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Testo del comunicato

Vedi allegato.

PRESS RELEASE - 2019 RESULTS[1]

SALES AT EURO 805.9 MILLION (-2.6% AT CURRENT FOREX, -3.3% AT CONSTANT FOREX) AFFECTED BY THE REDUCTION OF THE STORE NETWORK IN THE WHOLESALE AND FRANCHISING CHANNEL AIMED AT MITIGATING THE BUSINESS RISK, WITH THE TREND IMPROVING IN THE FOURTH QUARTER (+4.9% SALES VS. Q4 2018).

EBIT ADJUSTED[2] AT EURO -3.0 MILLION (EURO 15.2 MILLION IN 2018).

ADJUSTED NET RESULT AT EURO -10.6 MILLION (+2 MILLION IN 2018) ALSO DUE TO THE NON-RECOGNITION OF DEFERRED TAX ASSETS FOR APPROX. EURO 4 MILLION.

CONFIRMATION OF THE GROUP'S SOLID POSITION: 1) POSITIVE NET FINANCIAL POSITION (BEFORE IFRS 16) OF + EURO 6.6 MILLION; 2) SHAREHOLDERS' EQUITY AT EURO 305 MILLION; 3) NET WORKING CAPITAL EQUAL TO 22.7% OF SALES THANKS TO THE OPTIMIZATION OF WAREHOUSES.

Biadene di Montebelluna, March 5, 2020 – Geox S.p.A., a leading brand in classic and casual footwear, listed on the Milan Stock Exchange (GEO.MI), today approved its 2019 results.

Livio Libralesso, CEO of Geox Group commented: "2019 was characterised by a particularly complex context. In addition to social and political tensions in a number of important markets (primarily France and Hong Kong) and significantly different relationships within the EU (due to Brexit), the entire sector has also had to face profound and continuous changes to consumers' buying behaviour, with digital solutions becoming increasingly popular. In this context, Geox's sales were mainly affected by the closure of a number of wholesale and franchised stores, as a result of both the difficult conditions that have driven some smaller players out of the market, and Geox's more selective approach towards certain partners and certain markets, with the aim of reducing business risk and protecting the brand's image. Geox therefore focused on measures to confirm the group's solid financial position: the net financial position indeed improved, reaching Euro 6 million in cash, after making investments for Euro 33 million and purchasing approximately Euro 5 million in treasury shares.

The result for the year was penalised by Euro 15 million of non-recurring expenses, mainly attributable to the recent decision to gradually close around 80 unprofitable stores, starting from 2020. Despite harming results for 2019, this rationalisation measure will allow us to create the right basis to improve the Group's level of profitability, focus on projects to quickly adapt the business model and free up the resources necessary for the most significant investments.

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[1] The IFRS 16 reporting standard came into force on January 1, 2019. 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.
The figures in this press release and the relative comments, unless otherwise specified, **exclude** the effects of applying this standard in order to allow for a correct comparison with the previous year.
The attached tables show the individual effects of applying the new standard only for 2019.

[2] Excludes non-recurring restructuring costs equal to Euro 15 million (gross). Details of these expenses are provided in a dedicated section of the press release. In 2018, non-recurring expenses for Euro 9.8 million were recorded, due to the organisational HR review and optimisation of the store network

After the year got off to a good start, with our stores recording positive sales performance up until the start of February 2020, recent developments linked to the outbreak of the new coronavirus are affecting in-store footfall and sales, especially in the countries most affected by the spread of the contagion. Remaining in close contact with the competent authorities, Geox believes that it is crucial to first and foremost implement all the necessary measures to protect the health of its employees, partners, suppliers and customers. The current situation has confirmed the resilience of our direct e-commerce channel and a number of important markets; however, it also requires us to closely monitor developments, both in order to implement targeted actions to combat the possible negative impacts on the business and to continue with our most crucial activities and investments, building on the Group's solid financial position."

GROUP PERFORMANCE

In order to allow for a correct comparison with the previous year and to better understand business performance, the comments below (unless otherwise specified) exclude the effects of applying the IFRS 16 accounting standard and restructuring costs.

Effects of applying IFRS 16

The IFRS 16 reporting standard came into force on January 1, 2019. 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.
With regard to the income statement, applying this standard led to a Euro 2.3 million increase in the operating result and financial charges of Euro 5.1 million. With regard to the balance sheet, assets based on right-of-use were recorded for Euro 298.7 million as at December 31, 2019, with a Euro 301.4 million decline in the net financial position.

Restructuring costs

The net result for the 2019 financial year was significantly affected by a number of extraordinary and non-recurring expenses, for a total of Euro 15 million, relating to:

- the write-down of finished product inventories following the decision to close a number of stores, for Euro 2.4 million;
- "one-off" payments to support franchisees and distributors facing difficult economic conditions and costs for the former CEO leaving the company, for a total of Euro 3.2 million;
- the write-down of fixed assets mainly due to the decision to close approximately 80 stores ahead of time, for Euro 9.4 million.

