GEOX

ANNUAL REPORT
2019

CONTENTS

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

DIRECTORS' REPORT

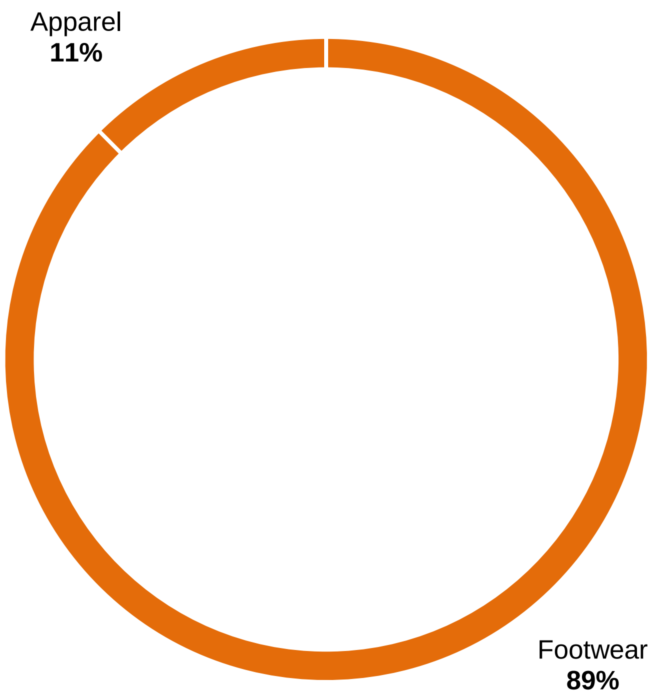
Profile

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

The extraordinary success that Geox has achieved is due to the technological characteristics of its shoes and apparel. Thanks to a technology that has been protected by 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 Branded Casual Footwear Market" (source: Shoe Intelligence, 2019).



Research and Development

The applied research carried out by Geox in 2019 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.

In particular, Levita™ is Geox's first shoe that actually makes its waterproof and breathable membrane visible. Thanks to an innovative 3D mesh insert inside the sole, this shoe boasts cushioning, ventilation and lightness as well as breathability, while its revolutionary fastening allows for a customised fit. Levita 4x4 Amphibiox™ is an evolution of Levita™: waterproof and breathable boots designed to combine the benefits of Levita with the water-resistance of Amphibiox™ technology.
The breathability of these innovative shoes is optimised by the *Inner Breathing System*, a special inner lining that allows for air to circulate around the entire foot.

For insoles, the “Ventilated Cushioning System” ensures superior comfort and well-being thanks to a system that channels the air.

For the children's collection, an electronic device has been designed with a wireless connection, allowing users to play with their Geox Playkix™ shoes through a smartphone. The electronic device is inserted in the heel underneath the insole and interprets the movement of the feet, interacting with the smartphone: the Geox Playkix™ app receives these signals and allows the child to play the game.

With regard to apparel, the XLED™ Jacket represents Geox’s first “wearable technology” solution applied to outerwear. The XLED™ Jacket innovatively integrates an LED lighting system and optical fibres with a special translucent membrane, which is also waterproof and breathable, thereby providing protection against external agents. Special LED lights are inserted around the chest area on the front of the jacket and around the bottom on the back, and you can choose whether to light them up continuously or intermittently; a USB port inside the jacket allows you to charge the lights using a compatible power bank.

For the Aerantis™ range of outerwear, a summer version has also been developed, with a system of side perforations down the main material used for the jacket *(Ventilation System)*, which uses a 3D fabric with spacers *(Inner Breathing System)* to better expel hot, humid air upwards and through the sides; breathing tape *(Breathing System)* across the shoulders, complete with a membrane, and another positioned inside the collar, help water vapour to escape, allowing for efficient breathability and better thermoregulation.
For the winter version of Aerantis™ thermo-adaptive wadding has been designed made from recycled down, inserted alongside the existing wadding made from recycled synthetic material.

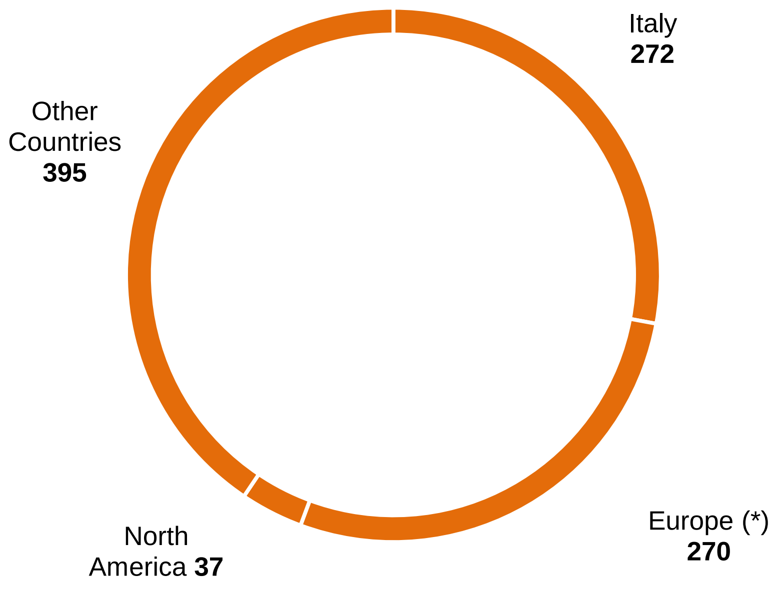
However, the main innovations concerning all items in the Geox apparel collection refer to the new breathing tape, dyed without using any water and including also the same material as the jacket, and the exclusive, functionalised 3D spacer. These innovations are integrated into the original solution that exploits the physical principle of convection, whereby hot air tends to rise.

Geox innovation is protected by 40 patents and 25 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, 2019, the overall number of "Geox Shops" came to 974, of which 520 in franchising and 454 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, Moscow for Russia, New Jersey for the North America, Tokyo for Japan, Shanghai for China and Hong Kong for the rest of Asia.

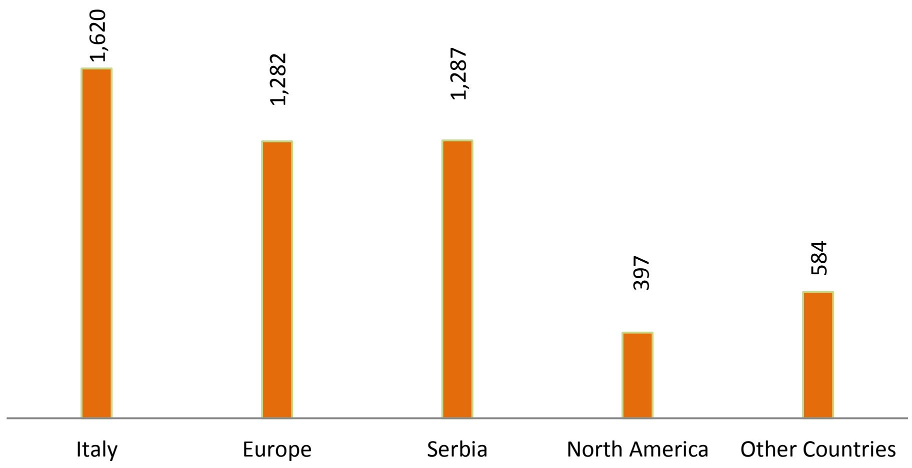
Human Resources

At December 31, 2019 the Group had 5,170 employees, showing a decrease of 76 employees compared with 5,246 employees at 31 December 2018.

As of December 31, 2019 the employees were splitted as follows:

Level	31-12-2019	31-12-2018
Managers	45	42
Middle Managers and office staff	975	1,043
Shop Employees	2,889	2,780
Factory Workers	1,261	1,381
Total	**5,170**	**5,246**

The graph shows the employees of the Group at 31 December 2019, 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	**2019**	**2018**	**2017**
Earnings per share [Euro]	(0.10)	(0.02)	0.06
Equity per share [Euro]	1.17	1.31	1.35
Dividend per share [Euro]	-	0.03	0.06
Pay-out ratio [%]	-	n.s.	101.10
Dividend yield (at 12.31)	-	2.14	2.07
Year-end price [Euro]	1.18	1.17	2.89
MTA high [Euro]	1.93	3.01	3.85
MTA low [Euro]	1.15	1.06	1.90
Price per share/EPS	(12.29)	(57.32)	48.75
Price per share/Equity per share	1.01	0.89	2.15
Stock market capitalization [thousands of Euro]	305,865	303,273	749,861
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	11,253	14,853,488
from 5.001 to 10.000 shares	919	7,052,676
10.001 shares and over	775	237,334,265
Lack of information on disposal of individual positions previously reported		(33,098)
Total	**12,947**	**259,207,331**

(*) As reported by Computershare S.p.A. on December 31, 2019.

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 no shares of the Company as of December 31, 2019.

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
Livio Libralesso (1)	CEO and Executive Director (*)
Claudia Baggio	Director
Lara Livolsi (3)	Independent Director
Alessandro Antonio Giusti (2) (3)	Director
Francesca Meneghel (2) (4)	Independent Director
Ernesto Albanese (2)	Independent Director
Alessandra Pavolini (3)	Independent Director

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

(*) 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 January 16, 2020.

Board of Statutory Auditors

Name	Position
Sonia Ferrero	Chairman
Francesco Gianni	Statutory Auditor
Fabrizio Colombo	Statutory Auditor
Fabio Antonio Vittore Caravati	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[1], 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.

