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GEOX

2020 HALF-YEAR FINANCIAL REPORT

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

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DIRECTORS' REPORT

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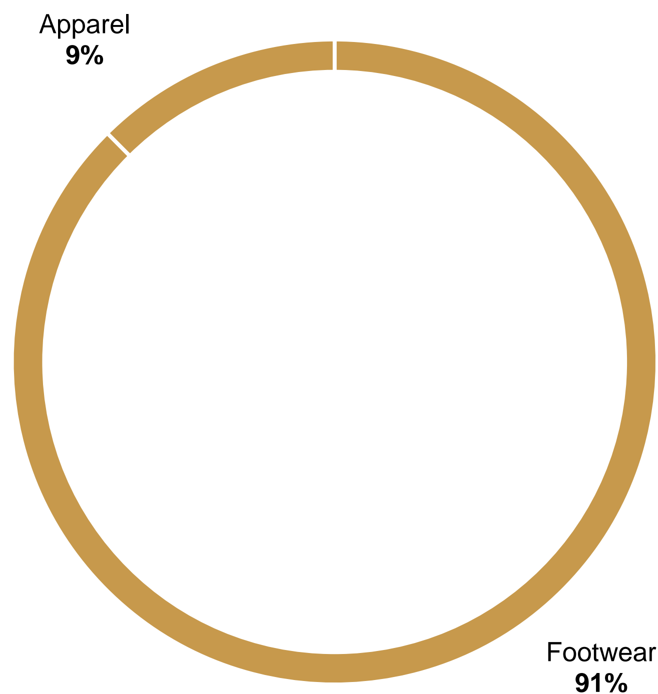
Profile

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 40 different patents and by 25 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.

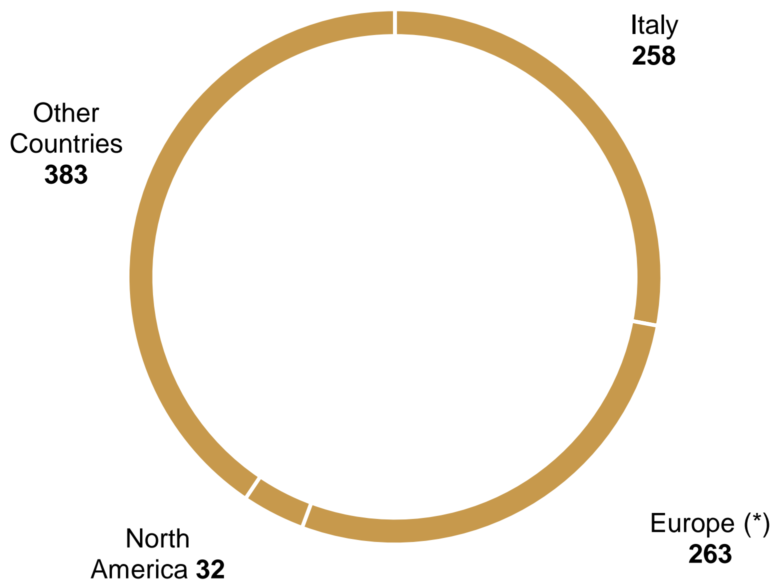
Geox is market leader in Italy in its own segment and is one of the leading brands world-wide in the "International Branded Casual Footwear Market" (source: Shoe Intelligence, 2019).



The distribution system

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

As of June 30, 2020, the overall number of "Geox Shops" came to 936, of which 486 in franchising and 450 operated directly.



Geox Shops

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

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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.

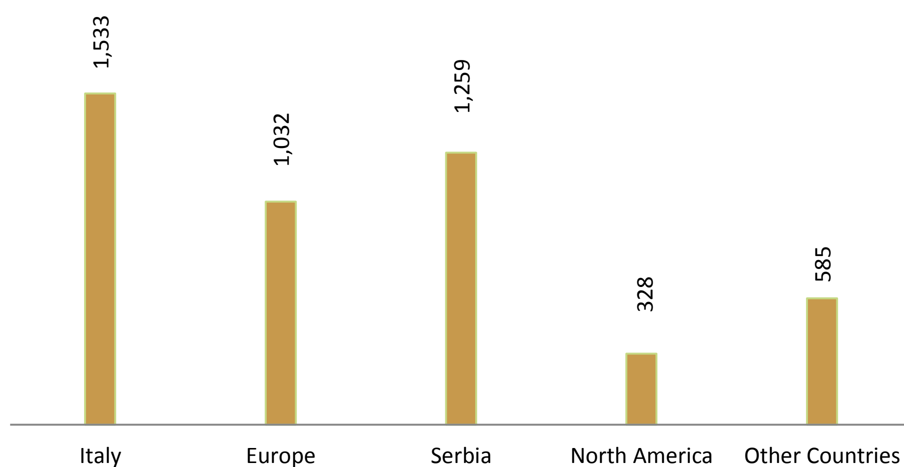
Human Resources

At June 30, 2020 the Group had 4,737 employees, showing a decrease of 433 employees compared with 5,170 employees at 31 December 2019.

As of June 30, 2020 the employees were splitted as follows:

Level	30-06-2020	31-12-2019
Managers	47	45
Middle Managers and office staff	950	975
Shop Employees	2,514	2,889
Factory Workers	1,226	1,261
Total	**4,737**	**5,170**

The graph shows the employees of the Group at June 30, 2020, broken down by geographic area:



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Shareholders

Financial communication

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

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

Control of the Company

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

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

Shareholder structure (*)	Number of shareholders	Number of shares
from 1 to 5.000 shares	11,280	14,883,454
from 5.001 to 10.000 shares	922	7,068,355
10.001 shares and over	799	242,772,565
Lack of information on disposal of individual positions previously reported		(5,517,043)
Total	**13,001**	**259,207,331**

(*) As reported by Computershare S.p.A. on June 30, 2020

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 June 30, 2020.

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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.

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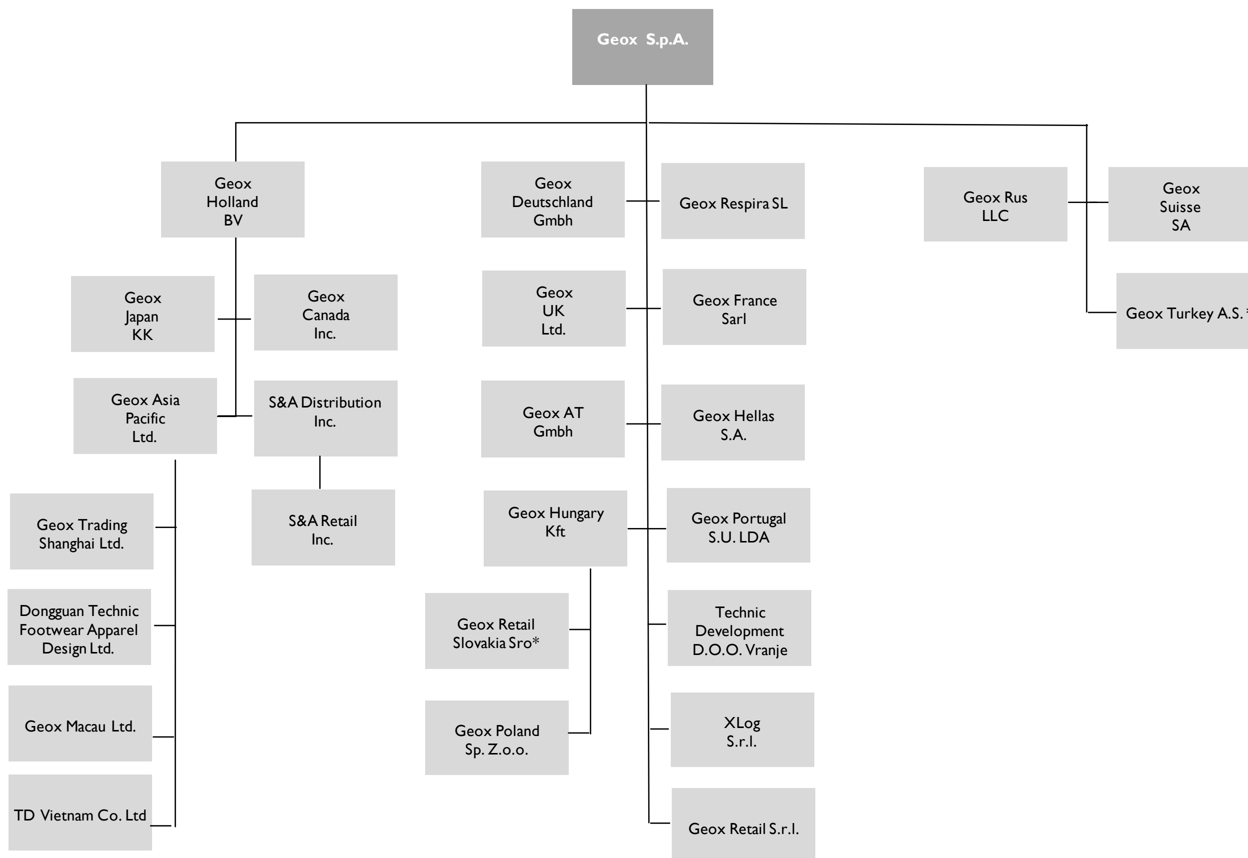
Group Structure



* Companies under liquidation process

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.

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Impacts of the Covid-19 pandemic on the 2020 half-year Financial Report

The World Health Organization (WHO) announced the spread of the disease Covid-19 from China, particularly from the Wuhan district, in early January 2020; it then declared Covid-19 a global health emergency of international concern on January 30. February saw the virus spread to Europe and America, resulting to the global lockdown in March and April. The health emergency caused by the spread of the COVID-19 virus led stores in our sector to temporarily close during the second quarter, all over the world; there was also a drastic reduction in people's mobility, as well as in domestic and international tourism. Geox scrupulously complied with the provisions issued by government authorities, in some cases even taking action beforehand, in an effort to contain the spread of the virus. It therefore temporarily closed its stores, first in China at the start of February followed by stores in Italy at the end of February, and then gradually the others in Europe, North America, Russia and Japan in March. These measures led to over 80% of Geox's directly operated stores being temporarily closed for approximately two months (from the second half of March until the first half of May).
As the spread of the virus began to subside and the governments in the various countries consequently began to ease restrictive measures, Geox gradually reopened its first stores across the world: at the beginning of March in China, followed step-by-step by a number of European countries (Austria, Germany) towards the end of April/mid-May, and then in Italy and the rest of Europe; the last stores to be reopened were in North America and Russia in June and in the UK in July, with stores in a number of shopping centres expected to reopen in August.
Today, the network is fully operational once again. However, on average, around 35% of DOS remained temporarily closed during the first half of the year (20% of the network in the first quarter; 50% of the network in the second quarter).
The general situation continues to present a number of uncertainties. In fact, the global health emergency is still very much ongoing. This is inevitably leading the governments in each country to focus their attention on adopting measures to restrict people's mobility to a greater or lesser extent, and there are still next to no tourists in all large cities, with inevitable repercussions on the business.
In Italy, almost all Geox stores reopened on 18 May, except for those that will be opened at a later date to allow time for restyling (conversion to the "X-Store" format); this is a sign of the Group's desire to continue investing in strategic and profitable assets, based on its solid financial position, paying the utmost attention to satisfying its customers.
As was the case for DOS, the Group's franchised stores were also temporarily closed due to the pandemic. On average, around 35% of these stores were temporarily closed during the first half of the year. As of today, 98% of the network is now operational again.
The COVID-19 emergency has led the entire sector to face a significant one-off absorption of cash, in addition to the normal seasonality of the business. In particular, the temporary closure of stores and the slowdown in receiving payments from wholesale and franchising clients led to a temporary negative cash flow during the second quarter. This was caused by the abnormal increase in working capital as a result of the lack of takings from stores, unsold stock and unpaid receivables.
Te Group promptly implemented a significant and thorough plan to reduce future financial requirements. These measures are designed to:

- postpone non-essential investments, such as store revamps or new openings. Overall, the investments initially planned for 2020, amounting to Euro 40 million, will be reduced by approximately Euro 15 million (-40%). Investments in digital infrastructure and the omnichannel approach, on the other hand, have been confirmed, as these are instrumental to the evolution of Geox's business model, with the aim of perfectly integrating physical and digital stores as well as the warehouses for the various channels;
- limit the increase in working capital. In this regard, Geox is working closely with its suppliers to reduce purchases for the upcoming autumn-winter collection by approximately Euro 40 million (-21%), compared with both initial forecasts and the previous year;
- offer clients a package of support measures and strengthen partnerships, aimed at encouraging the payment of receivables as well as defending and protecting the backlog of orders to be delivered for the spring-summer and autumn-winter collections. Generally speaking, receivables are nonetheless insured;
- carefully assess the strategy to release products to the distribution network, in order to reduce future purchases on the basis of the availability of products from the current season, 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 (for which purchases have already been significantly reduced) and partly re-proposed as part of the 2021 spring-summer collection;
- renew the vendor financing programmes in place, aimed at extending payment terms with suppliers.