In 2018, non-recurring expenses for Euro 9.8 million were recorded, mainly due to the organisational review and optimisation of the store network.

GEOX
RESPIRA

Sales performance in 2019

Consolidated sales in 2019 amounted to Euro 805.9 million, down 2.6% compared with the previous year (-3.3% at constant forex).

Sales by distribution channel

(Thousands of Euro)	2019	%	2018	%	Var. %
Wholesale	**360,448**	**44.7%**	**369,914**	**44.7%**	**(2.6%)**
Franchising	84,302	10.5%	98,342	11.9%	(14.3%)
DOS*	361,108	44.8%	358,964	43.4%	0.6%
Geox Shops	**445,410**	**55.3%**	**457,306**	**55.3%**	**(2.6%)**
Net sales	**805,858**	**100.0%**	**827,220**	**100.0%**	**(2.6%)**

* Directly Operated Store

Sales generated by wholesale stores, representing 44.7% of Group revenues (44.7% in 2018), amounted to Euro 360.4 million (-2.6% at current forex, -3.4% at constant forex). This trend was mainly due to the combination of the following factors: (i) the reduction in small, independent players who are more affected by the increase in the digital channel; (ii) the fact that certain chains, both in Italy and in various European markets, are continuing to face significant financial difficulties, often leading them to merge, with a resulting rationalisation in terms of the total number of stores; (iii) the re-emergence of geopolitical and social tensions which have, in fact, led to consistent reductions in orders from markets such as Hong Kong, Lebanon, Chile, Tunisia and the Middle East; (iv) the agreed and expected reduction in orders from the Chinese distributor in view of the relative contract expiring at the end of 2020. In this context, positive factors such as the performance of stock replenishment during the season, higher sales of goods from previous seasons (linked to the increase in inventories at the end of 2018), the good sales performance recorded in Russia, the UK and Eastern Europe and the strong growth in sales to e-commerce players, nonetheless allowed for significantly improved performance compared with the indications given by initial order collection, albeit not to a great enough extent to able to compensate for the gap with the previous year.

Sales generated by the franchising channel, which account for 10.5% of Group revenues, amounted to Euro 84.3 million, reporting a decline of 14.3% (-14.3% at constant forex). Performance in the franchising channel was affected by like-for-like sales performance, slightly worse than that of directly operated stores, and by the reduction in the network in Italy, France and Spain (by approximately -10% overall). This spontaneous network rationalisation, brought about by financial difficulties, was caused by the general reduction in footfall recorded by the sector and, above all, by the positioning of stores in smaller towns or secondary shopping centres which have been more seriously affected by the growth in e-commerce sales and the changes to consumers' buying behaviour. In this context, Geox decided to mitigate the business risk and only convert a number of specific and selected stores into directly operated stores, i.e. those showing satisfactory levels of profitability in terms of their overall margin.

Sales generated by directly operated stores (DOS), representing 44.8% of Group sales, increased slightly to Euro 361.1 million (+0.6% at current forex, -0.2% at constant forex), due to slightly negative like-for-like sales performance (-2.4%) being more than compensated for by a positive network effect thanks to new openings and selected conversions of franchised stores. The like-for-like sales trend was mainly affected by performance in the months of April and May, characterised by particularly unusual weather conditions in the main markets, and by weak performance recorded by the summer sales. Sales in the last quarter, relating to the 2019 Autumn-Winter collection, were, on the other hand, in line with the previous year. Lastly, the direct e-commerce channel continued to grow considerably (+29% compared with 2018).

As of today (week 1 - week 9), like-for-like sales performance, which was positive until the end of January 2020 (low to mid-single digit growth), has been affected by the spread of the new coronavirus[3], first in China and the Asia Pacific region from the end of January, then in Italy, and to a lesser extent in the rest of Europe, from the second half of February. As of today, like-for-like sales (also considering the temporary closures) are at close to -5%.

In line with 2019, a good level of growth has been recorded in the Russian market, with a 10% increase in like-for-like sales.

The direct e-commerce channel has also continued to record positive results (+25% since the start of the year) over the last few weeks, with significant growth trends in all core markets, except China.

Sales by region

(Thousands of Euro)	**2019**	**%**	**2018**	**%**	**Var. %**
Italy	228,453	28.3%	239,824	29.0%	(4.7%)
Europe (*)	344,258	42.7%	354,707	42.9%	(2.9%)
North America	46,189	5.7%	50,508	6.1%	(8.6%)
Other countries	186,958	23.2%	182,181	22.0%	2.6%
Net sales	**805,858**	**100.0%**	**827,220**	**100.0%**	**(2.6%)**

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

Sales generated in Italy, representing 28.3% of Group revenues (29.0% in 2018), amounted to Euro 228.5 million, compared with Euro 239.8 million in 2018 (-4.7%). This trend is mainly due to the performance in the wholesale and franchising channels, which were affected by the rationalisation and distribution optimisation process, as described previously. Like-for-like sales in directly operated stores were down slightly, but substantially in line with the Group figure. With regard to the network, there were 14 net closures in 2019.

