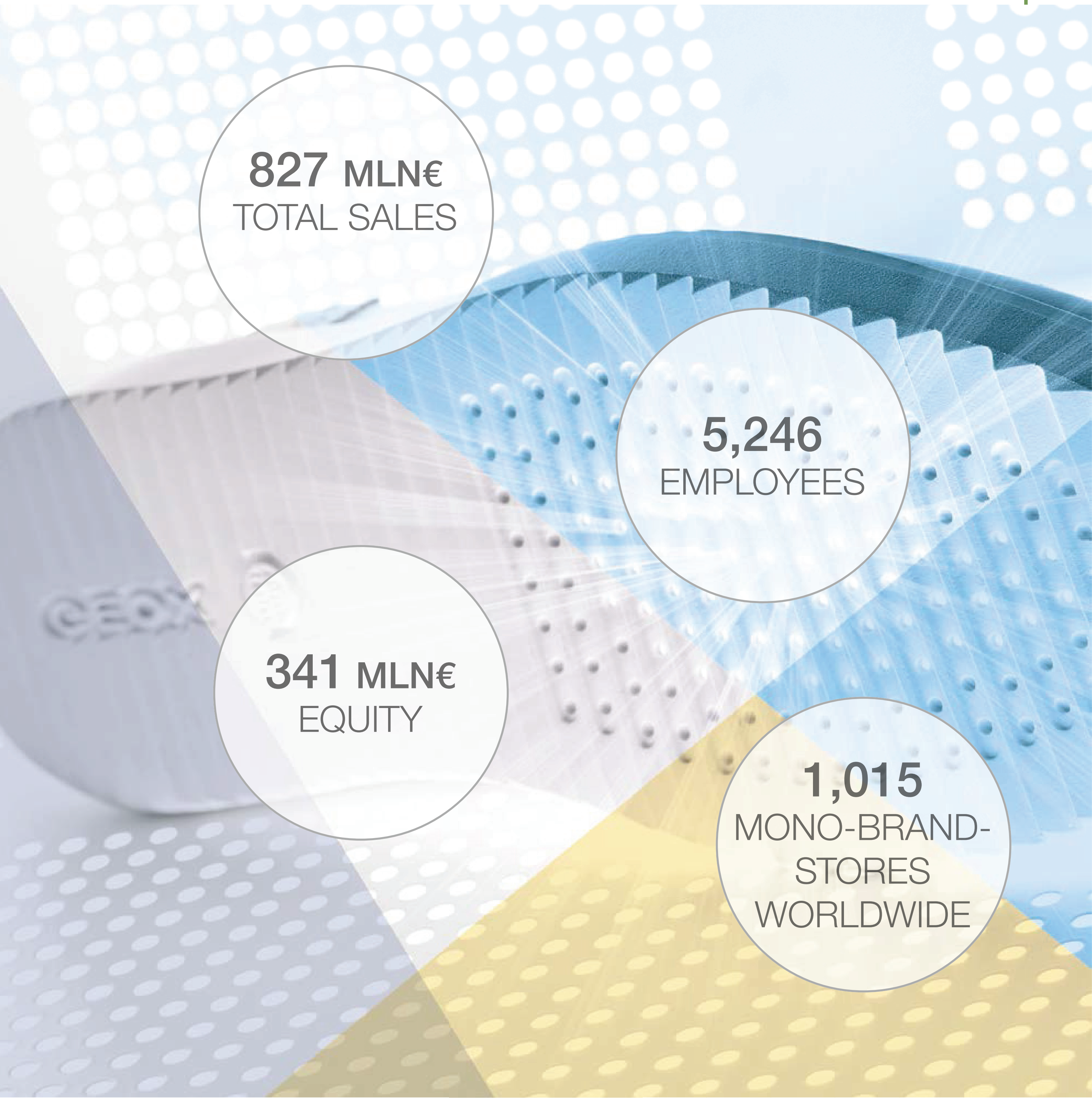

GEOX
RESPIRA
ITALIAN PATENT
32A

GROUP PROFILE

With an extensive distribution network, which includes both wholesale and mono-brand stores, directly operated and franchised, Geox boasts a global leadership position.

Technology, breathability, well-being, Italian style and sustainability are the essence of Geox products.

We believe it is of crucial importance for every company to evolve and put the well-being of the planet and society at the top of their list of priorities.



GEOX'S MISSION

TO BE A UNIQUE, RELEVANT AND POPULAR BRAND ACROSS ALL GLOBAL MARKETS, OFFERING A RANGE OF PRODUCTS THAT "BREATHE", GUARANTEEING MAXIMUM WELL-BEING FOR CONSUMERS

GEOX'S VALUES

INNOVAZIONE
Always open to change and improvement. We use research to identify the most advanced technologies and cutting-edge trends to be incorporated into our unique products.

SUSTAINABILITY
Always taking great care of and fully respecting the people and the environment that surround us. Ethical conduct, equality, diversity, trust.

PASSION
We put our very best into everything we do. We always uphold our values.

WELL-BEING
We love everything to do with well-being and we apply this to everything we do.

EXCELLENCE
Quality, safety and reliability. The utmost attention is paid to every single detail.

CUSTOMER CENTRICITY
Our customers are our guide and our reason for being. Customer satisfaction is our objective.

ITALIAN DNA
We're proud to be Italian. We convey the identity of our roots in every single one of our products.


GEOX

GEOX'S DISTINCTIVE FEATURES

TECHNOLOGY AND INNOVATION

Constant focus on the product with innovative and technological solutions developed by Geox and protected by patents.

FOCUS ON THE CONSUMER

Constant focus on product quality and customer satisfaction, offering a wide range of products for men, women and children, representing affordable and democratic luxury.

HIGH LEVELS OF BRAND RECOGNITION

High levels of recognition of the brand and its distinctive features.

EXTENSIVE DISTRIBUTION NETWORK

Over 1,000 mono-brand stores and a widespread network of wholesale clients throughout the world.

FLEXIBLE SUPPLY CHAIN

A business model mainly based on flexible outsourcing, with a fast lane being guaranteed by the company's own production facilities in Serbia. The critical phases of the value chain are constantly overseen in Italy.

GEOX'S STRATEGY
2019-2021 STRATEGIC BUSINESS PLAN

AN OMNICHANNEL APPROACH AND RETAIL EXCELLENCE
In-depth organisational review in order to make our range of products and customer services increasingly rapid and accurate, across all points of contact.

CUSTOMER FOCUS
New customer relationship model with more advanced use of modern engagement, CRM and clienteling techniques.

STORE NETWORK
Converting the entire mono-brand store network to the new concept by the end of the plan and focusing on the quality of the wholesale channel, both online and offline, strengthening the most important strategic partnerships.

COMMUNICATIONS
Accelerating the evolution of communications strategies, with a greater focus on digital media and the role of social media, to attract target customers who, as of today, are not yet loyal to the brand.

PRODUCT RANGE
Redesigning the range, with collections made up of "core" products that are continuously reviewed and updated, combined with more frequent releases of innovative capsule collections.

EFFICIENCY AND SUSTAINABILITY
Continuation and acceleration, with a lean approach, of all plans to reduce operating costs, and a strong focus on business sustainability, as part of the Group's DNA, with responsible initiatives regarding products and processes.

INNOVATION AT THE FOREFRONT

Geox's mission is to develop technology that breathes.
The company constantly invests in research in order to continuously improve its products: innovative shoes and jackets able to provide maximum breathability, comfort and performance at the same time as offering a modern Italian design.
Geox's technology is protected by some 38 patents and 24 recent patent applications.

The initial "shoe that breathes" patent, with the rubber sole integrated with a special membrane that allows vapour to pass through but not water, was extended to shoes with a leather sole, which are also able to repel and disperse water and humidity.
Geox's new generation of wind and rain proof products reached the peak of breathability and heat-regulation technology in Amphibiox, a range of products offering outstanding levels of insulation and protection, reflecting the excellence of the brand. In addition to this, there's the unique Xand cushioning system, the anatomical softness of Xense, Nebula's lightness and flexibility of use, the Side Transpiration System and the Net Breathing System, guaranteeing super-breathability across the entire surface of the foot.
And that's not all. The main concept of well-being you can wear has been studied, developed and perfected, permeating all of the brand's creations. This concept has been transferred from shoes to clothing collections, allowing outerwear to benefit from the fundamental

AMPHIBIOX®
the waterproof & breathable shoe

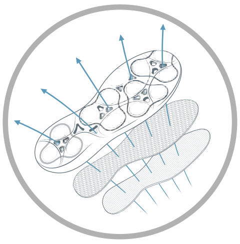
GEOX'S TECHNOLOGICAL SYSTEMS FOR WATER RESISTANCE AND TOTAL BREATHABILITY, SUITABLE FOR ALL WEATHER CONDITIONS

Amphibiox® is the breathable and waterproof solution to suit all requirements in terms of comfort. This waterproof shoe is perfect for any situation: suitable for all types of weather and environments and whatever degree of water immersion you may need, as well as providing your desired level of heat insulation. A special breathable and waterproof membrane protects both the sole and the upper, preventing water from entering the shoe at the same time as guaranteeing Geox's extraordinary levels of breathability. The inside of the shoe therefore maintains an ideal microclimate for your feet, which stay warm, dry and are free to breathe naturally.

NEBULA™
3D breathing engineering

Nebula™ is made using revolutionary technology, providing excellent performance in terms of breathability and comfort. Bursting with innovation, this shoe is ideal for frequent travellers who want to get around with style and character, without compromising on comfort.

INNER BREATHING SYSTEM



NET BREATHING SYSTEM
Perforated sole
Protective layer
Full-size membrane

NEBULA S - NEBULA X
The best and most comfortable shoe for city living

Geox has further developed the Nebula concept with its Nebula™S and Nebula™X ranges. These products have different design and performance characteristics but are united by their soles, featuring large holes and the ultra-breathable Net Breathing System technology™, and by their iconic 3D performance unit system, ensuring flexibility, cushioning, stability and grip.

DOUBLE FIT

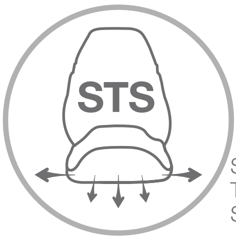
LIGHTWEIGHT
& FLEXIBILITY

3D
BREATHABILITY

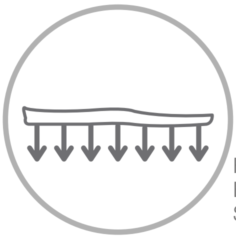
NEXSIDE™: the next breathing side

Nexside is the new Geox footwear shoe with Side Transpiration System: the new technology developed to guarantee a superior level of breathability through additional perforations on the side of the sole.

Side Transpiration System
The grooves between midsole and outsole form air pockets connected to the outside by perforations fashioned along the edge of the outsole and towards the bottom. The effect of walking creates a continuous circulation of air through these small cavities, allowing the membrane to push the humidity out faster from the inside of the shoe.



SIDE TRANSPIRATION SYSTEM STS



FULL BREATHABLE SURFACE

INNER BREATHING SYSTEM

AERANTIS™: Dynamic Breathing System

The AERANTIS™ shoe combines a range of Geox innovations. The Net Breathing System™ breaks down barriers with the outside, thanks to the wide and perforated breathable surface of the sole, the Ventilaction System is the engine that maximises air-flow within the shoe, and the Inner Breathing System enhances breathability for the whole foot.

VENTILATION SYSTEM

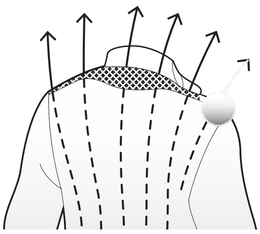
INNER BREATHING SYSTEM

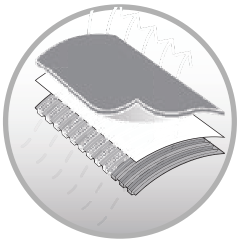
LIGHTWEIGHT AND DYNAMIC FIT

NET BREATHING SYSTEM

THE JACKET THAT BREATHES

Geox's garments allow the humid air created by the evaporation of sweat to escape through breathing tape, which stretches from one shoulder to the other, a 3D spacer and a special breathable and waterproof membrane inserted inside, which has the dual function of allowing sweat to escape at the same time as preventing water from entering. Thanks to Geox's patented system, the garment stays drier and perceived humidity is reduced.

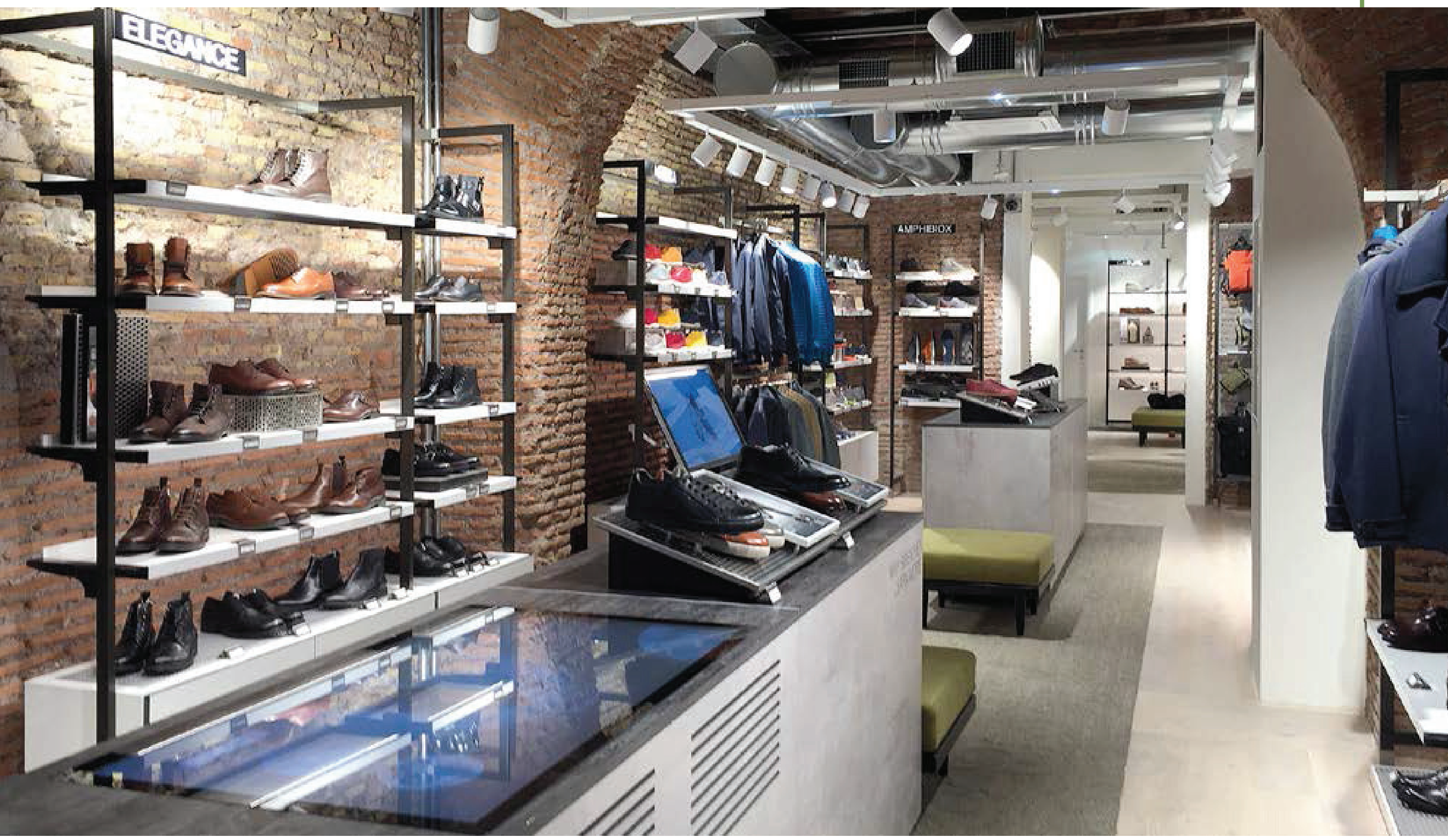




GEOX WORLDWIDE

Geox was established in Italy, but has a strong international presence: 70% of revenues are generated abroad, across more than 110 countries.

The Group implements a diversified distribution strategy across the individual markets in order to ensure brand promotion is coherent for the end consumers. In 2018, Geox was present in approximately 10,000 wholesale selling points and 1,015 mono-brand stores.



A HIGH-VISIBILITY BRAND

Geox has implemented an effective marketing strategy, based on the benefits of breathability, which covers different media and uses dedicated campaigns to target consumers of both the kids' collections and products for men and women. As a result, consumers of all ages identify the Geox brand with the concept of "letting you breathe".

EVERYDAY COLLECTION

In addition to their innovative solutions guaranteeing water resistance and breathability, Geox collections also stand out for their levels of comfort and modern, versatile style, perfect for everyday wear. The company's in-house design centre analyses new consumer trends, explores materials and ideas, and develops a wide range of shoes and apparel for men, women and children.


GEOX
RESPIRA
XLED
ITALIAN PATENT
LOVE

PHILOSOPHY

“Geox was born in Italy, the country of creativity and ideas.
Each Geox product is the result of the patented research that we carry out in our laboratories.
Each new collection is created by the best Italian stylists.
Geox Respira™ is now present all over the world thanks to its “double soul”, combining Italian fashion and technology”.

Mario Moretti Polegato
Presidente Geox S.p.A.

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CHAIRMAN'S MESSAGE TO STAKEHOLDER

Dear Shareholders,
2018 represented yet another year of incredibly important challenges for our industry, in the face of which Geox nonetheless managed to express the value of its brand and its great potential.

Last year was characterised by both difficult and unusual market conditions experienced by all industry players, primarily the abnormal weather conditions across all the Group's main regions in March and September, and by a gradual and increasingly accelerated change to the market context, including the growing importance of the digital channel.
In this context, the Group therefore believed it appropriate to strengthen its already solid financial position and build the basis to create the Geox of the future - a Geox that will remain fully in line with its history and values at the same time as responding increasingly quickly to customers' needs and further enhancing the brand's uniqueness and distinctive features in a modern way.
These objectives involved adopting prudent policies to reduce business risk, with continued optimization of the mono-brand store network and selective cancellation of orders from clients and markets facing financial difficulties. This process also involved the implementation of an in-depth strategic, organisational and distribution review project, with the hiring of new important managers from some of the industry's best companies: the 2019-2021 Strategic Business Plan, which was approved at the end of the year.
Despite inevitably affecting turnover and the result for the year, these actions have allowed us to reduce the working capital to sales ratio and optimise the net financial position, which is now slightly positive. We have also been able to launch a truly client-centric and omni-channel operating model that is increasingly leaner.

The last months of 2018 recorded the first positive results of the actions described in the Strategic Business Plan: retail channel sales are improving slightly, mainly thanks to e-commerce performance (directly managed since July 2018) and there is increasing media interest in our brand, in terms of both traditional media and the main social networks, thanks also to targeted marketing investments (Geox Dragon Formula E project and involving key influencers to talk about the brand's values).