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These combined measures, together with better than expected sales performance in directly operated stores, have allowed the Group to keep its net financial position under control, despite the exceptional circumstances; at 30 June 2020 (before IFRS 16), this amounted to Euro -88.8 million (Euro -30.8 million at 30 June 2019). It should be noted that the Group has made all payments to its supply chain on time and has not had to resort to suspending loan repayments. The only exception to this was the suspension of rent payments for stores during the time they were closed (April and the first half of May) and the partial payment of rent during the second half of May and June after they were reopened, based on sales performance. This approach is in line with the ongoing talks being held with the various landlords, aimed at renegotiating the contractual agreements in place, bringing them more in line with the changes to the economic scenario; this involves introducing variable rents based on the level of turnover, at least while there is reduced footfall caused by the restrictive measures and the strong reduction in tourist numbers. As of today, these closed talks with landlords have undoubtedly proven to be challenging, but the Group has already signed a number of agreements and many others are in an advanced phase of negotiation. The Group is also convinced that the right thing is to terminate the relative agreement if solutions cannot be found that reflect current market values. At 30 June 2020, unpaid rent amounted to Euro 12 million, referring exclusively to the second quarter (i.e. during the most severe phase of the lockdown).

The Group has adequate lines of credit available thanks to the fact that, since the beginning of the emergency, it has implemented a strategy to cover its financing needs. The aim of this strategy is to ensure that the sources of financing remain as coherent as possible with funding requirements, in order to have the right balance between short-term lines of credit to deal with normal business seasonality, medium-term financing to manage the temporary one-off absorption of cash caused by the COVID-19 emergency and long-term financing to also support the investments required to develop a truly omnichannel business model that perfectly integrates physical and digital stores.

It should be noted that on July 30, 2020 the Group completed its already solid financial structure to support its business and investments over the next three years, by signing a loan agreement for a total of Euro 90 million, obtained thanks to its solid track record in terms of balance sheet and financial indicators. Pursuant to the provisions of Italian Decree Law no. 23 of 8 April 2020, SACE (export credit insurance company) promptly issued a so-called “Italy guarantee”, through the simplified procedure, for 90% of the amount granted by the banks, following an in-depth investigation. This loan will mainly be used to cover personnel costs and investments, as well as working capital dynamics for production facilities and business activities in Italy. The loan has a maximum duration of 6 years, with a 24-month grace period and quarterly repayments.
The contract provides for compliance with some financial covenants starting from June 30, 2022.

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 on the year’s results. In particular, the Group is:

- obtaining and renegotiating substantial rent reductions for stores in the areas affected by the temporary closures and, subsequently, by the 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 governments 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 to assess additional rationalisation measures;
- carrying out an in-depth assessment into its geographical presence and the relationship between revenue performance and structural costs in the various areas, in order to be able to make all the appropriate decisions necessary to boost the Group’s profitability profile;
- implementing all other strict cost control measures necessary to achieve significant rationalisation in order to free up resources for the most significant investments, while preparing to adjust the intensity of reorganisation processes based on the close monitoring of the situation as it evolves.

As regards supply chain, it’s to be noted that 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. Production activities have gradually recovered and all of Geox’s suppliers in China are now operational, with only a few restrictions remaining on people’s mobility.

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Since the end of March, the contagion has also begun to spread significantly in other countries in the Far East. In particular, India imposed its first restrictive measures, suspending all production activities from 24 March until 12 May. Production activities restarted on 13 May, but with a number of limitations on the presence of workers in order to contain the spread of the virus. The authorities recently tightened restrictive measures in the south of the country, where significant peaks in infections had been recorded.
In Serbia, home to the plant owned by the Group, the precautionary measure was taken to halt production in April in order to safeguard employees' health and avoid production inefficiencies linked to potential absenteeism due to the health risk and to the fact that certain borders had temporarily closed for the transport of goods. The production lines started up again at the beginning of May and became fully operational at the end of May. However, the situation has worsened again over recent weeks and Geox is taking all the actions and precautions necessary to protect the health of its workers, in line with the instructions received from the local authorities, thereby reducing its levels of production.
Other production sites are currently up and running, albeit in a context of general instability.
The pandemic has also affected transportation. On the one hand, all economic operators are experiencing longer transport times for sea freight due to the fewer number of departures and the higher number of stop-offs in order to make best use of the space available. On the other hand, there are less opportunities to make up for production delays with air freight, due to the limited number of cargo and passenger flights.
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 the inevitable delays in production and deliveries, and to implement any appropriate actions to mitigate them. Given the context, the practically across-the-board decision by the sector to continue selling summer season goods until September, the reduced number of items from the autumn-winter collection being introduced early and the presence of ongoing models, will help mitigate the effects of the delivery delays.
All of the Group's distribution centres across the world have remained operational at all times.

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Economic results summary

In the first half of 2020, financial results are strongly affected by the spread of Covid-19 pandemic.
Main results are outlined below:

- Net sales of Euro 243.6 million, with a decrease of 39.0% compared to Euro 399.4 million of the first half 2019;
- EBITDA of Euro -20.6 million, Euro +54.0 million in first half 2019;
- EBIT of Euro -83.9 million, compared to Euro +2.8 million of first half 2019;
- Net income of Euro -81.9 million, compared to Euro -5.0 million of the first half 2019.

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

(Thousands of Euro)	I half 2020	%	I half 2019	%	2019	%
Net sales	**243,618**	**100.0%**	**399,442**	**100.0%**	**805,858**	**100.0%**
Cost of sales	(143,789)	(59.0%)	(196,114)	(49.1%)	(407,030)	(50.5%)
Gross profit	**99,829**	**41.0%**	**203,328**	**50.9%**	**398,828**	**49.5%**
Selling and distribution costs	(22,170)	(9.1%)	(22,428)	(5.6%)	(44,181)	(5.5%)
General and administrative expenses	(138,103)	(56.7%)	(165,137)	(41.3%)	(331,581)	(41.1%)
Advertising and promotion	(10,198)	(4.2%)	(12,987)	(3.3%)	(26,177)	(3.2%)
Operating result	**(70,642)**	**(29.0%)**	**2,776**	**0.7%**	**(3,111)**	**(0.4%)**
Restructuring charges	(151)	(0.1%)	0	0.0%	(3,245)	(0.4%)
Net asset impairment	(13,142)	(5.4%)	0	0.0%	(9,367)	(1.2%)
EBIT	**(83,935)**	**(34.5%)**	**2,776**	**0.7%**	**(15,723)**	**(2.0%)**
Net financial expenses	(4,032)	(1.7%)	(4,901)	(1.2%)	(8,607)	(1.1%)
PBT	**(87,967)**	**(36.1%)**	**(2,125)**	**(0.5%)**	**(24,330)**	**(3.0%)**
Income taxes	6,027	2.5%	(2,858)	(0.7%)	(429)	(0.1%)
Net result	**(81,940)**	**(33.6%)**	**(4,983)**	**(1.2%)**	**(24,759)**	**(3.1%)**
EBITDA	**(20,616)**	**(8.5%)**	**54,031**	**13.5%**	**96,252**	**11.9%**
EBITDA excl. IFRS 16	**(54,370)**	**(22.3%)**	**18,669**	**4.7%**	**25,222**	**3.1%**

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.

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Sales performance in first half of 2020

Preliminary consolidated sales in the first half of 2020 amounted to Euro 243.6 million, down 39% compared with the previous year (-39% at constant forex), affected by the spread of the Covid-19 pandemic.

Sales by distribution channel

(Thousands of Euro)	I half 2020	%	I half 2019	%	Var. %
Wholesale	**121,442**	**49.8%**	**185,765**	**46.5%**	**(34.6%)**
Franchising	17,818	7.3%	37,898	9.5%	(53.0%)
DOS*	104,358	42.8%	175,779	44.0%	(40.6%)
Geox Shops	**122,176**	**50.2%**	**213,677**	**53.5%**	**(42.8%)**
Net sales	**243,618**	**100.0%**	**399,442**	**100.0%**	**(39.0%)**

Sales generated by wholesale stores, representing 49.8% of Group revenues (46.5% in the first half of 2019), amounted to Euro 121.4 million (-34.6% at current forex, -34.7% at constant forex), compared with Euro 185.8 million in the first half of 2019. The trend during the first half of the year was fully down to the temporary closure of wholesale stores for approximately two months, which led our clients to: extend the sell-out period for the spring collection; postpone deliveries for the FW20 collection; request cancellations of part of the orders scheduled during the period of closure; drastically reduce stock replenishment for the SS20 collection. The Group also recorded fewer sales of stock from previous seasons.

Sales in the franchising channel, accounting for 7.3% of Group revenues, amounted to Euro 17.8 million, reporting a decline of 53.0% (-52.9% at constant forex), compared with Euro 37.9 million in the first half of 2019. Performance in the first half of the year was affected by the temporary closures (an average of 35% of franchised stores were temporarily closed during the period), by a negative timing effect regarding early deliveries of items from the FW20 collection (corresponding to around Euro 5 million), and by the reduction in the store network (around Euro 4 million, or 13%), down from 406 stores in June 2019 to 354 in June 2020.

Sales generated by directly operated stores (DOS), representing 42.8% of Group revenues, amounted to Euro 104.4 million, compared with Euro 175.8 million in the first half of 2019 (-40.6% at current forex, -40.7% at constant forex). Like-for-like sales at the end of June 2020 were equal to -41%, substantially in line with the overall trend for this channel (considering that there were no significant changes to the store network); this figure reflects the high percentage of stores that were temporarily closed during the first six months of the year (around 35%). As of today, all the Group’s stores are operational again.

Since the stores reopened, performance is gradually recovering and returned to growth in August (thanks to the summer sales in the main European markets). To date (week 37), like-for-like sales in directly operated stores amount to -33%.

The Group's direct e-commerce channel continues to record significant growth: +40% compared with the end of June 2019 (+21% in the first quarter and +59% in the second quarter). Particularly positive performance was recorded in April (+102%) and May (+167%), coinciding with the most severe phase of the lockdown; performance in June, on the other hand, albeit still positive (+12%), was affected by the reopening of stores absorbing some of the sales. Performance in July and August was also very good.

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Sales by region

(Thousands of Euro)	I half 2020	%	I half 2019	%	Var. %
Italy	59,932	24.6%	116,221	29.1%	(48.4%)
Europe (*)	113,796	46.7%	174,846	43.8%	(34.9%)
North America	11,768	4.8%	22,053	5.5%	(46.6%)
Other countries	58,122	23.9%	86,322	21.6%	(32.7%)
Net sales	**243,618**	**100.0%**	**399,442**	**100.0%**	**(39.0%)**

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

Sales generated in Italy, representing 24.6% of Group revenues (29% in the first half of 2019), amounted to Euro 59.9 million, compared with Euro 116.2 million in 2019. Performance in Italy was more seriously affected by the Covid-19 emergency than in other European countries, as this was the first country in the area where the epidemic began to spread and is also the country where the Group has the highest number of stores (150 DOS and 108 franchises).
In this context, all channels have been affected by the emergency. Directly operated stores, which had recorded a positive start to the year, were affected by the temporary closures, recording a drop in sales for the first six months of the year in line with the Group figure. On average, approximately 41% of the DOS network was temporarily closed during the first half of the year. With regard to performance in the wholesale and franchising channels, on the other hand, the drop in sales was mainly down to the factors already described. In Italy, performance of the e-commerce channel was particularly impressive, recording +83% at the end of June 2020 (+33% at the end of March).

Sales generated in Europe, representing 46.7% of Group revenues (43.8% in the first half of 2019), amounted to Euro 113.8 million, compared to Euro 174.8 million in the first half of 2019, recording a decline of 34.9%, mainly due, as was the case for Italy, to the effects of the spread of the epidemic, which led to stores being temporarily closed from the second half of March.
After the year got off to a positive start (approximately +5%), sales generated by directly operated stores recorded a decline of around 37% for the first six months of 2020. On average, approximately 32% of the DOS network was temporarily closed during the first half of the year.
The direct e-commerce channel for the European market also recorded the same excellent trend (+35% at the end of June and +26% at the end of March). Lastly, with regard to the wholesale and franchising channels, performance has been negative but slightly better than on the Italian market, benefiting from the fact that deliveries to counterparties were brought forward (especially in Germany and Austria), which at least partly avoided the suspension of deliveries experienced in mid-March.

North America recorded a turnover of Euro 11.8 million, down 46.6% (-47.1% at constant forex). The period of closure was longer in the USA and Canada, starting from mid-March and lasting until mid-June. As of today, the entire network is now operational, with the exception of the store in New York, as mentioned above. During the first half of the year, sales generated by directly operated stores were down by around 55% due to the lockdown, which caused 46% of the DOS network to close during the period. Thanks to excellent performance in the second quarter, the e-commerce channel recorded 31% growth at the end of June (+6% at the end of March). The wholesale channel recorded a 22% drop in sales, performing better than the Group figure thanks to a favourable basis for comparison.