Sales generated in Europe, representing 42.7% of Group revenues (42.9% in 2018), amounted to Euro 344.3 million, compared to Euro 354.7 million in 2018, recording a decrease of -2.9%, mainly due to the effects of the rationalisation of the wholesale and franchising channel, as was the case in Italy. The like-for-like sales trend for directly operated stores remained substantially stable, supported by the positive performance of the e-commerce channel (+35%). The total store network was reduced by 15 stores during the year.

North America recorded a turnover equal to Euro 46.2 million, reporting a decrease of 8.6% (-11.9% at constant forex) mainly due to the negative performance of the wholesale channel, which has been subject of a careful review and selection process for partners, with a focus on players more in line with the Group's planned strategy to improve brand perception. Like-for-like sales performance for directly operated stores recorded a decline that was greater than the Group's average performance. The number of stores in the network remained unchanged compared with the end of 2018.
In June 2019, the direct e-commerce channel was successfully insourced. The e-commerce channel also recorded very sustained growth in North America (+34% compared with 2018).

[3] For further details, please refer to the information on the coronavirus provided in the "Significant events after the reporting date" section of this press release.

GEOX RESPIRA

A 2.6% increase in sales was recorded in the Rest of the World compared with 2018 (+0.6% at constant forex), with double-digit growth in sales for directly operated stores and the wholesale channel in Eastern Europe. With regard to the Asia Pacific region, the reduction of the wholesale channel is mainly linked to the reduction in orders from a number of distributors who need to get rid of temporary excess inventory, and the agreed slowdown in purchases made by the Chinese distributor, in view of the relative contract expiring towards the end of 2020. Directly operated stores recorded negative performance, also being affected by the protests in Hong Kong and by the reorganisation of the direct e-commerce channel in China.

Sales by product category

(Thousands of Euro)	**2019**	**%**	**2018**	**%**	**Var. %**
Footwear	720,804	89.4%	744,044	89.9%	(3.1%)
Apparel	85,054	10.6%	83,176	10.1%	2.3%
Net sales	**805,858**	**100.0%**	**827,220**	**100.0%**	**(2.6%)**

Footwear sales represented 89.4% of consolidated sales, amounting to Euro 720.8 million, down 3.1% (-3.8% at constant forex) compared with 2018. Apparel sales represented 10.6% of consolidated sales, amounting to Euro 85.1 million compared with Euro 83.2 million in 2018 (+2.3% at current forex, +1.8% at constant forex). Apparel in directly-operated stores performed particularly well (+11%).

Mono-brand store network – Geox shops

As of December 31, 2019, there was a total of 974 "Geox Shops", of which 454 DOS. During 2019, 68 new Geox Shops were opened and 109 were closed, in line with the store network optimisation planned in more mature markets and the expansion in countries where the Group's presence is still limited but developing well.

	12-31-2019		**12-31-2018**		**2019**		
	Geox Shops	**of which DOS**	**Geox Shops**	**of which DOS**	**Net Openings**	**Openings**	**Closings**
Italy	272	148	286	143	(14)	2	(16)
Europe (*)	270	159	285	154	(15)	12	(27)
North America	37	37	37	37	-	1	(1)
Other countries (**)	395	110	407	110	(12)	53	(65)
Total	**974**	**454**	**1,015**	**444**	**(41)**	**68**	**(109)**

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

(**) Includes Under License Agreement Shops (134 as of December 31 2019, 138 as of December 31 2018). Sales from these shops are not included in the franchising channel.

PERFORMANCE OF OTHER INCOME STATEMENT ITEMS IN 2019

Cost of sales and gross margin

The cost of sales, excluding the non-recurring write-down of inventories for Euro 2.4 million, was equal to 50.2% of sales, compared with the 50.0% recorded in 2018, producing a gross margin of 49.8% (50.0% in 2018).

The substantial stability of the gross margin is linked to the higher number of promotional sales during the year which absorbed the positive effects of the specific actions taken to improve supply chain efficiency and the greater weighting of sales generated by DOS.

Operating expenses and EBIT

Sales and distribution expenses were equal to 5.7% of sales, substantially in line with the previous year (5.6% in 2018).

General and administrative expenses amounted to Euro 332.2 million, reporting an increase of Euro 6.7 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 26.4 million, equal to 3.3% of revenues, compared to Euro 26.7 million in 2018.

Adjusted EBIT amounted to Euro -3 million, compared with Euro 15.2 million in 2018.

EBIT, including restructuring costs and the effects of IFRS 16, amounted to Euro -15.7 million.

EBITDA

EBITDA amounted to Euro 30.9 million, equal to 3.8% of sales, compared with Euro 48.2 million in 2018 (equal to 5.8% of sales).