[1] Please note that in January 2020, Corporate Governance Comitee approved the new Code of Conduct that will be enter into force in 2021.

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.

As further confirmation of Geox’s focus on sustainability issues, in 2019, the Group decided to join the Fashion Pact. This pact is a global coalition of companies in the fashion and textile industry (ready-to-wear, sport, lifestyle and luxury), including their suppliers and distributors, all committed to a common core of key environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans.

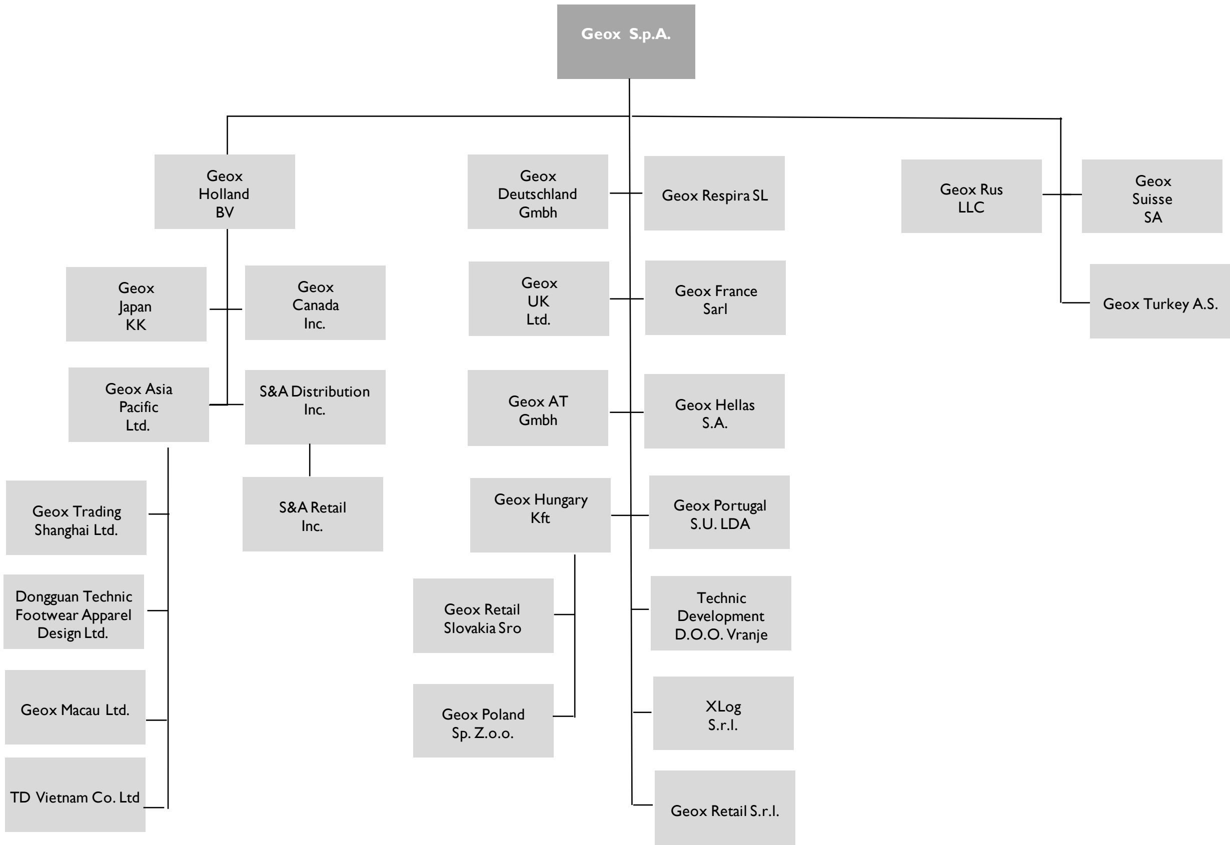
Please refer to the aforementioned report for all aspects regarding the information required by the decree, relating to environmental and social matters, aspects linked to employees, the respect of human rights, anti-corruption, diversity in the Board of Directors and other sustainability issues.

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

GROUP CHART DECEMBER 31, 2019



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 (company under liquidation process) 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.

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.

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.

Economic results summary

The main results are outlined below:

- Net sales of Euro 805.9 million, with a decrease of 2.6% compared to Euro 827.2 million in 2018;
- EBITDA of Euro 30.9 million, with a 3.8% margin (5.8% in 2018);
- EBIT of Euro -3 million, compared to Euro 15.2 million of 2018;
- Net income of Euro -10.6 million, compared to Euro -5.3 million in 2018.

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

(Thousands of Euro)	2019 Reported	IFRS 16 impact	Restructuring charges	2019 excl. IFRS 16 and restrict. 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)**	-		(9,847)	(1.2%)
Net asset impairment	(9,367)	-	**(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 .

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 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[2], 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).

[2] 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.

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.

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

		2019	**%**	**2018**	**%**
Footwear	Net sales	720,804		744,044	
	EBIT	(11,101)	(1.5%)	7,742	1.0%
Apparel	Net sales	85,054		83,176	
	EBIT	(4,622)	(5.4%)	(2,382)	(2.9%)
	Net sales	**805,858**		**827,220**	
	EBIT	**(15,723)**	**(2.0%)**	**5,360**	**0.6%**

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.

Income taxes and tax rate

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 financial performance

The following table summarizes the reclassified consolidated balance sheet:

(Thousands of Euro)	December 31, 2019	IFRS 16 impact	December 31, 2019 excl. 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**	**-**	**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**

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).

The following table shows the mix and changes in net 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)**

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.

The following table gives a 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
Totale non-cash items	**113,976**	**(68,174)**	**45,802**	**34,433**
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**

Consolidated capital expenditure is analyzed in the following table:

(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**

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

(Thousands of Euro)	**Dec. 31, 2019**	**Jan. 1, 2019**	**Dec. 31, 2018**
Cash and cash equivalents	48,449	40,972	40,972
Current financial assets - excluding derivatives	1,282	1,119	1,119
Bank borrowings and current portion of long-term loans	(33,747)	(48,268)	(48,268)
Current financial liabilities - excluding derivatives	(82)	(16)	(16)
Net financial position - current portion	**15,902**	**(6,193)**	**(6,193)**
Non-current financial assets	24	22	22
Long-term loans	(10,562)	(639)	(639)
Net financial position - non-current portion	**(10,538)**	**(617)**	**(617)**
Net financial position - prior to fair value adjustment of derivatives and IFRS 16 impact	**5,364**	**(6,810)**	**(6,810)**
Lease liabilities	(301,384)	(325,932)	0
Net financial position - prior to fair value adjustment of derivatives	**(296,020)**	**(332,742)**	**(6,810)**
Fair value adjustment of derivatives	1,189	9,102	9,102
Net financial position	**(294,831)**	**(323,640)**	**2,292**

Treasury shares and equity interests in parent companies

Geox S.p.A. launched a programme, starting from June 5, 2019, to buy back up to a maximum of 3,996,250 ordinary shares (equal to 1.54% of the current share capital), in accordance with the resolution passed by the Shareholders' Meeting on April 16, 2019, pursuant to articles 2357 and 2357-ter of the (Italian) civil code.
The purpose of the programme is to buy back Geox shares to be used for the 2019-2021 Stock Grant Plan, approved by the Shareholders' Meeting on April 16, 2019.
The buy-back programme started on June 5, 2019 and ended on November 20, 2019.
Further to the buy-back transactions above, as at December 31, 2019, the treasury shares held by the Company amount to 3,996,250 corresponding to 1,54% of the total number of ordinary shares.

Stock Plan

The extraordinary Shareholders' Meeting, on April 16, 2019, revoked the resolution to increase the share capital against payment, aimed at implementing the so-called "stock plan", passed by the Shareholders' Meeting on December 18, 2008 ("2008 Share Capital Increase"). The same Shareholders' Meeting approved the proposal for a free, divisible share capital increase pursuant to article 2349, paragraph I, of the (Italian) Civil Code ("Share Capital Increase") for the purpose of backing one or more stock grant plans, including the 2019-2021 Stock Grant Plan, through the use of a dedicated profit reserve (approved by the Ordinary Shareholders' Meeting) for a maximum nominal amount of Euro 1,200,000, corresponding to a maximum number of 12,000,000 ordinary Company shares, each with a nominal value of Euro 0.10, to be issued in several tranches under the terms and conditions stated by the aforementioned Plan, with subsequent amendment of article 7 of the Articles of Association.

The Shareholders' Meeting approved a medium-long term incentive plan involving the free issue of up to a maximum of five million ordinary Company shares (2019-2021 Stock Grant Plan), to the benefit of the Chief Executive Officer, Corporate General Manager, Executives with strategic responsibilities and other senior managers and employees who are considered key resources for Geox or other Group Companies. The Plan has a three-year vesting period and, as a result, the shares may be assigned from the date the Shareholders' Meeting approves the financial statements for the year ending December 31, 2021. Shares being assigned will also depend on and be proportional to the achievement of performance results based on the accumulated consolidated net income reported in Geox Group's 2019-2021 Strategic Business Plan.
The Plan states that these shares, at the discretion of the Board of Directors and in accordance with applicable legal provisions, may come (a) from a free share capital increase pursuant to article 2349, paragraph I, of the (Italian) Civil Code, to be made by using a profit reserve that is non-distributable for the purpose of said share capital increase and/or (b) from shares that may have been purchased on the market and/or held by the Company in another form, subject to an ordinary Shareholders' Meeting authorizing the purchase and making treasury shares available pursuant to articles 2357 et seq. of the (Italian) Civil Code.