Initiatives to boost operating efficiency also continued throughout the year, together with careful cost management, allowing for a further improvement in profitability and for adjusted EBITDA to reach a slightly better level than expected.

Given that the Group has reaffirmed its solidity, the Board of Directors has decided to submit a proposal to shareholders to distribute a dividend of Euro 0.025 per share.


GEOX
RESPIRA
AMPHIBIOX™
BREVETTO ITALIANO
RICCARDO MARCA
21 YEARS OLD
WINDSURF FREESTYLE CHAMPION
#GEOXPERIENCE

DIRECTORS' REPORT

MASSIMILIANO NERI
42 YEARS OLD
ENTREPRENEUR

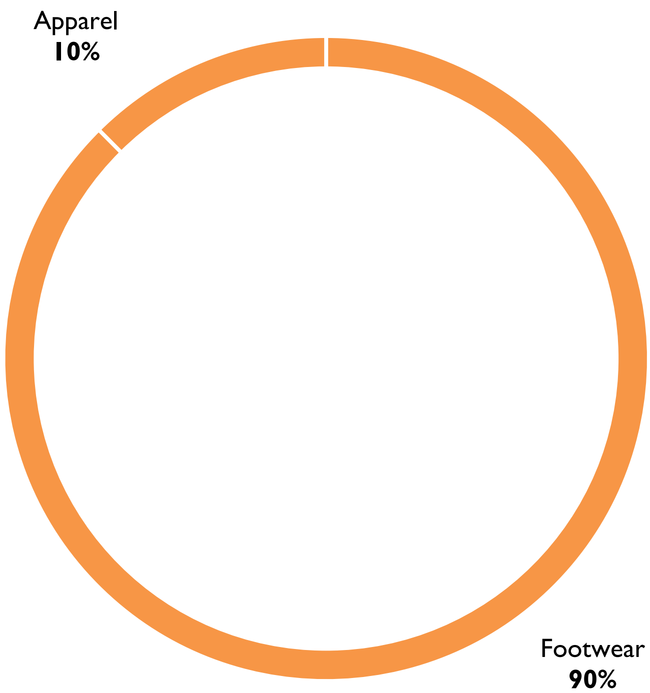
Profile

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 38 different patents and by 24 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, 2018).



Research and Development

The applied research carried out by Geox in 2018 was directed to the identification of innovative solutions for improving products and manufacturing processes, through the study of the active breathing element of shoe soles, the development of new products for footwear and apparel and certification of the materials used.

This experimentation has allowed Geox to develop footwear and apparel that combine comfort and well-being with a greater ability to breathe, to be waterproof and to be highly resistant.

Over the course of 2018, new application solutions were studied for footwear, characterised by a high level of breathability, flexibility, lightness and cushioning.
In particular, Aerantis™ footwear brings together different technologies and stands out for its revolutionary *Ventilation System*, which acts like an engine: it is activated by movement and maximises inner air circulation, improving breathability around the entire foot. Aerantis™ is incredibly light, flexible and cushioned, thanks to the midsole which absorbs stress from the ground and any impacts.
The Nexside™ shoe features the *Side Transpiration System*. This technology ensures high levels of breathability and comfort thanks to both the open holes also to the side of the sole and the synergy with the full-size membrane. An incredibly light midsole is combined with a wave-shaped tread, creating internal air chambers that ensure a customised cushioning effect with every step.
The breathability of these innovative sneakers is optimised by the *Inner Breathing System*, a special inner lining that allows for air to circulate around the entire foot.
XLED™ has also been created: children's footwear featuring an electronic device that allows for personalised messages and drawings to be created on a 180-LED screen around the sole, using a personalised app. This is a wireless and rechargeable system.

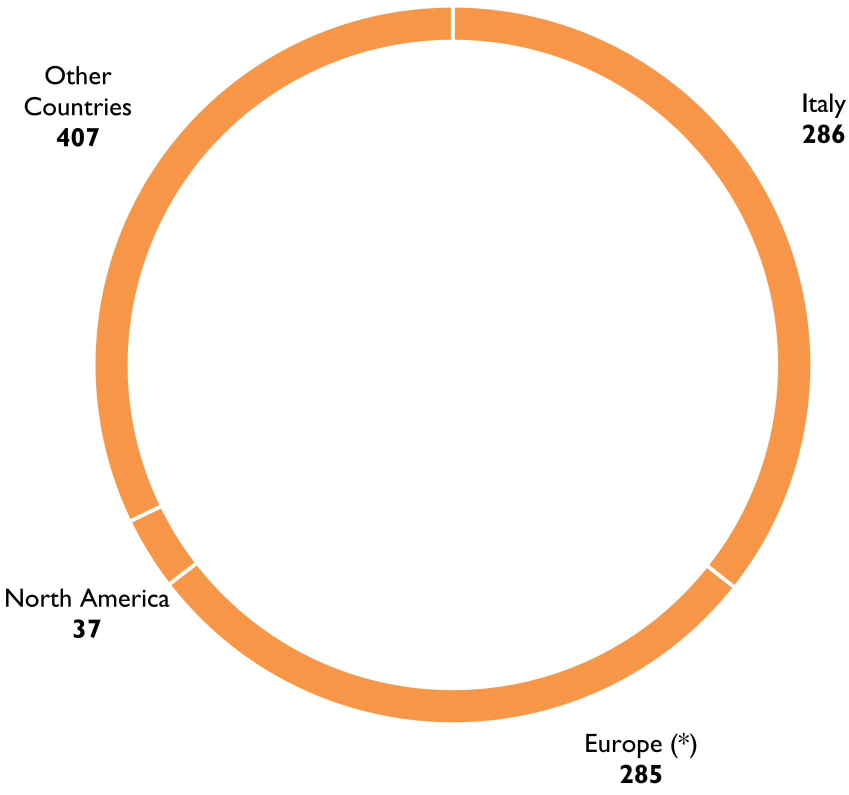
With regard to apparel products, Aerantis™ integrates three different technologies in one single garment: a 3D fabric in the areas with the most heat exchange allows for better dissipation of hot, humid air (Inner Breathing System); revolutionary, adaptive, thermal wadding combined with a polymer - making it sensitive to changes in temperature - allows for customised thermoregulation (Ventilation System); breathing tape along the shoulders facilitates steam escaping, creating more efficient breathability (Breathing System) when the hood is up, while an internal breathing tape around the neck allows for breathability when the hood is down.
Geox pays close attention to sustainable innovation, which has led it to introduce a 100% recycled and GRS-certified (Global Recycle Standard) wadding into this garment, as well as using a Bluesign®-approved polymer.

Geox innovation is protected by 38 patents and 24 recent patent applications.

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 December 31, 2018, the overall number of "Geox Shops" came to 1,015, of which 571 in franchising and 444 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 is completed by selected partners mainly in the Far East and at the group's production plant in Vranje, Serbia, in an area where there is a high level of shoe manufacturing expertise.
This production plant currently covers approximately 8% of the Group's requirements and was largely financed by the Republic of Serbia.
All stages of the production process are under the strict control and coordination of the Geox organisation.

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.

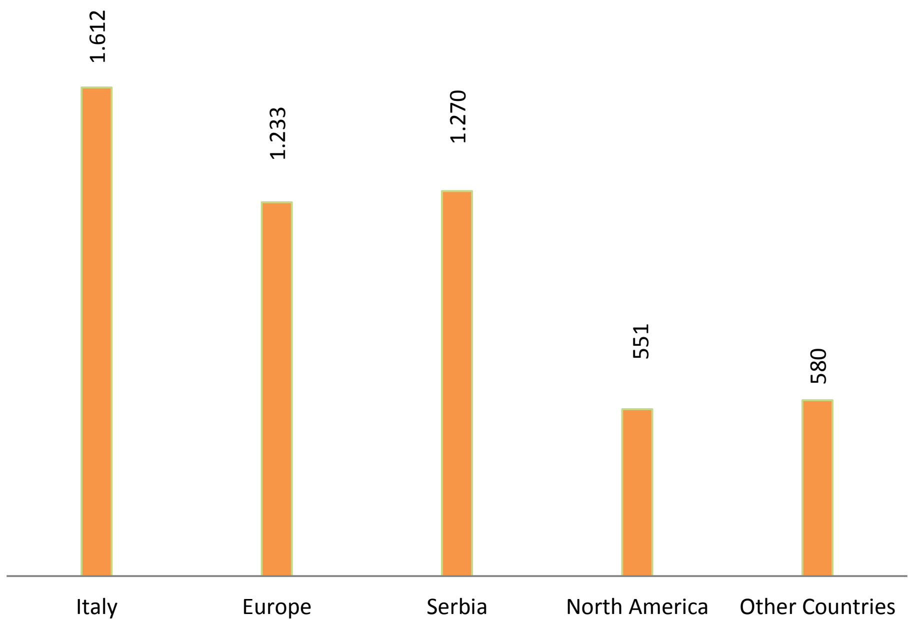
Human Resources

At December 31, 2018 the Group had 5,246 employees, showing a decrease of 99 employees compared with 5,345 employees at 31 December 2017.

As of December 31, 2018 the employees were splitted as follows:

Level	31-12-2018	31-12-2017
Managers	42	44
Middle Managers and Office Staff	1,043	907
Shop Employees	2,780	3,039
Factory Workers	1,381	1,355
Total	**5,246**	**5,345**

The graph shows the employees of the Group at 31 December 2018, 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.

Geox on the Stock Exchange

Geox S.p.A. has been listed on the Italian Stock Exchange since December 1, 2004. The following table summarizes the main share prices and stock market values for the last 3 years:

Share price and stock market information	2018	2017	2016
Earnings per share [Euro]	(0.02)	0.06	0.01
Equity per share [Euro]	1.31	1.35	1.39
Dividend per share [Euro]	0.025	0.06	0.02
Pay-out ratio [%]	(122.48)	101.10	257.92
Dividend yield (at 12.31)	2.14	2.07	0.90
Year-end price [Euro]	1.17	2.89	2.21
MTA high [Euro]	3.01	3.85	4.08
MTA low [Euro]	1.06	1.90	1.80
Price per share/EPS	(57.32)	48.75	285.00
Price per share/Equity per share	0.89	2.15	1.59
Stock market capitalization [thousands of Euro]	303,273	749,861	572,848
Number of shares making up the share capital	259,207,331	259,207,331	259,207,331

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	11,086	13,198,212
from 5.001 to 10.000 shares	636	4,877,301
10.001 shares and over	483	240,962,297
Lack of information on disposal of individual positions previously reported		169,521
Total	**12,205**	**259,207,331**

(*) As reported by Computershare S.p.A. on December 31, 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 December 31, 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.

Report on corporate governance and ownership structure

Corporate Governance

The Geox Group has implemented the Code of Conduct for Italian Listed Companies published in March 2006 and updated in July 2018, with suitable amendments and adjustments considering the characteristics of the Group.
In accordance with the regulatory requirements, every year we prepare a "Report on Corporate Governance and Ownership Structure", as per Art. 123-bis of the TUF, which contains a general description of the system of corporate governance adopted by the Group. It also contains information on the ownership structure and implementation of the Code of Conduct with an explanation of the main governance practices applied and the characteristics of the risk management and internal control systems involved in the process of financial reporting. Also explained here are the mechanisms that govern the functioning of the Shareholders' Meeting and the composition and functioning of the board of directors and board of statutory auditors and their sub-committees.
The Report on Corporate Governance and the Ownership Structure is available in the Governance section of the Company's website: www.geox.biz.
The following is a summary of the main aspects relating to this directors' report.

Main characteristics of the risk management and internal control systems

The internal control system and the company risk management are processes designed by the Board of Directors, management and others in the corporate structure; they consist of a set of rules, procedures and organizational structures designed to identify, measure, manage and monitor the main risks; they ensure that the management of the business is in line with the corporate objectives, and they help protecting the business wealth, the efficiency and effectiveness of the business processes, the reliability, accuracy and promptness of the financial reporting, the compliance with laws and rules as well as with the article of associations and internal procedures.
In compliance with Law n. 262/2005, the Group has therefore put in place procedures aimed to increase the transparency of the company disclosure and to make more effective the internal control system and in particular the controls related to the financial reporting.

In line with this definition, the system for managing the existing risks in relation to Geox's process of financial reporting forms part of the Group's wider system of internal control and Group Risk management.
As part of its supervision and coordination of subsidiaries, Geox S.p.A. establishes the general principles according to which the internal control system is meant to function for the entire Group. Each subsidiary adopts these principles in line with local regulations and applies them to organizational structures and operating procedures that are suitable for their specific context. Geox has introduced tools for supervising and assessing the internal control system, allocating specific responsibilities to certain players who have been clearly identified.

The CEO and the Financial Reporting Manager, in accordance with the principles of operation of the Internal Control System and Risk Management for the financial reporting process, identify the main risks therein levied annually in a prudent and careful way (so-called *scoping activities*). The identifying risks process passes through the identification of the group companies and operating flows subject to material errors or fraud, with reference to the economic variables included in the financial statements of Geox S.p.A. and/or the consolidated financial statement. Companies and significant processes in relation to the financial reporting process are identified through quantitative and qualitative analysis. The identification of risks is operated through a classification based on the main sources of risk identified by the Executive Director in charge of supervising the Internal Control System and Risk Management. Control activities are policies and procedures that ensure the proper implementation of management responses to risk. The control activities are implemented throughout the organization, at every hierarchical and functional level. The assessment of control procedures is made by parsing the appropriate design of the control activities and their effective and efficient implementation of the course of time. In relation to the financial reporting process, control activities are evaluated in two semi-annual sessions followed, where appropriate, as many phases of follow-up if some critical issues are identified.

In summary, the main players of the Internal Control System and Risk Management as it relates to the process of financial reporting are as follows:

- The Financial Reporting Manager ex Art. 154-bis of the TUF, who has the responsibility for defining and evaluating specific procedures designed to monitor the risks involved in the process of preparing accounting documents;

- The Internal Auditing Department, which remains independent and objective in an advisory role concerning the methods of verifying the adequacy and effective application of the control procedures defined by the Financial Reporting Manager. Moreover, as part of a wider activity that involves evaluating the entire company's Internal Control System and Risk Management, the Internal Auditing Department also has to bring to the attention of the Audit and Risk Committee and of the Financial Reporting Manager any circumstances that might affect the financial reporting process. The task is properly carried out in compliance with the Internal Audit Plan;

- The Director in charge of supervising the Internal Control System and Risk Management, as the main promoter of initiatives designed to evaluate and manage corporate risks;

- The Audit and Risk Committee, which analyses the results of audits on the Internal Control System and Risk Management and reports periodically to the Board of Directors on any action that needs to be taken;

- The Supervisory Body as per D.Lgs 231/01, which intervenes as part of its duties to look out for the corporate crimes envisaged in D.Lgs 231/01, identifying risk scenarios and personally verifying compliance with the control procedures. The Supervisory Body also monitors compliance with and application of the Group's Code of Ethics.

The Group adopted some time ago its own model of organization, management and control as per D.Lgs 231/01, steadily updated to include the new crimes, most recently on April 17, 2018. In particular, financial reporting is protected by a series of controls that are carried out during the various corporate processes that lead to the formation of the figures shown in the financial statements. These control activities apply not only to the areas that are closely linked to the business (sales, purchases, inventory, etc.), but also to those areas that provide support in the processing of accounting entries (closing the accounts, IT systems management, etc.). These control procedures are defined by the Financial Reporting Manager. He also checks periodically that they are being applied properly. The outcome of the assessments made by the Financial Reporting Manager is reported in the certification that he provides in accordance with paras. 5 and 5-bis of art. 154-bis of the TUF.

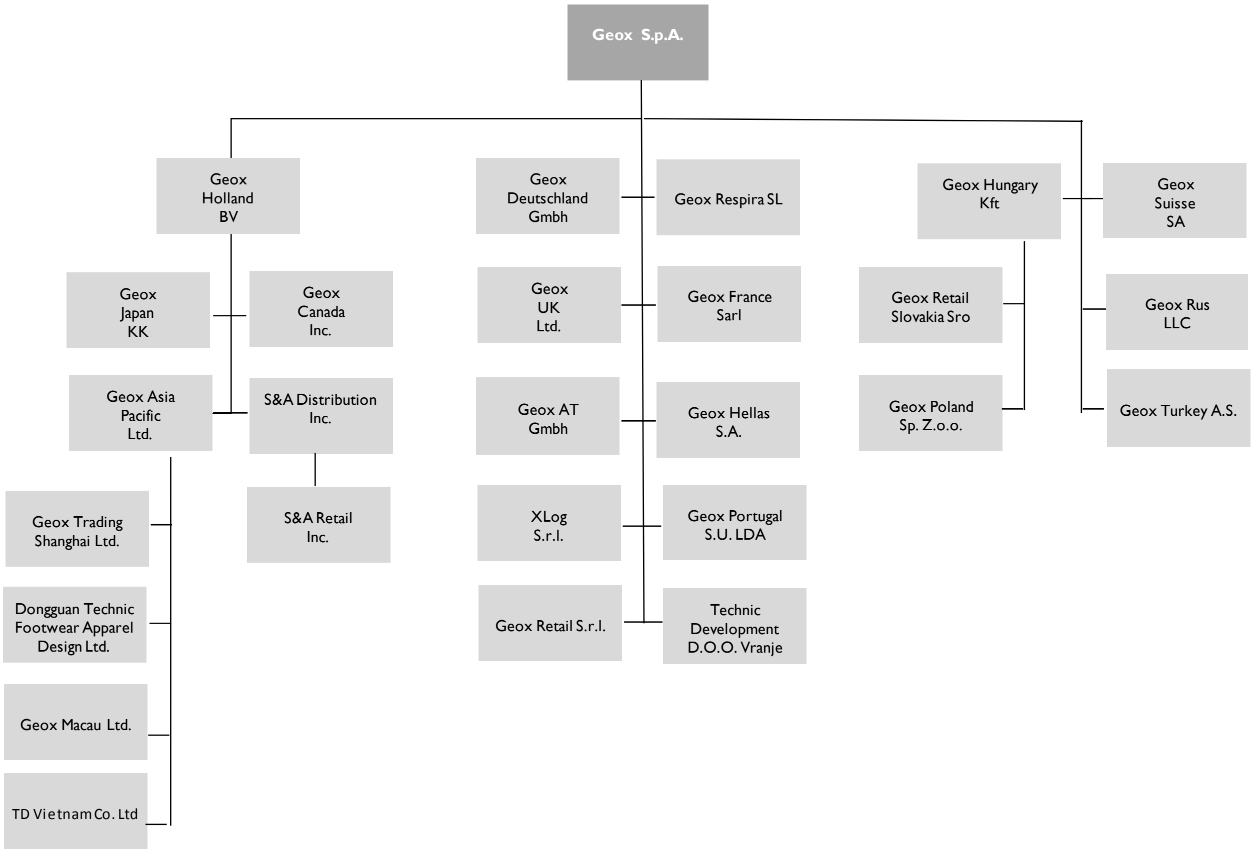
In compliance with (Italian) Legislative Decree no. 254/2016, the Group has prepared a separate report containing non-financial information. This report, published on the Group’s website (www.geox.biz), identifies the topics that are considered to be of material importance for reporting purposes. These topics were defined by considering both the point of view of the company’s own organisation (through workshops and interviews conducted internally), and the results of benchmarking activities carried out with reference to the Group's main competitors in the fashion industry, as well as studies linked to the world of sustainability.
Please refer to the aforementioned report for all aspects regarding the information required by the decree, relating to environmental and social matters, aspects linked to employees, the respect of human rights, anti-corruption, diversity in the Board of Directors and other sustainability issues.