Including the effects of applying the IFRS 16 standard and restructuring costs, EBITDA amounted to Euro 96.3 million.

Taxes

Income taxes for 2019 amounted to Euro 4.2 million, compared with Euro 5.9 million in 2018.

It is to be noted that this tax amount is approximately Euro 4.1 million higher owing to the non-recognition of deferred tax assets for certain loss-making subsidiaries abroad, which currently do not show any signs of a fast recovery.

Net result

2019 Net result amount to Euro -24.8 million, compared with Euro -5.3 million of 2018.

Excluding IFRS 16 effect and restructuring costs, 2019 Net result amount to Euro -10.6 million.

THE GROUP'S BALANCE SHEET AND FINANCIAL POSITION

The Group's balance sheet shows a positive net financial position of Euro 6.6 million, improving from Euro 2.3 million at December 31, 2018, after fair value adjustment of derivatives, which had a positive effect for Euro 1.2 million (Euro +9.1 million at December 31, 2018).

Net operating working capital as a percentage of revenues was equal to 22.7%, compared to 25.3% in 2018.
This improvement is mainly due to:

- the excess inventory generated last year being reabsorbed. This excess was due to the drop in sales by Geox mono-brand stores compared with the growth expected;
- the reduction in trade receivables, mainly linked to sales performance;
- a reduction in trade payables, in line with the timing of purchases of finished products.

Over the course of the year, investments were made for approximately Euro 33 million, dividends of Euro 6.5 million were paid and treasury shares for Euro 5 million were purchased.

FINANCIAL STATEMENTS OF THE PARENT COMPANY GEOX S.P.A.

The Board of Directors has also approved the 2019 financial statements for the parent company, Geox S.p.A., together with the report on corporate governance and ownership set-ups and the non-financial statement.

Revenues amounted to Euro 548.5 million, compared to Euro 582.7 million in 2018. In 2019, a loss for Euro -33.6 million was recorded, due to the write-down of investment in foreign subsidiaries for an amount of Euro 25 million.
In 2018 the Company recorded a Euro 6.9 million loss.

Shareholders' equity at December 31, 2019 amounted to Euro 308.5 million compared to Euro 355.5 million at the end of 2018, with a positive net financial position of Euro 17.9 million, excluding the effects of IFRS 16 (Euro 31.1 million at December 31, 2018).

The financial statements at December 31, 2019 will be submitted to the Shareholders' Meeting for approval, scheduled for April 22, 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- **Mutual separation agreement between Geox and Matteo Mascazzini as employee and director**

  During its meeting on January 16, 2020, the Geox S.p.A. Board of Directors approved a mutual separation agreement between Geox and Matteo Carlo Maria Mascazzini to leave his role as employee and director.

  During the same meeting, the Board also appointed director Dott. Livio Libralesso as Chief Executive Officer of Geox Group for the 2020-2021 two-year period.

- **Store network rationalisation plan**

  During the same meeting held on January 16, 2020, the Board of Directors examined and approved a rationalisation plan for the Group's network of stores (DOS).

  The Group believes that the store network plays a key strategic role in terms of enhancing the Brand's image, boosting recognition among end consumers and developing a profitable business guided by the needs and experience of the customers themselves. Consumers' buying behaviour, however, has undergone a profound change. Digital solutions, e-commerce and online marketplaces are leading to a significant reduction in footfall in physical stores, especially those situated in less desirable and non-strategic locations. However, these stores are not yet reflecting this trend with a corresponding reduction in rent.

In this context, it has therefore been necessary to examine the performance of directly operated stores (DOS) with even stricter criteria in terms of brand image, profitability and cash flows, also in order to free up resources that will be used to finance investments. The BoD[4] has therefore identified approximately 80 stores (including direct stores and corners) that no longer comply with the Group's strategy in terms of significance and profitability. These will be closed over the coming three years, with decreasing intensity. In fact, notification of early termination or termination at the earliest date possible (exercising the so-called *way-out* clause) will be sent for around 50 stores, with leases for another 30 stores reaching their natural expiry. These gradual closures are due to the fact that, as of today, there are no situations of loss that are serious enough to warrant more decisive measures, which would also lead to fines being imposed.

More specifically, the main actions to be taken have been identified as follows:

- Substantially withdrawing from physical retail in the United States confirming only 2 stores and optimising the network in Canada.
- Optimising physical stores in Japan, with the closure of some stores in areas that are considered to be of minor importance, in order to focus the Group's presence in and around Tokyo.
- Adopting a more prudent approach in the area of HK and Macau.
- Adopting a more selective approach in China, with some closures in minor locations.
- Accelerating the process to optimise physical stores with the closure of around 50 stores in more mature markets in Europe, also considering the high level of brand recognition and the important role being played by the digital channel, which has been managed in-house since July 2018 and 5 closures in rest of world.

These initiatives will therefore also allow for a rationalisation of the relative managerial structures in a number of countries.