A 32.7% reduction in turnover was recorded in the Rest of the World compared with the first half of 2019 (-32.4% at constant forex), with a particularly different trend between the Asia Pacific area and Eastern Europe.

In China, Hong Kong and Macau, there was a particularly significant reduction in turnover (over 40%) due to the restrictions on people's mobility and the closure of stores at the end of January/start of February. Stores were reopened at the beginning of March, but with a strong reduction in footfall. From the beginning of April until mid-May, stores in Japan were temporarily closed, again following the containment measures imposed

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by the government to reduce the spread of the pandemic. Overall, sales generated by directly operated stores recorded around a 40% drop at the end of the first half of the year, with an average reduction in footfall of 55%. The situation in Hong Kong remains challenging, while signs of recovery can be seen in China, where LFL sales for directly operated stores increased from -50% in the first quarter to around -10% in the second quarter, thanks also to positive performance in June (+4%). While negative performance had been recorded by the direct e-commerce channel in the Asia Pacific area at the end of March (around -30%), this figure increased by 13% at the end of June thanks to excellent results in the second quarter.

With regard to Eastern Europe, a 28.6% decline in sales was recorded in this area during the first six months of the year. All directly operated stores temporarily closed towards the end of March, and then gradually reopened in June. Sales generated by directly operated stores stood at around -36%, a figure that was nonetheless better than the percentage of stores that were closed during the period (approximately 39%), reflecting the Group's good performance in this area. The e-commerce channel recorded very good performance (+132% compared with June 2019).

Sales by product category

(Thousands of Euro)	I half 2020	%	I half 2019	%	Var. %
Footwear	220,510	90.5%	364,251	91.2%	(39.5%)
Apparel	23,108	9.5%	35,191	8.8%	(34.3%)
Net sales	**243,618**	**100.0%**	**399,442**	**100.0%**	**(39.0%)**

Footwear sales represented 90.5% of consolidated sales, amounting to Euro 220.5 million, down 39.5% compared with the first half of 2019 (-39.5% at constant forex). Apparel sales represented 9.5% of consolidated sales, amounting to Euro 23.1 million compared with Euro 35.2 million in the first half of 2019 (-34.3% at current forex, -34.0% at constant forex).

Mono-brand store network – Geox shops

As of 30 June 2020, there was a total of 936 “Geox Shops”, of which 450 DOS. During the first half of 2020, 13 new Geox Shops were opened and 51 were closed, in line with the store network optimization planned in more mature markets and the expansion in countries where the Group’s presence is still limited but developing well.

	30-06-2020		31-12-2019		1H 2020		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Openings Net	Openings	Closures
Italy	258	150	272	148	(14)	-	(14)
Europe (*)	263	156	270	159	(7)	2	(9)
North America	32	32	37	37	(5)	-	(5)
Other Countries (**)	383	112	395	110	(12)	11	(23)
Total	**936**	**450**	**974**	**454**	**(38)**	**13**	**(51)**

(*) Europe includes: Austria, Benelux, France, Germany, Great Britain, Iberian Peninsula, Scandinavia, Switzerland.

(**) Includes existing stores in countries operating through licence agreement (equal to 132 stores at 30 June 2020 and 134 stores at 31 December 2019). Sales generated by the franchising channel do not include the stores in these countries.

Cost of sales and gross margin

The cost of sales was equal to 59.0% of sales, compared with the 49.1% recorded in the first half of 2019, producing a gross margin of 41.0% (50.9% in the first half of 2019).

Margin performance was particularly affected by an extraordinary inventory write-down equal to Euro 15.1 million, mainly linked to the SS20 collection, as a result of the excess stock caused by stores being closed during the lockdown. Net of this write-down, the margin would have been equal to 47.2%, down by approximately 370 basis points compared with 30 June 2019; this reduction is mainly due to three factors: (i) the lower contribution made by sales generated by the DOS channel following a long period of inactivity after the onset of COVID-19; (ii) the fact that stores were closed during the full-price period, meaning that the summer sales had a greater weighting during the first six months of the year and the average discount was therefore higher, despite a reduction in promotions compared with the same period in the previous year; (iii) a number of inefficiencies at Geox's production plant in Serbia, which came to light after production was halted in the second quarter due to COVID-19.

Operating expenses and EBIT

Total operating expenses (general and administrative costs, sales and distribution costs and advertising) amounted to Euro 170.5 million in the first half of the year compared with Euro 200.6 million in the first half of 2019, with a saving of approximately Euro 30 million (-15%).
In particular:

- Sales and distribution costs amounted to Euro 22.2 million, down slightly compared with last year (Euro 22.4 million in the first half of 2019). This result was achieved thanks to savings (6.1 million) deriving from the lower business volumes in the period, compensating for some non-standard provisions, equal to Euro 5.6 million, linked to credit exposure vis-à-vis a number of counterparties facing difficulties after their business was halted due to COVID-19;

- General and administrative expenses amounted to Euro 138.1 million, compared with Euro 165.1 million in the first half of 2019, down by approximately Euro 27 million. The reduction compared with last year is mainly down to the following factors:
  (i) lower costs for directly operated stores (DOS) for Euro 14.1 million, thanks to the use of social 'safety nets' for staff (approximately Euro 7.3 million), more efficient working hours (Euro 3.6 million) and the renegotiation of a number of rental payments (Euro 3.2 million), only referring to contracts not falling within the scope of application of IFRS 16. With regard to rent renegotiations, it should be noted that the Group has not recorded further savings of Euro 1.4 million, relating to concessions signed by 30 June 2020 for contracts that fall within the scope of application of IFRS 16. These savings relating to the first half of the year, which amount to a total of Euro 4 million to date, will be accounted for in the second half of the year[1];
  (ii) lower structural costs for Euro 7.0 million, of which Euro 5.8 million deriving from the use of social 'safety nets' for staff and Euro 1.2 million referring to the measures taken by the Group to improve efficiency;
  (iii) lower transport costs for Euro 2.6 million as a result of less business activity during the period.

- Advertising and promotion expenses amounted to Euro 10.2 million, down compared with the Euro 13.0 million recorded in the same period of the previous year. This reduction is substantially due to the fewer marketing initiatives during the period, as a result of the lockdown.

EBIT, before the net write-downs of fixed assets and restructuring costs (adjusted EBIT), amounted to Euro -70.6 million compared with Euro 2.8 million in the first half of 2019, mainly due to the effects of the reduction in sales.

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[1] On 28 May 2020, the IASB published an amendment entitled 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)'. This document states that lessees are entitled to record Covid-19-related rent reductions without having to analyse the contracts to assess whether the definition of 'lease modification', as stated by the IFRS 16, is respected. Lessees who exercise this right may therefore record the effects of the rent reductions directly in the income statement as at the date when the reduction takes effect. Despite being applicable to financial statements starting from 1 June 2020, without prejudice to companies also being able to apply this to financial statements starting from 1 January 2020, this amendment has still not been approved by the European Union and has therefore not been applied by the Group as at 30 June 2020.
As at 30 June 2020, the Group was still negotiating with the main landlords with whom it holds operating leases. The rent reductions that have already been agreed upon to date or that will apply upon completion of the negotiations, will be recorded in the second half of the year after the EU approves the aforementioned amendment, applying the practical expedient. The rent reductions that have not been recorded due to this principle not being applied are worth Euro 1.4 million (rent contracts already signed), while Euro 2.6 million refer to renegotiations that were completed but not yet signed with the landlords as at 30 June 2020.

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Net write-downs of fixed assets

As described above, the first half of the year was severely affected by the global spread of Covid-19, which represents an external impairment indicator due to its intensity and unpredictability. The result of the impairment test led to a net write-down equal to Euro 13.1 million, referring to 169 stores which have either been fully or partially written down.

Taxes

Income taxes for the first half of 2020 are equal to Euro +6.0 million, compared with Euro -2.9 million in the first half of 2019.
It should be noted that the tax amount has been affected by the prudent choice not to make a provision for deferred tax assets equal to approximately Euro 15.2 million (Euro 2.5 million in the first half of 2019), while the new 2021-2023 business plan is being defined; these deferred tax assets refer to the tax losses generated in the first half of 2020 in relation to which, as at the date of this report, there is not reasonable certainty that sufficient taxable income will be generated in the future to recover them.

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IFRS 16 effects on first half 2020 Profit and Loss

In order to give a clearer representation of the Group's performance and to improve the level of transparency for the financial community, the reconciliation table between the economic values for the half year and those that exclude the accounting effects deriving from the application of IFRS 16 is presented below:

(Thousands of Euro)	I half 2020	IFRS16 Impacts	I half 2020 excluding IFRS16	%	I half 2019 excluding IFRS16	%
Net sales	**243,618**	**-**	**243,618**	**100.0%**	**399,442**	**100.0%**
Cost of sales	(143,789)	-	(143,789)	(59.0%)	(196,114)	(49.1%)
Gross profit	**99,829**	**-**	**99,829**	**41.0%**	**203,328**	**50.9%**
Selling and distribution costs	(22,170)	(691)	(22,861)	(9.4%)	(22,458)	(5.6%)
General and administrative expenses	(138,103)	702	(137,401)	(56.4%)	(166,295)	(41.6%)
Advertising and promotion	(10,198)	(113)	(10,311)	(4.2%)	(12,987)	(3.3%)
Operating result	**(70,642)**	**(102)**	**(70,744)**	**(29.0%)**	**1,588**	**0.4%**
Restructuring charges	(151)	-	(151)	(0.1%)	-	0.0%
Net asset impairment	(13,142)	11,216	(1,926)	(0.8%)	-	0.0%
EBIT	**(83,935)**	**11,114**	**(72,821)**	**(29.9%)**	**1,588**	**0.4%**
Net financial expenses	(4,032)	2,317	(1,715)	(0.7%)	(2,326)	(0.6%)
PBT	**(87,967)**	**13,431**	**(74,536)**	**(30.6%)**	**(738)**	**(0.2%)**
Income taxes	6,027	-	6,027	2.5%	(3,191)	(0.8%)
Net result	**(81,940)**	**13,431**	**(68,509)**	**(28.1%)**	**(3,929)**	**(1.0%)**
EBITDA	**(20,616)**	**(33,754)**	**(54,370)**	**(22.3%)**	**18,669**	**4.7%**

The item 'IFRS 16 Impact' includes the following effects:

- elimination of depreciation relating to Right-of-use assets for Euro 33,653 thousand;
- higher rent and lease costs for Euro 33,755 thousand;
- lower write-downs of fixed assets, for the portion relating to Right-of-use assets, for Euro 11,216 thousand;
- lower financial charges relating to financial lease liabilities for Euro 2,317 thousand.

It is emphasized that the economic statements set out above, which exclude the impacts deriving from the IFRS 16 application, are not to be considered as a substitute for those defined by the IFRS accounting standards adopted by the European Union and therefore their presentation must be carefully evaluated by the reader of this Financial Report.

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The Group's financial performance

Group's financial performance

The following table summarizes the reclassified consolidated balance sheet:

(Thousands of Euro)	June 30, 2020	Dec. 31, 2019	June 30, 2019
Intangible assets	38,565	44,131	47,156
Property, plant and equipment	57,281	61,231	64,227
Right-of-use assets	255,919	298,685	312,976
Other non-current assets – net	45,953	40,774	36,410
Total non-current assets	**397,718**	**444,821**	**460,769**
Net operating working capital	**223,243**	**182,721**	**235,450**
Other current assets (liabilities), net	**(16,251)**	**(21,899)**	**(16,753)**
Net invested capital	**604,710**	**605,643**	**679,466**
Equity	**224,042**	**302,698**	**326,596**
Provisions for severance indemnities, liabilities and charges	**7,834**	**8,114**	**8,429**
Net financial position	88,808	(6,553)	30,783
Lease liabilities	284,026	301,384	313,658
Total net financial position	**372,834**	**294,831**	**344,441**
Net invested capital	**604,710**	**605,643**	**679,466**

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

(Thousands of Euro)	June 30, 2020	Dec. 31, 2019	June 30, 2019
Inventories	286,507	284,589	292,408
Accounts receivable	117,596	122,178	148,582
Trade payables	(180,860)	(224,046)	(205,540)
Net operating working capital	**223,243**	**182,721**	**235,450**
% of sales for the last 12 months	***34.3%***	***22.7%***	***29.0%***
Taxes payable	(10,702)	(10,502)	(9,538)
Other non-financial current assets	27,938	23,458	28,468
Other non-financial current liabilities	(33,487)	(34,855)	(35,683)
Other current assets (liabilities), net	**(16,251)**	**(21,899)**	**(16,753)**

Net operating working capital as a percentage of sales was equal to 34.3%, compared with 29.0% in the same period last year. This variation is mainly due to the reduction in turnover, given that working capital amounted to Euro 223.2 million, down compared with the Euro 235.5 million recorded in the first half of 2019.