The Board of Directors of Geox S.p.A. also recently approved the “Global Compliance Program”, a document addressed to the Group's foreign companies. This is a governance tool aimed at strengthening the Company’s ethical and professional commitment and preventing offences from being committed abroad (such as offences against the public administration, fraudulent accounting, money laundering, offences committed in violation of workplace health and safety regulations, environmental crimes), which may otherwise lead to criminal liability for the company and subsequent reputation risks.

The Global Compliance Program was drawn up in accordance with the main and most authoritative international regulations in this field (i.e. the main international conventions on combating corruption, UK Bribery Act 2010, Good Practice Guidance on Internal Controls, Ethics and Compliance 2010, etc.), also taking into account the Group’s current organisational structure and the specific reference legislation applicable in the legal systems in which the Group's companies operate.

Lastly, it should be noted that, in compliance with (Italian) Law no. 179/2017 regarding “Provisions to protect individuals who report offences or irregularities of which they become aware as part of their public or private work” (the so-called “Whistle-blowing Law”), the Company has implemented a suitable global Whistle-blowing system that is integrated at group level. The aim of this system is to verify and promptly manage any unlawful conduct and/or violations regarding suspicious behaviour and breaches of the Company’s Code of Ethics.
The internal whistle-blowing process has been structured with a dedicated channel, run by a third-party specialist, which includes an online platform and a multilingual helpline able to ensure that the whistle-blower remains anonymous.

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.

Principal risks and uncertainties to which Geox S.p.A. and the Group are exposed

Business risks

In terms of business risks, the Group is exposed to:
- the impact of the macroeconomic, political and social environment, in terms of changes in the purchasing power of consumers, their level of confidence and their propensity to consume;
- changes in national and international regulations;
- climatic conditions;
- changes in customers' tastes and preferences in different geographical areas in which the Group operates;
- the image, perception and recognition of the Geox brand by its consumers;
- uncertainty about management's ability to define and implement successfully its business, marketing and distribution strategy;
- uncertainty about the ability to maintain the current distribution network, as well as the ability of the Geox Group to further expand its network of brand stores by acquiring new premises;
- uncertainty about the ability to attract, retain and motivate qualified resources;
- policies implemented by competitors and the possible entry of new players into the market.

Financial risk

The Geox Group constantly monitors the financial risks to which it is exposed in order to evaluate in advance any possible negative impacts and to undertake appropriate corrective action to mitigate or correct such risks. The Group is exposed to a variety of financial risks: credit risk, interest rate risk, exchange rate risk and liquidity risk.

These risks are managed and coordinated at Parent Company level on the basis of hedging policies that also entail the use of derivatives to minimize the effects of exchange rate fluctuations (especially in the U.S. dollar).

Credit risk

The Geox Group tends to minimize the risk of insolvency on the part of its customers by adopting credit policies designed to concentrate sales on reliable and creditworthy customers. In particular, the credit management procedures implemented by the Group, which involve the use of contracts with major credit insurance companies, the evaluation of available information on customer solvency, the use of credit limits for each customer and strict control over compliance with the terms of payment, make it possible to reduce credit concentration and the related risk.
Credit exposure is also spread over a large number of counterparties and customers.

Risks connected to fluctuations in interest rates

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.
The Group regularly assesses its exposure to the risk of changes in interest rates but, considering expectations of stability in the dynamics of 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 Interest Rate Swap (IRS) transaction to hedge the medium-long term loan for a residual amount of Euro 4 million and at a 0.62% rate.

Risks connected to fluctuations in exchange rates

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 Group initially calculates the amount of exchange risk 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 the sale of the foreign currency. The Group is of the opinion that its policies for handling and limiting this type of risk are adequate. However, it cannot exclude the possibility that sudden fluctuations in exchange rates could have consequences on the results of the Geox Group.

Liquidity risk

This risk can arise when a company is unable to obtain the financial resources it needs to support its operational activities in a timely manner and at reasonable economic conditions. The cash flows, funding requirements and liquidity of the Geox Group are constantly monitored at central level under the control of the Group treasury in order to ensure effective and efficient management of financial resources.


ALLEANZA
Sirietto
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GEOX
RESPIRA
MASSIMILIANO NERI
42 YEARS OLD
ENTREPRENEUR
BREVETTO ITALIANO

The Group's economic performance

GENERAL SCENARIO

2018 was characterised by difficult market conditions experienced by all industry players. These have also guided a number of specific choices made by Geox.
The industry experienced extremely unusual weather conditions across all the Group's main regions. In particular, March was exceptionally cold, while September and the first half of October were exceptionally warm. These conditions inevitably affected the start of both the spring-summer and autumn-winter seasons, leading to a drop in initial demand for products and, as a result, less stock replenishment during the season.
In addition to this: a widespread drop in consumer confidence in all the main markets caused by certain economic-political issues; increased competition due to a number of operators, mainly in the sportswear industry, moving into the casual and urban style segments; increasing growth in e-commerce to the detriment of physical store networks.
2018 was also characterised by a higher number of promotions by the main brands (a direct result of the reduction in sales caused by the unusual weather conditions and drop in footfall). These promotions, mainly affecting profitability, took place during both the full-price season and the sales period, in order to combat the expected increase in inventories.
In this difficult context, Geox therefore believed it appropriate to adopt prudent policies to reduce business risk. These policies have been implemented through continued optimization of the mono-brand store network, and selective and significant cancellation of orders from clients facing financial difficulties or
in countries where economic/political conditions have unexpectedly worsened, also as a result of currency devaluation.

These actions have inevitably had an impact on annual sales but have nonetheless allowed the Group to further strengthen its already solid position, reduce its working capital to sales ratio and optimise its net financial position, which is slightly positive.

Initiatives to boost operating efficiency also continued, together with careful cost management, allowing for a further improvement in profitability and for adjusted EBITDA to reach a slightly better level than expected (5.8% on sales).

FY18 NON RECURRING ITEMS

The net result for the 2018 financial year has nonetheless been significantly affected by a number of extraordinary and non-recurring expenses, for a total of Euro 9.8 million, attributable to:

- The changes caused by the new organisation to support the Strategic Business Plan, which have led to some alterations to the HR structure
- The contribution of external strategic advisers
- One-off costs for the insourcing of the online channel
- Supporting and optimising the mono-brand store network (including also franchised stores)
- Some minor disputes relating to previous financial years that arose and were promptly defined

Net of these extraordinary expenses, the Group would have recorded a positive result of Euro 2 million.

Economic results summary

The main results are outlined below:

- Net sales of Euro 827.2 million, with a decrease of 6.5% compared to Euro 884.5 million in 2017;
- EBITDA of Euro 38.4 million, compared to Euro 64.0 million in 2017, with a 4.6% margin;
- EBIT of Euro 5.4 million, compared to Euro 30.1 million of 2017, with a 0.6% margin;
- Net income of Euro -5.3 million, compared to Euro 15.4 million in 2017.

In the following table a comparison is made between the consolidated income statement for 2018 and 2017:

(Thousands of Euro)	2018	%	2017	%
Net sales	**827,220**	**100.0%**	**884,529**	**100.0%**
Cost of sales	(413,456)	(50.0%)	(456,914)	(51.7%)
Gross profit	**413,764**	**50.0%**	**427,615**	**48.3%**
Selling and distribution costs	(46,416)	(5.6%)	(47,268)	(5.3%)
General and administrative expenses	(325,489)	(39.3%)	(317,624)	(35.9%)
Advertising and promotion	(26,652)	(3.2%)	(22,561)	(2.6%)
Operating result	**15,207**	**1.8%**	**40,162**	**4.5%**
Restructuring charges	(9,847)	(1.2%)	(10,020)	(1.1%)
EBIT	**5,360**	**0.6%**	**30,142**	**3.4%**
Net financial expenses	(4,792)	(0.6%)	(3,392)	(0.4%)
PBT	**568**	**0.1%**	**26,750**	**3.0%**
Income tax	(5,859)	(0.7%)	(11,367)	(1.3%)
Tax rate	*n.s.*		*42.5%*	
Net result	**(5,291)**	**(0.6%)**	**15,383**	**1.7%**
EPS (Earnings per shares)	**(0.02)**		**0.06**	
EBITDA	**38,344**	**4.6%**	**63,989**	**7.2%**
Restructuring charges	(9,847)		(10,020)	
EBITDA adjusted	**48,191**	**5.8%**	**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 2018 amounted to Euro 827.2 million (Euro 884.5 million in 2017), down 6.5% (-5.5% at constant forex). Positive performance was recorded in the last quarter of the year (+2.0%), mainly thanks to the good performance of the e-commerce channel (+12% in 2018 and +22% in the last quarter alone).

Sales by distribution channel

(Thousands of Euro)	2018	%	2017	%	Var. %
Wholesale	**369,914**	**44.7%**	**400,995**	**45.3%**	**(7.8%)**
Franchising	98,342	11.9%	121,404	13.7%	(19.0%)
DOS*	358,964	43.4%	362,130	40.9%	(0.9%)
Geox Shops	**457,306**	**55.3%**	**483,534**	**54.7%**	**(5.4%)**
Net sales	**827,220**	**100.0%**	**884,529**	**100.0%**	**(6.5%)**

* Directly Operated Store

Sales generated by wholesale stores, representing 44.7% of Group revenues (45.3% in 2017), amounted to Euro 369.9 million (-7.8% at current forex, -6.6% at constant forex). This decline is due to a combination of factors: a more selective approach towards certain partners and certain markets aimed at reducing business risk, which led to the cancellation of a number of orders; fewer reorders owing to the unusual weather conditions experienced both at the start of the spring-summer season and at the start of the autumn-winter season; fewer sales of discounted goods from previous seasons; a more unfavourable exchange rate effect.

Sales generated by directly-operated stores, DOS, representing 43.4% of Group revenues, recorded a reduction at Euro 359.0 million (-0.9% at current exchange rates, +0.1% at constant forex). The network effect is slightly positive as the new openings and taking over the direct management of previously franchised stores substantially compensated for the closures planned as part of the completion of the rationalization programme. The negative performance is therefore mainly due to the unusual weather conditions in March and September, which had an impact on footfall and sales volumes in stores. Good performance was recorded in the fourth quarter (+6.9%), also thanks to a positive network effect.

Comparable sales generated by directly-operated stores report a decline of -2.3%, recovering from the -4.3% recorded at the end of September, -4.7% at the end of June and -8.9% at the end of March. In the fourth quarter alone, comparable sales were up 3.4% (+1.1% in the fourth quarter of 2017), thanks in particular to good performance in November (+4.1%) and December (+5.3%).

To date (week I - week VIII), comparable sales are slightly positive.

Sales generated by the franchising channel, which account for 11.9% of Group revenues, amounted to Euro 98.3 million, reporting a decline of 19.0% (-18.3% at constant forex). Performance in the franchising channel mainly reflects the planned rationalization of the store network in the last quarters, with a net reduction of 55 stores in 2018 (over 10% of the entire franchising network) due to closures and, above all, conversions into DOS, combined with comparable sales performing slightly below the levels recorded by directly-operated stores.

Sales by region

(Thousands of Euro)	2018	%	2017	%	Var. %
Italy	239,824	29.0%	257,520	29.1%	(6.9%)
Europe (*)	354,707	42.9%	382,893	43.3%	(7.4%)
North America	50,508	6.1%	56,893	6.4%	(11.2%)
Other countries	182,181	22.0%	187,223	21.2%	(2.7%)
Net sales	**827,220**	**100.0%**	**884,529**	**100.0%**	**(6.5%)**

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

Sales generated in Italy, representing 29.0% of Group revenues (29.1% in 2017), amounted to Euro 239.8 million, compared with Euro 257.5 million in 2017 (-6.9%). This trend is mainly due to the aforementioned optimization of the mono-brand store network (18 net closures in 2018) and to the unusual weather conditions (above all in March and September), with the subsequent effects on reorders and comparable sales. Positive performance was recorded in the fourth quarter with an increase in comparable sales generated by directly-operated stores (+4.8%).

Sales generated in Europe, representing 42.9% of Group revenues (43.3% in 2017), amounted to Euro 354.7 million, compared with Euro 382.9 million in 2017, recording a decline of 7.4%. As was the case in Italy, this performance was mainly due to the aforementioned rationalization of the mono-brand store network (25 net closures in 2018) and to the unusual weather conditions at the start of the spring and autumn seasons. Performance in the fourth quarter was substantially stable, with an increase in comparable sales generated by directly-operated stores.

North America recorded a turnover equal to Euro 50.5 million, reporting a decline of -11.2% (-7.2% 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. Comparable sales, on the other hand, slightly increased in terms of both full year and fourth quarter results. There were 5 net closures in 2018.

The Rest of the World recorded a -2.7% decline in turnover compared with 2017 (+0.9% at constant forex), with a slightly positive trend in LFL sales for directly-operated stores and the wholesale channel. During the year, the network of stores operating through licence agreement also underwent a rationalization process, now totalling 138 from the 168 that were in place at the end of 2017.

Sales by product category

(Thousands of Euro)	2018	%	2017	%	Var. %
Footwear	744,044	89.9%	796,664	90.1%	(6.6%)
Apparel	83,176	10.1%	87,865	9.9%	(5.3%)
Net sales	**827,220**	**100.0%**	**884,529**	**100.0%**	**(6.5%)**

Footwear sales represented approximately 90% of consolidated sales, amounting to Euro 744.0 million, down -6.6% (-5.7% at constant forex) compared with 2017. Apparel accounted for 10% of consolidated sales, amounting to Euro 83.2 million compared with Euro 87.9 million in 2017 (-5.3% at current forex, -3.8% at constant forex) and recorded double-digit growth in the fourth quarter thanks to customers' positive reactions to the new collection.

Mono-brand store network - Geox shops

As of December 31st, 2018, there was a total of 1,015 "Geox Shops", of which 444 DOS. During 2018, 57 new Geox shops were opened and 137 were closed.

	12-31-2018		12-31-2017		2018		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	286	143	304	137	(18)	5	(23)
Europe (*)	285	154	310	155	(25)	8	(33)
North America	37	37	42	42	(5)	2	(7)
Other countries (**)	407	110	439	105	(32)	42	(74)
Total	**1,015**	**444**	**1,095**	**439**	**(80)**	**57**	**(137)**

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

(**) Includes Under License Agreement Shops (138 as of December 31 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 50.0% of sales, compared with the 51.7% recorded in 2017, producing a gross margin of 50.0% (48.3% in 2017).

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

Operating expenses and Operating income (EBIT)

Sales and distribution expenses were equal to 5.6% of sales, up slightly compared with the previous year (5.3% in 2017).

General and administrative expenses amounted to Euro 325.5 million, reporting an increase of Euro 7.9 million compared with the previous year. This increase is mainly due to the higher number of DOS stores compared with the same period of the previous year, and to the increase in logistics costs.

Advertising and promotion expenses amounted to Euro 26.7 million, equal to 3.2% of revenues, compared to Euro 22.6 million in 2017. This increase is linked to the fact that more marketing initiatives were implemented to support sales and the brand's image.

The operating result amounted to Euro 15.2 million, equal to 1.8% of sales, compared with Euro 40.2 million in 2017 (4.5% of sales).

Furthermore, extraordinary expenses of Euro 9.8 million were recorded in 2018, mainly due to the organisational review and store network optimization.

EBIT amounted to Euro 5.4 million (0.6% of sales), compared with Euro 30.1 million in 2017 (3.4% of sales).

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

		2018	%	2017	%
Footwear	Net sales	744,044		796,664	
	EBIT	7,742	1.0%	34,950	4.4%
Apparel	Net sales	83,176		87,865	
	EBIT	(2,382)	(2.9%)	(4,808)	(5.5%)
Total	Net sales	827,220		884,529	
	EBIT	5,360	0.6%	30,142	3.4%

EBITDA

EBITDA amounted to Euro 38.3 million, equal to 4.6% of sales, compared with Euro 64.0 million in 2017 (equal to 7.2% of sales).

Net of unusual expenses and income, adjusted EBITDA amounted to Euro 48.2 million, equal to 5.8% of sales, compared with Euro 74.0 million in 2017 (equal to 8.4% of sales).

Income taxes and tax rate

Income taxes for 2018 amounted to Euro 5.9 million, compared with Euro 11.4 million in 2017.

The Group's financial performance

The following table summarizes the reclassified consolidated balance sheet:

(Thousands of Euro)	Dec. 31, 2018	Dec. 31, 2017
Intangible assets	50,161	52,061
Property, plant and equipment	65,826	61,326
Other non-current assets - net	39,085	42,567
Total non-current assets	**155,072**	**155,954**
Net operating working capital	**209,115**	**226,277**
Other current assets (liabilities), net	**(17,665)**	**(19,562)**
Net invested capital	**346,522**	**362,669**
Equity	340,760	349,483
Provisions for severance indemnities, liabilities and charges	8,054	7,808
Net financial position	(2,292)	5,378
Net invested capital	**346,522**	**362,669**

The Group's balance sheet shows a positive net financial position of Euro 2.3 million, improving from Euro -5.4 million as of December 31st, 2017, after fair value adjustment of derivatives, which had a positive effect of Euro 9.1 million (Euro -20.5 million as of December 31st, 2017).

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

(Thousands of Euro)	Dec. 31, 2018	Dec. 31, 2017(*)
Inventories	312,052	283,227
Accounts receivable	133,090	162,460
Trade payables	(236,027)	(219,410)
Net operating working capital	**209,115**	**226,277**
% of sales for the last 12 months	***25.3%***	***25.6%***
Taxes payable	(8,723)	(8,810)
Other non-financial current assets	30,637	25,368
Other non-financial current liabilities	(39,579)	(36,120)
Other current assets (liabilities), net	**(17,665)**	**(19,562)**

(*) Breakdown of Net Working Capital at December 31, 2017 was reclassified in order to include the impacts of the new accounting principle IFRS 15 and maintain the comparability with 2018 figures

Net operating working capital as a percentage of revenues was equal to 25.3%, compared to 25.6% in 2017.

This variation is mainly due to:

- an increase in warehouse stock for products from the 2018 spring/summer and autumn/winter seasons. This is mainly due to the decline in comparable sales recorded by directly operated stores, compared to the level of growth expected;
- the reduction in trade receivables, mainly linked to sales performance;
- an increase in trade payables, in line with the timing of purchases of finished products.