For the sake of completeness, it should be noted that, once all stores have been closed, the expected effects on the Group's consolidated income statement at the end of the 2020-2022 three-year period and, therefore in 2022, may be estimated as follows (based on 2019 performance): approximately 80 closures, a reduction in sales of around Euro 35-40 million and an improvement to the operating result of approximately Euro 5 million. It is estimated that the effect on 2020 results will be around 60% of closures and 40% in terms of sales and operating result.

This decision has led to write-downs (due to asset impairment) being recorded for approximately Euro 9.4 million. For further information on the impairment process, please refer to the explanatory notes to the Group's 2019 financial statements.

- **Spread of a new coronavirus**

The outbreak of a new coronavirus, known as COVID-19, which began in China in January 2020, is having significant economic and social repercussions. The Group is very concerned about this health emergency and is strictly following all guidelines issued by the competent authorities, taking all appropriate precautions to protect the health of its employees, partners, suppliers and consumers, also in order to prevent the virus from spreading in the regions affected by the contagion. The virus has now significantly spread outside of China, affecting around 70 countries, including the brand's main markets such as Japan, South Korea and, over the last two weeks, also Italy, Europe and North America.

The measures adopted by authorities in various countries to contain the virus include, with varying levels of intensity: the closure of schools, government offices, production sites and businesses and the banning of both public and private sporting and entertainment events. This is leading to a drastic reduction in people's mobility, domestic and international tourism and consumers' propensity to make purchases. The result is a significant reduction in footfall and sales in both shopping malls and stores located along shopping streets across the world.

At the moment, it is impossible to predict how long this situation will last and therefore to assess the effects on this year's results. However, in order to provide comprehensive information, it is appropriate to share some details about current business performance:

[4] The BoD identified approximately 130 stores (CGU) with negative P&L performance or other indications that they needed to be assessed. Out of these stores, around 100 have either been fully or partially written down and around 80 (including DOS and corners) have been identified as no longer complying with the Group's strategy in terms of significance and profitability.

Supply of raw materials and finished products
Geox Group purchases approximately 4% of its finished products from China (mainly apparel) and it uses Chinese suppliers for some of the raw materials used for manufacturing in other areas of the Far East. The authorities forced all manufacturing activities to shut down for the two weeks after Chinese New Year, i.e. until 24th February. After this shutdown, production activities began to gradually recover and all of Geox's suppliers are now operational, albeit not fully due to the ongoing restrictions on people's mobility. The situation is being constantly monitored, however no significant impacts on the Group's production activities and supply chain are currently expected. Based on the information currently available, there may potentially be some limited and specific delays regarding initial deliveries in May and at the beginning of June, in relation to the 2020 Autumn-Winter collection. Having said that, the situation is constantly evolving, and, at present, it is not possible to make more precise estimates and assumptions.

Retail sales performance in China, Hong Kong and Macau
In 2019, Geox Group recorded retail sales of approximately Euro 26 million in this area (3.2% of total revenues, with 2.1% generated in China alone), through a network of 65 directly operated stores (48 DOS in China alone). Sales performance was positive for the first weeks of January, but around 20 stores (18 in China and 2 in Macau) remained closed for an average of two weeks in February, as per the instructions received from the relative shopping malls. As at the start of this week, only one sales outlet remains closed, but performance for February has been significantly affected by the aforementioned closures and by the general drop in footfall (-87%), caused by the restrictive measures. Like-for-like performance has also suffered as a result (-85%). As of week 09, aggregated like-for-like sales were therefore negative, reaching almost -50%.

Retail sales performance in Italy and Europe
On 21st February, a coronavirus emergency also hit northern Italy, mainly the regions of Lombardy, Veneto and Emilia Romagna. On 24th February, the Italian authorities introduced precautionary measures, including the closure of 35 directly operated stores in Lombardy last weekend, out of a total of 47. Significant cases of contagion have since been recorded in France, Germany, UK and Spain, increasing the general level of attention across Europe. The authorities in these countries have issued provisions aimed at containing the spread of the virus which have involved reducing people's mobility, advising people to avoid crowded places and strongly discouraging people from travelling, both nationally and internationally. These latest restrictions on mobility, combined with the lack of tourists coming from the East, have led to a significant reduction in footfall for stores both in city centres and shopping malls.
Last week, like-for-like sales in Italy were negative, with the lowest figure being recorded in Lombardy, due to the closures. Other regions have nonetheless also been affected by the drop in footfall and by the general level of concern among consumers, which is in turn reducing their propensity to make purchases.
Overall, in week 09, Italy recorded negative like-for-like sales at -44%, causing aggregated like-for-like sales since the beginning of the year to also become slightly negative.

Similar dynamics have been recorded in the rest of Europe, albeit to a lesser extent. Last week, the Group did not close any stores but footfall decreased by 20%, with like-for-like sales with a similar trend. Aggregated like-for-like sales since the beginning of the year are in line with the previous year.