By implementing this Plan, the Company intends to promote and pursue the following objectives:
(i) involve and provide an incentive to beneficiaries whose work is considered to be of fundamental importance for the achievement of the Group's objectives;
(ii) increase beneficiaries' loyalty by providing an incentive to remain within the Group;
(iii) attract new, highly-qualified professionals;
(iv) share and align beneficiaries' interests with those of the Company and the shareholders over the medium-long term, recognizing the contribution made by the management team to increasing the Company's value.

In order to put the resolutions passed by Shareholders' Meeting into effect, the Board of Directors of Geox S.p.A., during the same meeting, resolved to implement the 2019-2021 Stock Grant Plan, with 3,996,250 rights initially being attributed to 107 beneficiaries. At the date of this report a number of 3,768,600 rights are in circulation.

It's to be noted that 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. As a consequence he did not retain any right on the medium-long term incentive plan mentioned above (for a total number of 733,855 rights).

For further details please refer to the Remuneration Report.

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 34 of the Consolidated Financial Statements.

Outlook for operation

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 full-year results.
As of week XII, the Group's directly operated stores have recorded aggregated like-for-like sales performance of close to -15%, being strongly affected by the temporary closures of stores, first in Italy since the end of February and then throughout Europe and North America, due to the spread of the virus in the various countries and the measures progressively introduced by the various governments. Taking into consideration also the network effect, total sales for the direct retail channel are expected to drop by -20% in the first quarter of 2020.

A reduction in sales in the first quarter is also expected for both the wholesale and franchising channels. This is also due to the fact that requests have been received from wholesale clients and franchisees to slow down deliveries, as they too have had to temporarily suspend their activities of receiving and selling goods in March.
The considerable amount of uncertainty regarding market conditions has drastically reduced visibility of future results. The below information is therefore meant to provide a mere indication of expected trends.

Considerations on sales by channel

- 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. In this new scenario, management expects a negative impact on the completion of initial order collection for the autumn-winter season, a substantial reduction in reorders during the season compared with the previous year, and an increase in cancellations for deliveries scheduled for April, May and June regarding the 2020 spring-summer collection, considering the fact that temporary closures are continuing.
- 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. In this new scenario, management expects a further network reduction caused by the market difficulties and a reduction in like-for-like sales due to the aforementioned temporary closures, with a resulting increase in provisions for returns compared with the previous year.
- DOS: The combined effect of the announced rationalisation plan (50 closures during the year) and a number of selected openings in Russia 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. As things currently stand, management acknowledges that the ongoing temporary closures will have a strong impact on like-for-like sales performance. It therefore intends to complete an extremely prudent analysis of the store network and has not excluded the possibility of speeding up and implementing further rationalisation measures, should rental costs not be reduced accordingly, at least temporarily, in line with sales performance. The plan to revamp stores will also be slowed down, whereas projects will continue with regard to new window displays, new assortment strategies and new policies for in-store visuals, aimed at improving performance.
- Direct e-commerce channel: The e-commerce channel is expected to continue to grow 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 Group's financial position

Over the course of last year, the Group focused on measures to further strengthen its solid financial position, clearing all debt and reporting a positive net financial position of approximately Euro 6 million (excluding the effects of IFRS 16). This was achieved thanks to the optimisation of working capital, which recorded the best performance in recent years, amounting to 22.7% of sales.
At the end of March 2020, the net financial position is expected to be in line with the figure at March 2019 (excluding the effects of IFRS 16).

The Group's shareholders' equity amounts to Euro 305 million and it has significant lines of credit available, which are considered adequate to manage both normal business seasonality and these exceptional circumstances. Management is also considering increasing and extending these lines of credit.

Plan to mitigate the impacts on the business

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 the temporary closures and the resulting considerable drop in footfall;
- working towards making HR costs flexible in relation to the opening hours and turnover of each store. In particular, it is accessing the various forms of government aid and the measures to protect workers which were either already in place in the various countries or have been implemented by the various authorities to address the current exceptional circumstances, such as the "cassa integrazione" (fund to supplement earnings) in Italy and the other measures provided for by foreign legal systems;
- postponing non-essential investments until a more favourable moment in time, including investments in advertising aimed at increasing in-store footfall;
- further analysing the profitability of the store network;
- implementing all other strict cost control measures necessary, with a view to significant rationalisation in order to free up resources for investment, and generally preparing to adjust the intensity of the rationalisation plan based on the close monitoring of the situation as it evolves;
- carefully assessing the strategy to release products to the distribution network, in order to reduce future purchases on the basis of the current season's range, given that the latter has effectively not been presented to the market; these products may be partly considered as a transition to move towards the next autumn-winter collection and may be partly re-proposed as part of the 2021 spring-summer collection.

It is also deemed 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.

Biadene di Montebelluna, March 27, 2020

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

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Consolidated income statement

(Thousands of Euro)	Notes	2019	of which related party	2018	of which related party
Net sales	3-34	**805,858**	**386**	**827,220**	**275**
Cost of sales	34	(407,030)	73	(413,456)	50
Gross profit		**398,828**		**413,764**	
Selling and distribution costs		(44,181)	(1)	(46,416)	
General and administrative expenses	4-34	(331,581)	(49)	(325,489)	(6,156)
Advertising and promotion	34	(26,177)	(155)	(26,652)	(156)
Restructuring charges	8	(3,245)	-	(9,847)	-
Net asset impairment	6	(9,367)	-	-	-
EBIT	3	**(15,723)**		**5,360**	
Net financial expenses	9	(8,607)	(476)	(4,792)	-
PBT		**(24,330)**		**568**	
Income tax	10	(429)	-	(5,859)	-
Net result		**(24,759)**		**(5,291)**	
Earnings per share [Euro]	11	(0.10)		(0.02)	
Diluted earnings per share [Euro]	11	(0.10)		(0.02)	

Consolidated statement of comprehensive income

(Thousands of Euro)	2019	of which related party	2018	of which related party
Net income	**(24,759)**		**(5,291)**	
Other comprehensive income that will not be reclassified subsequently to profit or loss:				
- Net gain (loss) on actuarial defined-benefit plans	(316)	-	103	-
Other comprehensive income that may be reclassified subsequently to profit or loss:				
- Net gain (loss) on Cash Flow Hedge, net of tax	(2,199)	-	13,863	-
- Currency translation	743	-	(1,846)	-
Net comprehensive income	**(26,531)**		**6,829**	

Consolidated statement of financial position

(Thousands of Euro)	Notes	Dec. 31, 2019	of which related party	Dec. 31, 2018	of which related party
ASSETS:					
Intangible assets	12	44,131		50,161	
Property, plant and equipment	13	61,231		65,826	
Right-of-use assets	14	298,685		-	
Deferred tax assets	15	35,500		32,517	
Non-current financial assets	20	24		22	
Other non-current assets	16	9,074		11,651	
Total non-current assets		**448,645**		**160,177**	
Inventories	17	284,589		312,052	
Accounts receivable	18-34	122,178	329	133,090	237
Other non-financial current assets	19-34	23,458	1,892	30,637	1,902
Current financial assets	20-33	3,648		10,907	
Cash and cash equivalents	21	48,449		40,972	
Current assets		**482,322**		**527,658**	
Total assets		**930,967**		**687,835**	
LIABILITIES AND EQUITY:					
Share capital	22	25,921		25,921	
Reserves	22	301,536		320,130	
Net income	22	(24,759)		(5,291)	
Equity		**302,698**		**340,760**	
Employee severance indemnities	23	2,841		2,557	
Provisions for liabilities and charges	24	5,273		5,497	
Long-term loans	25	10,562		639	
Non-current lease liabilities	26-34	239,008	21,222	-	
Other long-term payables	27	3,800		5,083	
Total non-current liabilities		**261,484**		**13,776**	
Trade payables	28-34	224,046	72	236,027	1,477
Other non-financial current liabilities	29	34,855		39,579	
Taxes payable	30	10,502		8,723	-
Current financial liabilities	20-33	1,259		702	
Current lease liabilities	26-34	62,376	5,671	-	
Bank borrowings and current portion of long-term loans	31	33,747		48,268	
Current liabilities		**366,785**		**333,299**	
Total liabilities and equity		**930,967**		**687,835**	

Consolidated statement of cash flow

(Thousands of Euro)	Notes	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:			
Net result	22	**(24,759)**	**(5,291)**
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization and impairment	5-6	111,975	32,984
Other non-cash items		2,001	1,449
		113,976	**34,433**
Change in assets/liabilities:			
Accounts receivable		10,623	27,785
Other assets		1,365	(2,394)
Inventories		31,667	(37,498)
Accounts payable		(11,175)	16,774
Other liabilities		(2,855)	(2,563)
Taxes payable		1,774	(61)
		31,399	**2,043**
Operating cash flow		**120,616**	**31,185**
CASH FLOW USED IN INVESTING ACTIVITIES:			
Capital expenditure on intangible assets	12	(10,892)	(11,026)
Capital expenditure on property, plant and equipment	13	(22,491)	(26,332)
		(33,383)	**(37,358)**
Disposals		1,204	458
(Increase) decrease in financial assets		(159)	(701)
Cash flow used in investing activities		**(32,338)**	**(37,601)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank borrowings, net		(5,109)	(2,387)
Lease liabilities repayment	26	(64,890)	-
Loans:			
- Proceeds		40,988	24,154
- Repayments		(40,670)	(34,266)
Treasury shares buy back		(5,051)	-
Dividends	32	(6,480)	(15,552)
Cash flow used in financing activities		**(81,212)**	**(28,051)**
Increase (decrease) in cash and cash equivalents		**7,066**	**(34,467)**
Cash and cash equivalents, beginning of the period	19	**40,972**	**75,616**
Effect of translation differences on cash and cash equivalents		411	(177)
Cash and cash equivalents, end of the period	19	**48,449**	**40,972**
Supplementary information to the cash flow statement:			
- Interest paid during the period		8,225	3,964
- Interest received during the period		2,827	2,594
- Taxes paid during the period		3,198	5,267