The following table gives a reclassified consolidated cash flow statement:

(Thousands of Euro)	2018	2017
Net result	**(5,291)**	**15,383**
Depreciation, amortization and impairment	32,984	33,846
Other non-cash items	1,449	10,052
	29,142	**59,281**
Change in net working capital	7,061	23,195
Change in other current assets/liabilities	(5,018)	16,076
Cash flow from operations	**31,185**	**98,552**
Capital expenditure	(37,358)	(30,841)
Disposals	458	4,373
Net capital expenditure	**(36,900)**	**(26,468)**
Free cash flow	**(5,715)**	**72,084**
Dividends	(15,552)	(5,184)
Change in net financial position	**(21,267)**	**66,900**
Initial net financial position - prior to fair value adjustment of derivatives	**15,148**	**(51,620)**
Change in net financial position	(21,267)	66,900
Translation differences	(691)	(132)
Final net financial position - prior to fair value adjustment of derivatives	**(6,810)**	**15,148**
Fair value adjustment of derivatives	9,102	(20,526)
Final net financial position	**2,292**	**(5,378)**

Over the course of the year, investments totalling Euro 37.4 million were made, up Euro 6.5 million compared with the previous year and dividends paid for Euro 15.6 million.

Consolidated capital expenditure is analyzed in the following table:

(Thousands of Euro)	2018	2017
Trademarks and patents	656	531
Opening and restructuring of Geox Shop	21,162	16,393
Pruduction plant	494	698
Industrial plant and equipment	2,788	2,695
Logistic	2,321	3,054
Information technology	6,769	6,653
Others	3,168	817
Total	37,358	30,841

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

(Thousands of Euro)	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	40,972	75,616
Current financial assets - excluding derivatives	1,119	418
Bank borrowings and current portion of long-term loans	(48,268)	(44,729)
Current financial liabilities - excluding derivatives	(16)	(117)
Net financial position - current portion	(6,193)	31,188
Non-current financial assets	22	22
Long-term loans	(639)	(16,062)
Net financial position - non-current portion	(617)	(16,040)
Net financial position - prior to fair value adjustment of derivatives	(6,810)	15,148
Fair value adjustment of derivatives	9,102	(20,526)
Net financial position	2,292	(5,378)

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 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 is 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 envisages a grant cycle to be made within the month of December 2017.

A number of 1,021,270 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.

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.

With regards the 2016 Stock Option Plan, it’s to be noted that these Stock Options could not be exercised because the performance results were not achieved.

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.	-	-	-	611,368	805,895	2.86	2020

(*) Starting date January 18, 2018
(**) Options expired for termination of employment, for the expiration of the 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

With regard to business outlook for 2019, management would like to highlight the following points:

- Initial order collection for the upcoming 2019 spring/summer season (as reported last November) shows a reduction of -9.1% in the wholesale channel, with the industrial margin increasing in line with expectations. Overall, the rationalization process for the wholesale channel, aimed at supporting the Group's solidity and image, is expected to continue in 2019, although this will have less of an impact on turnover than in the previous year. These expectations should nonetheless be confirmed by the performance of initial order collection for the 2019 autumn/winter collection, currently ongoing, and by the assumption that there will be more reorders during the seasons.
- The mono-brand store network is expected to remain substantially stable: directly-operated stores are expected to carry greater weight, thanks to a number of targeted openings (especially in China) and the conversion of a limited number of stores that were previously franchised, as stated in the Business Plan. This will more than compensate for the closures of a number of non-performing directly-operated stores.
- Dos performance trend is slightly positive in Jan-Feb 2019, fueled by online. Retail excellence program's impact is expected to gradually gain traction through the course of the year.
- The ongoing restyling plan will continue, aimed at improving performance, with the introduction of new window displays, new assortment strategies and new policies for in-store visuals.
- Relevant projects and investments in IT will also continue, in line with the Business Plan, in order to support the business and guarantee a truly omnichannel operating model.
- The initiatives to further increase productivity, ensure a lean organization and boost operating efficiency, which have already been successfully implemented over the last few years, shall continue in 2019.
- The direct e-commerce channel is expected to continue to grow at a strong pace and may also benefit from a number of advanced CRM tools that have been launched, made possible thanks to an increasing dedicated in-house team.
- Investments in digital communication will continue in order to accelerate a more modern perception of the brand.

Based on the above, management would like to highlight how, under these changed business and market conditions, overall sales performance indicators based on initial order collection in the wholesale channel are gradually diminishing in importance; in fact sales will increasingly depend on actual performance of re-orders and replenishment in the wholesale channel throughout the season and on comparable sales of the mono-brand network, both online and offline.

Biadene di Montebelluna, February 27, 2019

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

SARA CROCE
22 YEARS OLD
TALENT

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Consolidated income statement

(Thousands of Euro)	Notes	2018	of which related party	2017	of which related party
Net sales	3-31	**827,220**	**275**	**884,529**	**69**
Cost of sales	31	(413,456)	50	(456,914)	7
Gross profit		**413,764**		**427,615**	
Selling and distribution costs		(46,416)	-	(47,268)	
General and administrative expenses	4-31	(325,489)	(6,156)	(317,624)	(4,180)
Advertising and promotion	31	(26,652)	(156)	(22,561)	(220)
Restructuring charges	7	(9,847)	-	(10,020)	-
EBIT	3	**5,360**		**30,142**	
Net financial expenses	8	(4,792)	-	(3,392)	-
PBT		**568**		**26,750**	
Income tax	9	(5,859)	-	(11,367)	-
Net result		**(5,291)**		**15,383**	
Earnings per share [Euro]	10	(0.02)		0.06	
Diluted earnings per share [Euro]	10	(0.02)		0.06	

Consolidated statement of comprehensive income

(Thousands of Euro)	2018	of which related party	2017	of which related party
Net income	**(5,291)**		**15,383**	
Other comprehensive income that will not be reclassified subsequently to profit or loss:				
- Net gain (loss) on actuarial defined-benefit plans	103	-	(29)	-
Other comprehensive income that may be reclassified subsequently to profit or loss:				
- Net gain (loss) on Cash Flow Hedge, net of tax	13,863	-	(23,306)	-
- Currency translation	(1,846)	-	2,902	-
Net comprehensive income	**6,829**		**(5,050)**	

Consolidated statement of financial position

(Thousands of Euro)	Notes	Dec. 31, 2018	of which related party	Dec. 31, 2017(*)	of which related party
ASSETS:					
Intangible assets	11	50,161		52,061	
Property, plant and equipment	12	65,826		61,326	
Deferred tax assets	13	32,517		36,394	
Non-current financial assets	18-30	22		22	
Other non-current assets	14	11,651		13,512	
Total non-current assets		**160,177**		**163,315**	
Inventories	15	312,052		283,227	
Accounts receivable	16-31	133,090	237	162,460	134
Other non-financial current assets	17-31	30,637	1,902	25,368	1,902
Current financial assets	18-30	10,907		2,110	
Cash and cash equivalents	19	40,972		75,616	
Current assets		**527,658**		**548,781**	
Total assets		**687,835**		**712,096**	
LIABILITIES AND EQUITY:					
Share capital	20	25,921		25,921	
Reserves	20	320,130		308,179	
Net income	20	(5,291)		15,383	
Equity		**340,760**		**349,483**	
Employee severance indemnities	21	2,557		2,698	
Provisions for liabilities and charges	22	5,497		5,110	
Long-term loans	23	639		16,062	
Other long-term payables	24	5,083		7,339	
Total non-current liabilities		**13,776**		**31,209**	
Trade payables	25-31	236,027	1,477	219,410	1,503
Other non-financial current liabilities	26	39,579		36,120	
Taxes payable	27	8,723	-	8,810	-
Current financial liabilities	18-30	702		22,335	
Bank borrowings and current portion of long-term loans	28	48,268		44,729	
Current liabilities		**333,299**		**331,404**	
Total liabilities and equity		**687,835**		**712,096**	

(*) The comparative information has been reclassified as a result of the application of IFRS 15.
Further details are explained in Note nr. 2 – Accounting policies

Consolidated statement of cash flow

(Thousands of Euro)	Notes	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:			
Net result	20	**(5,291)**	**15,383**
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization and impairment	5	32,984	33,846
Increase in (use of) deferred taxes and other provisions		11,844	4,374
Provision for employee severance indemnities, net		(54)	25
Other non-cash items		(10,341)	5,653
		34,433	**43,898**
Change in assets/liabilities:			
Accounts receivable		27,785	(131)
Other assets		(2,394)	17,704
Inventories		(37,498)	40,456
Trade payables		16,774	(17,130)
Other liabilities		(2,563)	(1,417)
Taxes payable		(61)	(211)
		2,043	**39,271**
Operating cash flow		**31,185**	**98,552**
CASH FLOW USED IN INVESTING ACTIVITIES:			
Capital expenditure on intangible assets	11	(11,026)	(12,490)
Capital expenditure on property, plant and equipment	12	(26,332)	(18,351)
		(37,358)	**(30,841)**
Disposals		458	4,373
(Increase) decrease in financial assets		(701)	866
Cash flow used in investing activities		**(37,601)**	**(25,602)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank borrowings, net		(2,387)	5,789
Loans:			
- Proceeds		24,154	20,000
- Repayments		(34,266)	(55,355)
Dividends	32	(15,552)	(5,184)
Cash flow used in financing activities		**(28,051)**	**(34,750)**
Increase (decrease) in cash and cash equivalents		**(34,467)**	**38,200**
Cash and cash equivalents, beginning of the period	19	**75,616**	**38,663**
Effect of translation differences on cash and cash equivalents		(177)	(1,247)
Cash and cash equivalents, end of the period	19	**40,972**	**75,616**
Supplementary information to the cash flow statement:			
- Interest paid during the period		3,964	3,394
- Interest received during the period		2,594	2,216
- Taxes paid during the period		5,267	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)	-
Recognition of cost stock option plans	-	-	-	-	-	(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
First adoption of IFRS 9	-	-	-	-	(401)	401	-	-
Allocation of 2017 result	-	-	-	-	-	15,383	(15,383)	-
Distribution of dividends	-	-	-	-	-	(15,552)	-	(15,552)
Net comprehensive result	-	-	-	(1,846)	13,863	103	(5,291)	6,829
Balance at December 31, 2018	25,921	5,184	37,678	(3,010)	1,617	278,661	(5,291)	340,760

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 December 31, 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, with the exception of those indicated below.

To facilitate comparison with the previous year, the accounting schedules provide comparative figures: at December 31, 2017 and for the year 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 December 31, 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 December 31, 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, amendments and interpretations applied since January 1, 2018

- IFRS 15 - *Revenue from contracts with customers*. This standard establishes a new model for recognizing revenues which is applicable to all contracts with customers, with the exception of those falling under the scope of application of other IAS/IFRS standards such as leasing, insurance contracts and financial instruments. IFRS 15 introduces a five-step approach to revenue recognition:
  - Identifying the contract;
  - Identifying the performance obligations in the contract;
  - Determining the transaction price;
  - Allocating the transaction price to performance obligations;
  - Recognising revenue when the entity satisfy a performance obligation.

  The Group has applied IFRS 15 retroactively with a cumulative effect as at the date of first application (January 1, 2018), for comparative purposes 2017 figures have been restated. The following table summarizes the effects of the application of IFRS 15 on the relevant individual items as of December 31, 2017:

(Thousands of Euro)	Notes	Dec. 31, 2017 Restated	Reclassifications	Dec. 31, 2017 Reported
ASSETS:				
Total non-current assets		163,315		163,315
Inventories		283,227		283,227
Accounts receivable	a)	162,460	42,104	120,356
Other non-financial current assets		25,368		25,368
Current financial assets		2,110		2,110
Cash and cash equivalents		75,616		75,616
Current assets		548,781		506,677
Total assets		712,096	42,104	669,992
LIABILITIES AND EQUITY:				
Equity		349,483		349,483
Total non-current liabilities		31,209		31,209
Trade payables	a)	219,410	42,104	177,306
Other non-financial current liabilities		36,120		36,120
Taxes payable		8,810		8,810
Current financial liabilities		22,335		22,335
Bank borrowings and current portion of long-term loans		44,729		44,729
Current liabilities		331,404	42,104	289,300
Total liabilities and equity		712,096	42,104	669,992

a) Previously, the Group recognized a liability for the expected returns and credit notes adjusting the item Trade receivables and the amount corresponding to the cost of the products, in the item Inventory. In accordance with IFRS 15, the Group recognizes the amount corresponding to the expected returns and credit notes in the item Trade Payables and the amount corresponding to the cost of the products in the item Inventory, as in the past.

The application of this standard does not affect the Consolidated Income Statement.

- The final version of IFRS 9 – *Financial instruments* which includes the results of the IASB plan to replace IAS 39. The document introduces new requirements for classifying and measuring financial assets and liabilities. Specifically, as regards financial assets, the new standard adopts a single approach based on how the financial instruments are managed and on the contractual cash flow characteristics of the financial assets themselves in order to determine the related valuation method, aiming at eventually replacing the various rules laid down under IAS 39.
  As regards financial liabilities, the main amendment concerns the method of accounting for fair value changes in a financial liability designated as at fair value through profit or loss, which are due to change in the creditworthiness of the financial liability itself. According to the new standard, these changes must be recognized in other comprehensive income, without affecting profit or loss. Furthermore, when altering financial liabilities defined as "not substantial", it is no longer permitted to spread the economic effects of the renegotiation of residual debt duration by altering the actual interest rate at that date. It is now necessary to report the relative effect in the income statement.
  The new document includes a single model for the impairment of financial assets based on expected losses (as opposed to an incurred credit loss model under IAS 39). IFRS 9 requires the Group to recognize a loss allowance for expected credit losses to all financial instruments, namely on debt investments measured subsequently at amortized cost or at fair value through other comprehensive income, to lease receivables and to trade receivables.
  The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'.
  The Group adopted the new IFRS 9 starting from January 1, 2018.
  There were no significant effects from the adoption of this standard.

- Amendments to IFRS 2 - *Classification and measurement of share-based payment transactions.* These amendments clarify the accounting for the effects of vesting conditions in case of cash-settled share-based payments, the classification of share-based payments with net settlement features and the accounting of a modification of a share-based payment that changes the transaction from cash-settled to equity-settled.
  The Group adopted the new amendments starting from January 1, 2018.
  There were no significant effects from the adoption of these amendments.

- Document *"Annual Improvements to IFRSs: 2014-2016 Cycle"* integrates existing standards. There were no effects from the adoption of this document.

- Amendment to IAS 40 - *Transfers of Investment Property.* The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property. There were no effects from the adoption of this amendment.

- IFRIC 22 - *Foreign Currency Transactions and Advance Considerations*. IFRIC 22 addresses how to determine thedate of transaction'for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. There were no effects from the adoption of this interpretation.

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

At the date of this financial statements, the European Union has not yet completed its endorsement process for these amendments:

- On January 13th, 2016, the IASB published IFRS 16 – *Leases* to replace IAS 17 – *Leases*, and the interpretations IFRIC 4 - *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  The new standard provides a new definition of a lease and introduces criteria based on the control (right of use) of an asset in order to distinguish between lease contracts and service provision contracts, identifying the following determining factors: identification of the asset, the right to replace the asset, the right to obtain substantially all economic benefits from using the asset and, lastly, the right to direct the use of the asset underlying the contract.
  The standard establishes a single model for the recognition and measurement of lease contracts for the lessee, which states that leased assets, including those under operating leases, must be recognised under assets with a corresponding entry under financial payables. On the contrary, the standard does not include significant changes for lessors.

  The standard came into force on January 1St, 2019, although it was possible to apply it earlier.

  Geox completed a preliminary assessment of the potential impacts of applying the new standard at the transition date (January 1St, 2019). This process was broken down into various stages, including a complete mapping of the contracts that could potentially include a lease and the analysis of these contracts in order to ensure that they include the main significant provisions for IFRS 16 purposes.
  Geox chose to apply this standard retrospectively. However, it has recorded the accumulated effect of applying the standard on shareholders' equity at January 1St, 2019, in accordance with IFRS 16, paragraphs C7-C13. In particular, in relation to lease contracts that were previously classified as operating leases, Geox will record:
  - a financial liability, equal to the current value of future residual payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract;
  - a right-to-use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses and accrued expenses and deferred income referring to the lease and recorded in the balance sheet at the closing date of these financial statements.

  The Group has estimated that adopting IFRS 16 at the date of transition, January 1St, 2019, will lead to rights of use for approximately Euro 327 million and a financial liability of approximately Euro 326 million being recorded.
  The value of the rights of use has been increased by the balance of accrued income and prepaid expenses at December 31st, 2018 and decreased by the balance of accrued expenses and deferred income at December 31st, 2018.

  When applying IFRS 16, Geox intends to use the exemption permitted by paragraph 5(a) of IFRS 16 in relation to short-term leases for the contracts with a duration of less than one year.

  Likewise, the Company intends to use the exemption permitted by IFRS 16:5(b) with regard to lease contracts for which the underlying asset is classed as a "low-value asset". Contracts to which this exemption has been applied mainly fall under the following categories:
  - Computers, telephones and tablets;
  - Printers;
  - Other electronic devices.

  For these contracts, the introduction of IFRS 16 will not lead to the financial liability for the lease or the relative right of use being recorded, but rather the rental payments will be recorded in the income statement, on a linear basis, for the duration of the respective contracts.
  In order to help readers understand the impacts of the initial application of this accounting standard, the following table provides a comparison between the future commitments relating to lease contracts,

information of which is provided under note 33 of the present financial statements at December 31, 2018, and the expected impact of adopting IFRS 16 at January 1, 2019:

Euro million	**January 1, 2019**
Non cancellable commitments as of December 31, 2018	**282**
Commitments for renewal	95
Short term lease	(5)
Non-lease components included in non-cancellable commitments	(28)
Financial liability (not discounted) as of January 1, 2019	**344**
Effect of discounting	(18)
Financial liability under IFRS 16 as of January 1, 2019	**326**

- On October 12, 2017 the IASB published an amendment to IFRS 9 - *Prepayment Features with Negative Compensation*. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the "SPPI" condition (Solely Payments of Principal and Interest), the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment.
  The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted.
  The Directors of the Company do not expect a significant impact in the Consolidated Financial Statement arising from the adoption of this amendment.

- On June 7, 2017 the IASB published the interpretation *"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)*". The interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed (separately or as a group) and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or
    planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

  The Interpretation is effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
  The Directors of the Company do not expect a significant impact in the Consolidated Financial Statement arising from the adoption of this amendment.