BUSINESS OUTLOOK

Considering the seriousness of the current situation, linked to the spread of the new coronavirus and uncertainties regarding the duration and the geographical areas that will be affected by the epidemic, it is currently extremely difficult to make predictions about 2020.

The trends for each channel would have otherwise been summarised as follows:

- Wholesale: Initial order collection for the 2020 spring-summer collection (completed) and the 2020 autumn-winter collection (ongoing) has confirmed the excellent performance and increasingly important role being played by the e-commerce channel, as well as highlighting substantial stability in terms of initial orders. 2020 performance would therefore have been determined by in-season orders, which are becoming increasingly important in defining the overall contribution of this channel.

- Franchising: This channel was expected to show a continuing tendency towards store network rationalisation, albeit with less intensity compared with the previous year (-5% including a limited number of conversions into DOS). This result would have been accompanied by like-for-like sales performance.
- DOS: The combined effect of the announced rationalisation plan (approx. 55 closures during the year) and a number of selected openings in Russia - where double-digit growth is being recorded across all channels - and in Europe, to complete the network of outlets, was set to result in an overall negative network effect at the end of the year (-5%). Overall sales, on the other hand, were expected to increase, also thanks to positive like-for-like performance. The ongoing store restyling plan will also continue, aimed at improving performance, with the introduction of new window displays, new assortment strategies and new policies for in-store visuals.
- Direct e-commerce channel: The e-commerce channel, the least affected by external events, 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, thanks to the investments made in both infrastructure and internal expertise.

The considerable amount of uncertainty regarding market conditions has, however, drastically reduced visibility of future results. The foregoing therefore provides a mere indication of the trends that were expected before the outbreak of the coronavirus.

Geox's management team believes that it is fundamentally important to react to these changing market conditions by implementing extremely decisive and appropriate measures to mitigate the negative effects of this scenario on the year's results. In particular, management is:

- obtaining and renegotiating substantial rent reductions for stores in the areas affected by closures and the drop in footfall;
- working towards making HR costs flexible in relation to the opening hours and turnover of each store, where possible;
- postponing investments in advertising, aimed at increasing in-store footfall, until a more favourable moment in time;
- further analysing the profitability of the store network;
- implementing all other strict cost control measures necessary, generally preparing to adjust the intensity of the rationalisation plan based on the close monitoring of the situation as it evolves.

It is also appropriate to confirm the validity of the strategies included in the Business Plan presented in November 2018. Geox is therefore implementing the projects that it believes to be essential for the evolution of its business model, with the aim of perfectly integrating physical and digital stores as well as the warehouses for the various channels. For this reason, the Group has already completed, and shall continue to make, important investments in digital infrastructure, its omnichannel approach, merchandising and buying, business intelligence, consumer insights and retail excellence, with the aim of focusing more on customer centrality and becoming increasingly consumer-oriented. The Group therefore believes that it needs to minimise the impacts of this situation in the short term, whilst remaining very positive about medium-term performance, for both Geox and the industry as a whole. This is also in consideration of the good business performance and customers' clear appreciation for products, both in the e-commerce channel and in those areas (such as Russia and Eastern Europe) that have not yet been affected by these temporary difficulties and continue to record double-digit growth.

OTHER RESOLUTIONS PASSED BY THE BOD

AUTHORISATION TO BUY BACK AND HOLD TREASURY SHARES IN ACCORDANCE WITH ARTICLES 2357 AND 2357-TER OF THE ITALIAN CIVIL CODE

The Board of Directors has passed a resolution to submit a plan to buy back and hold treasury shares to the Shareholders' Meeting for approval. The aim of this plan is to limit abnormal price fluctuations, regulate trading whenever there are distortions linked to excessive volatility or to a lack of market liquidity and provide the issuer with shares for both the allocation of stock options, in view of said options being exercised as part of the Stock Option Plan approved by the shareholders' meeting to the benefit of employees, and for current and any

future Stock Grant Plans, as well as for any extraordinary financial transactions in line with the Company's development strategy.
The Company may buy a number of ordinary shares not exceeding 10% of the share capital for a period of 18 months from the date that the Shareholders' Meeting passes the relative resolution (therefore with a deadline of October 22, 2021), subject to the revocation of the previous plan authorised by the Shareholders' Meeting on April 16, 2019, to the extent that it wasn't used.
Purchases must be made at a price per share that is no more than 10% higher or lower than the closing price posted on the business day prior to the purchase date. Maximum daily purchase volumes cannot exceed 25% of the average volumes traded during the 20 Stock Exchange sessions preceding the purchase date. The share buy-back must be carried out on regulated markets in accordance with the procedures provided for by applicable regulations (in particular, pursuant to art. 144-bis, paragraph 1, letter b) of the Issuers' Regulations and the provisions that are in any case applicable, in order to meet the requirement to treat all shareholders equally, as stated by art. 132 of the 'TUF' *(Italian consolidated law on financial intermediation)*, and in accordance with applicable legislation and market practices permitted by Consob pursuant to article 13 of (EU) Regulation no. 596/2014), following the operating procedures set forth by the markets' own organisational and operating rules, in order to ensure that all shareholders are treated equally.
It should be noted that, as of today, the Company holds 3,996,250 treasury shares.