Consolidated statement of changes in equity

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Transla-tion reserve	Cash flow hedge reserve	Retained earnings	Net income	Group equity
Balance at December 31, 2017	**25,921**	**5,184**	**37,678**	**(1,164)**	**(11,845)**	**278,326**	**15,383**	**349,483**
IFRS 9 First time adoption	-	-	-	-	(401)	401	-	-
Allocation of 2017 result	-	-	-	-	-	15,383	(15,383)	-
Distribution of dividends	-	-	-	-	-	(15,552)	-	(15,552)
Net comprehensive result	-	-	-	(1,846)	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**
Allocation of 2018 result	-	-	-	-	-	(5,291)	5,291	-
Distribution of dividends	-	-	-	-	-	(6,480)	-	(6,480)
Treasury shares buy back	-	-	-	-	-	(5,051)	-	(5,051)
Net comprehensive result	-	-	-	743	(2,199)	(316)	(24,759)	(26,531)
Balance at December 31, 2019	**25,921**	**5,184**	**37,678**	**(2,267)**	**(582)**	**261,523**	**(24,759)**	**302,698**

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, 2019. 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, 2018 and for the year 2018 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, 2019 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, 2019".

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 34).

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, 2019

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.

Geox chose to apply this standard retrospectively. However, it has recorded the accumulated effect of applying the standard on shareholders' equity at January 1, 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 adoption of IFRS 16 at the date of transition, January 1st, 2019, impact rights of use for Euro 327 million and financial liabilities for Euro 326 million.

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 used 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 used 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 did not lead to the financial liability for the lease or the relative right of use being recorded, but rather the rental payments were 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 and the 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. There were no significant effects 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 assesses 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. There were no significant effects from the adoption of this amendment.

On December 12, the IASB published the document **“*Annual Improvements to IFRSs 2015-2017 Cycle”*** integrates existing standards as part of their annual improvement process. There were no significant effects from the adoption of this document.

On February 7, 2018 the IASB published the document “***Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)”***. There were no significant effects from the adoption of this amendment.

On October 12, 2017 lo IASB the IASB published the document ***"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"***. There were no significant effects from the adoption of this amendment.

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

- ***IFRS 17 – Insurance Contracts***;
- Document ***"Definition of a Business (Amendments to IFRS 3)"***;
- Document ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***;

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 12-31-2019**	**As at 12-31-2019**	**Average for 12-31-2018**	**As at 12-31-2018**
US Dollar	1.1196	1.1234	1.1815	1.1450
Swiss Franc	1.1127	1.0854	1.1549	1.1269
British Pound	0.8773	0.8508	0.8848	0.8945
Canadian Dollar	1.4857	1.4598	1.5302	1.5605
Japanese Yen	122.0564	121.9400	130.4096	125.8500
Chinese Yuan	7.7339	7.8205	7.8074	7.8751
Czech Koruna	25.6698	25.4080	25.6432	25.7240
Russian Ruble	72.4593	69.9563	74.0551	79.7153
Polish Zloty	4.2975	4.2568	4.2606	4.3014
Hungarian Forint	325.2297	330.5300	318.8245	320.9800
Macau Pataca	9.0354	9.0097	9.5379	9.2365
Serbian Dinar	117.8210	117.8319	118.2368	118.3109
Vietnam Dong	26,005.7500	26,033.0000	27,189.2046	26,547.0000
Indonesian Rupiah	15,835.9487	15,595.6000	16,801.7267	16,500.0000
Turkish Lira	6.3574	6.6843	5.6986	6.0588
Indian Rupia	78.8502	80.1870	80.7277	79.7298

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 and lease liabilities.

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 15.

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 23.

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 28.

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 17.

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 18.

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. Further details are provided in note 6.

Lease liabilities and Right-of-use assets

The Group records right-of-use assets and lease liabilities. Right-of-use assets are initially valued at cost, and then at cost net of amortisation and accumulated losses due to reductions in value and are adjusted in order to reflect revaluations of lease liabilities.
The Group values lease liabilities at the current value of the payments due for lease contracts and not yet paid as at the effective date. Lease liabilities are then subsequently increased by the interest that accrues on them and are reduced by the payments made for the leasing. Lease liabilities are also revalued if future payments due for the leasing are altered, due to a change to the index or rate, if there is a change to the amount that the Group believes it will have to pay as a guarantee on the residual value or if the Group alters its valuation with reference to the option to purchase the asset, or to extend or terminate the lease contract.
The Group has estimated the duration of leasing for contracts for which it acts as lessee and that provide for a renewal option. The Group's assessment as to whether or not it is reasonably certain that the option will be exercised affects the estimate of the duration of the leasing, thereby significantly impacting the amount of the lease liabilities and of the right-of-use assets recorded.
The Group has analysed all lease contracts, defining the lease term for each by combining the "non cancellable" period with the effects of any extension or early termination clauses that are expected to be exercised with reasonable certainty. More specifically, with regard to real estate, this valuation took into account the specific facts and circumstances for each asset. With regard to other categories of assets, mainly company cars and equipment, the Group generally did not deem it likely for extension or early termination clauses to be exercised, considering the approach normally taken by the Group.

Further details are provided in note 14 with regard to Right-of-use assets and note 26 with regard to lease liabilities.

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	3-8 years
Photovoltaic plant	11 years
Industrial and commercial equipment	2-4 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	2-4-5 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.

Leased assets

Upon signing a contract, the Group assess whether it is, or contains, a leasing agreement. In other words, if the contract grants the right to use a given asset for a period of time in exchange for a fee.

The Group as lessee

The Group applies a single model to recognise and measure all leasing contracts, with certain exceptions referring to short-term leases and the leasing of assets of modest value. The Group recognises liabilities relative to payments for leasing and assets for the right to use the assets referred to by the contract.

- *Right-of-use assets*
  The Group recognises right-of-use assets as at the leasing start date (i.e. the date when the underlying asset becomes available for use). Right-of-use assets are valued at cost, net of accumulated amortisation and losses in value, and are adjusted for any revaluations of lease liabilities. Right-of-use assets are amortised using constant rates starting from the effective date of the lease and until the end of the useful life of the right-of-use asset.
  Right-of-use assets are subject to impairment.

- *Lease liabilities*
  As at the effective date of the lease contract, the Group records the relative lease liabilities, measuring them as the current value of the payments due for the leasing and that have not yet been paid as at said date. Payments due include fixed payments (including fixed payments in terms of substance) net of any leasing incentives to be received, variable leasing payments that depend on an index or rate and amounts that are expected to be due as a guarantee on the residual value. Leasing payments also include the price to exercise the purchase option, if there is reasonable certainty that the Group will exercise said option, and the penalty payments for termination of the lease contract, if the duration of the lease takes into account the Group exercising the option to terminate the lease in question.
  Variable leasing payments that do not depend on an index or rate are recorded as costs during the period in which the event or condition arises that generates the payment.
  When calculating the current value of payments due, the Group uses the incremental borrowing rate as at the start date. After the effective date, the lease liability amount is increased to take into account the interest accruing on said lease liabilities and is reduced to take into account any payments made. Furthermore, the book value of lease liabilities is recalculated if any changes are made to the lease agreements or if the contractual terms and conditions are reviewed to alter payments; this is also recalculated if there are any changes to the valuation of the option to purchase the underlying asset or to future payments deriving from an alteration to the index or rate used to calculate said payments.

- Short-term leases and leases for assets of modest value
  The Group applies the exemption for recording short-term leases and leases for assets of modest value.

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).

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

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 32.
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 11).

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.

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.

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:

		2019	%	**2018**	%
Footwear	Net sales	720,804		744,044	
	D&A	90,917		30,049	
	EBIT	(11,101)	(1.5%)	7,742	1.0%
Apparel	Net sales	85,054		83,176	
	D&A	11,691		2,935	
	EBIT	(4,622)	(5.4%)	(2,382)	(2.9%)
	Net sales	**805,858**		**827,220**	
	D&A	**102,608**		**32,984**	
	EBIT	**(15,723)**	**(2.0%)**	**5,360**	**0.6%**

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 255,525 thousand for footwear (Euro 281,270 thousand in 2018) and Euro 29,064 thousand for apparel (Euro 30,782 thousand in 2018).

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

(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.

4. General and administrative expenses

General and administrative expenses are analyzed in the following table:

	2019	**2018**
Wages and salaries	117,290	115,209
Rental expenses	21,636	90,414
Other costs	198,596	125,750
Rental income	(3,279)	(3,714)
Other income	(2,662)	(2,170)
Total	**331,581**	**325,489**

Rental and lease expenses relate to the shops, offices and industrial property leased by the Group are significantly decreased compared to 2018. Starting from January 1st, 2019, only leases excluded from the application of IFRS 16 are accounted for in this item.