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

- IFRS 17 – *Insurance Contracts*;
- Amendment to IAS 28 - *Long-term Interests in Associates and Joint Ventures*;
- Document *"Annual Improvements to IFRSs: 2015-2017 Cycle"*;
- Amendment to IAS 19 - *Long-term Interests in Associates and Joint Ventures*;
- Document "*Definition of a Business (Amendments to IFRS 3)*";
- Document "*Definition of Material (Amendments to IAS 1 and IAS 8)";*
- Amendments 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 12-31-2018	As at 12-31-2018	Average for 12-31-2017	As at 12-31-2017
US Dollar	1.1815	1.1450	1.1293	1.1993
Swiss Franc	1.1549	1.1269	1.1115	1.1702
British Pound	0.8848	0.8945	0.8762	0.8872
Canadian Dollar	1.5302	1.5605	1.4644	1.5039
Japanese Yen	130.4096	125.8500	126.6545	135.0100
Chinese Yuan	7.8074	7.8751	7.6264	7.8044
Czech Koruna	25.6432	25.7240	26.3272	25.5350
Russian Ruble	74.0551	79.7153	65.8877	69.3920
Polish Zloty	4.2606	4.3014	4.2563	4.1770
Hungarian Forint	318.8245	320.9800	309.2730	310.3300
Macau Pataca	9.5379	9.2365	9.0654	9.6532
Serbian Dinar	118.2368	118.3109	121.3703	118.6386
Vietnam Dong	27,189.2046	26,547.0000	25,652.0000	27,233.0000
Indonesian Rupiah	16,801.7267	16,500.0000	15,113.2000	16,239.1200
Turkish Lira	5.6986	6.0588	4.1214	4.5464

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 exclude 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 25.

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. Furthermore, the provision includes the receivable evaluation according to the lifetime expected loss model. 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, as well as the write-down percentages applied for not in dispute positions, 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.

Accounting policies

The financial statements are prepared on a historical cost basis, amended as required for the valuation of certain financial instruments. They are also prepared on a going-concern basis.

The main accounting policies are outlined below:

Intangible assets

Intangible assets with a finite useful life are recorded at purchase or production cost, including directly-related charges, and amortized systematically over their residual useful lives, as required by IAS 36.

Amortization is applied systematically over the useful life of the assets based on the period that they are expected to be of use to the Group. The residual value of intangible assets at the end of their useful life is assumed to be zero, unless there is a commitment on the part of third parties to purchase the asset at the end of their useful life or there is an active market for them. As regards the item key money, it is pointed out that in France the protection provided to the tenant by the local law, supported by the market practice, allows the recognition of a recovering value of each trading position, even at the end of the contract. This led the directors to estimate a residual value of the key money paid at the end of each lease.
The directors review the estimated useful life of intangible assets at the end of each period.

Intangible assets with an indefinite useful life are not amortized; instead, they are subjected to impairment testing.

The following table summarizes the useful life (in years) of the various intangible assets:

Trademarks	10 years
Geox patents	10 years
Other patents and intellectual property rights	3-5 years
Key money	Period of the rental contract
Other intangible assets	Period of the rental contract

Trademarks include the costs incurred to protect and disseminate them.

Similarly, Geox patents include the costs incurred to register, protect and extend new technological solutions in various parts of the world.
The other patents and intellectual property rights mainly relate to the costs of implementing and customizing software programs which are amortized in 3-5 years, taking into account their expected future use.
Key money includes:

- amounts paid to acquire businesses (shops) that are managed directly or leased to third parties under franchising agreements;
- amounts paid to access leased property by taking over existing contracts or persuading tenants to terminate their contracts so that new ones can be signed with the landlords. The premises were then fitted out as Geox shops.

Goodwill is initially recognized by capitalizing the excess cost of acquisition compared with the fair value of the net assets of the company recently acquired. Goodwill is not amortized; instead, it is subjected to impairment testing at least once a year, or more frequently if there is evidence of a loss in value, to verify whether its value has been impaired. The elements that satisfy the definition of "assets acquired in a business combination" are only accounted for separately if their fair value can be established with a reasonable degree of reliability.

Property, plant and equipment

Property, plant and equipment are booked at their purchase or construction cost, which includes the price paid for the asset (net of any discounts and allowances) and any directly-related purchasing and start-up costs. Property, plant and equipment are shown at cost, net of accumulated depreciation and write-downs/write backs.
The residual value of the assets, together with their estimated useful life, is reviewed at least once a year at the end of each accounting period and written down if it is found to be impaired in accordance with IAS 36, regardless of the amount of depreciation already charged. The value is reinstated in subsequent years if the reasons for the write-down no longer apply.
Routine maintenance costs are charged in full to the income statement, whereas improvement expenditure is allocated to the assets concerned and depreciated over their residual useful life.

The following table shows the useful life in years related to the depreciation rates applied:

Building	20-30 years
Plant and machinery	5-8 years
Photovoltaic plant	11 years
Industrial and commercial equipment	from 2 to 4 years
Moulds	2 years
Office furniture	8 years
Electronic machines	3-5 years
Motor vehicles	4 years
Internal transport and trucks	5 years
Leasehold improvements	Period of contract *
Shop equipment	Lower of contract period and 8 years
Shop fittings	4 years
Concept stores	2-4 years

* Depreciated over the lower of the useful life of the improvements and the residual duration of the lease.

Assets acquired under finance leases are shown in the consolidated financial statements at their nominal value at the start of the contract, at the same time recognizing the financial liability owed to leasing companies. These assets are depreciated using the depreciation schedules normally applied to similar types of fixed assets.

Impairment of property, plant and equipment and intangible assets

The book value of the Geox Group’s property, plant and equipment and intangible assets is reviewed whenever there is internal or external evidence that the value of such assets, or group of assets (defined as a Cash Generating Unit or CGU), may be impaired. Goodwill, consolidation differences and intangible assets with an indefinite useful life have to be subjected to impairment testing at least once a year.
Impairment tests are performed by comparing the book value of the asset or of the CGU with its realizable value, represented by its fair value (net of any disposal costs) or, if greater, the present value of the net cash flows that the asset or CGU is expected to generate.
If the book value of the asset is greater than its recoverable value this asset is consequently impaired in order to align it to its recoverable value.
Each unit, to which the specific values of assets are allocated (tangible and intangible), represents the lowest level at which the Group monitors such assets.
The Group's terms and conditions for reinstating the value of an asset that has previously been written down are those established by IAS 36. Write backs of goodwill are not possible under any circumstances.

Financial instruments

Financial instruments held by the Group are presented in the financial statements as described in the following paragraphs:

- other non-current financial assets comprise investments in unconsolidated companies, held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets; Current financial assets include trade receivables, receivables from financing activities, current securities, and other current financial assets (which include derivative financial instruments stated at fair value as assets), as well as cash and cash equivalents;
- cash and cash equivalents include cash at banks, units in liquidity funds and other money market securities that are readily convertible into cash and are subject to an insignificant risk of changes in value;
- financial liabilities refer to debts, which includes asset-backed financing, and other financial liabilities (which include derivative financial instruments stated at fair value as liabilities), trade payables and other payables.

Non-current financial assets other than investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IFRS 9.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value depending on the business model of the company for the management of financial assets and the contractual terms that give rise to cash flows of the financial assets. Specifically:

- Debt instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;
- Debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All the other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if the financial asset is not held for trading and it is not a contingent consideration recognized by an acquirer in a business combination;
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

During the current year, the Group did not designate any debt instrument that satisfies the amortized cost or FVTOCI criteria to be measured at fair value through profit or loss (FVTPL).
The Directors of the Group have reviewed and evaluated the financial assets of the Group as of January 1st 2018 considering the facts and circumstances at that date and they concluded that the financial assets classified as held to maturity, the loans and the receivable that were measured at amortized cost according to IAS 39 continue to be measured at amortized cost according to IFRS 9 because they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

When the financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, an impairment loss is included in the income statement for the period.

Accounts receivable are initially recognized at their fair value and then presented net of the provision for bad debt determined in accordance with the impairment model introduced by IFRS 9 (expected losses model). The accrual for the doubtful debts found is charged to the income statement.
Receivables subject to impairment are written off when it's confirmed that they are not recoverable.
Receivables sold to the factor without recourse (*pro-soluto*) have been removed from the Balance Sheet as the relative contract transfers ownership of the receivables, together with all cash flows generated by said receivable and all related risks and benefits, to the factor.

Except for derivative instruments, financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in relevant hedged risk, are recognized in the income statement and are offset by the effective portion of the loss or gain
arising from remeasurement at fair value of the hedging instrument.

Derivative financial instruments

All derivative financial instruments are measured in accordance with IFRS 9 at fair value.

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IFRS 9, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship and the hedge relationship is effective on the basis of the "economic relationship" between the hedged item and the hedge instrument.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement;
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect income statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in equity. The cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in equity and is recognized in the income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in equity is recognized in the income statement immediately.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement.

Inventories

Inventories of finished products are measured at the lower of purchase or production cost and their estimated net realizable or replacement value. For raw materials, purchase cost is calculated at the weighted average cost for the period.
For finished products and goods, purchase or production cost is calculated at the weighted average cost for the period, including directly-related purchasing costs and a reasonable proportion of production overheads.
Obsolete and slow-moving goods are written down according to the likelihood of them being used or sold.

Employee benefits

Benefits paid to employees under defined-benefit plans on termination of employment (employee severance indemnities) are recognized over the period that the right to such benefits accrues.

The liability arising under defined-benefit plans, net of any assets servicing the plan, is determined using actuarial assumptions and recorded on an accruals basis in line with the work performed to earn the benefits. The liability is assessed by independent actuaries.

The amount reflects not only the liabilities accrued up to the balance sheet date, but also future pay rises and related statistical trends.
The benefits guaranteed to employees through defined-contribution plans (also in virtue of the recent changes in the Italian regulations on pensions) are recognized on an accruals basis; at the same time, they also give rise to the recognition of a liability at face value.

Share-based payments (stock options)

Some group employees receive part of their compensation in the form of share-based payments. Employees therefore provide services in exchange for shares ("equity-based transactions").

The cost of equity-based transactions with employees is measured on the basis of the fair value at the grant date. The fair value is determined by an independent appraiser using an appropriate valuation method. Further details are provided in note 29.

The cost of the equity-based transactions and the corresponding increase in equity is accounted for from the time that the conditions for the attainment of the objectives and/or provision of the service are met, and ends on the date when the employees concerned have fully accrued the right to receive the compensation (the "maturity date").

The accumulated costs recorded for such transactions at the end of each accounting period up to the maturity date are compared with a best estimate of the number of equity securities that will effectively reach maturity at the end of the maturity period. The gain or loss posted to the income statement reflects the change in the accumulated cost recorded at the beginning and end of the accounting period.

No costs are booked for rights that do not reach full maturity, except in the case of rights whose granting is linked to market conditions. These are treated as if they had matured independently of the underlying market conditions, as long as all the other conditions are met.

If the initial conditions are changed, at the very least a cost has to be indicated, assuming that the conditions have remained the same. Moreover, a cost is recorded for each change implying an increase in the total fair value of the payment plan, or in any case when the change is favorable to the employees. This cost is measured taking into account the date on which the change takes place.

If rights are cancelled, they are treated as though they had reached maturity on the date of cancellation and any unrecorded costs relating to these rights are recognized immediately. However, if a cancelled right is replaced by a new right and the latter is recognized as a replacement on the date it is granted, the cancelled right and the new right are treated as though they were a change in the original right, as explained in the previous paragraph.

The dilutive effect of any vested options not yet exercised is reflected in the calculation of the dilution of earnings per share (see note 10).

Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when there is an effective obligation (legal or implicit) deriving from a past event, providing there will probably be an outlay of resources to settle the obligation and the amount of the obligation can be reliably estimated.
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. Provisions are determined by discounting the expected future cash flows if the effect of discounting the value of money is significant.

Revenue and income

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 Group's revenues include:

- sales of goods to customers operating through mono-brand stores (franchising stores) or multi-brand stores (wholesalers):
- sales of goods directly through Geox shops or e-commerce channel;
- Rental income relates to the Geox Shops owned by the Group and leased to third parties under franchising agreements;
- Royalties.

Sale of goods (Wholesale and Franchising)

Revenue from the sale of goods is recognized when control of the asset is transferred to the buyer, i.e. when the asset is delivered to the customer in accordance with contractual provisions and the customer acquires the ability to direct the use of and obtain substantially all of the benefits from the asset. If the sales contract includes retrospective volume-related discounts, the Group estimates the relevant impact and treat it as variable consideration. Group estimates the impact of potential returns from customers. This impact is accounted for as variable consideration, recognizing a liability for returns and the corresponding asset in the statement of financial position. This estimate is based on the Group's right of return policies and practices along with historical data on returns.
The Group includes in the transaction price the variable considerations estimated (discounts and returns) only to the extent that it is highly probable that a significant reversal in the amount of recognized revenue will not occur in the future.

Sale of goods (Retail)

Retail revenue is recognized upon receipt of the goods by the customer at the retail location. The relevant consideration is usually received at the time of the delivery. Any advance payments or deposits from customers are not recognized as revenue until the product is delivered. Concerning sales through the e-commerce channel, the moment in which the customer obtains control of the asset is identified based on the specific terms and conditions applied by the on-line sales platforms used by the Group. In some countries, the Group allows customers to return the products for a certain period of time after the purchase: therefore, it estimates the relevant impact by accounting for it as variable consideration, recognizing the relevant assets and liabilities (see *Sale of goods (Wholesale and Franchising)*).
The estimate is based on the historical trend in returns, accounts for the time elapsed from the purchase date, and is regularly reviewed. The Group includes in the transaction price the variable considerations estimated only to the extent that it is highly probable that a significant reversal in the amount of recognized revenue will not occur in the future. There are no postdelivery obligations other than product warranties, if required by local law; these warranties do not represent a separate performance obligation.

Loyalty programs

The companies of the Retail division offer their customers discount programs or similar loyalty programs with a term of 12 months or greater. Customers who present a valid loyalty card receive a fixed percentage discount off the retail prices for a specified range of products and/or services. Revenue under these arrangements is recognized upon receipt of the products or services by the customer at the retail location.

Rental income

Rental income relates to the Geox Shops owned by the Group and leased to third parties under franchising agreements; rental income are recognized on an accruals basis.

Royalties

Royalties are accounted for on an accruals basis in accordance with the substance of the contractual agreements.

Costs and expenses

Costs and expenses are accounted for on an accruals basis.

Leasing

To be able to define a contractual arrangement as a lease (or as one containing a lease), it's necessary to look at the substance of the arrangement. It must also be assessed whether fulfillment of the contract depends on the use of one or more specific assets and if the arrangement transfers the right to use such assets. The situation can only be reviewed after the start of the contract if one of the following conditions is met:

(a) there is a change in the contractual conditions, other than a renewal or extension of the contract;
(b) a renewal option is exercised or an extension is granted, unless the terms of the renewal or extension were included in the terms of the lease from the start;
(c) there is a change in the condition according to which fulfillment depends on a specific asset; or
(d) there is a substantial change in the asset.

If a review is carried out, accounting for the lease will begin or end on the date of the change in the circumstances that gave rise to the review for scenarios a), c) or d) and at the date of the renewal or extension for scenario b).

Operating lease installments are treated as costs in the income statement on a straight-line basis over the life of the contract.

Government Grants

Government grants are recognized in the financial statements when there is reasonable assurance of the Group's compliance with the conditions for receiving such grants and that the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

Income tax

Current income taxes

Current income taxes for the period are calculated on the basis of taxable income in accordance with the tax rules in force in the various countries.
Geox S.p.A. joined, as parent company, a new domestic tax consolidation for three years (2014-2016), then renewed for other three years, with the two Italian subsidiaries Geox Retail S.r.l. and XLOG S.r.l..

Deferred taxes

Deferred tax assets and liabilities are recognized on temporary differences between the amounts shown in the balance sheet and their equivalent value for fiscal purposes. Deferred tax assets are also recognized on the tax losses carried forward by Group companies when they are likely to be absorbed by future taxable income earned by the same companies.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the various countries in which the Geox Group operates in the tax periods when the temporary differences reverse or expire.
Deferred tax assets are recorded to the extent that, according to future plans, there is likely to be sufficient taxable income to cover deductible temporary differences.
The book value of deferred tax assets is reviewed at each balance sheet date and if necessary reduced to the extent that future taxable income is no longer likely to be sufficient to recover all or part of the assets. These write-downs are reversed if the reasons for them no longer apply.
Income taxes on the amounts booked directly to equity are also charged directly to equity rather than to the income statement.

Earnings per share (EPS)

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

Diluted EPS is calculated by dividing the net income attributable to the Parent Company's shareholders by the weighted average number of shares outstanding, taking into account the effects of all potentially dilutive ordinary shares (e.g. employee stock option plans).

Potential liabilities

The Group is subject to legal and tax litigations arising from the ordinary course of the business in the countries where it operates.
Based on the information currently available, the Group believes that the provisions recognized as liabilities are sufficient to correctly represent the Consolidated Financial Statements.

GUSTAVO ANTONIONI
50 YEARS OLD
ENTREPRENEUR

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:

		2018	%	2017	%
Footwear	Net sales	744,044		796,664	
	D&A	30,049		30,682	
	EBIT	7,742	1.0%	34,950	4.4%
Apparel	Net sales	83,176		87,865	
	D&A	2,935		3,165	
	EBIT	(2,382)	(2.9%)	(4,808)	(5.5%)
Total	Net sales	827,220		884,529	
	D&A	32,984		33,847	
	EBIT	5,360	0.6%	30,142	3.4%

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 281,270 thousand for footwear (Euro 257,085 thousand in 2017) and Euro 30,782 thousand for apparel (Euro 26,142 thousand in 2017).

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

(Thousands of Euro)	2018	%	2017	%	Var. %
Italy	239,824	29.0%	257,520	29.1%	(6.9%)
Europe (*)	354,707	42.9%	382,893	43.3%	(7.4%)
North America	50,508	6.1%	56,893	6.4%	(11.2%)
Other countries	182,181	22.0%	187,223	21.2%	(2.7%)
Net sales	**827,220**	**100.0%**	**884,529**	**100.0%**	**(6.5%)**

(*) 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:

	2018	2017	Change
Wages and salaries	115,209	112,038	3,171
Rental expenses	90,414	92,431	(2,017)
Other costs	125,750	123,207	2,543
Rental income	(3,714)	(6,017)	2,303
Other income	(2,170)	(4,035)	1,865
Total	325,489	317,624	7,865

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. R&D costs are all written off to income during the period and amounted in total to Euro 13,003 thousand (in 2017 Euro 13,585 thousand).

The fees due to the directors, statutory auditors and executives with strategic responsibilities for 2018 are listed below. These amounts, in Euro, include the fees due for performing the same functions in Geox S.p.A. and in other companies included in the scope of consolidation.