APPROVAL OF THE NON-FINANCIAL STATEMENT

The Board of Directors of Geox S.p.A., which met today, carefully examined and subsequently approved the Non-Financial Statement at December 31, 2019, drawn up separately from the financial statements pursuant to Italian Legislative Decree no. 254 of December 30, 2016, implementing EU directive no. 2014/95.
The Non-Financial Statement has been drawn up in accordance with the Global Reporting Initiative Sustainability Reporting Standards *(GRI Standards)* and describes the most important activities carried out in 2019 with regard to social, environmental and economic issues, as well as the results achieved. Given Geox Group's strong commitment to these issues, this report also presents its medium/long-term objectives to grow and develop, keeping in mind the interests of the various stakeholders.

APPOINTMENT OF A NEW FINANCIAL REPORTING MANAGER

During today's meeting, the Board of Directors also appointed, with the approval of the Board of Statutory Auditors, Dott. Massimo Nai, the Group's Administrative Director, as the company's Financial Reporting Manager, with effect from today and up until the date of approval of the financial statements at December 31, 2021.
Massimo Nai, born in 1974, joined Geox in 2004, after working as an auditor with one of the sector's leading players. He has held positions of increasing responsibility within the Group and holds a degree in Business Economics from the University of Venice. A full version of his curriculum vitae is available on the company's website www.geox.biz, in the Governance section.
Dott. Massimo Nai shall replace Dott. Livio Libralesso, who became Chief Executive Officer of Geox Group on January 16 this year.
As of today, Dott. Massimo Nai does not own any Geox shares.

GEOX RESPIRA

DECLARATION BY THE MANAGER RESPONSIBLE FOR THE PREPARATION OF COMPANY ACCOUNTING DOCUMENTS

The manager responsible for the preparation of the company's financial documents, Dott. Massimo Nai, hereby declares, in accordance with paragraph 2, article 154 bis of the "Testo Unico della Finanza" *(Italian Consolidated Law on Financial Intermediation)*, that, based on his knowledge, the accounting information contained in this document corresponds to the results documented in the books, accounting and other records of the company.

FOR MORE INFORMATION

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GEOX GROUP

Geox Group operates in the classic and casual footwear sector for men, women and children, with a medium/high price level, and in the apparel sector. The success of Geox is due to the constant focus on the application of innovative solutions and technologies on the product that guarantee both impermeability and breathability.
Geox is one of the leading brands in the "International Branded Casual Footwear Market". Geox technology is protected by 40 different patents and by 25 more recent patent applications.

DISCLAIMER

This document includes forward-looking statements, relative to future events and income and financial operating results of Geox Group. These forecasts, by their nature, include an element of risk and uncertainty, since they depend on the outcome of future events and developments. The actual results may differ even quite significantly from those stated due to a multiplicity of factors.

ATTACHMENTS

- Consolidated income statement
- Reclassified consolidated balance sheet
- Reclassified consolidated cash flow statement
- Investments

N.B.: figures relating to 2019 and 2018 have been drawn up according to the IAS/IFRS accounting standards and have undergone a full financial audit. The balance sheet and cash flow statement have been reclassified according to a chart normally used by management and investors to assess the Group's results. These reclassified financial statements do not comply with the presentation standards required by the International Financial Reporting Standards (IFRS) and they therefore should not be seen as replacements for the latter. However, they do have the same content, meaning they are easily reconcilable with the International Financial Reporting Standards.

CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)	2019 Reported	IFRS 16 impact	Restructuring charges	2019 excl. IFRS 16 and restructuring charges	%	2018	%
Net sales	**805,858**	**-**	**-**	**805,858**	**100.0%**	**827,220**	**100.0%**
Cost of sales	(407,030)	-	**(2,406)**	(404,624)	(50.2%)	(413,456)	(50.0%)
Gross profit	**398,828**	**-**	**(2,406)**	**401,234**	**49.8%**	**413,764**	**50.0%**
Selling and distribution costs	(44,181)	(1,399)	**-**	(45,580)	(5.7%)	(46,416)	(5.6%)
General and administrative expenses	(331,581)	(641)	**-**	(332,222)	(41.2%)	(325,489)	(39.3%)
Advertising and promotion	(26,177)	(226)	**-**	(26,403)	(3.3%)	(26,652)	(3.2%)
Operating result	**(3,111)**	**(2,266)**	**(2,406)**	**(2,971)**	**(0.4%)**	**15,207**	**1.8%**
Restructuring charges	(3,245)	-	**(3,245)**	-	0.0%	(9,847)	(1.2%)
Net asset impairment			**(9,367)**				
EBIT	**(15,723)**	**(2,266)**	**(15,018)**	**(2,971)**	**(0.4%)**	**5,360**	**0.6%**
Net interest	(8,607)	5,091	**-**	(3,516)	(0.4%)	(4,792)	(0.6%)
PBT	**(24,330)**	**2,825**	**(15,018)**	**(6,487)**	**(0.8%)**	**568**	**0.1%**
Income tax	(429)	(590)	**3,133**	(4,152)	(0.5%)	(5,859)	(0.7%)
Tax rate	*n.a.*	*(20.9%)*	*(20.9%)*	*n.a.*		*n.a.*	
Net result	**(24,759)**	**2,235**	**(11,885)**	**(10,639)**	**(1.3%)**	**(5,291)**	**(0.6%)**
EBITDA adjusted	**96,252**	**(71,030)**	**5,651**	**30,873**	**3.8%**	**48,191**	**5.8%**