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

(Thousands of Euro)	June 30, 2020	Dec. 31, 2019	June 30, 2019
Cash and cash equivalents	66,172	48,449	28,686
Current financial assets - excluding derivatives	1,424	1,282	1,442
Bank borrowings and current portion of long-term loans	(106,836)	(33,747)	(53,874)
Current financial liabilities - excluding derivatives	(128)	(82)	(57)
Net financial position - current portion	**(39,368)**	**15,902**	**(23,803)**
Non-current financial assets	24	24	24
Long-term loans	(55,382)	(10,562)	(7,754)
Net financial position - non-current portion	**(55,358)**	**(10,538)**	**(7,730)**
Net financial position - prior to fair value adjustment of derivatives and IFRS 16 impact	**(94,726)**	**5,364**	**(31,533)**
Lease liabilities	(284,026)	(301,384)	(313,658)
Net financial position - prior to fair value adjustment of derivatives	**(378,752)**	**(296,020)**	**(345,191)**
Fair value adjustment of derivatives	5,918	1,189	750
Net financial position	**(372,834)**	**(294,831)**	**(344,441)**

The rationalisation measures taken, together with better than expected sales performance in directly operated stores, have allowed the Group to keep its net financial position under control, despite the exceptional circumstances; at 30 June 2020 (before IFRS 16), this amounted to Euro -88.8 million (Euro -30.8 million at 30 June 2019). It should be noted that the Group has made all payments to its supply chain on time and has not had to resort to suspending loan repayments. The only exception to this was the suspension of rent payments for stores during the time they were closed (April and the first half of May) and the partial payment of rent during the second half of May and June after they were reopened, based on sales performance. This approach is in line with the ongoing talks being held with the various landlords, aimed at renegotiating the contractual agreements in place, bringing them more in line with the changes to the economic scenario; this involves introducing variable rents based on the level of turnover, at least while there is reduced footfall caused by the restrictive measures and the strong reduction in tourist numbers. As of today, these closed talks with landlords have undoubtedly proven to be challenging, but the Group has already signed a number of agreements and many others are in an advanced phase of negotiation. The Group is also convinced that the right course of action is to terminate the relative agreement if solutions cannot be found that reflect current market values. At 30 June 2020, unpaid rent amounted to Euro 12 million, referring exclusively to the second quarter (i.e. during the most severe phase of the lockdown).
The Group has adequate lines of credit available thanks to the fact that, since the beginning of the emergency, it has implemented a strategy to cover its financing needs. The aim of this strategy is to ensure that the sources of financing remain as coherent as possible with funding requirements, in order to have the right balance between short-term lines of credit to deal with normal business seasonality, medium-term financing to manage the temporary one-off absorption of cash caused by the COVID-19 emergency and long-term financing to also support the investments required to develop a truly omnichannel business model that perfectly integrates physical and digital stores.
Please refer to what has already been noted above with reference to the long-term loan agreement of Euro 90 million stipulated in July 2020.

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IFRS 16 effects on Group's financial performance

In order to give a clearer representation of the Group's financial performance and to improve the level of transparency for the financial community, the reconciliation table between the balance sheet amounts as of June 30, 2020 and those excluding accounting effects is presented below. deriving from the application of IFRS 16:

(Thousands of Euro)	June 30, 2020	IFRS 16 impact	June 30, 2020 excluding IFRS 16	December 31, 2019 excluding IFRS 16	June 30, 2019 excluding IFRS 16
Intangible assets	38,565	-	38,565	44,131	47,156
Property, plant and equipment	57,281	-	57,281	61,231	64,227
Right-of-use assets	255,919	(255,919)	-	-	-
Other non-current assets – net	45,953	-	45,953	40,184	37,931
Total non-current assets	**397,718**	**(255,919)**	**141,799**	**145,546**	**149,314**
Inventories	286,507	-	286,507	284,589	292,408
Accounts receivable	117,596	-	117,596	122,178	148,582
Accounts payable	(180,860)	(11,487)	(192,347)	(224,046)	(205,540)
Net operating working capital	**223,243**	**(11,487)**	**211,756**	**182,721**	**235,450**
Other current assets (liabilities), net	**(16,251)**	**(954)**	**(17,205)**	**(21,773)**	**(17,902)**
Net invested capital	**604,710**	**(268,360)**	**336,350**	**306,494**	**366,862**
Equity	224,042	15,666	239,708	304,933	327,650
Provisions for severance indemnities, liabilities and charges	7,834	-	7,834	8,114	8,429
Net financial position	372,834	(284,026)	88,808	(6,553)	30,783
Net invested capital	**604,710**	**(268,360)**	**336,350**	**306,494**	**366,862**

The item 'IFRS 16 Impact' mainly includes the following effects:

- elimination of Right-of-use assets for Euro 255,919 thousand;
- reverse of the reclassification related overdue lease payables to Financial lease liabilities for an amount of Euro 11,487 thousand;
- elimination of Financial lease liabilities for an amount of Euro 284,026 thousand.

It is emphasized that the balance sheets set out above, which exclude the impacts deriving from the application of IFRS 16, are not to be considered as a substitute for those defined by the IFRS accounting standards adopted by the European Union and therefore their presentation must be carefully evaluated by the reader of this Financial Report.

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Reclassified consolidated cash flow statement and investments of the period

The following table gives a reclassified consolidated cash flow statement:

(Thousands of Euro)	I half 2020	I half 2019	2019
Net result	**(81,940)**	**(4,983)**	**(24,759)**
Depreciation, amortization and impairment	63,320	51,255	111,975
Other non-cash items	19,399	3,980	2,001
	779	**50,252**	**89,217**
Change in net working capital	(68,639)	(22,149)	31,115
Change in other current assets/liabilities	(1,855)	(1,213)	284
Cash flow from operations	**(69,715)**	**26,890**	**120,616**
Capital expenditure	(9,325)	(12,517)	(33,383)
Disposals	221	311	1,204
Net capital expenditure	**(9,104)**	**(12,206)**	**(32,179)**
Free cash flow	**(78,819)**	**14,684**	**88,437**
Increase in right-of-use assets	**(4,878)**	**(20,263)**	**(39,751)**
Treasury shares	**-**	**(685)**	**(5,051)**
Dividends	**-**	**(6,480)**	**(6,480)**
Change in net financial position	**(83,697)**	**(12,744)**	**37,155**
Initial net financial position - prior to fair value adjustment of derivatives	**(296,020)**	**(6,810)**	**(6,810)**
IFRS 16 First time adoption - effect on financial debt	-	(325,932)	(325,932)
Initial net financial position - prior to fair value adjustment of derivatives	**(296,020)**	**(332,742)**	**(332,742)**
Change in net financial position	(83,697)	(12,744)	37,155
Translation differences	965	295	(433)
Final net financial position - prior to fair value adjustment of derivatives	**(378,752)**	**(345,191)**	**(296,020)**
Fair value adjustment of derivatives	5,918	750	1,189
Final net financial position	**(372,834)**	**(344,441)**	**(294,831)**

The COVID-19 emergency has led the entire sector to face a significant one-off absorption of cash, in addition to the normal seasonality of the business. In particular, the temporary closure of stores and the slowdown in receiving payments from wholesale and franchising clients led to a temporary negative cash flow during the second quarter. This was caused by the abnormal increase in working capital as a result of the lack of takings from stores, unsold stock and unpaid receivables.

Consolidated capital expenditure is analyzed in the following table:

(Thousands of Euro)	I half 2020	I half 2019	2019
Trademarks and patents	159	140	615
Opening and restructuring of Geox Shop	4,880	8,561	17,513
Production plant	51	190	377
Industrial plant and equipment	1,047	1,235	2,933
Logistic	430	195	2,262
Information technology	2,371	1,564	8,156
Offices furniture, warehouse and fittings	387	632	1,527
Total cash capex	**9,325**	**12,517**	**33,383**
Right-of-Use	4,878	20,263	39,751
Total capex	**14,203**	**32,780**	**73,134**

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IFRS 16 effects on Reclassified consolidated cash flow statement

In order to provide a clearer representation of the changes in the Group's net financial position in the first half of the year and to improve the level of transparency for the financial community, the reconciliation table between the values of the consolidated cash flow statement for the first half 2020 and those that exclude the accounting effects deriving from the application of IFRS 16 is presented below:

(Thousands of Euro)	I half 2020	IFRS 16 impact	I half 2020 excluding IFRS 16	I half 2019 excluding IFRS16
Net result	**(81,940)**	**13,431**	**(68,509)**	**(3,929)**
Depreciation, amortization and impairment	63,320	(44,869)	18,451	17,081
Other non-cash items	19,399	(1,354)	18,045	4,313
	779	**(32,792)**	**(32,013)**	**17,464**
Change in net working capital	(68,639)	11,851	(56,788)	(22,149)
Change in other current assets/liabilities	(1,855)	-	(1,855)	(793)
Cash flow from operations	**(69,715)**	**(20,941)**	**(90,656)**	**(5,478)**
Capital expenditure	(9,325)	-	(9,325)	(12,517)
Disposals	221	-	221	311
Net capital expenditure	**(9,104)**	**-**	**(9,104)**	**(12,206)**
Free cash flow	**(78,819)**	**(20,941)**	**(99,760)**	**(17,684)**
Increase in right-of-use	**(4,878)**	**4,878**	**-**	**-**
Treasury shares	-	-	-	(685)
Dividends	-	-	-	(6,480)
Change in net financial position	**(83,697)**	**(16,063)**	**(99,760)**	**(24,849)**
Initial net financial position - prior to fair value adjustment of derivatives	**(296,020)**	**301,384**	**5,364**	**(6,810)**
Change in net financial position	(83,697)	(16,063)	(99,760)	(24,849)
Translation differences	965	(1,295)	(330)	126
Final net financial position - prior to fair value adjustment of derivatives	**(378,752)**	**284,026**	**(94,726)**	**(31,533)**
Fair value adjustment of derivatives	5,918	-	5,918	750
Final net financial position	**(372,834)**	**284,026**	**(88,808)**	**(30,783)**

The item 'IFRS 16 impact' includes the effects described above on the income statement items (mainly reversal of depreciation relating to Right-of-use assets and consideration of lease costs) and on the balance sheet and financial position (mainly reversal of Right-of-use assets and financial lease liabilities).

It is emphasized that the above statements, which exclude the impacts deriving from the application of IFRS 16, are not to be considered as a substitute for those defined by the IFRS accounting standards adopted by the European Union and therefore their presentation must be carefully evaluated by the reader of this Financial Report.

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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 June 30, 2020, 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. As of June 30, 2020 a number of 3,034,745 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).

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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 32 of the Consolidated Financial Statements.

Outlook for operation

With regard to full-year performance estimates, the current situation and the uncertainties about how long the pandemic will last mean that it is extremely complex to make any kind of forecast. In particular, the effects of Covid-19 are once again being strongly felt in a number of countries, with measures to restrict people's mobility being reintroduced. Israel is the first country to opt for a new lockdown, while the situation also remains difficult in North America and India; in the east, Hungary has once again closed its borders and central Europe and the Balkans are recording high numbers of cases. France, Spain, Austria and Germany are also gradually introducing additional protective measures, such as the obligation to wear a mask in public. In this context, it is clear that the drop in in-store footfall and the reduction in tourism flows in Europe's major capitals are likely to continue, to a certain extent, until at least the end of the year.
To date (week 37), the third quarter is recording improved like-for-like sales performance compared with the previous quarters, equal to -13%, thanks especially to the boost given by the summer sales. In fact, since they reopened, performance in directly operated stores (DOS) has recorded a gradually improving trend, returning to growth in August. Positive results were also recorded in the first week of September, thanks to the good performance of the 'back to school' and 'back to work' ranges. However, the aforementioned events unfortunately penalised performance in the second week of September, which was characterised by worsening footfall, a return to negative LFL and stores starting to stock the winter collection, thereby reducing the promotional effects of the summer sales.
Despite this scenario, the second half of the year is nonetheless expected to perform better than the first, as long as there are no other sweeping lockdowns, with gross margins improving thanks to the contribution of full-price sales from the winter collection.

It should also be noted that the industry saw order collection for the autumn-winter season close early due to the lockdown, with the orders collected being subsequently reviewed in close collaboration with clients, in order to minimise the risk of cancellations. This has led the Group to reduce its purchases by 21% for the second half of the year, as already disclosed. This measure will help to keep working capital under control and to manage debt, although it will also inevitably affect sales to clients, making it all the more important to focus on in-season opportunities for stock replenishment, promotions before the official sales and selling stock from previous seasons. These opportunities were not present in the first half of the year due to the lockdown.