Name Position	Period in office	Exp. Of Mand.	Fixed Emolument	Non cash Benefits (*)	Bonus and other incentives	Other Remuneration	Incentives
Mario Moretti Polegato *Chairman*	from 01-01 to 12-31-18	(1)	1,800,000 (2)	-	-	-	-
Enrico Moretti Polegato *Deputy Chairman*	from 01-01 to 12-31-18	(1)	150,000 (3)	-	-	-	-
Gregorio Borgo *CEO and Executive Director*	from 01-01 to 01-31-18		93,523 (4)	10,243		-	-
Matteo Mascazzini *CEO and Executive Director*	from 02-01 to 12-31-18	(1)	722,355 (5)	8,438	601,535 (6)	35,064 (7)	
Duncan Niederauer *Independent Director*	from 01-01 to 12-31-18	(1)	25,000 (8)	-	-	-	-
Alessandro Antonio Giusti *Director*	from 01-01 to 12-31-18	(1)	110,000 (9)	-	-	-	-
Claudia Baggio *Director*	from 01-01 to 12-31-18	(1)	25,000 (10)	-	-	-	-
Lara Livolsi *Independent Director* *Chairman of Compensation Committee and Nomination Committee*	from 01-01 to 12-31-18	(1)	45,000 (11)	-	-	-	-
Francesca Meneghel *Independent Director*	from 01-01 to 12-31-18	(1)	55,000 (12)	-	-	-	-
Manuela Soffientini *Independent Director*	from 01-01 to 12-31-18	(1)	45,000 (13)	-	-	-	-
Ernesto Albanese *Independent Director*	from 01-01 to 12-31-18	(1)	35,000 (14)	-	-	-	-
Livio Libralesso *Director* *General Manager Corporate - CFO*	from 01-01 to 12-31-18	(1)	371,946 (17)	7,340	68,054 (6)	-	-
Sonia Ferrero *Chairman of the Board of St. Auditors*	from 01-01 to 12-31-18	(1)	75,000 (15)	-	-	-	-
Fabrizio Colombo *Statutory Auditor*	from 01-01 to 12-31-18	(1)	50,000 (16)	-	-	-	-
Francesco Gianni *Statutory Auditor*	from 01-01 to 12-31-18	(1)	50,000 (16)	-	-	-	-
Executives with stategic responsabilities *(**)*			1,800,182 (18)	66,447	175,130 (19)	172,169 (20)	927,000 (21)

NOTES

(*) Includes fringe benefits

(**) Aggregated amounts

(1) Term of office expires at General Meeting held to approve the financial statements at December 31, 2018

(2) Includes remuneration as Chairman, member of Executives Committee and member of the Ethics Committee

(3) Includes remuneration as Deputy Chairman and member of Executives Committee

(4) Includes remuneration as CEO, member of the Executives Committee until January 18, 2018 and Executive with strategic responsibilities until January 31, 2018.

(5) Includes remuneration as CEO, Executive with strategic responsibilities and member of the Executives Committee from February 01, 2018

(6) Includes lump sum bonus as Executive with strategic responsibilities

(7) Includes various allowances contractually agreed

(8) Includes compensation as Indipendent Director

(9) Includes compensation as Non-Independent Director in charge of supervising the Audit and Risk Control System, member of Compensation and Nomination Committee and member of the Sustainability Committee from January 18, 2018

(10) Includes compensation as Non-Indipendent Director

(11) Includes compensation as Independent Director and Chairman of Compensation Committee and Nomination Committee

(12) Includes compensation as Independent Director, Chairman of Audit and Risk Committee, Lead Independent Director and member of the Sustainability Committee from January 18, 2018

(13) Includes compensation as Independent Director, member of Audit and Risk Committee and member of the Sustainability Committee from January 18, 2018

(14) Includes compensation as Independent Director and member of Compensation Committee and Nomination Committee

(15) Includes compensation as Chairman of the Board of Statutory Auditor

(16) Includes compensation as member of the Board of Statutory Auditor

(17) Includes remuneration as Executive with strategic responsibilities, compensation as General Manager - Corporate, CFO and member of Executives Committee appointed on April 17, 2018

(18) Includes salary as Executives with strategic responsibilities (social security paid by the company are not included)

(19) Includes lump-sum bonus

(20) Includes the employee severance indemnity related to the termination of the agreement as employee

(21) Includes amounts related to the termination of the agreement as employee

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:

	2018	2017	Change
Industrial depreciation	6,312	6,070	242
Non-industrial depreciation and amortization	26,672	27,776	(1,104)
Total	**32,984**	**33,846**	**(862)**

Amortization decreased of 862 thousand from Euro 33,846 thousand of 2017 to Euro 32,984 thousand of 2018.

Payroll costs amounted to Euro 148,852 thousand (in 2017 Euro 150,101 thousand).

6. Personnel

The average number of employees is shown below:

	2018	2017	Change
Managers	44	43	1
Middle managers and office staff	1,033	912	121
Shop employees	2,895	2,792	103
Factory workers	1,208	1,326	(118)
Total	5,180	5,073	107

The average number of employees for 2018 amounted to 5,180, increased of 107 units compared to 2017. The change is mainly due to the increase in shop employees in line with the increase of shop in the DOS network.

7. Restructuring charges

Special items were recorded for 9,847 thousand mainly attributable to the new organisation to support the Strategic Business Plan, which have led to some alterations to the HR structure (3,073 thousand), the contribution of external strategic advisors, the supporting and optimising the mono-brand store network and one-off costs for the insourcing of the online channel (6,774 thousand).

8. Net financial expenses

This item is made up as follows:

	2018	2017	Change
Interest income	3,920	7,374	(3,454)
Interest expense	(8,489)	(10,513)	2,024
Exchange differences	(223)	(253)	30
Total	(4,792)	(3,392)	(1,400)

Interest income is made up as follows:

	2018	2017	Change
Interest from banks	44	51	(7)
Interest from customers	311	431	(120)
Other interest income	3,565	6,892	(3,327)
Total	3,920	7,374	(3,454)

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:

	2018	2017	Change
Bank interest and charges	350	299	51
Interest on loans	239	496	(257)
Other interest expense	4,808	6,857	(2,049)
Financial discounts and allowances	3,092	2,861	231
Total	8,489	10,513	(2,024)

The decrease in "Interest on loans" is mainly due to the decrease 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:

	2018	2017	Change
Exchange gains	40,590	38,309	2,281
Exchange losses	(40,813)	(38,562)	(2,251)
Total	(223)	(253)	30

9. Income taxes

Income taxes for 2018 were equal to Euro 5,859 thousand, compared to Euro 11,367 thousand of 2017.

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):

	2018	%	2017	%
PBT	568	100.0%	26,750	100.0%
Theoretical income taxes (*)	136	24.0%	6,420	24.0%
Effective income taxes	5,859	1,031.5%	11,367	42.5%
Difference due to:	5,723	1,007.5%	4,947	18.5%
1) different tax rates applicable in other countries	(546)	(96.1%)	(578)	(2.2%)
2) permanent differences:				
i) IRAP and other local taxes	731	128.7%	1,319	4.9%
ii) writedowns of deferred tax asset	1,576	277.5%	3,690	13.8%
iii) previous years' taxes and other taxes	3,962	697.5%	516	1.9%
Total difference	5,723	1,007.6%	4,947	18.5%

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

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 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.

On December 22, 2017 a tax demand has been issued for the year 2012 without application of penalties (ex art. 1, sub. 6, D.Lgs December 18, 1997, n. 471) and, in regards to this tax demand, on January 16, 2018 the company has filed a tax settlement (ex art.6, sub.2, D.Lgs June 19th 1997, n. 218).

As at today, Geox S.p.A., has settled the years 2012 and 2013, and has filed a tax settlement for the other years subject to tax audit (ex art.6, sub.2, D.Lgs June 19th 1997, n. 218).
The effect of the tax settlement is included in the previous years' taxes.

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).


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11. Intangible assets

Intangible assets are made up as follows:

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Industrial patents and intellectual property rights	13,484	13,404	80
Trademarks, concessions and licenses	520	610	(90)
Key money	31,950	34,577	(2,627)
Assets in process of formation and payments on account	1,888	2,320	(432)
Goodwill	1,138	1,138	-
Other intangible assets	1,181	12	1,169
Total	**50,161**	**52,061**	**(1,900)**

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

	12-31-17	Purchases and capital.	Transla-tion Differen-ces	Amort./ write-down	Dispo-sals	Other Chan-ges	12- 31-18
Intangible assets with finite useful life:							
Industrial patents and intellectual property rights	13,404	5,782	1	(7,195)	(8)	1,500	13,484
Trademarks, concessions and licenses	610	32	(1)	(121)	-	-	520
Key money	34,577	2,074	(20)	(4,642)	(859)	820	31,950
Assets in process of formation and payments on account	2,320	1,888	-	-	-	(2,320)	1,888
Other intangible assets	12	1,250	-	(81)	-	-	1,181
Intangible assets with an indefinite useful life:							
Goodwill	1,138	-	-	-	-	-	1,138
Total intangible assets	**52,061**	**11,026**	**(20)**	**(12,039)**	**(867)**	-	**50,161**

Investments during the period mainly concern:

- personalization of the IT system and software utilization licenses for a total of Euro 5,126 thousand, cost incurred for registration, extension and protection of patents in various parts of the world for Euro 656 thousand;
- key money costs (Euro 2,074 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;
- the investment of Euro 1,250 thousand related to the take-over of the e-commerce website, that was managed by a third party up to the first half of the year 2018;
- assets in process of formation for a total of Euro 1,888 thousand. Such amounts 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. This assessment was based on expected results and took into consideration the weighted

average cost of capital (WACC) for the Group's main market areas. 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 403 thousand as of December 31, 2018 (Euro 496 as of December 31, 2017).

12. Property, plant and equipment

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

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Changes
Land and buildings	9,618	10,404	(786)
Plant and machinery	8,607	8,770	(163)
Industrial and commercial equipment	3,527	3,503	24
Other assets	14,757	12,797	1,960
Leasehold improvements	28,387	24,254	4,133
Construction in progress and payments on account	930	1,598	(668)
Total	**65,826**	**61,326**	**4,500**

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

	12-31-17	Purchases and capital.	Translation Differences	Amort./ write-down	Disposals	Other Changes	12-31-18
Land and buildings	10,404	85	29	(900)	-	-	9,618
Plant and machinery	8,770	1,139	15	(2,190)	(87)	960	8,607
Industrial and commercial equipment	3,503	3,162	(3)	(3,132)	(3)	-	3,527
Other assets	12,797	8,196	(45)	(6,039)	(191)	39	14,757
Leasehold improvements	24,254	12,822	(6)	(8,684)	(598)	599	28,387
Construction in progress and advance payments	1,598	928	2	-	-	(1,598)	930
Total property, plant and equipment	**61,326**	**26,332**	**(8)**	**(20,945)**	**(879)**	**-**	**65,826**

Investments during the period mainly concern:

- The purchase of equipment by the productive subsidiary in Serbia;
- The purchase of industrial equipment (mainly molds for shoe soles) by the parent company Geox S.p.A. and its productive subsidiary in Serbia;
- Geox shop fittings and hardware for Euro 6,793 thousand, office and showroom fittings for Euro 610 thousand, office and head office hardware for Euro 793 thousand;
- leasehold improvements of Euro 12,822 thousand. These additions relate to industrial buildings and offices for Euro 2,662 thousand and to premises fitted out as Geox Shop for Euro 10,160 thousand;
- construction in progress of Euro 928 thousand relating to fittings for shop opening in 2019.

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. This assessment was based on expected results and took into consideration the weighted

average cost of capital (WACC) for the Group's main market areas. 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 1,659 thousand as of December 31, 2018 (Euro 1,988 thousand as of December 31, 2017).
Other assets are made up as follows:

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Electronic machines	2,610	2,468	142
Furniture and fittings	11,970	10,267	1,703
Motor vehicles and internal transport	177	62	115
Total	**14,757**	**12,797**	**1,960**

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 Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Carry-forward tax losses	176	2,531	(2,355)
Depreciation and amortization and impairment	5,899	7,132	(1,233)
Evaluation derivates	-	3,551	(3,551)
Provision for obsolescence and slow-moving inventory and returns	18,888	16,809	2,079
Provision for agents' severance indemnities	552	606	(54)
Other	7,640	6,993	647
Deferred tax assets	**33,155**	**37,622**	**(4,467)**
Depreciation and amortization	(173)	(1,191)	1,018
Evaluation derivates	(401)	-	(401)
Other	(64)	(37)	(27)
Deferred tax liabilities	**(638)**	**(1,228)**	**(428)**
Total deferred taxes	**32,517**	**36,394**	**(4,895)**

The deferred tax assets on carry-forward tax losses, which at December 31, 2018 amount to Euro 176, relate entirely to the tax loss generated during 2018 by the subsidiary Geox Trading Shanghai. 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. The deferred tax assets on carry-forward tax losses as at December 31, 2017, for an amount of Euro 2,531 thousand, were entirely related to Geox S.p.A. end were totally utilized during 2018.

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 deferred tax liabilities booked directly to equity amount to Euro 401 thousand (tax assets amounting to Euro 3,568 thousand in 2017).

Deferred tax assets included in "Other" are mainly related to the provision for bad and doubtful accounts (note 16) and 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 Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Accounts receivable from others in 1 to 5 years	8,921	10,469	(1,548)
Accounts receivable from others in more than 5 years	2,730	3,043	(313)
Total	**11,651**	**13,512**	**(1,861)**

Accounts receivable from others relate principally for Euro 7,623 thousand of guarantee deposits for utilities and shop leases (from 1 to 5 years: Euro 4,917 thousand; over 5 years: Euro 2,706 thousand) and accounts receivable, payable from 1 to 5 years, for Euro 715 thousand.

Prepaid expenses for lease payments made in advance for Euro 3,313 thousand (from 1 to 5 years: Euro 3,289 thousand; over 5 years: 24 thousand).

15. Inventories

The following table shows the breakdown of inventories:

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Raw materials	10,685	11,483	(798)
Work in process and semi-finished products	914	428	486
Finished products and goods for resale	299,728	270,531	29,197
Furniture and fittings	725	785	(60)
Total	**312,052**	**283,227**	**28,825**

Inventories of finished products include goods in transit acquired from countries in the Far East and the costs related to the expected returns on sales for Euro 15,151 thousand (Euro 15,048 thousand as at December 31, 2017).

2018 shows an increase in the value of inventories mainly linked to the decrease of like for like sales of the DOS network compared to its expected growth. The increase relates products of the Spring/Summer and Fall/Winter 2018 collections.

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	23,155
Translation differences	(7)
Utilizations	(14,416)
Balance at December 31	**23,627**

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 Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Gross value	145,328	174,396	(29,068)
Provision for bad and doubtful accounts	(12,238)	(11,936)	(302)
Net value	**133,090**	**162,460**	**(29,370)**

Accounts receivable amounted to Euro 145,328 thousand at December 31, 2018, showing a decrease of Euro 29,068 thousand compared to December 31, 2017.

It's to be noted that this item was influenced by non-recourse factoring transactions, amounted to Euro 17,449 thousand at year end (Euro 18,374 at December 31, 2017).

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 December 31, 2018	92,620	28,329	12,014	12,365	**145,328**
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 December 31, 2018 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	2,459
Translation differences	(48)
Utilizations	(2,109)
Balance at December 31	12,238

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.

The refund liabilities, classified as reduction of account receivables as at December 31, 2017, has been reclassified as account payable under the provisions of the IFRS 15, as explained in Note nr. 2 – Accounting policies.

17. Other non-financial current assets

This item is made up as follows:

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Tax credits	4,505	4,313	192
VAT recoverable	4,278	5,871	(1,593)
Advances to vendors	1,565	1,697	(132)
Other receivables	11,971	6,411	5,560
Accrued income and prepaid expenses	8,318	7,076	1,242
Total	**30,637**	**25,368**	**5,269**

As at December 31, 2018 the Group has a tax credit for an amount of Euro 1,902 thousand towards the ultimate Parent Company LIR S.r.l..

Other receivables include:

- Euro 1,899 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received;
- Euro 4,912 thousands due from factoring companies (arising from non-recourse factoring transactions)
- Euro 1,132 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 Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Term bank deposits	22	22	-
Total non current financial assets	**22**	**22**	**-**
Fair value derivative contracts	9,788	1,692	8,096
Loans granted by Geox	1,119	418	701
Total current financial assets	**10,907**	**2,110**	**8,797**
Fair value derivative contracts	(686)	(22,218)	21,532
Other current financial liabilities	(16)	(117)	101
Total current financial liabilities	**(702)**	**(22,335)**	**21,633**

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 40,972 thousand relates to short term deposits for Euro 1,128 thousand, a current account in Euro for Euro 25,460 thousand, a current account in US Dollars for Euro 3,301 thousand, a current account in Chinese Yuan for Euro 2,701 thousand, a current account in Canadian Dollars for Euro 1,453 thousand, a current account in British Pound for Euro 2,106 thousand, a current account in Russian Rubles for Euro 1,815 thousands, a current account in Hong Kong Dollars for Euro 687 thousand, a current account in Hungarian Forint for Euro 657, a current account in Polish Zloty for Euro 553 thousand and 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 Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Legal reserve	5,184	5,184	-
Share premium reserve	37,678	37,678	-
Translation reserve	(3,010)	(1,164)	(1,846)
Reserve for cash flow hedges	1,617	(11,845)	13,462
Retained earnings	278,661	278,326	335
Total	**320,130**	**308,179**	**11,951**

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, for Euro 1,617 thousand, originated as a result of valuing the financial instruments defined as cash flow hedges at December 31, 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.

The following is a reconciliation between the Parent Company's equity and net income for the period and the Group's equity and net income for the period:

Description	Net income for the period 2018	Equity 12-31-2018	Net income for the period 2017	Equity 12-31-2017
Parent company's equity and net income	**(6,954)**	**355,532**	**11,954**	**365,016**
Differences between the carrying value of the investments in subsidiaries and the Group share of their equity	25,978	7,623	13,685	(6,126)
Group share of affiliates' results	(12,347)	(12,347)	(308)	(308)
Elimination of intragroup transactions on inventories	(2,593)	(18,913)	(3,551)	(16,320)
Elimination of intragroup dividens and investments write-off	(10,149)	-	(4,769)	-
Other adjustments	774	8,865	(1,628)	7,221
Group equity and net income	**(5,291)**	**340,760**	**15,383**	**349,483**

21. Employee severance indemnities

Employee severance indemnities at December 31, 2018 amount to Euro 2,557 thousand, as shown in the following table:

Balance at December 31, 2017	2,698
Reversal of 0.50% withholding	(270)
Reversal of 17% flat-rate tax	(4)
Payments to supplementary pension schemes	(1,141)
Advances granted to employees	(427)
Provision for the period	4,200
Payments to supplementary pension schemes run by INPS net of amounts paid to leavers	(2,438)
Change as a result of actuarial calculations	(77)
Translation differences	16
Balance at December 31, 2018	2,557

Changes in the provision for severance indemnities during 2018 show a utilization of Euro 1,141 thousand for payments to supplementary pension funds and one of Euro 2,438 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 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 (index Iboxx Corporate AA con duration 10+): 1.62%
- 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	(18)
-1% employee turnover rate	21
+1/4% inflation rate	51
-1/4% inflation rate	(50)
+1/4% discount rate	(76)
-1/4% discount rate	80

22. Provisions for liabilities and charges

This item is made up as follows:

	Balance at Dec. 31, 17	Utilization	Provisions	Translation differences	Actuarial adjustment	Balance at Dec.31, 18
Provision for agents' severance indemnities	4,694	(281)	358	(9)	(103)	4,659
Other	416	(416)	838	-	-	838
Total	**5,110**	**(697)**	**1,196**	**(9)**	**(103)**	**5,497**

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 231 thousand.

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

23. Long-term loans

Long term loans amount to Euro 639 thousand and refer entirely to the parent company Geox S.p.A.. The item includes the long-term portion of a loan expiring on 2020 obtained from a finance company for the purchase of hardware and software systems.