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 13,034 thousand (in 2018 Euro 13,003 thousand).

The fees due to the directors for 2019 amount to Euro 2,672 thousand (Euro 2,712 in 2018) and those to executives with strategic responsibilities amount to Euro 1,989 thousand (Euro 4,637 in 2018).
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.

The fees due to statutory auditors for 2019 amount to Euro 175 thousand (Euro 175 thousand also in 2018).

In 2019 the number of rights that give right to the assignment of no. 1 free issue share of the Company, for each right assigned, to Board of Directors members and Executive with Strategic responsibilities is equal to 1,727,985.

It’s to be noted that 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. As a consequence he did not retain any right on the medium-long term incentive plan mentioned above (for a total number of 733,855 rights).

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:

	2019	**2018**	**Change**
Industrial depreciation	6,422	6,312	110
Non-industrial depreciation and amortization	96,186	26,672	69,514
Total	**102,608**	**32,984**	**69,624**

Amortization and depreciation increased of Euro 69,624 thousand, on which Euro 68,764 thousand related to the application of the IFRS 16 accounting standard.

Payroll costs amounted to Euro 148,186 thousand (in 2018 Euro 148,852 thousand).

6. Net write-downs of fixed assets (*Impairment test*)

Please find below a description of the procedures followed and the assumptions made in order to complete the impairment test as of 31 December 2019, which led to a net write-down of Euro 9,367 thousand.
For the sake of completeness, it should be noted that the total impairment provision set aside for the adjustment of fixed assets amounted to Euro 11,338 thousand at 31 December 2019 (Euro 2,062 thousand at 31 December 2018).

It is important to note the Group's belief 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.
However, it is just as important to acknowledge that consumers have radically changed their buying behaviour: 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. For this reason, Geox has already completed, and shall continue to make, important investments in digital infrastructure, omnichannel logistics, business intelligence, consumer insights and retail excellence.
In this context, and with these clear strategic priorities in mind, 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, compared with the recent past. The purpose of this is also to free up resources that will be used to finance the aforementioned investments.
The BoD has therefore identified approximately 130 stores (CGUs) 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, of which around 80 (including DOS and corners) have been identified as no longer complying with the Group’s strategy in terms of significance and profitability. The latter 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.
These stores have been identified following an in-depth analysis of their current and prospective profitability, also in consideration of their location and the context/country in which they operate.

For each of the cash-generating units (CGUs) identified by the Group, the recoverable value is based on the value of use, calculated using estimated future cash flows. To calculate said cash flows, the Directors considered the fact that P&L results from the last financial years have been below expectations and that the market context in which the Group operates has witnessed significant changes over recent years, which also significantly affect prospects in terms of profitability.
For these reasons, in order to properly assess the financial statements as of 31 December 2019, the Board of Directors approved a simulation of income for each of the Group's directly operated stores, which provides for substantially stable operating results and cash flows in the future, compared with the actual performance recorded over the course of the last year. This income simulation, adopted in order to make budgetary assessments before the new strategic business plan is drawn up, provides reasonably prudent forecasts regarding the cash flows that may be achieved by the stores analysed. For each store analysed, a time frame has been adopted that is in line with the new duration stated by the relative lease agreement.
The Board of Directors believes that, in the current context, it is appropriate to speed up the decisions to rationalise the network of directly operated stores, in order to ensure prompt improvements to the Group's level of profitability.
The income simulation forming the basis of the impairment test reflects management’s best estimates, based on the information available, regarding the company’s operations, the market context and the evolution of Group activities.
In order to calculate the current value, future cash flows obtained in this way were discounted using the WACC as at the reference date of the test, taking into consideration the specific characteristics and risks of each area in which the Group operates.
As well as making assumptions deemed to be reasonable when preparing the income simulation, based on the information available, Management also took into consideration the possible rapid evolution of the market context in which the Group operates, for the purpose of carrying out the impairment test in accordance with prudent criteria, also completing a number of sensitivity analyses.

7. Personnel

The average number of employees is shown below:

	2019	2018	Change
Managers	46	44	2
Middle managers and office staff	967	1,033	(66)
Shop employees	2,808	2,793	15
Factory workers	1,254	1,208	46
Total	**5,075**	**5,078**	**(3)**

The average number of employees for 2019 amounted to 5,075, in line with 2018.

8. Restructuring charges

Over the course of 2019 non-recurring expenses for Euro 3,245 thousand was recorded mainly related to "one-off" payments to support franchisees and distributors facing difficult economic conditions and costs for the former CEO leaving the company.

In 2018, non-recurring expenses for Euro 9,847 thousand were recorded, mainly due to the organisational review and optimisation of the store network.

9. Net financial expenses

This item is made up as follows:

	2019	2018	Change
Interest income	4,199	3,920	279
Interest expense	(12,581)	(8,489)	(4,092)
Exchange differences	(225)	(223)	(2)
Total	**(8,607)**	**(4,792)**	**(3,815)**

Interest income is made up as follows:

	2019	2018	Change
Interest from banks	45	44	1
Interest from customers	117	311	(194)
Other interest income	4,037	3,565	472
Total	**4,199**	**3,920**	**279**

Other interest income mainly consists of the effect of accounting for financial derivatives as explained in note 33.

Interest expense is made up as follows:

	2019	2018	Change
Bank interest and charges	159	350	(191)
Interest on loans	252	239	13
Interest on leases	5,034	0	5,034
Other interest expense	3,982	4,808	(826)
Financial discounts and allowances	3,154	3,092	62
Total	**12,581**	**8,489**	**4,092**

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

Interest on leases relate to the application of the new accounting standard IFRS 16. The weighted average of the interest borrowing rate of the year is 1.6%.

Other interest expense mainly consists of the effect of accounting for financial derivatives as explained in note 33.

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:

	2019	2018	Change
Exchange gains	21,443	40,590	(19,147)
Exchange losses	(21,668)	(40,813)	19,145
Total	**(225)**	**(223)**	**(2)**

10. Income taxes

Income taxes for 2019 were equal to Euro 429 thousand, compared to Euro 5,859 thousand of 2018.

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):

	2019	**%**	**2018**	**%**
PBT	(24,330)	100.0%	568	100.0%
Theoretical income taxes (*)	(5,839)	24.0%	136	24.0%
Effective income taxes	429	n.a.	5,859	n.a.
Difference due to:	**6,268**	**n.a.**	**5,723**	**n.a.**
1) different tax rates applicable in other countries	525	n.a.	(546)	n.a.
2) permanent differences:				
i) IRAP and other local taxes	471	n.a.	731	n.a.
ii) writedowns of deferred tax asset	4,067	n.a.	1,576	n.a.
iii) previous years' taxes and other taxes	1,205	n.a.	3,962	n.a.
Total difference	**6,268**	**n.a.**	**5,723**	**n.a.**

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

It is to be noted that this tax amount is approximately Euro 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.

11. Earnings per share

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

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

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

	2019	**2018**
Earning/(Loss) per share (Euro)	(0.10)	(0.02)
Diluted earning/(loss) per share (Euro)	(0.10)	(0.02)
Weighted average number of shares outstanding:		
- basic	257,857,268	259,207,331
- diluted	257,857,268	259,207,331

12. Intangible assets

Intangible assets are made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Industrial patents and intellectual property rights	12,865	13,484	(619)
Trademarks, concessions and licenses	429	520	(91)
Key money	25,169	31,950	(6,781)
Assets in process of formation and payments on account	3,766	1,888	1,878
Other intangible assets	764	1,181	(417)
Goodwill	1,138	1,138	-
Total	**44,131**	**50,161**	**(6,030)**

The following table shows the changes in intangible assets during 2019:

	12-31-18	Purchases and capital.	Translation Differences	Amort./ write-down	Disposals	Other Changes	12- 31-19
Intangible assets with finite useful life:							
Industrial patents and intellectual property rights	13,484	4,580	-	(6,866)	(18)	1,685	12,865
Trademarks, concessions and licenses	520	31	-	(120)	(2)	-	429
Key money	31,950	2,534	34	(8,951)	(527)	129	25,169
Other intangible assets	1,181	-	-	(417)	-	-	764
Assets in process of formation and payments on account	1,888	3,747	3	-	-	(1,872)	3,766
Intangible assets with an indefinite useful life:							
Goodwill	1,138	-	-	-	-	-	1,138
Total intangible assets	**50,161**	**10,892**	**37**	**(16,354)**	**(547)**	**(58)**	**44,131**

Investments during the period mainly concern:

- personalization of the IT system and software utilization licenses for a total of Euro 3,995 thousand, cost incurred for registration, extension and protection of patents in various parts of the world for Euro 585 thousand;
- key money costs (Euro 2,534 thousand) for the amounts paid to access leased properties by taking over existing contracts or persuading tenants to terminate their contracts so that new ones could be signed with the landlords. The premises were then fitted out as Geox shops;
- assets in process of formation for a total of Euro 3,747 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.