Biadene di Montebelluna, September 17, 2020

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

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CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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Consolidated income statement

(Thousands of Euro)	Notes	I half 2020	of which related party	I half 2019	of which related party	2019	of which related party
Net sales	3-32	**243,618**	**242**	**399,442**	**178**	**805,858**	**386**
Cost of sales	32	(143,789)	234	(196,114)	28	(407,030)	73
Gross profit		**99,829**		**203,328**		**398,828**	
Selling and distribution costs		(22,170)	-	(22,428)	(1)	(44,181)	(1)
General and administrative expenses	4-32	(138,103)	(2)	(165,137)	7	(331,581)	(49)
Advertising and promotion	32	(10,198)	(82)	(12,987)	(83)	(26,177)	(155)
Restructuring charges		(151)		-		(3,245)	
Net asset impairment	6	(13,142)		-		(9,367)	
EBIT	3	**(83,935)**		**2,776**		**(15,723)**	
Net financial expenses	8	(4,032)	(214)	(4,901)	(476)	(8,607)	(476)
PBT		**(87,967)**		**(2,125)**		**(24,330)**	
Income taxes	9	6,027	(81)	(2,858)	-	(429)	-
Net result		**(81,940)**		**(4,983)**		**(24,759)**	
Earnings per share [Euro]	10	(0.32)		(0.02)		(0.10)	
Diluted earnings per share [Euro]	10	(0.32)		(0.02)		(0.10)	

Consolidated statement of comprehensive income

(Thousands of Euro)	I half 2020	of which related party	I half 2019	of which related party	2019	of which related party
Net income	**(81,940)**		**(4,983)**		**(24,759)**	
Other comprehensive income that will not be reclassified subsequently to profit or loss:						
- Net gain (loss) on actuarial defined-benefit plans	154	-	(201)	-	(316)	-
Other comprehensive income that may be reclassified subsequently to profit or loss:						
- Net gain (loss) on Cash Flow Hedge, net of tax	4,037	-	(2,094)	-	(2,199)	-
- Currency translation	(907)	-	279	-	743	-
Net comprehensive income	**(78,656)**		**(6,999)**		**(26,531)**	

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Consolidated statement of financial position

(Thousands of Euro)	Notes	June 30, 2020	of which related party	Dec. 31, 2019	of which related party	June 30, 2019	of which related party
ASSETS:							
Intangible assets	11	38,565		44,131		47,156	
Property, plant and equipment	12	7,281		61,231		64,227	
Right-of-use assets	13	255,919		298,685			
Deferred tax assets	14	40,595		35,500		31,355	
Non-current financial assets	19	24		24		24	
Other non-current assets	15	8,711		9,074		9,238	
Total non-current assets		**401,095**		**448,645**		**464,976**	
Inventories	16	286,507		284,589		292,408	
Accounts receivable	17-32	117,596	659	122,178	329	148,582	238
Other non-financial current assets	18-32	27,938	1,003	23,458	1,892	28,468	1,892
Current financial assets	19-31	7,821		3,648		4,523	
Cash and cash equivalents	20	66,172		48,449		28,686	
Current assets		**506,034**		**482,322**		**502,667**	
Total assets		**907,129**		**930,967**		**967,643**	
LIABILITIES AND EQUITY:							
Share capital	21	25,921		25,921		25,921	
Reserves	21	280,061		301,536		305,658	
Net income	21	(81,940)		(24,759)		(4,983)	
Equity		**224,042**		**302,698**		**326,596**	
Employee severance indemnities	22	2,698		2,841		2,772	
Provisions for liabilities and charges	23	5,136		5,273		5,657	
Long-term loans	24	55,382		10,562		7,755	
Non-current lease liabilities	25-32	215,403	18,373	239,008	21,222	251,838	23,967
Other long-term payables	20	3,353		3,800		4,183	
Total non-current liabilities		**281,972**		**261,484**		**272,205**	
Trade payables	27-32	180,860	734	224,046	72	205,540	121
Other non-financial current liabilities	28	33,487		34,855		35,683	
Taxes payable	29	10,702		10,502		9,538	
Current financial liabilities	19-31	607		1,259		2,387	
Current lease liabilities	25-32	68,623	7,567	62,376	5,671	61,820	5,667
Bank borrowings and current portion of long-term loans	24	106,836		33,747		53,874	
Current liabilities		**401,115**		**366,785**		**368,842**	
Total liabilities and equity		**907,129**		**930,967**		**967,643**	

Consolidated statement of cash flow

(Thousands of Euro)	Notes	I half 2020	I half 2019	2019
CASH FLOW FROM OPERATING ACTIVITIES:				
Net result	21	**(81,940)**	**(4,983)**	**(24,759)**
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
Depreciation and amortization and impairment	5-6	63,320	51,255	111,975
Other non-cash items		19,399	3,980	2,001
		82,719	**55,235**	**113,976**
Change in assets/liabilities:				
Accounts receivable		(3,231)	(15,437)	10,623
Other assets		(2,351)	(2,970)	1,365
Inventories		(19,238)	21,572	31,667
Accounts payable		(46,170)	(28,284)	(11,175)
Other liabilities		55	935	(2,855)
Taxes payable		441	822	1,774
		(70,494)	**(23,362)**	**31,399**
Operating cash flow		**(69,715)**	**26,890**	**120,616**
CASH FLOW USED IN INVESTING ACTIVITIES:				
Capital expenditure on intangible assets	11	(2,781)	(3,087)	(10,892)
Capital expenditure on property, plant and equipment	12	(6,544)	(9,430)	(22,491)
		(9,325)	**(12,517)**	**(33,383)**
Disposals		221	311	1,204
(Increase) decrease in financial assets		(145)	(323)	(159)
Cash flow used in investing activities		**(9,249)**	**(12,529)**	**(32,338)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:				
Increase (decrease) in short-term bank borrowings, net		5,667	(4,378)	(5,109)
Lease liabilities repayment	25	(20,792)	(32,368)	(64,890)
Loans:				
- Proceeds		117,950	40,988	40,988
- Repayments		(5,671)	(24,017)	(40,670)
Treasury shares buy back		-	(685)	(5,051)
Dividends		-	(6,480)	(6,480)
Cash flow used in financing activities		**97,154**	**(26,940)**	**(81,212)**
Increase (decrease) in cash and cash equivalents		**18,190**	**(12,579)**	**7,066**
Cash and cash equivalents, beginning of the period	20	**48,449**	**40,972**	**40,972**
Effect of translation differences on cash and cash equivalents		(467)	293	411
Cash and cash equivalents, end of the period	20	**66,172**	**28,686**	**48,449**

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Consolidated statement of changes in equity

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Net income	Group equity
Balance at December 31, 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**
Allocation of 2019 result	-	-	-	-	-	(24,759)	24,759	-
Net comprehensive result	-	-	-	(907)	4,037	154	(81,940)	(78,656)
Balance at June 30, 2020	**25,921**	**5,184**	**37,678**	**(3,174)**	**3,455**	**236,918**	**(81,940)**	**224,042**

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Net income	Group equity
Balance at December 31, 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	-	-	-	-	-	(685)	-	(685)
Net comprehensive result	-	-	-	279	(2,094)	(201)	(4,983)	(6,999)
Balance at June 30, 2019	**25,921**	**5,184**	**37,678**	**(2,731)**	**(477)**	**266,004**	**(4,983)**	**326,596**

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Explanatory notes

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

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

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

2. Accounting policies

Form and contents of the consolidated financial statements

These explanatory notes have been prepared by the Board of Directors on the basis of the accounting records updated to June 30, 2020. 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, 2019 and for the I half of 2019 in the case of the income statement.

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

Scope of consolidation

The consolidated financial statements at June 30, 2020 include the figures, on a line-by-line basis, of all the Italian and foreign companies in which the Parent Company holds a majority of the shares or quotas, directly or indirectly.
The companies taken into consideration for consolidation purposes are listed in the attached schedule entitled “List of companies consolidated at June 30, 2020”.

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 32).

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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, 2020

- On October 31st, 2018, the IASB published the document "*Definition of Material (Amendments to IAS 1 and IAS 8)".* These amendments provide for a different definition of "material" included in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.
  There were no significant effects from the adoption of this amendment.

- On October 22nd, 2018, the IASB published the document "Definition of a business (Amendments to IFRS 3)" in order to better clarify the definition of a business included in IFRS 3.
  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".* This standard, issued on May 18, 2017 will replace IFRS 4 " Insurance Contracts".

- Amendments to IAS 1 *"Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"*

- On May 14, 2020 issued the followings amendments:
  - Amendments to IFRS 3 *Business Combinations*;
  - Amendments to IAS 16 *Property, Plant and Equipment;*
  - Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
  - Annual Improvements 2018-2020.

- On May 28, 2020 IASB issued *"Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)".*

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- On 28 May 2020, the IASB published an amendment entitled *'Covid-19-Related Rent Concessions (Amendment to IFRS 16)'*. This document states that lessees are entitled to record Covid-19-related rent reductions without having to analyse the contracts to assess whether the definition of 'lease modification', as stated by the IFRS 16, is respected. Lessees who exercise this right may therefore record the effects of the rent reductions directly in the income statement as at the date when the reduction takes effect. Despite being applicable to financial statements starting from 1 June 2020, without prejudice to companies also being able to apply this to financial statements starting from 1 January 2020, this amendment has still not been approved by the European Union and has therefore not been applied by the Group as at 30 June 2020.
  As at 30 June 2020, the Group was still negotiating with the main landlords with whom it holds operating leases. The rent reductions that have already been agreed upon to date or that will apply upon completion of the negotiations, will be recorded in the second half of the year after the EU approves the aforementioned amendment, applying the practical expedient.
  Directors expect a significant impact on the Group's consolidated financial statement from the adoption of this amendment. As already explain in the Directors' report, the rent savings (related contracts already signed) that have not been recorded due to this practical expedient not being applied are worth Euro 1.4 million.

Translation of foreign currency financial statements into Euro

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

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

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

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

Currency	Average for 06-30-20	As at 06-30-20	Average for 12-31-19	As at 12-31-19	Average for 06-30-19	As at 06-30-19
US Dollar	1.1015	1.1198	1.1196	1.1234	1.1298	1.1380
Swiss Franc	1.0639	1.0651	1.1127	1.0854	1.1294	1.1105
British Pound	0.8743	0.9124	0.8773	0.8508	0.8736	0.8966
Canadian Dollar	1.5031	1.5324	1.4857	1.4598	1.5067	1.4893
Japanese Yen	119.2072	120.6600	122.0564	121.9400	124.2933	122.6000
Chinese Yuan	7.7481	7.9219	7.7339	7.8205	7.6670	7.8185
Czech Koruna	26.3422	26.7400	25.6698	25.4080	25.6838	25.4470
Russian Ruble	76.6825	79.6300	72.4593	69.9563	73.7215	71.5975
Polish Zloty	4.4136	4.4560	4.2975	4.2568	4.2920	4.2496
Hungarian Forint	345.3946	356.5800	325.2297	330.5300	320.3916	323.3900
Macau Pataca	8.8049	8.9392	9.0354	9.0097	9.1263	9.1532
Serbian Dinar	117.5676	117.2388	117.8210	117.8319	118.0611	117.9570
Vietnam Dong	25,664.5000	25,983.0000	26,005.7500	26,033.0000	26,269.3333	26,527.0000
Indonesian Rupiah	16,080.6850	16,184.4100	15,835.9487	15,595.6000	16,035.9017	16,083.3500
Turkish Lira	7.1521	7.6761	6.3574	6.6843	6.3543	6.5655
Indian Rupia	81.6766	84.6235	78.8502	80.1870	79.1182	78.5240

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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. In particular, with regard to asset values, the pandemic is classed as an external impairment indicator, due to its intensity and unpredictability; impairment tests were therefore recalculated, assessing the performance of the various CGUs based on a more up-to-date forecast for this year and using a number of different scenarios for the coming years, applying corrections to the sales figures and margins indicated in the company business plans drawn up before the onset of Covid-19.

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

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.

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 14.

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. The Group took into account the changed economic scenario and made a provision for returns which reflects the assumptions relating to the performance of its customers until the end of the season and therefore of the expected returns.
Further details are provided in note 27.

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. In particular, the Group reflected in the inventory write-down provision its assumptions regarding the disposal of previous collections inventories, including spring/summer collection products, considering the current scenario of uncertainty.
Further details are provided in note 16.

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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.
In particular, Directors took into account the current uncertainty scenario and made a bad debt provision consistent with the situation of the accounts receivable that are partly subject to insurance.
Further details are provided in note 17.

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.
In December 2019, the IFRS Interpretation Committee published its conclusions relating to an Agenda Decision concerning, among other issues, the Lease Term determination. At the date of preparation of this half-yearly report, the Group is evaluating the possible impacts resulting from this interpretation on the accurate estimate of the Lease term of its leasing contracts and expects to complete this analysis by the year 2020.

Further details are provided in note 13 with regard to Right-of-use assets and note 25 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 because of the Directors, while taking into account the uncertainty of the economic and financial context as of 30 June, believe that the business continuity is fully guaranteed by the Group's capitalization and its financial solidity.
Please refer to what has already been indicated in the Directors' report for further considerations on the Group's financial situation.