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Thousands of Euro)	December 31, 2019	IFRS 16 impact	December 31, 2019 excluding IFRS 16	December 31, 2018
Intangible assets	44,131	-	44,131	50,161
Property, plant and equipment	61,231	-	61,231	65,826
Right-of-use assets	298,685	(298,685)	-	-
Other non-current assets - net	40,774	(590)	40,184	39,085
Total non-current assets	**444,821**	**(299,275)**	**145,546**	**155,072**
Net operating working capital	**182,721**	**0**	**182,721**	**209,115**
Other current assets (liabilities), net	**(21,899)**	**126**	**(21,773)**	**(17,665)**
Net invested capital	**605,643**	**(299,149)**	**306,494**	**346,522**
Equity	302,698	2,235	304,933	340,760
Provisions for severance indemnities, liabilities and charges	8,114	-	8,114	8,054
Net financial position	294,831	(301,384)	(6,553)	(2,292)
Net invested capital	**605,643**	**(299,149)**	**306,494**	**346,522**

OPERATING WORKING CAPITAL AND OTHER CURRENT ASSETS (LIABILITIES)

(Thousands of Euro)	Dec. 31, 2019	Dec. 31, 2018
Inventories	284,589	312,052
Accounts receivable	122,178	133,090
Trade payables	(224,046)	(236,027)
Net operating working capital	**182,721**	**209,115**
% of sales for the last 12 months	***22.7%***	***25.3%***
Taxes payable	(10,502)	(8,723)
Other non-financial current assets	23,458	30,637
Other non-financial current liabilities	(34,855)	(39,579)
Other current assets (liabilities), net	**(21,899)**	**(17,665)**

RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)	2019	IFRS 16 impact	2019 excluding IFRS 16	2018
Net result	**(24,759)**	**2,235**	**(22,524)**	**(5,291)**
Depreciation, amortization and impairment	111,975	(68,764)	43,211	32,984
Other non-cash items	2,001	590	2,591	1,449
Total non-cash items	**113,976**	**(68,174)**	**45,802**	**34,433**
	89,217	**(65,939)**	**23,278**	**29,142**
Change in net working capital	31,115	-	31,115	7,061
Change in other current assets/liabilities	284	1,066	1,350	(5,018)
Cash flow from operations	**120,616**	**(64,873)**	**55,743**	**31,185**
Capital expenditure	(33,383)	-	(33,383)	(37,358)
Disposals	1,204	-	1,204	458
Net capital expenditure	**(32,179)**	**-**	**(32,179)**	**(36,900)**
Free cash flow	**88,437**	**(64,873)**	**23,564**	**(5,715)**
Increase in right-of-use assets	(39,751)	39,751	-	-
Treasury shares	(5,051)	-	(5,051)	-
Dividends	(6,480)	-	(6,480)	(15,552)
Change in net financial position	**37,155**	**(25,122)**	**12,033**	**(21,267)**
Initial net financial position - prior to fair value adjustment of derivatives	**(6,810)**	**-**	**(6,810)**	**15,148**
IFRS 16 First time adoption - effect on financial debt	(325,932)	325,932	-	-
Initial net financial position - prior to fair value adjustment of derivatives	**(332,742)**	**325,932**	**(6,810)**	**15,148**
Change in net financial position	37,155	(25,122)	12,033	(21,267)
Translation differences	(433)	574	141	(691)
Final net financial position - prior to fair value adjustment of derivatives	**(296,020)**	**301,384**	**5,364**	**(6,810)**
Fair value adjustment of derivatives	1,189	-	1,189	9,102
Final net financial position	**(294,831)**	**301,384**	**6,553**	**2,292**

CAPEX

(Thousands of Euro)	2019	2018
Trademarks and patents	615	656
Opening and restructuring of Geox Shop	17,513	21,162
Production plant	377	494
Industrial plant and equipment	2,933	2,788
Logistic	2,262	2,321
Information technology	8,156	6,769
Offices furniture, warehouse and fittings	1,527	3,168
Total cash capex	**33,383**	**37,358**
Right-of-Use	39,751	-
Total capex	**73,134**	**37,358**

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