13. Property, plant and equipment

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

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Changes
Land and buildings	8,777	9,618	(841)
Plant and machinery	7,776	8,607	(831)
Industrial and commercial equipment	3,342	3,527	(185)
Other assets	14,783	14,757	26
Leasehold improvements	25,666	28,387	(2,721)
Construction in progress and payments on account	887	930	(43)
Total	**61,231**	**65,826**	**(4,595)**

The following table shows the changes in property, plant and equipment during 2019:

	12-31-18	Purchases and capital.	Translation differences	Amort./ write-down	Disposals	Other changes	12-31-19
Land and buildings	9,618	27	40	(908)	-	-	8,777
Plant and machinery	8,607	1,482	19	(2,285)	(47)	-	7,776
Industrial and commercial equipment	3,527	3,086	4	(3,266)	(9)	-	3,342
Other assets	14,757	7,885	111	(7,842)	(302)	174	14,783
Leasehold improvements	28,387	9,118	221	(12,556)	(303)	799	25,666
Construction in progress and payments on account	930	893	6	-	(13)	(929)	887
Total	**65,826**	**22,491**	**401**	**(26,857)**	**(674)**	**44**	**61,231**

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, office and head office fittings and hardware;
- leasehold improvements relate to industrial buildings and offices for Euro 1,476 thousand and to premises fitted out as Geox Shop for Euro 7,642 thousand;
- Construction in progress item mainly includes the sums paid to purchase furnishings for stores that will be converted into Geox Shops and to install a photovoltaic system at the logistics hub of the controlled company Xlog S.r.l., as well as the amounts referring to the work being carried out at the parent company's headquarters.

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.

Other assets are made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Electronic machines	2,875	2,610	265
Furniture and fittings	11,497	11,970	(473)
Motor vehicles and internal transport	411	177	234
Total	**14,783**	**14,757**	**26**

14. Right-of-use assets

Right-of-use assets are made up as follows:

	Saldo al 31-12-2019	Saldo al 31-12-2018	Variazione
Right-of-use – Apartments	507	-	507
Right-of-use – Buildings	297,214	-	297,214
Right-of-use - Cars and Trucks	964	-	964
Total Right-of-use	**298,685**	**-**	**298,685**

The following table shows the changes in Right-of-use assets during 2019. Column "Impacts as of January 1st, 2019" refers to the first time adoption of IFRS 16 as of January 1st,2019.

	12-31-18	Impacts as of January 1, 2019	Translation Differences	Net increases	Amort./ write-down	12-31-19
Right-of-use assets	-	327,114	584	39,751	(68,764)	298,685
Total Right-of-use assets	**-**	**327,114**	**584**	**39,751**	**(68,764)**	**298,685**

The increases refers to new lease contracts signed over the course of 2019, mainly for Geox Shops, or renegotiations of existing contracts.

15. 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, 2019	Balance at Dec. 31, 2018	Change
Carry-forward tax losses	4,207	176	4,031
Depreciation and amortization and impairment	7,574	5,899	1,675
Evaluation derivates	133	-	133
Provision for obsolescence and slow-moving inventory and returns	14,863	18,888	(4,025)
Provision for agents' severance indemnities	522	552	(30)
Other	8,440	7,640	800
Deferred tax assets	**35,739**	**33,155**	**2,584**
Depreciation and amortization	(175)	(173)	(2)
Evaluation derivates	-	(401)	401
Other	(64)	(64)	-
Deferred tax liabilities	**(239)**	**(638)**	**399**
Total deferred taxes	**35,500**	**32,517**	**2,983**

The deferred tax assets on carry-forward tax losses, which at December 31, 2019 amount to Euro 4,207 thousand, relate entirely to the tax loss generated during 2019 by the parent company Geox S.p.A. as part of the domestic tax consolidation with the Italian subsidiaries Geox Retail S.r.l. and Xlog. S.r.l..
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, 2018, for an amount of Euro 176 thousand, were entirely related to the subsidiary Geox Trading Shanghai Ltd.

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 assets booked directly to equity amount to Euro 133 thousand (tax liabilities amounting to Euro 401 thousand in 2018).

Deferred tax assets included in "Other" are mainly related to the provision for bad and doubtful accounts (note 18) and provisions for liabilities and charges (note 29).

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

16. Other non-current assets

Other non-current assets are made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Accounts receivable from others in 1 to 5 years	6,390	8,921	(2,531)
Accounts receivable from others in more than 5 years	2,684	2,730	(46)
Total	**9,074**	**11,651**	**(2,577)**

Non-current assets mainly relate to guarantee deposits for utilities and shop leases and accounts receivable, payable more than 1 year. The decrease mainly refers to prepaid expenses for leases reclassified under Right-of-use assets following the application of IFRS 16.

17. Inventories

The following table shows the breakdown of inventories:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Raw materials	9,803	10,685	(882)
Work in process and semi-finished products	1,812	914	898
Finished products and goods for resale	272,269	299,728	(27,459)
Furniture and fittings	705	725	(20)
Total	**284,589**	**312,052**	**(27,463)**

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 14,320 thousand (Euro 15,151 thousand as at December 31, 2018).

2019 shows a decrease in the value of finished products of Euro 27,459 thousand 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.

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	**23,627**
Provisions	20,665
Translation differences	128
Utilizations	(23,335)
Balance at December 31	**21,085**

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

18. Accounts receivable

Accounts receivable are made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Gross value	136,139	145,328	(9,189)
Provision for bad and doubtful accounts	(13,961)	(12,238)	(1,723)
Net value	**122,178**	**133,090**	**(10,912)**

Accounts receivable amounted to Euro 136,139 thousand at December 31, 2019, showing a decrease of Euro 9,189 thousand compared to December 31, 2018.

It's to be noted that this item was influenced by non-recourse factoring transactions, amounted to Euro 17,299 thousand at year end (Euro 17,449 at December 31, 2018).

The following is an ageing analysis of accounts receivable:

	Not yet due	Past due 0 - 90 days	Past due 91 - 180 days	Past due over 180 days	Total
Gross value of trade receivables at December 31, 2019	89,291	26,531	8,616	11,701	**136,139**
Gross value of trade receivables at December 31, 2018	92,620	28,329	12,014	12,365	**145,328**

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, 2019 represents a prudent estimate of the current collection risk.

Changes in the provision during the year are as follows:

Balance at January 1	**12,238**
Provisions	2,936
Translation differences	30
Utilizations	(1,243)
Balance at December 31	**13,961**

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.

19. Other non-financial current assets

This item is made up as follows:

	Balance at Dec. 31, 2019	**Balance at Dec. 31, 2018**	**Change**
Tax credits	4,820	4,505	315
VAT recoverable	3,923	4,278	(355)
Advances to vendors	1,326	1,565	(239)
Other receivables	6,968	11,971	(5,003)
Accrued income and prepaid expenses	6,421	8,318	(1,897)
Total	**23,458**	**30,637**	**(7,179)**

As at December 31, 2019 the Group has a tax credit for an amount of Euro 1,892 thousand towards the ultimate Parent Company LIR S.r.l..

Other receivables include:

- Euro 2,489 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received;
- Euro 486 thousands due from factoring companies (arising from non-recourse factoring transactions)
- Euro 767 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 rentals and maintenances.

20. 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, 2019	Balance at Dec. 31, 2018	Change
Term bank deposits	24	22	2
Total non current financial assets	**24**	**22**	**2**
Fair value derivative contracts	2,366	9,788	(7,422)
Other current financial assets	1,282	1,119	163
Total current financial assets	**3,648**	**10,907**	**(7,259)**
Fair value derivative contracts	(1,177)	(686)	(491)
Other current financial liabilities	(82)	(16)	(66)
Total current financial liabilities	**(1,259)**	**(702)**	**(557)**

The term bank deposits of Euro 24 thousand include amounts lodged to guarantee rent contracts on foreign shops.

As regards the mark-to-market derivative contracts, see the comments in note 33.

21. Cash and cash equivalents

The amount of Euro 48,449 thousand relates to short term deposits for Euro 1,846 thousand, a current account in Euro for Euro 37,318 thousand, a current account in US Dollars for Euro 2,349 thousand, a current account in Chinese Yuan for Euro 656 thousand, a current account in Canadian Dollars for Euro 1,729 thousand, a current account in British Pound for Euro 1,567 thousand, a current account in Hong Kong Dollars for Euro 886 thousand, a current account in Hungarian Forint for Euro 395 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.

22. 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, 2019	Balance at Dec. 31, 2018	Change
Legal reserve	5,184	5,184	-
Share premium reserve	37,678	37,678	-
Translation reserve	(2,267)	(3,010)	743
Reserve for cash flow hedges	(582)	1,617	(2,199)
Retained earnings	261,523	278,661	(17,138)
Total	**301,536**	**320,130**	**(18,594)**

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

The share premium reserve was set up mainly in 2004 as a result of the public offering of shares which increased the share capital by Euro 850 thousand, then this reserve was increased following the exercise of the stock option plans reserved for management.

The reserve for cash flow hedges, for Euro -582 thousand, originated as a result of valuing the financial instruments defined as cash flow hedges at December 31, 2019. Fair value valuation of cash flow hedges is stated net of the tax effect as explained in greater detail in note 33. This reserve is not distributable.