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.

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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.

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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.

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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).

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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 30.
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.

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If rights are cancelled, they are treated as though they had reached maturity on the date of cancellation and any unrecorded costs relating to these rights are recognized immediately. However, if a cancelled right is replaced by a new right and the latter is recognized as a replacement on the date it is granted, the cancelled right and the new right are treated as though they were a change in the original right, as explained in the previous paragraph.
The dilutive effect of any vested options not yet exercised is reflected in the calculation of the dilution of earnings per share (see note 10).

Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when there is an effective obligation (legal or implicit) deriving from a past event, providing there will probably be an outlay of resources to settle the obligation and the amount of the obligation can be reliably estimated.
Provisions represent the best estimate of the amount that the business would have to pay to settle the obligation or transfer it to third parties at the balance sheet date. Provisions are determined by discounting the expected future cash flows if the effect of discounting the value of money is significant.

Revenue and income

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

The Group's revenues include:

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

Sale of goods (Wholesale and Franchising)

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

Sale of goods (Retail)

Retail revenue is recognized upon receipt of the goods by the customer at the retail location. The relevant consideration is usually received at the time of the delivery. Any advance payments or deposits from customers are not recognized as revenue until the product is delivered. Concerning sales through the e-commerce channel, the moment in which the customer obtains control of the asset is identified based on the specific terms and conditions applied by the on-line sales platforms used by the Group. In some countries, the Group allows customers to return the products for a certain period of time after the purchase: therefore, it estimates the relevant impact by accounting for it as variable consideration, recognizing the relevant assets and liabilities (see *Sale of goods (Wholesale and Franchising)*).
The estimate is based on the historical trend in returns, accounts for the time elapsed from the purchase date, and is regularly reviewed. The Group includes in the transaction price the variable considerations estimated

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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.

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.

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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.

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3. Segment reporting

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

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

- Net sales, cost of sales, direct selling costs and advertising are input directly to the segment concerned as they are clearly identifiable;
- General and administrative costs, including non-industrial depreciation and amortization, are input to the segment concerned to the extent that they are directly attributable. When such costs are common to various segments, they are allocated in proportion to their respective percentage of total cost of sales;
- The Group's financial activities (including financing costs and revenues) and income taxes are handled at Group level and not allocated to the individual segments;
- There are no problems of transfer pricing between segments as they are totally independent from each other.

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

		I half 2020	%	I half 2019	%
Footwear	Net sales	220,510		364,251	
	EBIT	(72,202)	(32.7%)	6,010	1.6%
Apparel	Net sales	23,108		35,191	
	EBIT	(11,733)	(50.8%)	(3,234)	(9.2%)
	Net sales	**243,618**		**399,442**	
	EBIT	**(83,935)**	**(34.5%)**	**2,776**	**0.7%**

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

(Thousands of Euro)	I half 2020	%	I half 2019	%	Var. %
Italy	59,932	24.6%	116,221	29.1%	(48.4%)
Europe (*)	113,796	46.7%	174,846	43.8%	(34.9%)
North America	11,768	4.8%	22,053	5.5%	(46.6%)
Other countries	58,122	23.9%	86,322	21.6%	(32.7%)
Net sales	**243,618**	**100.0%**	**399,442**	**100.0%**	**(39.0%)**

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

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4. General and administrative expenses

General and administrative expenses are analyzed in the following table:

	I half 2020	I half 2019	Change
Wages and salaries	42,330	59,091	(16,761)
Rental expenses	8,275	10,847	(2,572)
Other costs	89,587	98,032	(8,445)
Rental income	(1,405)	(1,682)	277
Other income	(684)	(1,151)	467
Total	**138,103**	**165,137**	**(27,034)**

Rental and lease expenses, equal to Euro 8,275 thousand, relate to the shops, offices and industrial property leased by the Group. The reduction compared to the same period of last year is mainly due to the decrease in shop network.
It's to be noted that, starting from January 1st, 2019, only leases excluded from the application of IFRS 16 are accounted for in this item. In the first half of 2020 the item refers to service charges for an amount of Euro 4,863 thousand, variable rents for an amount of Euro 1,208 thousand, short term leases for Euro 1,403 thousand and lease contracts for which the underlying asset is classed as a "low-value assets for an amount of Euro 801 thousand.

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.

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

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

	I half 2020	I half 2019	Change
Industrial depreciation	3,298	3,185	113
Non-industrial depreciation and amortization	46,879	48,070	(1,191)
Total	**50,177**	**51,255**	**(1,078)**

Amortization and depreciation amount to Euro 50,177 thousand, on which Euro 33,653 thousand related to the application of the IFRS 16 accounting standard.

Payroll costs amounted to Euro 54,351 thousand (Euro 74,805 thousand in the first half 2019). The significant reduction in payroll cost is mainly due to the access to various forms of government aids already in place in the various countries or implemented by the governments to address the current exceptional circumstances (such as the "fund to supplement earnings" in Italy) following Covid-19 pandemic.

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

As explained in detail in the Directors' report, performance in the first half of 2020 was affected by the epidemic and by the global spread of Covid-19. As has been extensively described, this event has had a significant impact on the Group's business and will continue to do so over the coming months. In accordance with regulators' guidelines, when drawing up the six-monthly report as at 30 June 2020, Directors therefore carried out an impairment test in order to analyse the recoverable value of Group's assets

The test envisaged a first phase in which the recoverability of the invested capital in each store managed directly by the Group (DOS) was verified. At that stage for each of the cash-generating units (CGUs) identified by the Group, the recoverable value is based on the value in use, calculated using estimated future cash flows. When calculating future cash flows, the Directors took into consideration the lower-than-expected P&L performance in the last financial years and the severe effects that Covid-19 has had, and will continue to have, on results in 2020.
It is also clear that Covid-19 is an external variable, the effects of which are difficult to predict in terms of how long they will last and the impact they will have on consumer demand; it is also clear that, as things stand, it is also extremely difficult to make forecasts. Governments and international consulting companies nonetheless expect 2021 to record a strong recovery compared with 2020, albeit still below 2019 levels. 2022 is expected to see a return to pre-Covid normality, although with a number of structural changes. Management believes that, as of today, for the purposes of making valuations for the financial statements, it is prudent to remain aligned with these forecasts when making assumptions for the future.
For these reasons, the Board of Directors approved an income simulation for each store operated directly by the Group, in order to complete the assessments for the impairment test relating to the financial statements at 30 June 2020. This simulation is based on the following basic assumptions: in 2021, sales will recover compared with 2020, although final volumes will still be below 2019 levels; in 2022, sales will return to 2019 levels; in the subsequent years, stores that are not planned to be closed will record a 5% increase in future cash flows compared with 2022.
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 was considered that is in line with the duration of the relative lease agreement. 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, also given the effects of the Covid-19 pandemic, in addition to a number of sensitivity analyses.
In order to calculate the current value, future cash flows obtained in this way have been 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 (between 4.3% and 8.2%).
The BoD has therefore identified and fully or partially written down assets referring to 169 stores (CGUs), compared with the 101 stores written down at 31 December 2019. This rise is fully down to the worsening of the profitability assumptions made in the June financial statements, as a result of the Covid-19 pandemic.
The aforementioned impairment test at 30 June 2020 thus led to a net write-down of Euro 13,142 thousand. The total impairment provision set aside to adjust fixed assets at 30 June 2020, on the other hand, was equal to Euro 23,597 thousand, while this figure stood at Euro 11,338 thousand at 31 December 2019.

Next phase of the impairment test was carried out by the Directors at a higher level in order to assess the recoverability of the Group's net invested capital, including goodwill amounting to Euro 1,138 thousand.
An asset-side approach was instead used to check the recoverable value of the Group's goodwill and net invested capital, comparing the value in use of each cash generating unit with the relative carrying amount.
In order to calculate the cash flow projections used for the six-monthly impairment test, Directors approved an income and financial simulation for the period between the second half of 2020 and 2025.
The main assumptions included in this simulation refer to:

- Covid-19 having a stronger impact mainly in the first half, and to a lesser extent in the second half of the year. This is based on the assumption that sales will begin to recover from the third quarter, after the end of the lockdown, also thanks to the longer summer sales period, added to which are the effects of the measures already taken to cut costs and reduce the Group's financial requirements (with social 'safety nets' and similar tools in all the countries in which the Group operates playing a particularly important role in this regard);
- a recovery being recorded in 2021, albeit remaining below 2019 levels, due to the current situation potentially having residual effects, mainly on the wholesale channel, in relation to the 2021 spring-summer collection, and to the remaining limitations on people's mobility, especially in terms of international tourism. Cash generation, on the other hand, should benefit from the reduction in excess stock that had been caused by store closures in 2020;
- in 2022 and 2023, performance is expected to fully return to normal levels, although profitability is expected to increase compared with 2019, benefiting from a more flexible business model;

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- in 2024 and 2025, the trend recorded in 2023 is expected to continue, with the projection of a 2% growth rate (“g” rate).

The discount rate is calculated using the weighted average cost of capital (“WACC”), i.e. by weighting the expected rate of return on invested capital, net of funding costs, for a sample of companies operating in the same sector. The calculation took into account the changed economic scenario compared with the previous year, as well as the consequent implications in terms of interest rates. The WACC was calculated as being equal to 7.4%.
Given the difficulties in making forecasts due to Covid-19, in terms of both the duration of the pandemic and its effects on consumer demand, the Directors have adopted a “multi-scenario” approach: in addition to the “base” scenario, a “worst-case” scenario has also been developed, used to check the stability of the impairment test results carried out through a stress test. This second alternative scenario is based on the same hypotheses as the previous one, but reflects a potentially greater negative impact in the period between the second half of 2020 and the end of 2022 due to the risks related to Covid-19, resulting in a potential average reduction of approximately 28% in the cash flows generated by the business during the period of time covered by the financial projections made in the “base” scenario.
As a result, for both scenarios, the impairment test revealed sufficient coverage to support the Group’s net invested capital and goodwill, meaning that no further write-downs are necessary with respect to those already completed following the impairment test completed for stores.
The Group also completed the usual sensitivity analyses, as required by IAS 36, in order to highlight any effects that a reasonable change in the basic assumptions (WACC and growth rates) would have on the “value in use”. The sensitivity analysis carried out on “base” scenario shows that, in order to make the “value in use” equal to the value of net invested capital (break-even hypothesis), the following parameters would need to change, considered individually and if nothing else changes: i) a WACC increase to 8.4%, ii) a “g” growth rate used in the terminal value of 0.9%.

7. Personnel

The average number of employees is shown below:

	I half 2020	I half 2019	Change
Managers	46	44	2
Middle managers and office staff	963	1,039	(76)
Shop employees	2,655	2,602	53
Factory workers	1,244	1,388	(144)
Total	**4,908**	**5,073**	**(165)**

The average number of employees for first half 2020 amounted to 4,908, showing a reduction of 165 employees compared with first half 2019.

8. Net financial expenses

This item is made up as follows:

	I half 2020	I half 2019	Change
Interest income	2,147	2,860	(713)
Interest expense	(5,732)	(7,569)	1,837
Exchange differences	(447)	(192)	(255)
Total	**(4,032)**	**(4,901)**	**869**

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Interest income is made up as follows:

	I half 2020	I half 2019	Change
Interest from banks	17	22	(5)
Interest from customers	18	90	(72)
Other interest income	2,112	2,748	(636)
Total	**2,147**	**2,860**	**(713)**

Other interest income mainly consists of the effect of accounting for financial derivatives as explained in note 31.

Interest expense is made up as follows:

	I half 2020	I half 2019	Change
Bank interest and charges	75	102	(27)
Interest on loans	233	141	92
Interest on leases	2,132	2,570	(438)
Other interest expense	2,128	2,936	(808)
Financial discounts and allowances	1,164	1,820	(656)
Total	**5,732**	**7,569**	**(1,837)**

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 1.46%.

Other interest expense mainly consists of the effect of accounting for financial derivatives as explained in note 31.

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

Exchange differences are made up as follows:

	I half 2020	I half 2019	Change
Exchange gains	16,033	13,602	2,431
Exchange losses	(16,480)	(13,794)	(2,686)
Total	**(447)**	**(192)**	**(255)**

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9. Income taxes

Income taxes for first half 2020 show a positive effect of Euro 6,027 thousand, compared to a cost of Euro 2,858 of the first half 2019.