24. Other long-term payables

This item is made up as follows:

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Guarantee deposits	568	1,116	(548)
Accrued expenses and deferred income	4,515	6,223	(1,708)
Total	**5,083**	**7,339**	**(2,256)**

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

Accrued expenses and deferred income 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.

25. Trade payables

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Accounts payable	194,670	177,306	17,364
Refund liabilities	41,357	42,104	(747)
Total	**236,027**	**219,410**	**16,617**

Accounts payable at December 31, 2018 amount to Euro 194,670 thousand, with an increase of Euro 17,364 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 30-120 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.

The refund liabilities, which include the provision for returns and credit notes, have been reclassified as trade payables under IFRS 15, as explained in Note nr. 2 – Accounting policies.

Changes in the refund liabilities during 2018 are as follows:

Balance at January 1	42,104
Provisions	41,086
Translation differences	163
Utilizations	(41,996)
Balance at December 31	41,357

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. The reduction in the provision booked in 2018, compared to last year, is due to the planned optimization of the franchising stores (55 net closures during the year).

26. Other non-financial current liabilities

This item is made up as follows:

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Social security institutions	4,813	4,796	17
Employees	12,398	11,706	692
Provisions for liabilities and charges	8,290	4,572	3,718
Other payables	6,570	7,816	(1,246)
Accrued expenses and deferred income	7,508	7,230	278
Total	39,579	36,120	3,459

The amounts due to social security institutions mainly relate to pension contributions for 2018, paid in 2019.

The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of December 31, 2018.

The provisions for liabilities and charges mainly include the estimated costs related to the rationalization and optimization plan of the distribution network.

Other payables are mainly advances received from customers and the short term part of the guarantee deposits received from third parties.

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 Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Witholding taxes	3,856	3,756	100
VAT payable	3,743	3,983	(240)
Other	1,124	1,071	53
Total	8,723	8,810	(87)

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

This item is made up as follows:

	Balance at Dec. 31, 2018	Balance at Dec. 31, 2017	Change
Bank borrowings			
Cash advances	10,957	12,729	(1,772)
Advances against orders	18,000	-	18,000
Loans	19,167	32,000	(12,833)
Other providers of funds			
Loans	144	-	144
Total	**48,268**	**44,729**	**3,539**

The item “loans” includes the portion due within 12 months (Euro 4.2 million) of the floating rate loan signed in 2018, the residual value (of Euro 4.0 million) of the floating rate loan signed during the previous years that is due within 12 months and the revolving credit lines entered by the parent company Geox S.p.A., for an amount of Euro 11 million and floating rate.
The floating rate loan signed during the previous years, for a residual value of Euro 4.0 million, is subject to a financial covenant for which Group net financial position must be lower than 75% of Group Equity.

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 one cycle of stock option plan. The cycles are 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.

With regards the outstanding Stock Option Plan, it’s to be noted that these Stock Options could not be exercised because the performance results were not achieved.

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 31 December 2018, the Group's indebtedness to the banking system amounts to Euro 48.1 million and is entirelly floating rate. This floating rate debt is based on 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 stability in the dynamics of 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 4.0 million 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 308 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 2018 in the nature or structure of exposure to currency risk or in the Group's hedging policies.

The Group's financial statements as at December 31, 2018, could be materially affected by fluctuations in the exchange rates, mainly referred to the US dollar. The impact on the Group's result at December 31, 2018 resulting from a hypothetical, unfavorable and instantaneous change of 10% in the exchange rates of the leading foreign currencies with the Euro would have been approximately Euro 263 thousand, while in case of a favorable change of 10% in exchange rates the impact would have been approximately Euro 92 thousand.
Receivables, payables and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

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 hand 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 December 31, 2018 financial instruments are as follows:

	Notional value on 12-31-18	Fair value on 12-31-18 (debit)	Fair value on 12-31-18 (credit)	Notional value on 12-31-17	Fair value on 12-31-17 (debit)	Fair value on 12-31-17 (credit)
FX Forward buy agreements to hedge exch. rate risk	119,837	1,195	(302)	99,514	11	(4,357)
FX Forward sell agreements to hedge exch. rate risk	131,538	2,270	(382)	148,470	1,682	(699)
FX Currency Option agreem. to hedge exch. rate risk	156,626	6,323	-	216,793	-	(17,139)
Interest Rate Swap	4,000	-	(2)	12,000	-	(23)
Total financial assets/(liabilities)	**412,001**	**9,788**	**(686)**	**476,777**	**1,692**	**(22,218)**

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 December 31, 2018 are classified on Level 2. In 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 December 31, 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 Spring/Summer 2019 and Fall/Winter 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 December 31, 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 December 31, 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 unable 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 effects on profit and loss of the transactions with these parties for 2018 and 2017 are summarized below:

	Total 2018	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	827,220	-	275	-	275	0.03%
Cost of sales	(413,456)	-	50	-	50	(0.01%)
General and administrative expenses	(325,489)	(300)	(5,850)	(6)	(6,156)	1.89%
Advertising and promotion	(26,652)	(154)	(2)	-	(156)	0.59%

	Total 2017	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	**884,529**	-	69.00	-	**69.00**	**0.01%**
Cost of sales	**(456,914)**	-	7.00	-	**7.00**	**0.00%**
General and administrative expenses	**(317,624)**	(297)	(3,879)	(4)	**(4,180)**	**1.32%**
Advertising and promotion	**(22,561)**	(220)	-	-	**(220)**	**0.98%**

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

	Balance at Dec. 31, 2018	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Accounts receivable	**133,090**	52	185	-	**237**	**0.18%**
Other non-financial current assets	**30,637**	1,902	-	-	**1,902**	**6.21%**
Trade payables	**236,027**	155	1,322	-	**1,477**	**0.63%**

	Balance at Dec. 31, 2017	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Accounts receivable	**162,460**	52	82	-	**134**	**0.08%**
Other non-financial current assets	**25,368**	1,902	-	-	**1,902**	**7.50%**
Trade payables	**219,410**	151	1,352	-	**1,503**	**0.68%**

32. Dividends paid and proposed

	2018	2017
Dividends declared and paid during the year (**):	15,552	5,184
Dividends declared and paid during the year - per share (*):	0.06	0.02
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31)(***):	6,480	15,552
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31) - per share (*):	0.025	0.06

(*) Amount in Euro

(**) Amount in Euro/thousand

(***) Amount in Euro/thousand calculated on the 259,207,331 shares outstanding on February 27, 2019

33. 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 December 31, are as follows:

	12-31-2018
Within 1 year	73,711
Within 1-5 years	152,526
Beyond 5 years	56,067
Total	**282,304**

34. Significant subsequent events after December 31, 2018

No significant subsequent events occurred after December 31, 2018.

***

Biadene di Montebelluna, February 27, 2019

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

SARA CROCE
22 YEARS OLD
TALENT

Attachment 1

Biadene di Montebelluna, February 27, 2019

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 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 December 31, 2018 and for the year 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

Pursuant to Art. 149-duodecies of the Issuers' Regulations:

Type of services	Entity that provided the services	Beneficiary	Fees 2018 (Euro/000)	Fees 2017 (Euro/000)
Auditing	Auditors of the Parent Company	Parent company	143	133
Attestation services	Auditors of the Parent Company	Parent company	-	-
Tax advisory services	Same network as the Parent Company's auditors	Parent company	-	-
Other services	Auditors of the Parent Company	Parent company	14	-
Total Parent Company			157	133
Auditing	i) Auditors of the Parent Company	Subsidiaries	22	22
	ii) Same network as the Parent Company's auditors	Subsidiaries	175	167
Attestation services	i) Auditors of the Parent Company	Subsidiaries	-	-
	ii) Same network as the Parent Company's auditors	Subsidiaries	-	-
Tax advisory services	i) Auditors of the Parent Company	Subsidiaries	-	-
	ii) Same network as the Parent Company's auditors	Subsidiaries	-	-
Other services	i) Auditors of the Parent Company	Subsidiaries	-	-
	ii) Same network as the Parent Company's auditors	Subsidiaries	-	-
Total Subsidiaries			197	189
Total			354	322

Attachment 3

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Name	Location	Year end	Currency	Share capital	% held Directly	% held Indirectly	Total
- Geox S.p.A.	Biadene di Montebelluna (TV), Italy	Dec. 31	EUR	25,920,733			
- Geox Deutschland Gmbh	Munich, Germany	Dec. 31	EUR	500,000	100,00%		100,00%
- Geox Respira SL	Barcelona, Spain	Dec. 31	EUR	1,500,000	100,00%		100,00%
- Geox Suisse SA	Lugano, Switzerland	Dec. 31	CHF	200,000	100,00%		100,00%
- Geox UK Ltd	London, U.K.	Dec. 31	GBP	1,050,000	100,00%		100,00%
- Geox Japan K.K.	Tokyo, Japan	Dec. 31	JPY	100,000,000		100,00%	100,00%
- Geox Canada Inc.	Mississauga, Canada	Dec. 31	CAD	100		100,00%	100,00%
- S&A Distribution Inc.	New York, Usa	Dec. 31	USD	1		100,00%	100,00%
- Geox Holland B.V.	Breda, Netherlands	Dec. 31	EUR	20,100	100,00%		100,00%
- Geox Retail S.r.l.	Biadene di Montebelluna (TV), Italy	Dec. 31	EUR	100,000	100,00%		100,00%
- Geox Hungary Kft	Budapest, Hungary	Dec. 31	HUF	10,000,000	99,00%	1,00%	100,00%
- Geox Hellas S.A.	Athens, Greece	Dec. 31	EUR	220,000	100,00%		100,00%
- Geox Retail Slovakia Sro	Prievidza, Slovak Rep.	Dec. 31	EUR	6,639		100,00%	100,00%
- Geox France Sarl	Sallanches, France	Dec. 31	EUR	15,000,000	100,00%		100,00%
- S&A Retail Inc.	New York, Usa	Dec. 31	USD	200		100,00%	100,00%
- Geox Asia Pacific Ltd	Hong Kong, China	Dec. 31	USD	1,282		100,00%	100,00%
- XLog S.r.l.	Signoressa di Trevignano (TV), Italy	Dec. 31	EUR	110,000	100,00%		100,00%
- Geox Rus LLC	Moscow, Russia	Dec. 31	RUB	60,000,000	100,00%		100,00%
- Geox AT Gmbh	Wien, Austria	Dec. 31	EUR	35,000	100,00%		100,00%
- Geox Poland Sp. Z.o.o.	Warszawa, Poland	Dec. 31	PLN	5,000		100,00%	100,00%
- Geox Portugal S.U. LDA	Lisbon, Portugal	Dec. 31	EUR	300,000	100,00%		100,00%
- Technic Development D.O.O. Vranje	Vranje, Serbia	Dec. 31	RSD	802,468,425	100,00%		100,00%
- Geox Macau Ltd	Macau, China	Dec. 31	MOP	5,000,000		100,00%	100,00%
- Geox Trading Shangai Ltd	Shanghai, China	Dec. 31	CNY	69,269,816		100,00%	100,00%
- Dongguan Technic Footwear Apparel Design Ltd	Dongguan, China	Dec. 31	CNY	3,795,840		100,00%	100,00%
- Geox Turkey A.Ş.	Istanbul, Turkey	Dec. 31	TRY	1,750,000	100,00%		100,00%
- Technic Development Vietnam Company Ltd	Ho Chi Minh City, Vietnam	Dec. 31	VND	3,403,499,500		100,00%	100,00%

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Geox S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Geox Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Geox S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of inventories related to previous collections

Description of the key audit matter	As disclosed in *Note 15. Inventories*, the net value of inventories at the end of the year amounted to Euro 312.052 thousand. Inventories are recorded net of a provision of Euro 23.627 thousand, considered appropriate by the Directors for the purposes of a prudent valuation of finished products from previous collections and raw materials no longer used. The provision has been accounted for in order to reflect the expected realizable value of inventories, on the basis of the Group estimates determined on the quantity of goods sold at a discount in the past and on potential sales of such products through directly operated outlets. In consideration of the materiality of the amount of inventories recorded in the financial statements, together with the relevance of the discretionary component inherent in the estimative nature of the provision, we deem that the valuation of the recoverable value of the inventories from previous collections and the related process of determining the provision is a key area for the audit of the Group's consolidated financial statements.
Audit procedures performed	Our audit procedures included, among others, the following: • preliminary understanding of the relevant procedures and controls adopted by the Management for the purpose of identifying and determining the correct assessment of the recoverable value of the inventories from previous collections; • analysis of the reasonableness of the methods and assumptions used by the Management to identify the recoverable value of the inventories from previous collections; • check of the completeness and accuracy of the database used by the Management for the calculation of the inventory write-down provision and check of its mathematical accuracy; • comparison between the estimate of the inventory write-down provision recorded in the previous period with respect to what was subsequently observed and analysis of the nature of any difference, also in order to corroborate the effectiveness of the management estimate processes; • comparative analysis, in a historical series, for each collection and consequent independent development of estimates on the assessment of the recoverable value of inventories by analyzing the sales prices applied by the Group. Finally, we have examined the completeness and the compliance of the information disclosed in the notes to the financial statements compared to the requirements of the applicable accounting standards.

Evaluation of the refund liability

Description of the key audit matter	As disclosed in *Note 25. Accounts Payables*, the Group accounted for a refund liability for Euro 41.357 thousand on the basis of the potential returns and credit notes to be issued arising from the trade agreements signed with customers, in particular with the franchising ones. For the estimate of the provision, the Group has made certain assumptions based on the quantity of goods returned in the past and their estimated realizable value.

	In consideration of the materiality of the amount and the discretionary component present in the estimate of the refund liability, we deem that the valuation of this item is a key area for the audit of the Group's consolidated financial statements.
Audit procedures performed	Our audit procedures included, among others, the following: • preliminary understanding of the relevant procedures and controls adopted by the Management for the purpose of identifying and determining the correct valuation of the refund liability; • check of the completeness and accuracy of the database used by the Management for the calculation of the refund liability and check of its mathematical accuracy; • analysis of the commercial agreements in place in order to ascertain that the relative terms and conditions have been correctly considered by the Management to determine the refund liability; • comparison between the estimate of the refund liability in the previous period compared to what was subsequently finalized and analysis of the nature of any difference, also in order to corroborate the effectiveness of the Management estimate processes; • analysis of the sales after year-end in order to obtain an indication of the adequacy of the estimates made by the Management. Finally, we have examined the completeness and the compliance of the information disclosed in the notes to the financial statements compared to the requirements of the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Geox S.p.A. has appointed us on May 6, 2013 as auditors of the Company for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Geox S.p.A. are responsible for the preparation of the Directors' report and the report on corporate governance and the ownership structure of Geox Group as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the Directors' report and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Geox Group as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned Directors' report and some specific information contained in the report on corporate governance and the ownership structure is consistent with the consolidated financial statements of Geox Group as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Geox S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by other auditor.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Treviso, Italy
March 22, 2019

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

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED FOR THE APPROVAL OF

THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

(Article 153, Legislative Decree No. 58 of 24 February 1998, "TUF")

Dear Shareholders,

1. Introduction

This report covers the activities performed by the Board of Statutory Auditors of Geox S.p.A. ("Geox" or the "Company") during the financial year ended on 31 December 2018, pursuant to the applicable law provisions.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting on 20 April 2016. Their term ends at the next Shareholders' Meeting called for the approval of the financial statements as at 31 December 2018.

In accordance with Legislative Decree No. 58/1998 ("TUF") and No. 39/2010, the independent audit was entrusted to Deloitte & Touche S.p.A. by the Shareholders' Meeting of 17 April 2013 for the 2013-2021 term.

2. Supervisory activity

During the financial year 2018, the Board of Statutory Auditors carried out the supervisory activity provided by law (and, specifically, by Article 149 of the TUF), by the Rules of Conduct for Boards of Statutory Auditors of Listed Companies issued by the National Board of Chartered Accountants and Auditors, by CONSOB recommendations on corporate supervision and board of statutory auditors activities (specifically, Notice No. DAC/RM 97001574 of 20 February 1997 and Notice No. DEM 1025564 of 6 April 2001, as subsequently supplemented with Notice No. DEM/3021582 of 4 April 2003 and Notice No. DEM/6031329 of 7 April 2006) and by the provisions contained in the Corporate Governance Code issued by the Corporate Governance Committee for listed companies of Borsa Italiana S.p.A., to which the Company adhered.

2.1. During the financial year ending on 31 December 2018, the Board of Statutory Auditors monitored compliance with the law and Articles of Association in force as well as compliance with principles of sound management.

To this end, the Board of Statutory Auditors used the information flows generated by the Company, which are considered suitable to ensure that the Statutory Auditors can check compliance of the organisational structure, internal procedures, corporate documents and management bodies' resolutions with legal provisions, Articles of Association and applicable regulations.

To carry out its audit, the Board of Statutory Auditors held 13 meetings in total, in some cases with the participation of the Audit and Risk & Sustainability Committee.

The Board of Statutory Auditors carried out checks and received information from the managers of various corporate departments. With regard to the administrative and accounting system and its suitability to correctly represent the management facts, in addition to obtaining necessary information from the corporate departments, the Board of Statutory Auditors, gathered information through regular meetings with the legal auditing firm.

In addition, the Board of Statutory Auditors:

- Participated at the Shareholders' meeting;
- Participated at the Board of Directors' meetings (10 in total in 2018), during which it could be informed on the business carried out and on the main economic, asset and financial transactions carried out by the Company and the Group. In accordance with the information so obtained by the Board of Statutory Auditors, the resolutions and the transactions subsequently carried out are compliant with the law and the Articles of Association and do not show any

conflicts of interest with the Company, are not manifestly imprudent, hazardous, atypical or unusual, nor are in breach of resolutions adopted by Shareholders' Meeting or such as to jeopardise the integrity of the company's assets;

- Participated at all the meetings of the Audit and Risks Committee (7 in 2018);
- Participated at the meetings of the Nomination and Remuneration Committee (7 in 2018);
- Participated at the meetings of the Executive Committee (15 in 2018);
- Met regularly the Manager in charge of the Accounting documents (the "Manager in charge");
- Regularly met the company in charge of the legal audit of the financial statements and consolidated financial statements, Deloitte & Touche S.p.A.

With regard to the decision-making process of the Board of Directors, the Board of Statutory Auditors monitored the compliance with law and Articles of Association of the management transactions carried out by the directors and checked that the resolutions adopted were not contrary to the interests of the Company.

With regard to this, the Board of Statutory Auditors acquired information and monitored, to the extent of their remit, the compliance with the principles of sound management and the adequacy of the administrative structure of the Company to ensure observance of the principles.

The Board of Statutory Auditors believes that the principles of sound management have been complied with and, in accordance with the information acquired, that the management decisions were inspired to the principle of correct information and reasonableness.

2.2. The Board of Statutory Auditors acquired from the Directors, including by taking part in the meetings of the Board of Directors and the Executive Committee, periodical information on the general performance of the company and its likely development as well as on the most significant transactions carried out by the Company, in light of their value or characteristics, including through subsidiaries.