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 2019	Equity 12-31-19	Net income for the period 2018	Equity 12-31-2018
Parent company's equity and net income	**(33,600)**	**308,531**	**(6,954)**	**355,532**
Differences between the carrying value of the investments in subsidiaries and the Group share of their equity	56,853	49,301	25,978	7,623
Group share of affiliates' results	(42,109)	(42,109)	(12,347)	(12,347)
Elimination of intragroup transactions on inventories	5,713	(13,200)	(2,593)	(18,913)
Elimination of intragroup dividens and investments write-off	(3,285)	-	(10,149)	-
Other adjustments	(8,331)	175	774	8,865
Group equity and net income	**(24,759)**	**302,698**	**(5,291)**	**340,760**

23. Employee severance indemnities

Employee severance indemnities at December 31, 2019 amount to Euro 2,841 thousand, as shown in the following table:

Balance at December 31, 2018	**2,557**
Reversal of 0.50% withholding	(264)
Reversal of 11% flat-rate tax	(2)
Payments to supplementary pension schemes	(1,139)
Advances granted to employees	(186)
Provision for the period	4,108
Payments to supplementary pension schemes run by INPS net of amounts paid to leavers	(2,564)
Change as a result of actuarial calculations	325
Translation differences	6
Balance at December 31, 2019	**2,841**

Changes in the provision for severance indemnities during 2019 show a utilization of Euro 1,139 thousand for payments to supplementary pension funds and one of Euro 2,564 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+): 0.62%
- 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	(50)
-1% employee turnover rate	58
+1/4% inflation rate	58
-1/4% inflation rate	(56)
+1/4% discount rate	(86)
-1/4% discount rate	91

24. Provisions for liabilities and charges

This item is made up as follows:

	Balance at Dec. 31, 18	Utilization	Provisions	Translation differences	Actuarial adjustment	Balance at Dec. 31, 19
Provision for agents' severance indemnities	4,659	(196)	512	(14)	3	4,964
Other	838	(529)	-	-	-	309
Total	**5,497**	**(725)**	**512**	**(14)**	**3**	**5,273**

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 228 thousand.

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

25. Long-term loans

This item is made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Bank loans	10,439	-	10.439
Other loans	123	639	(516)
Total	**10,562**	**639**	**9,923**

Long term loans amount to Euro 10,562 thousand, Euro 639 at December 31, 2018.

The item "Bank loans" includes the long-term portion of the loans obtained from banks (Euro 10.4 million). Some loans are subject to financial covenants which have been accomplished at balance sheet date.

Other loans, for an amount of Euro 61 thousand, refer to the long term portion of a loan obtained from a finance company (IBM Italia servizi finanziari S.r.l.) for the purchase of hardware and software systems.

26. Lease liabilities

The item refers to the present value of the payments due for rents following the application of IFRS 16 Accounting Standard.

The item is made as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Short term lease liabilities - third parties	217,786	-	217,786
Short term lease liabilities - related parties	21,222	-	21,222
Total short term lease liabilities	**239,008**	**-**	**239,008**
Long term lease liabilities - third parties	56,705	-	56,705
Long term lease liabilities - related parties	5,671	-	5,671
Total long term lease liabilities	**62,376**	**-**	**62,376**
Total lease liabilities	**301,384**	**-**	**301,384**

The following table shows the changes lease liabilities during 2019:

	12-31-18	Impacts as of January 1, 2019	Translation Differences	Net increases	Payments	12-31-19
Total Lease liabilities	**-**	325,932	591	39,751	(64,890)	**301,384**

The weighted average of the interest borrowing rate of the year is 1.6%.

27. Other long-term payables

This item is made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Guarantee deposits	524	568	(44)
Accrued expenses and deferred income	3,276	4,515	(1,239)
Total	**3,800**	**5,083**	**(1,283)**

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

Accrued expenses and deferred income mainly relate to the amount due beyond 12 months of the grant received by Republic of Serbia for the construction and start-up of the factory in Vranje for a residual amount of Euro 3.018 thousand.

28. Trade payables

The item is made as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Accounts payable	183,898	194,670	(10,772)
Provision for returns	40,148	41,357	(1,209)
Total	**224,046**	**236,027**	**(11,981)**

Accounts payable at December 31, 2019 amount to Euro 183,898 thousand, showing a decrease of Euro 10,772 thousand if compared with December 31, 2018. 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.

Changes in the refund liabilities during 2019 are as follows:

Balance at January 1	**41,357**
Provisions	39,981
Translation differences	142
Utilizations	(41,332)
Balance at December 31	**40,148**

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 2019, compared to last year, is due to the planned optimization of the franchising stores (47 net closures during the year).

29. Other non-financial current liabilities

This item is made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Social security institutions	4,514	4,813	(299)
Employees	12,065	12,398	(333)
Provisions for liabilities and charges	9,201	8,290	911
Other payables	6,087	6,570	(483)
Accrued expenses and deferred income	2,988	7,508	(4,520)
Total	**34,855**	**39,579**	**(4,724)**

The amounts due to social security institutions mainly relate to pension contributions for 2019, paid in 2020.

The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of December 31, 2019.

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 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.
The reduction in this item mainly refers to the reclassification of accrued expenses and deferred income related lease under Right-of-use assets, following the application of IFRS 16 accounting standard.

30. Taxes payable

This item is made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Witholding taxes	3,682	3,856	(174)
VAT payable	6,225	3,743	2,482
Corporate income taxes	595	1,124	(529)
Total	**10,502**	**8,723**	**1,779**

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

This item is made up as follows:

	Balance at Dec. 31, 2019	Balance at Dec. 31, 2018	Change
Cash advances	6,041	10,957	(4,916)
Loans	27,318	19,167	8,151
Advances against orders	-	18,000	(18,000)
Other providers of funds			
Loans	388	144	244
Total	**33,747**	**48,268**	**(14,521)**

The item “loans” includes the portion due within 12 months (Euro 16.3 million) of the long term loans and the revolving credit lines for an amount of Euro 11 million and floating rate.

Some loans are subject to financial covenants which have been accomplished at balance sheet date.

Loans towards other providers of funds, for an amount of Euro 388 thousand, refer to the portion due within 12 months of the loans obtained from a finance company (IBM Italia servizi finanziari S.r.l.) for the purchase of hardware and software systems.

32. Share-based payments

In accordance with IFRS 2, the adoption of a stock option/stock grant plan requires that the fair value of the options at the grant date is recognized as a cost. This cost is charged to the income statement over the vesting period, and a specific equity reserve is booked. The fair value of these options has been determined by an independent expert using the binomial method.

At the date of this report there is only a medium-long term incentive plan involving the free issue of up to a maximum of five million ordinary Company shares (2019-2021 Stock Grant Plan), to the benefit of the Chief Executive Officer, Corporate General Manager, Executives with strategic responsibilities and other senior managers and employees who are considered key resources for Geox or other Group Companies. The Plan has a three-year vesting period and, as a result, the shares may be assigned from the date the Shareholders' Meeting approves the financial statements for the year ending December 31, 2021. Shares being assigned will also depend on and be proportional to the achievement of performance results based on the accumulated consolidated net income reported in Geox Group's 2019-2021 Strategic Business Plan.

33. 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 2019, the Group's indebtedness to the banking system amounts to Euro 43.8 million and is entirely floating rate. This floating rate debt is based on loans and technical forms related to working capital and is therefore self-liquidating (orders, invoices, bills); in other words, it is short term and linked to the Group's normal business activity with frequent extinctions and re-openings during the course of the year according to seasonal nature of the sector's financial cycle.
In this context, given expectations of 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.
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 371 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, 2019, 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, 2019 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 384 thousand, while in case of a favorable change of 10% in exchange rates the impact would have been approximately Euro 336 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, 2019 financial instruments are as follows:

	Notional value on 12-31-19	**Fair value on 12-31-19 (debit)**	**Fair value on 12-31-19 (credit)**	**Notional value on 12-31-18**	**Fair value on 12-31-18 (debit)**	**Fair value on 12-31-18 (credit)**
FX Forward buy agreements to hedge exch. rate risk	65,208	770	(145)	119,837	1,195	(302)
FX Forward sell agreements to hedge exch. rate risk	95,050	188	(1,032)	131,538	2,270	(382)
FX Currency Option agreem. to hedge exch. rate risk	245,085	1,408	-	156,626	6,323	-
Interest Rate Swap	-	-	-	4,000	-	(2)
Total financial assets/(liabilities)	**405,343**	**2,366**	**(1,177)**	**412,001**	**9,788**	**(686)**

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, 2019 are classified on Level 2. In 2019 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, 2019:

- 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 2020 and Fall/Winter 2020 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, 2019:

- 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.