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

	I half 2020	%	I half 2019	%
PBT	(87,968)	100.0%	(2,125)	100.0%
Theoretical income taxes (*)	(21,112)	24.0%	(510)	24.0%
Effective income taxes	(6,027)	n.a.	2,858	n.a.
Difference due to:	**15,085**	**n.a.**	**3,368**	**n.a.**
1) different tax rates applicable in other countries	(65)	n.a.	259	n.a.
2) permanent differences:				
i) IRAP and other local taxes	(103)	n.a.	490	n.a.
ii) write-downs of deferred tax assets and other	15,253	n.a.	2,619	n.a.
Total difference	**15,085**	**n.a.**	**3,368**	**n.a.**

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

It should be noted that the tax amount has been affected by the prudent choice not to make a provision for deferred tax assets equal to approximately Euro 15.2 million (Euro 2.5 million in the first half of 2019), while the new 2021-2023 business plan is being defined; these deferred tax assets refer to the tax losses generated in the first half of 2020 in relation to which, as at the date of this report, there is not reasonable certainty that sufficient taxable income will be generated in the future to recover them.

10. Earnings per share

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

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

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

	I half 2020	I half 2019
Earning/(Loss) per share (Euro)	(0.32)	(0.02)
Diluted earning/(loss) per share (Euro)	(0.32)	(0.02)
Weighted average number of shares outstanding:		
- basic	257,857,268	259,181,486
- diluted	257,857,268	259,181,486

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11. Intangible assets

Intangible assets are made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Industrial patents and intellectual property rights	10,517	12,865	(2,348)
Trademarks, concessions and licenses	374	429	(55)
Key money	20,965	25,169	(4,204)
Assets in process of formation and payments on account	5,015	3,766	1,249
Other intangible assets	556	764	(208)
Goodwill	1,138	1,138	-
Total	**38,565**	**44,131**	**(5,566)**

The following table shows the changes in intangible assets during first half of 2020:

	12-31-19	Purchases and capital.	Transla-tion Differen-ces	Amort./ write-down	Other Changes	06-30-20
Intangible assets with finite useful life:						
Industrial patents and intellectual property rights	12,865	607	-	(3,326)	371	10,517
Trademarks, concessions and licenses	429	5	-	(60)	-	374
Key money	25,169	532	(25)	(4,728)	17	20,965
Other intangible assets	764	-	-	(208)	-	556
Assets in process of formation and payments on account	3,766	1,637	-	-	(388)	5,015
Intangible assets with an indefinite useful life:						
Goodwill	1,138	-	-	-	-	1,138
Total intangible assets	**44,131**	**2,781**	**(25)**	**(8,322)**	**-**	**38,565**

Investments during the period mainly concern:

- personalization of the IT system and software utilization licenses for a total of Euro 452 thousand, costs incurred for registration, extension and protection of patents in various parts of the world for Euro 155 thousand;
- key money costs (Euro 532 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 Euro1,637 thousand. Such amounts include the sums paid for the further implementations and customizing of the new IT system.

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12. Property, plant and equipment

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

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Changes
Land and buildings	8,365	8,777	(412)
Plant and machinery	6,606	7,776	(1,170)
Industrial and commercial equipment	2,828	3,342	(514)
Other assets	14,999	14,783	216
Leasehold improvements	23,189	25,666	(2,477)
Construction in progress and payments on account	1,294	887	407
Total	**57,281**	**61,231**	**(3,950)**

The following table shows the changes in property, plant and equipment during first half of 2020:

	12-31-19	Purchases and capital.	Translation differences	Amort./ write-down	Disposals	Other changes	06-30-20
Land and buildings	8,777	1	42	(455)	-	-	8,365
Plant and machinery	7,776	57	17	(1,244)	-	-	6,606
Industrial and commercial equipment	3,342	1,055	(4)	(1,565)	(2)	2	2,828
Other assets	14,783	2,179	(88)	(1,934)	(78)	137	14,999
Leasehold improvements	25,666	2,544	(105)	(4,930)	(141)	155	23,189
Construction in progress and payments on account	887	708	(7)	-	-	(294)	1,294
Total	**61,231**	**6,544**	**(145)**	**(10,128)**	**(221)**	**-**	**57,281**

Investments during the period mainly concern:

- 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 304 thousand and to premises fitted out as Geox Shop for Euro 2,240 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.

Other assets are made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Electronic machines	2,758	2,875	(117)
Furniture and fittings	11,794	11,497	297
Motor vehicles and internal transport	447	411	36
Total	**14,999**	**14,783**	**216**

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13. Right-of-use assets

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

	Saldo al 30-06-2020	Saldo al 31-12-2019	Variazione
Right-of-use – Apartments	355	507	(152)
Right-of-use – Building	254,747	297,214	(42,467)
Right-of-use - Cars and Trucks	817	964	(147)
Total Right-of-use	**255,919**	**298,685**	**(42,766)**

The following table shows the changes in Right-of-use assets during first half of 2020:

	12-31-19	Translation differences	Net increases	Amort./write-down	Other movements	06-30-20
Right-of-use assets	**298,685**	(1,421)	4,878	(44,870)	(1,354)	**255,918**

The increases refers to new lease contracts signed over the course of first half 2020, mainly for Geox Shops, or renegotiations of existing contracts.

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14. Deferred taxes

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

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Carry-forward tax losses	4,207	4,207	-
Depreciation and amortization and impairment	9,680	7,574	2,106
Evaluation derivates	-	133	(133)
Provision for obsolescence and slow-moving inventory and returns	19,121	14,863	4,258
Provision for agents' severance indemnities	523	522	1
Other	8,414	8,440	(26)
Deferred tax assets	**41,945**	**35,739**	**6,206**
Depreciation and amortization	(177)	(175)	(2)
Evaluation derivates	(1,068)	-	(1,068)
Other	(105)	(64)	(41)
Deferred tax liabilities	**(1,350)**	**(239)**	**(1,111)**
Total deferred taxes	**40,595**	**35,500**	**5,095**

Prepaid tax assets, net of deferred tax liabilities, were also analysed and written down, to the extent that sufficient future taxable income is not expected to be available to allow for them to be partially or fully used.
In order to calculate projections of future taxable income, considered for the purposes of recovering the prepaid tax assets of Group companies, reference was made to the income simulations completed for the period between the second half of 2020 and 2025, updating the income simulations carried out when the 2019 financial statements were approved with management's up-to-date and more precise estimate regarding business performance. In particular, changes have been made to the income simulations used to value prepaid tax assets at 31 December 2019, in order to reflect the negative impact of Covid-19.

The deferred tax assets on carry-forward tax losses 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. which is considered recoverable in the time frame covered by the aforementioned income simulations.
This amount has been subjected to a strict evaluation by the directors in order to book it only if future taxable profit are likely to occur, against which such losses can be utilized.

Derivatives that are defined as cash flow hedges and valued on a mark-to-market basis booked directly to equity require all related taxes also to be booked directly to equity and not to the income statement.
The deferred tax liabilities booked directly to equity amount to Euro 1,068 thousand (tax assets amounting to Euro 133 thousand in 2019).

Deferred tax assets included in "Other" are mainly related to the provision for bad and doubtful accounts (note 17) and provisions for liabilities and charges (note 28).

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

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15. Other non-current assets

Other non-current assets are made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Accounts receivable from others in 1 to 5 years	6,025	6,390	(365)
Accounts receivable from others in more than 5 years	2,686	2,684	2
Total	**8,711**	**9,074**	**(363)**

Non-current assets mainly relate to guarantee deposits for utilities and shop leases and accounts receivable, payable more than 1 year.

16. Inventories

The following table shows the breakdown of inventories:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Raw materials	13,075	9,803	3,272
Work in process and semi-finished products	2,015	1,812	203
Finished products and goods for resale	270,735	272,269	(1,534)
Furniture and fittings	682	705	(23)
Total	**286,507**	**284,589**	**1,918**

It should be noted that the temporary closure of stores right at the start of the 2020 spring-summer season led to an abnormal increase in the estimates of unsold stock at the end of the season.
For this reason, the Group had to carefully reassess its strategy to release products to the distribution network, in order to reduce future purchases on the basis of the availability of products from the current season, given that the latter has effectively not been presented to the market, by attempting to use these products during the transition period moving towards the next autumn-winter collection (for which purchases have already been significantly reduced) and by partly re-proposing them as part of the 2021 spring-summer collection.

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 14,965 thousand (Euro 14,320 thousand as at December 31, 2019).

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.

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

Balance at January 1	**21,085**
Provisions	37,330
Translation differences	(69)
Utilizations	(20,728)
Balance at June 30	**37,618**

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

17. Accounts receivable

Accounts receivable are made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Gross value	137,843	136,139	1,704
Provision for bad and doubtful accounts	(20,247)	(13,961)	(6,286)
Net value	**117,596**	**122,178**	**(4,582)**

Accounts receivable amounted to Euro 137,843 thousand at June 30, 2020.

The following is an ageing analysis of accounts receivable:

	Not yet due	Past due 0 - 90 days	Past due 91 - 180 days	Past due over 180 days	Total
Gross value of trade receivables at June 30, 2020	61,976	35,406	19,983	20,478	**137,843**
Gross value of trade receivables at December 31, 2019	89,291	26,531	8,616	11,701	**136,139**

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

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

The Group continues to maintain tight control over credit. This management practice ensures that the investment in working capital is limited.

Accounts receivable are adjusted to their estimated realizable value by means of a provision for bad and doubtful accounts based on a review of individual outstanding balances. The provision at June 30, 2020 represents a prudent estimate of the current collection risk.

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Changes in the provision during the year are as follows:

Balance at January 1	**13,961**
Provisions	6,814
Translation differences	(67)
Utilizations	(461)
Balance at June 30	**20,247**

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.

18. Other non-financial current assets

This item is made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Tax credits	5,009	4,820	189
VAT recoverable	8,274	3,923	4,351
Advances to vendors	1,956	1,326	630
Other receivables	6,514	6,968	(454)
Accrued income and prepaid expenses	6,185	6,421	(236)
Total	**27,938**	**23,458**	**4,480**

As at June 30, 2020 the Group has a tax credit for an amount of Euro 550 thousand (Euro 1,892 thousand as of December 31, 2019) towards the ultimate Parent Company LIR S.r.l..

Other receivables include:

- Euro 1,727 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received;
- Euro 509 thousands due from factoring companies (arising from non-recourse factoring transactions)
- Euro 1,163 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.

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19. Financial assets and liabilities

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

The following table shows the breakdown of this item:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Term bank deposits	24	24	-
Total non current financial assets	**24**	**24**	**-**
Fair value derivative contracts	6,397	2,366	4,031
Other current financial assets	1,424	1,282	142
Total current financial assets	**7,821**	**3,648**	**4,173**
Fair value derivative contracts	(479)	(1,177)	698
Other current financial liabilities	(128)	(82)	(46)
Total current financial liabilities	**(607)**	**(1,259)**	**652**

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 31.

20. Cash and cash equivalents

The amount of Euro 66,172 thousand relates to short term deposits for Euro 2,905 thousand, a current account in Euro for Euro 49,007 thousand, a current account in US Dollars for Euro 3,897 thousand, a current account in Chinese Yuan for Euro 1,779 thousand, a current account in Canadian Dollars for Euro 1,705 thousand, a current account in British Pound for Euro 1,921 thousand, a current account in Swiss Franc for Euro 1,326 thousand, a current account in Hungarian Forint for Euro 647 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.

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21. Equity

Share capital

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

Other reserves

This item is made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Legal reserve	5,184	5,184	-
Share premium reserve	37,678	37,678	-
Translation reserve	(3,174)	(2,267)	(907)
Reserve for cash flow hedges	3,455	(582)	4,037
Retained earnings	236,918	261,523	(24,605)
Total	**280,061**	**301,536**	**(21,475)**

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 3,455 thousand, originated as a result of valuing the financial instruments defined as cash flow hedges at June 30, 2020. Fair value valuation of cash flow hedges is stated net of the tax effect as explained in greater detail in note 31. This reserve is not distributable.

The decrease in Retained earnings item refers to the allocation of 2019 result.

Amounts are shown net of tax, where applicable.

22. Employee severance indemnities

Employee severance indemnities at June 30, 2020 amount to Euro 2,698 thousand, as shown in the following table:

Balance at December 31, 2019	**2,841**
Reversal of 0.50% withholding	(93)
Reversal of 11% flat-rate tax	(2)
Payments to supplementary pension schemes	(542)
Advances granted to employees	(210)
Provision for the period	1,898
Payments to supplementary pension schemes run by INPS net of amounts paid to leavers	(1,041)
Change as a result of actuarial calculations	(156)
Translation differences	3
Balance at June 30, 2020	**2,698**

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Changes in the provision for severance indemnities during first half 2020 show a utilization of Euro 542 thousand for payments to supplementary pension funds and one of Euro 1,041 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+): 0.86%
- rate of severance indemnities increase: 2.4%
- inflation rate: 1.20%

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	(33)
-1% employee turnover rate	38
+1/4% inflation rate	52
-1/4% inflation rate	(50)
+1/4% discount rate	(77)
-1/4% discount rate	81

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23. Provisions for liabilities and charges

This item is made up as follows:

	Balance at Dec. 31, 19	Utilization	Provisions	Translation differences	Actuarial adjustment	Balance at June 30, 20
Provision for agents' severance indemnities	4,964	(40)	40	(79)	(58)	4,827
Other	309	-	-	-	-	309
Total	**5,273**	**(40)**	**40**	**(79)**	**(58)**	**5,136**

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 287 thousand.