In 2018, the subsidiary of Geox Retail S.r.l. purchased 100% of the shares in G.R. MI S.r.l. and merged with the latter company. The transaction's overall effect on the 2018 financial statements is not significant.

Among the most significant events that occurred after the end of the financial year ending on 31 December 2018, please note that the Management Report, submitted by the Directors, to which reference is made, shows that the Board of Directors intends:

- pursuing important IT projects and investments, to support the business and guarantee a truly omnichannel operating model;
- continuing investments in digital communications to accelerate brand perception, in an increasingly modern way;
- enhance the direct online channel, which is expected to maintain a steady growth.

Furthermore, the Board of Directors' meeting of 27 February 2019 resolved for the implementation of a medium-long term incentive plan for the 2019-2021 term (the "Plan").

To implement the Plan, a Stock Grant Plan was approved for the 2019-2021 term, for which a prospectus was drawn up for the public, in accordance with Article 114-*bis* of the TUF, as amended, and under Article 84-*bis* and Schedule 3A, table 7 of the CONSOB Regulation No. 19971/1999, as amended.

To service the Plan, the Shareholders' Meeting was called to resolve on (i) the release of a new authorisation for the purchase and provision of treasury shares for 18 months from the meetings' resolution date, and (ii) the share capital increase, in one or more tranches, to service one or more stock grant plans (including the 2019-2021 Plan), for a total nominal amount of EUR 1,200,000 corresponding to 12,000,000 ordinary shares in the Company, to be issued in more than one tranche, under the terms and condition of the above Plan, and the amendment proposal concerning Article 5 of the Articles of Association. The proposal also provides for the free Share Capital Increase to occur through a special-purpose reserve, whose formation is also subject to approval of the Shareholders' meeting.

2.3. The Board of Statutory Auditors did not find any atypical and/or unusual transaction with the Geox Group companies, with third parties or related parties, and this was confirmed by the indications of the Board of Directors, the auditing firm and the head of the Internal Audit Department.

The Management Report prepared by the Directors contains adequate information on the intercompany transactions and on related-party transactions, which are all fair, in the interest of the Company and entered into at arm's length. The financial impact of the related-party transactions is shown in Note 33 to the Company's financial statements and Note 31 to the consolidated financial statements. Their impact on financial flows is reported directly in the cash flow statement.

With reference to these transactions, the Board of Statutory Auditors considers that the information that the Directors provided in their Management Report and the explanatory notes to the financial statements is adequate.

2.4. The Board of Statutory Auditors, to the extent of their remit, acquired information, oversaw the Company's organisational structure and held that such structure is overall adequate.

2.5. During the financial year ending on 31 December 2018, the Board of Statutory Auditors issued the opinions required by law.

The Board of Statutory Auditors acknowledges that, before the draft financial statements were approved, the Directors approved the results of the impairment test and verified that they complied with the requirements of the IAS 36.

In compliance with the provisions of the Corporate Governance Code, the Board of Statutory Auditors also verified the correct implementation of the criteria and procedures adopted by the Board of Directors to assess the independence of their members based on the criteria provided by law and by the Corporate Governance Code.

The Board of Statutory Auditors has also provided for the independence self-assessment of its members, the results of which confirmed the existence of the conditions required by law and by the Corporate Governance Code; it also attested to the fact that no statutory auditor has had interests, on its own account or for third parties, in any operation of the Company during the 2018 financial year.

The Board of Statutory Auditors initiated a self-assessment process in 2018 designed to obtain the views of the members of the Supervisory Body on both the functioning and on the composition of the Board itself, also in view of the extensive evolution of the Board of Statutory Auditors' role in recent years due to the introduction of new supervisory tasks ascribed by current legislation.

The results, the evaluations conducted, and the final recommendations were discussed collectively, recorded and reported to the Board of Directors.

The members of the Board of Statutory Auditors have complied with the collection of assignments provided for in Article 144-*terdecies* of the Issuers' Regulations.

2.6. During financial year 2018, no complaints under Article 2408 of the Italian Civil Code have been received nor any other complaint filed by third parties.

2.7. The Board of Statutory Auditors verified that the Company has adopted an internal audit and risk management system, also with reference to the Group, which aims to allow identifying, measuring, managing and monitoring the Company's main risks.

To oversee the adequacy of the Company's internal control system, the Board coordinated its work with the Audit and Risks & Sustainability Committee, the Director in charge of the supervision of the Internal Audit and risk Management system correct functioning, with the head of the Internal Audit Department and with the Supervisory Body.

Furthermore, in exercising its functions of Internal Control and Audit Committee, in addition to implementing a continuous information flow with the Audit and Risks & Sustainability Committee, the Board of Statutory Auditors held regular meetings with the auditing firm, and acknowledged the certification made by the auditing firm with regard to the absence of significant shortfalls in the internal control system.

With reference to the provisions under Article 36 of CONSOB Resolution No. 16191 of 29 October 2007, concerning the accounting information system of the significant subsidiaries established and governed by the laws of Non-European Union Member States, the Internal Audit Department carried out an audit, which showed the existence of an adequate administrative-accounting control system and the failure to satisfy the other conditions under Article 36 of CONSOB Resolution No. 16191 of 29 October 2007. As a result, it was not necessary to prepare a specific adaptation plan.

The Board of Statutory Auditors confirmed that the last version of the Company's code of ethics was approved by the Board of Directors on 23 February 2018.

The Board of Statutory Auditors also pointed out that the Company has a diversity policy that was approved in 2017.

The Board of Statutory Auditors examined the 2018 annual report of the Supervisory Board and has no observations with regard to it.

The Board of Statutory Auditors participated at the meetings of the Nomination and Remuneration Committee, acquiring information that is useful to perform the supervisory activities for which it is responsible.

The Board of Statutory Auditors also declared that the Audit and Risks & Sustainability Committee operated in compliance with the provisions of the Corporate Governance Code. The collaboration with the Audit and Risks & Sustainability Committee was satisfactory and effective and, among other things, made it possible to co-ordinate their respective activities and carry out a joint evaluation and an effective co-ordination of the overall internal audit and risk management system.

The Board of Statutory Auditors examined the annual report of the Internal Audit Department on the activities carried out in 2018 as well as the audit reports, carried out the verifications for which it is responsible with regard to the process of preparing the half-year financial report and the annual financial statements and evaluated, including through regular meetings with the auditing firm, the adequacy of the accounting principles and their consistency for the purposes of the half-year financial report and the annual financial statements.

In light of the supervisory activity carried out, and having regard to the evaluations on the adequacy, effectiveness and actual functioning of the internal control system made by the Audit and Risks & Sustainability Committee and by the Board of Directors, the Board of Statutory Auditors holds that, to the extent of its remit, this system is overall adequate.

2.8. The Board of Statutory Auditors oversaw the adequacy of the directives from the Company to its subsidiaries in accordance with Article 114, paragraph 2 of the Consolidated Law on Finance, and the correct flow of information between the Company and the subsidiaries and holds that the Company is able to comply with the communication obligations under the law. The information flow towards the central external auditor, comprising the various levels of the corporate control chain, which has been operating over the entire financial year and which is necessary for the control of the annual and periodic accounts, has been considered effective.

The Board of Statutory Auditors evaluated and oversaw the adequacy of the directives issued to the subsidiaries. These directives have allowed the subsidiaries to timely provide the Company with the information necessary to comply with the communication obligations under the applicable law.

The Board of Statutory Auditors also confirms having met the Sole Statutory Auditor of the Italian subsidiaries. As a result of these meetings, no issues have emerged that need be reported.

Furthermore, the Board of Statutory Auditors approved the Global Compliance Program. This document is geared towards foreign Group companies. It is a governance tool aimed at reinforcing the ethics and professionalism of the Company and to prevent commissions of crimes abroad (such as, for example, offences against the public administration, fraudulent accounting, money laundering, offences contrary to occupational safety laws, environmental offences) that could lead to criminal corporate liability and the ensuing reputational damage risks.

The Global Compliance Program was drawn up in light of applicable law and taking into account the Group's corporate structure and the specific applicable legislation in the various legal systems in which the Geox Group companies operate.

In accordance with Law No. 179/2017 named "Law on Whisteblowing", the Board of Statutory Auditors also confirmed that the Company has implemented a suitable global Whistleblowing system that is integrated at group level. This system is aimed at finding and promptly managing any offences and/or violations pertaining to questionable conduct and breaches of the Company's Code of Ethics.

2.9. The Board of Statutory Auditors oversaw the Company's administrative and accounting system and its reliability in correctly representing the facts reported therein, by obtaining information from the Manager in charge of the Accounting and the heads of the relevant departments, examining the documents prepared by the Company and analysing the work made by the statutory auditing firm.

Specifically, the Board of Statutory Auditors has ascertained that the Manager in charge of the Accounting has issued the certification that the documents in the financial statements provide a truthful and correct representation of the asset, economic and financial situation of the Company and of the investee companies included in the scope of the consolidation.

Based on the information acquired, the statements made by the Manager in charge of the Accounting are complete.

In light of the supervisory activity carried out, and having regard to the evaluations on the adequacy, effectiveness and effective functioning of the organisational, administrative and accounting structure made by the Board of Directors, the Board of Statutory Auditors holds that, to the extent of its remit, the system is overall adequate and reliable as to the representation of the events occurred during the management.

2.10. During the financial year ending on 31 December 2018, the Board of Statutory Auditors regularly met the auditing firm, Deloitte & Touche S.p.A., to exchange data and information that are relevant under Article 150, paragraph 3 of the Consolidated Law on Finance.

During these meetings, the auditing firm did not communicate any fact or anomaly that is sufficiently relevant to be reported in this report.

2.11. The oversight activities on the audit in accordance with Article 19 of Legislative Decree No. 39 of 27 January 2010 was made by the Board of Statutory Auditors within the above meetings with the auditing firm, which presented the quarterly controls made and the relevant results as well as the auditing strategy and any relevant issue encountered in performing its activity. No critical matters have emerged from these meetings such as to affect the individual financial statements of the Company or the consolidated financial statements.

The Board of Statutory Auditors also evaluated the work plan prepared by Deloitte & Touche S.p.A. and has found it adequate having regard to the characteristics and size of the Group and has overseen the effectiveness of the process of statutory audit and found that the same has been carried out in compliance with the statutory auditing plan and with the International Standard Audit.

The reports of the company Deloitte & Touche S.p.A. on the financial statements and the consolidated financial statements were issued on 22 March 2019 in accordance with Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010.

As regards the statements and certifications, the auditing firm:

- issued a statement that Geox's financial statements (included consolidated) provide a truthful and correct representation of the equity and financial situation of Geox and of the Group as at 31 December 2018, of the operating result and cash flows for the financial year ended on that date, in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued pursuant to Article 9 of Legislative Decree No. 38/2005 and Article 43 of Legislative Decree No. 136/2015;
- issued a statement of consistency pursuant to which the management reports accompanying the financial statements and the consolidated financial statements as at 31 December 2018, as well as some specific information contained in the Report on Corporate Governance and Ownership Structure referred to in Article 123-bis, paragraph 4 of the TUF, for which the Company's directors are responsible, are drafted in compliance with the law; and
- stated that, based on the knowledge and understanding of the company's business and related background information acquired during the audit, no remark needs to be made regarding possible significant errors in the management reports.

The report also includes the key aspects of the audit, in relation to which, however, no separate opinion is provided, since the same are dealt with in the audit and in the overall assessment conducted in relation to the financial statements. The key aspects of the audit identified with reference to the Company's financial statements are the inventory valuation including old collection items and the valuation of the provision for sales returns and of the other credit notes to be issued.

On 22 March 2019, the auditing firm also submitted to the Board of Statutory Auditors the additional report required by Article 11 of Regulation (EU) No. 537/2014, which shows that no significant shortfalls in the internal control system concerning the financial reporting process deserve to be brought to the attention of those responsible for the corporate governance. The Board of Statutory Auditors will inform the Board of Directors of the Company with regard to the outcome of the statutory audit, transmitting the additional report for this purpose, together with any observations, under Article 19 of Legislative Decree No. 39/2010. As regards the previous financial year, the Board of Statutory Auditors informed the Board of Directors on the outcome of the statutory audit, as required by law.

As an attachment to the additional report referred to in the previous paragraph, the auditing firm presented to the Board of Statutory Auditors its declaration of independence, as required by Article 6 of Regulation (EU) No. 537/2014, which shows that no critical issue exists which might affect their independence. Finally, the Board of Statutory Auditors took note of the transparency report prepared by the auditing firm and published on its website pursuant to Article 18 of Legislative Decree No. 39/2010.

2.12. During the financial year ending on 31 December 2018, as resulting also from the information contained in Annex 2 to the consolidated financial statements, the Company engaged Deloitte & Touche S.p.A for a non-audit service. In its capacity as Internal Control and Audit Committee, in accordance with Article 19, paragraph 1, letter e) of Legislative Decree No. 39/2010, the Board of Statutory Auditors, assessed the sufficiency of the non-audit services provided by the independent auditor entrusted with the company's independent audit in light of criteria under Regulation (EU) No. 537/2014, and issuing a positive report.

The non-audit services provided by the independent auditor in 2018 are classed as a preliminary assessment project of the potential impact stemming from the application of the new IFRS 16 principle, regarding the accounting of the leasing contract, on the transition date (1 January 2019), assuming that the Company has chosen to apply the principle retroactively, although, recognising the cumulative effect of applying the principle to the net assets as at 1 January 2019. For the outcome of the above assessment, please see the Company's financial statement.

Having regard to the declaration of independence issued by Deloitte & Touche S.p.A. and the only non-audit service entrusted to the same and that no engagements have been granted to the companies belonging to its network by the Company and the Group companies, we do not believe that there are any critical issues with regard to the independence of Deloitte & Touche S.p.A.

2.13. As mentioned, the Company has agreed to abide by the Corporate Governance Code issued by the corporate governance committee for listed companies of Borsa Italiana S.p.A., as resulting from the Corporate Governance and Ownership Structure Report for financial year 2018, approved by the Board of Directors on 27 February 2019 and made available on the Company website. This Report was drafted in accordance with the instructions of the Market Regulations organised and managed by Borsa Italiana S.p.A.

The Report in question describes in detail the governance system adopted by the Company. This system complies with the rules of the governance model required by the abovementioned Corporate Governance Code and the principles indicated therein are effectively and correctly applied.

The Corporate Governance and Ownership Structure Report for financial year 2018 reports the conclusions reached by the Directors with regard to the confirmation of the adequacy and effectiveness of the organisational, administrative and accounting structure of the Company and of the main subsidiaries.

2.14. The Directors also prepared the Report on Remuneration, approved by the Board of Directors on 27 February 2019. In the Report, the Directors also described the principles adopted to determine the remuneration of the members of the management bodies and the managers with strategic responsibilities. Furthermore, the report contains a table showing the remuneration paid to the members of the management and control bodies and the other managers with strategic responsibilities, as well as the schedule concerning the information on the interests in the Company that they hold.

During the oversight activity described above, no omissions, inappropriate conduct or irregularities have emerged such as to require reporting to the relevant external control and surveillance bodies or to deserve being reported herein.

2.15. Legislative Decree No. 254/2016, which implemented the EU Directive on non-financial and diversity information, requires large public interest entities (PIEs) to report specific non-financial information and applies to financial statements relating to financial years starting on 1 January 2017. This information concerns environmental and social issues, employee-related issues, respect for human rights, anti-corruption, diversity on the Board of Directors and other aspects concerning sustainability. The Board of Statutory Auditors stated that the Company, in accordance with the recommendations of the Corporate Governance Code and in consideration of the value attributed to corporate social responsibility, expanded the operations of the Audit and Risks Committee, entrusting it with the supervision of processes, initiatives and activities to keep the Company' commitment for sustainable development, renaming the same "Audit and Risks & Sustainability Committee".

The Board of Statutory Auditors also pointed out that the responsibility for ensuring that the report is drafted and published in compliance with the provisions of the law rests with the Directors. The Board of Directors must monitor compliance with the provisions of Legislative Decree No. 254/2016.

As part of this supervisory activity, the Board of Statutory Auditors pointed out that the Board of Directors tasked the auditing firm BDO Italia S.p.A. with the auditing of non-financial information. The task assigned pursuant to Article 3, paragraph 10 of Legislative Decree No. 254/2016 relates to the limited assurance engagement concerning the consolidated non-financial statements of Geox and the Group companies. The Board of Statutory Auditors met with the representatives of the auditing firm and read the report of the independent auditing firm on the consolidated non-financial statement issued on

22 March 2019 pursuant to Article 3, paragraph 10 of Legislative Decree No. 254/2016 and Article 5 of Consob Regulation No. 20267.

Since the activity carried out by BDO Italia S.p.A. involves a limited review, the opinion is provided in negative form of expression. More specifically, in its report, BDO Italia S.p.A. stated that, based on the work carried out, no aspects emerged that indicate that the non-financial statement of the Geox Group for the year ended on 31 December 2018 was not drafted, in all material respects, in compliance with the requirements of Articles 3 and 4 of Legislative Decree No. 254/2016 and with the Global Reporting Initiative Standards.

3. Financial Statements

The Board of Statutory Auditors examined the draft financial statements as at 31 December 2018 and reviewed the consolidated financial statements on the same date. To the best of their knowledge and understanding, the Board of Statutory Auditors holds that, in preparing the financial statements and the consolidated financial statements no provisions of law have been derogated from.

As the Board of Statutory Auditors is not responsible for statutory auditing, the Board of Statutory Auditors oversaw the general approach used to draft the financial statements, its compliance with law in general with regard to its preparation and structure and has no specific remarks in relation thereto. The Board of Statutory Auditors verified that the provisions of law concerning the preparation of the management report have been complied with and has no specific remarks in relation thereto.

The financial statements as at 31 December 2018, prepared by the Directors pursuant to law, and duly submitted to the Board of Statutory Auditors (together with the Management Report) show losses for the financial year equal to EUR 6,953,553.04. The Board of Directors described in detail, in its Management Report and in the Notes, how the result of the year has been calculated and the events that have generated such result.

4. Conclusions

Considering also the results of the activity performed by the auditing firm, insofar as falling within its remit, the Board of Statutory Auditors has not found any reason that would prevent the approval of the financial statements as at 31 December 2018, as drafted and approved by the Board of Directors in the meeting of 27 February 2019, or the approval of the proposed coverage of the loss for the year and distribution of dividends as made by the Board of Directors.

To cover the financial year losses of EUR 6,953,553.04, the proposal is to use EUR 149,858.81 from the Shareholder Payment Reserve in Share Capital account and EUR 6,803,694.23 from the Extraordinary Reserve.

The proposed distribution of dividends provides for the allocation of a gross dividend of EUR 0.025 per share, for a total amount which considers the 259,207,331 outstanding shares as of today, of EUR 6,480,183.28, considering the Extraordinary Reserve. The payment of the dividends, if approved by the Shareholders' Meeting, will take place from 22 May 2019 (with an ex-dividend date on 20 May and record date on 21 May).

Biadene di Montebelluna, 25 March 2019

The Board of Statutory Auditors

Sonia Ferrero

Fabrizio Colombo

Francesco Gianni

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

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Documents for shareholders

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