34. 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 2019 and 2018 are summarized below:

	Total 2019	**Parent company**	**Affiliated company**	**Other related parties**	**Total of which related parties**	**Effect on Total (%)**
Net sales	**805,858**	-	386	-	**386**	**0.05%**
Cost of sales	**(407,030)**	-	73	-	**73**	**(0.02%)**
Selling and distribution costs	**(44,181)**	-	(1)	-	**(1)**	**0.00%**
General and administrative expenses	**(331,581)**	51	(99)	(1)	**(49)**	**0.01%**
Advertising and promotion	**(26,177)**	(153)	(2)	-	**(155)**	**0.59%**
Net financial expenses	**(8,607)**	(31)	(445)	-	**(476)**	**5.53%**

	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%**

The main effects on financial statement of the transactions with these parties at December 31, 2019 and at December 31, 2018 are summarized below:

	Balance at Dec. 31, 19	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect of Total (%)
Accounts receivable	**122,178**	66	263	-	**329**	**0.27%**
Other non-financial current assets	**23,458**	1,892	-	-	**1,892**	**8.07%**
Non-current lease liabilities	**239,008**	1,982	19,240	-	**21,222**	**8.88%**
Trade payables	**224,046**	32	39	1	**72**	**0.03%**
Current lease liabilities	**62,376**	240	5,431	-	**5,671**	**9.09%**

	Balance at Dec. 31, 18	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%**

35. Dividends paid and proposed

	2019	2018
Dividends declared and paid during the year (**):	6,480	15,552
Dividends declared and paid during the year - per share (*):	0.025	0.06
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31)(**):	-	6,480
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31) - per share (*):	-	0.025

(*) Amount in Euro
(**) Amount in Euro/thousand

36. Commitments and contingent liabilities

The future rental payments under lease contracts, excluded from the application of IFRS 16, as of December 31, are as follows:

	12-31-2019
Within 1 year	10,955
Within 1-5 years	23,252
Beyond 5 years	8,879
Total	**43,086**

37. Information provided pursuant to Italian Law no. 124/2017

In relation to the requirements imposed by Italian Law no. 124/2017, it should be noted that, during 2019 and with reference to its Italian companies, the Group received Euro 340 thousand, broken down as follows:

- Euro 140 thousand relating to the tax credit for investments in advertising in 2017, pursuant to Art. 57-bis of Italian Decree Law no. no. 50 of 24 April 2017, converted with Italian Law no. 90 of 21 June 2017, and subsequent amendments and integrations;
- Euro 79 thousand relating to the tax credit for the purchase, completed in 2019, of tools for the electronic storage and electronic transmission of daily sales prices, as referred to by Art. 2, paragraph 6-quinquies of Italian Decree Law no. 127 of 5 August 2015;
- Euro 63 thousand from the Italian electricity services provider (GSE S.p.A.) relating to tariff incentives for photovoltaic systems;
- Euro 37 thousand from Fondimpresa relating to the 2017 HR development plan;
- Euro 21 thousand from the Veneto regional authorities relating to incentives for “Family-Friendly” companies, pursuant to Regional Authority Resolution no. 2516 of 29/12/2011.

It is hereby specified that these benefits have been recorded based on the cash accounting principle, meaning that the aforementioned amounts include subsidies, grants, paid positions and any other kind of economic benefits that where cashed in during 2019, without considering the period to which they refer.

With regard to compliance with the aforementioned requirements, in relation to any other grants received that may fall within the defined categories, please also refer to the dedicated national Register, which is available to the public.

38. Significant subsequent events after December 31, 2019

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 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.

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 further in the regions affected by the contagion. The virus has now spread extensively outside of China and is currently affecting around 175 countries across the world. The global spread of the epidemic led the World Health Organisation to declare a pandemic on 11 March 2020.
The containment measures imposed by the authorities in the various countries include, with varying levels of intensity: the closure of schools, government offices and production sites, the banning of sporting and entertainment events, both public and private, and the closure of all non-essential businesses (e.g. other than those supplying basic essentials, working in strategic sectors and providing health and safety services). This has led to orders being issued to temporarily close store networks, in both city centres and shopping malls, in all of our brand's reference markets.
Today, around 90 mono-brand stores (DOS and franchises) remain open, out of a total of 820 (excluding distribution licences). The stores in operation are mainly located in China, Hong Kong, Macau and Japan. However, the populations in these countries are still facing drastically reduced mobility, a huge drop in domestic and international tourism and, inevitably, a strong decline in store footfall. The e-commerce sites managed by the Group in Italy, Europe, North America and Asia, on the other hand, remain fully operational.
All aspects of the Group nonetheless remain fully operational, also thanks to the investments made in technology that facilitates smart working and online activities, ensuring constant oversight of management activities, customer relationships and customer care.

As of today, it is impossible to predict how long this situation will last and, although shops have only been ordered to close temporarily for a few weeks, this may be extended depending on each country.
Likewise, it is also therefore impossible 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.

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 certain ongoing restrictions on people's mobility.
This week, the contagion has also begun to spread significantly in countries in Southern Asia. As of today, however, only India has imposed the first restrictive measures, by suspending all production activities until 15 April.
In Serbia, home to the manufacturing plant owned by the Group, the precautionary measure has been taken to halt production until 3 April in order to safeguard employees' health and to avoid production inefficiencies linked to potential absenteeism (due to the health risk) and to the fact that goods are not able to cross certain borders.
Based on the information currently available, it is not possible to predict or estimate any significant impacts on supply for the upcoming 2020 autumn-winter collection and on the production of samples for the 2021 spring-summer collection. However, as mentioned above, the situation is constantly evolving and requires a great deal of prudence and care throughout the supply chain; events are being continuously monitored in order to promptly identify any issues which may lead to risks of delays in production and deliveries, and to implement any appropriate actions to mitigate them.
All of the Group's distribution centres throughout the world are currently still in operation, although the one in Italy is only handling e-commerce for the period between 25 March and 3 April.

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.
Performance in February was significantly affected by the aforementioned closures and by the general drop in footfall (-87%), caused by the restrictive measures. Like-for-like performance also suffered as a result (-85%).
To date, performance in March has recorded a slight improvement in footfall and sales, with all stores now being open (approximately -70%). Overall, aggregated like-for-like sales at week XII show a decline of close to -55%.

Retail sales performance in Italy

In 2019, Geox Group recorded retail sales of approximately Euro 158 million in Italy (19.6% of total revenues), through a network of 272 mono-brand stores (148 DOS).
On 21 February, a coronavirus emergency first emerged in northern Italy (mainly in the regions of Lombardy, Veneto and Emilia Romagna), which then spread in March to the rest of the country, albeit with less intensity.
On 24 February, the Italian authorities introduced precautionary measures, including the closure of 35 directly operated stores in Lombardy during the last weekend of February, and 36 in the first week of March, out of a total of 47.
On 10 March 2020, Geox Group independently took the responsible decision to temporarily suspend all of its direct sales activities, in an effort to contain the spread of the virus.

On 11 March 2020, given the growing number of cases, the Italian government ordered all shops in the country to close with the exception of those providing basic essentials (especially supermarkets and pharmacies). As the situation stands today, an additional decree was passed on 22 March 2020 to extend this closure until 3 April 2020 and a regional order has also been passed to keep all shops in Lombardy closed until 14 April.

Like-for-like sales performance was slightly positive in January and became slightly negative in February following the initial closures in Lombardy, before being strongly affected in March by the temporary shutdown, falling to a -75% as of today.
Overall, aggregated like-for-like sales at week XII show a decline in Italy at approximately -15%.

Retail sales performance in Europe

In 2019, Geox Group recorded retail sales of approximately Euro 179 million in Europe (22.2% of total revenues), through a network of 270 mono-brand stores (159 DOS).
In March, there have been significant cases of the virus spreading throughout Europe. As in Italy, authorities in other European countries have introduced increasingly stricter measures in an attempt to limit the contagion, aimed at restricting people's mobility, encouraging social distancing and forcing non-essential shops and businesses to close. In fact, between 14 and 19 March, these various measures forced or induced the Group to temporarily close all of its stores. On average, the orders issued to date by the main European governments state that shops will be able to reopen around mid-April, with the exception of France (reopenings planned for 5 May). However, these assumptions may well change given the possibility for the various countries to extend the closures, with governments introducing new measures based on how the contagion evolves.
After a positive start to the year, like-for-like sales performance for directly operated stores has been strongly affected by the spread of the virus and, in March, negative like-for-like performance has been recorded of more than -40%.
Overall, aggregated like-for-like sales at week XII show a decline in Europe of close to -10%.

Retail sales performance in North America

As in Italy and Europe, the Covid-19 epidemic has also spread quickly in North America during the month of March, leading to restrictive measures in line with those described above. Since 18 March, all shops in the USA and Canada have been temporarily closed and, as of today, it is not clear when exactly they will reopen. As of week XII, overall like-for-like sales recorded a drop of around -20% compared with the end of last year (-40% in March alone).

Retail sales performance in Rest of World

All directly operated stores have also been temporarily closed in Eastern Europe. In Russia, stores will be closed from 28 March until 5 April and, as of today, like-for-like sales performance in this country remains positive (approximately +5% since the start of the year).

Direct e-commerce channel

This channel remains in operation and continues to record positive performance (+23% since the start of the year). This resilience has substantially been confirmed across all of the Group's main markets (Italy +33%, Europe +31%, North America +5%), although a reduction in people's propensity to make purchases may be expected with regard to non-essential products.

No other significant subsequent events occurred after December 31, 2019.

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Biadene, Montebelluna, March 27, 2020

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

Attachment 1

Biadene, Montebelluna, March 27, 2020

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 Livio Libralesso, Chief Executive Officer of Geox S.p.A. and Massimo Nai, 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 2019.

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, 2019 and for the year 2019;

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.

Livio Libralesso CEO	Massimo Nai Financial Reporting Manager

Attachment 2

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

Type of services	Entity that provided the services	Beneficiary	Fees 2019 (Euro/000)	Fees 2018 (Euro/000)
Auditing	Auditors of the Parent Company	Parent company	143	143
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	6	-
Total Parent Company			**149**	**143**
Auditing	i) Auditors of the Parent Company	Subsidiaries	22	22
	ii) Same network as the Parent Company's auditors	Subsidiaries	170	175
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			**192**	**197**
Total			**341**	**357**

Attachment 3

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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%

Company's data and information for Shareholders

Registered office

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

Legal data

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

Investor Relations

Simone Maggi
ir@geox.com
ph. +39 0423 282476

Documents for shareholders

www.geox.biz
(investor relations section)