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

24. Long-term loans, Bank borrowings and current portion of long-term loans

This item is made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Bank loans	55,320	10,439	44,881
Other loans	62	123	(61)
Total long-term loans	**55,382**	**10,562**	**44,820**
Cash advances	11,672	6,041	5,631
Loans	44,001	27,318	16,683
Advances against orders	50,980	-	50,980
Total bank borrowings short term	**106,653**	**33,359**	**73,294**
Other Loans	183	388	(205)
Total bank borrowings and current portion of long term loans	**106,836**	**33,747**	**73,089**

Long term loans amount to Euro 55,382 thousand, showing an increase of Euro 44,820 compare to December 31, 2019, while bank borrowings amount to Euro 106,836 with an increase of Euro 73,089 thousand. This increase in debt is mainly due to the significant one-off absorption of cash caused by Covid-19, in addition to the normal seasonality of the business.
The Group provided adequate lines of credit available thanks to the fact that, since the beginning of the emergency, it has implemented a strategy to cover its financing needs. The aim of this strategy is to ensure that the sources of financing remain as coherent as possible with funding requirements, in order to have the right balance between short-term lines of credit to deal with normal business seasonality, medium-term

financing to manage the temporary one-off absorption of cash caused by the COVID-19 emergency and long-term financing to also support the investments required to develop a truly omnichannel business model that perfectly integrates physical and digital stores.

The item “Bank loans” includes the long-term portion of the loans obtained from banks by Geox S.p.A. (Euro 54,850 thousand) and by the subsidiary company Geox Suisse SA (Euro 470 thousand).

Short term bank borrowings amount to Euro 106,653 thousand, showing an increase of Euro 73,294 thousand compared to December 31, 2019. Item “Loans” includes the portion due within 12 months (Euro 23.0 million) of the long term loans and the revolving credit lines for an amount of Euro 21.0 million.

Loans are not subject to financial covenants.
It should be noted that the Group has not had to resort to suspending loan repayments.

Loans towards other providers of funds refer to the loan obtained from a finance company (IBM Italia servizi finanziari S.r.l.) for the purchase of hardware and software systems.

25. 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 June 30, 2020	Balance at Dec. 31, 2019	Change
Long term lease liabilities - third parties	197,030	217,786	(20,756)
Long term lease liabilities - related parties	18,373	21,222	(2,849)
Total long term lease liabilities	**215,403**	**239,008**	**(23,605)**
Short term lease liabilities - third parties	61,056	56,705	4,351
Short term lease liabilities - related parties	7,567	5,671	1,896
Total short term lease liabilities	**68,623**	**62,376**	**6,247**
Total lease liabilities	**284,026**	**301,384**	**(17,358)**

The following table shows the changes lease liabilities during first half 2020:

	12-31-19	Translation Differences	Net increases	Payments	06-30-20
Total Lease liabilities	**301,384**	(1,444)	4,878	(20,792)	**284,026**

It should be noted that the Group, during second quarter of 2020, has made a suspension of rent payments for stores during the time they were closed (April and the first half of May) and the partial payment of rent during the second half of May and June after they were reopened, based on sales performance. This approach is in line with the ongoing talks being held with the various landlords, aimed at renegotiating the contractual agreements in place, bringing them more in line with the changes to the economic scenario; this involves introducing variable rents based on the level of turnover, at least while there is reduced footfall caused by the restrictive measures and the strong reduction in tourist numbers. As of today, these closed talks with landlords

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have undoubtedly proven to be challenging, but the Group has already signed a number of agreements and many others are in an advanced phase of negotiation. The Group is also convinced that the right thing is to terminate the relative agreement if solutions cannot be found that reflect current market values.
At 30 June 2020, unpaid rent amounted to Euro 12 million, referring exclusively to the second quarter (i.e. during the most severe phase of the lockdown).

The weighted average of the interest borrowing rate of the year is 1.46%.

26. Other long-term payables

This item is made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Guarantee deposits	384	524	(140)
Accrued expenses and deferred income	2,969	3,276	(307)
Total	**3,353**	**3,800**	**(447)**

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 2,743 thousand.

27. Trade payables

The item is made as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Accounts payable	137,534	183,898	(46,364)
Provision for returns	43,326	40,148	3,178
Total	**180,860**	**224,046**	**(43,186)**

Accounts payable at June 30, 2020 amount to Euro 137,534 thousand, showing a decrease of Euro 46,364 thousand if compared with December 31, 2019.
The reduction in the aforementioned payables is in line with the need to absorb working capital, in order to reduce future financing requirements. The lower payables reported at 30 June are mainly linked to the effects of the reduction in purchases for the autumn-winter collection (-21%) compared with both initial forecasts and the previous year.
It should also be noted that the Group has made all payments to its supply chain on time and has not had to resort to suspending loan repayments.

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.

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

Changes in the refund liabilities during first half 2020 are as follows:

Balance at January 1	**40,148**
Provisions	36,788
Translation differences	(149)
Utilizations	(33,461)
Balance at June 30	**43,326**

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 increase in the provision booked in the first half 2020, compared to last year, is mainly due to the forecast of higher returns from franchising stores following the significant reduction in spring/summer sales.

28. Other non-financial current liabilities

This item is made up as follows:

	Balance at June 30, 2020	**Balance at Dec. 31, 2019**	**Change**
Social security institutions	5,427	4,514	913
Employees	12,041	12,065	(24)
Provisions for liabilities and charges	7,493	9,201	(1,708)
Other payables	5,829	6,087	(258)
Accrued expenses and deferred income	2,697	2,988	(291)
Total	**33,487**	**34,855**	**(1,368)**

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

The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of June 30, 2020.

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.

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29. Taxes payable

This item is made up as follows:

	Balance at June 30, 2020	Balance at Dec. 31, 2019	Change
Witholding taxes	4,120	3,682	438
VAT payable	6,171	6,225	(54)
Corporate income taxes	411	595	(184)
Total	**10,702**	**10,502**	**200**

30. 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, 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.

31. 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 June 30, 2020, the Group's indebtedness to the banking system amounts to Euro 162.0 million and is mainly 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.

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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 322 thousand.

Exchange risk

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

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

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

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

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

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

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

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

There have been no substantial changes in first half 2020 in the nature or structure of exposure to currency risk or in the Group's hedging policies.

Liquidity risk

The sector in which the Group operates is very seasonal in nature. The year can be split into two collections (Spring/Summer and Fall/Winter), which more or less coincide with the first and second half. On the one hand, purchases and production are concentrated in the three months prior to the half-year in question, leading to an increase in inventory and, subsequently, the absorption of cash. On the other 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 January to April and in July to October.

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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.

The COVID-19 emergency has led the entire sector to face a significant one-off absorption of cash, in addition to the normal seasonality of the business. In particular, the temporary closure of stores and the slowdown in receiving payments from wholesale and franchising clients led to a temporary negative cash flow during the second quarter. This was caused by the abnormal increase in working capital as a result of the lack of takings from stores, unsold stock and unpaid receivables.
With reference to the situation described above and the direct impacts on the assessment of liquidity risk, the Directors do not believe that the effects of the aforementioned events are such as to undermine the Group's ability to fulfil its payment commitments, taking into consideration the lines of credit that are currently available but have not yet been used, as well as the new financing obtained from banks during the first months of 2020.
On this basis, the Company's Management has concluded that, despite the difficult economic and financial context, there is no uncertainty regarding the ability to continue operating as a going concern, considering the existing levels of capitalisation and given that there are no financial, management or operational indicators flagging up critical issues regarding the Group’s ability to fulfil its obligations in the foreseeable future and, in particular, over the next 12 months.

Fair value and related hierarchy

As at June 30, 2020 financial instruments are as follows:

	Notional value on 06-30-20	Fair value on 06-30-20 (debit)	Fair value on 06-30-20 (credit)	Notional value on 12-31-19	Fair value on 12-31-19 (debit)	Fair value on 12-31-19 (credit)
FX Forward buy agreements to hedge exch. rate risk	80,521	1,010	(249)	65,208	770	(145)
FX Forward sell agreements to hedge exch. rate risk	92,959	1,672	(230)	95,050	188	(1,032)
FX Currency Option agreem. to hedge exch. rate risk	171,716	3,715	-	245,085	1,408	-
Total financial assets/(liabilities)	**345,196**	**6,397**	**(479)**	**405,343**	**2,366**	**(1,177)**

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

The following levels are used in this hierarchy:

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

All the financial assets and liabilities measured at fair value at June 30, 2020 are classified on Level 2. In first half 2020 there were no transfers from Level 1 to Level 2 or to Level 3 or vice versa.

The Group holds the following derivatives to cover exchange rate fluctuations at June 30, 2020:

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

These agreements hedge future purchases and sales planned for the Fall/Winter 2020 and Spring/Summer 2021 seasons.

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The fair value mentioned above agrees with the amount shown in the balance sheet. The fair value measurement of the derivatives being analyzed was carried out by means of independent valuation models on the basis of the following market data posted on June 30, 2020:

- 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.

32. 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 first half 2020 and 2019 are summarized below:

	Total I half 2020	**Parent company**	**Affiliated company**	**Total of which related parties**	**Effect on Total (%)**
Net sales	**243,618**	-	242	**242**	**0.10%**
Cost of sales	**(143,789)**	-	234	**234**	**(0.16%)**
General and administrative expenses	**(138,103)**	7	(9)	**(2)**	**0.00%**
Advertising and promotion	**(10,198)**	(82)	-	**(82)**	**0.80%**
Net financial expenses	**(4,032)**	(23)	(191)	**(214)**	**5.30%**
Income taxes	**6,027**	(81)	-	**(81)**	**(1.34%)**

	Total I half 2019	**Parent company**	**Affiliated company**	**Total related parties**	**Effect on Total (%)**
Net sales	**399,442**	-	178	**178**	**0.04%**
Cost of sales	**(196,114)**	-	28	**28**	**(0.01%)**
General and administrative expenses	**(165,137)**	28	(21)	**7**	**0.00%**
Advertising and promotion	**(12,987)**	(82)	(1)	**(83)**	**0.64%**
Net financial expenses	**(4,901)**	(19)	(238)	**(257)**	**5.24%**

The main effects on financial statement of the transactions with these parties at June 30, 2020 and at December 31, 2019 are summarized below:

	Balance at June 30, 2020	**Parent company**	**Affiliated company**	**Total of which related parties**	**Effect of Total (%)**
Accounts receivable	**117,596**	9	650	**659**	**0.56%**
Other non-financial current assets	**27,938**	560	443	**1,003**	**3.59%**
Non-current lease liabilities	**215,403**	1,832	16,541	**18,373**	**8.53%**
Trade payables	**180,860**	246	488	**734**	**0.41%**
Current lease liabilities	**68,623**	242	7,325	**7,567**	**11.03%**

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	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%**

33. Commitments and contingent liabilities

The future rental payments under lease contracts, excluded from the application of IFRS 16, as of June 30, 2020 are as follows:

	06-30-2020
Within 1 year	10,318
Within 1-5 years	20,349
Beyond 5 years	6,498
Total	**37,165**

34. Significant subsequent events after June 30, 2020

On July 30, 2020 the Group completed its already solid financial structure to support its business and investments over the next three years, by signing a loan agreement for a total of Euro 90 million, obtained thanks to its solid track record in terms of balance sheet and financial indicators. Pursuant to the provisions of Italian Decree Law no. 23 of 8 April 2020, SACE (export credit insurance company) promptly issued a so-called “Italy guarantee”, through the simplified procedure, for 90% of the amount granted by the banks, following an in-depth investigation. This loan will mainly be used to cover personnel costs and investments, as well as working capital dynamics for production facilities and business activities in Italy. The loan has a maximum duration of 6 years, with a 24-month grace period and quarterly repayments.

On September 08, 2020, Geox Canada Inc., the company controlled indirectly by Geox S.p.A. that oversees the Group's distribution activity in Canada, opted for a business reorganisation process, as provided for by Canadian legislation (BIA, §50(1)), known as ‘Notice of Intention to make a proposal’ (‘NoI’). The NoI procedure is expected to be completed in a relatively short amount of time and, in any case, within six months. This initiative is aimed at accelerating and strengthening the negotiation and rationalization process already launched over recent months, favouring the termination of rent contracts that are no longer deemed profitable and strategic and for which renegotiations have not produced the expected results. This approach confirms the Group's firm commitment to terminate contracts should reasonable solutions not be reached given the current context.
The final number of stores in the network will depend on the new negotiations with store landlords, although there will be more than the seven closures already announced.
As of today, the need to accelerate in the initiatives already implemented has been made all the more urgent by the effects of Covid-19. The aim is to launch a business model as soon as possible that can meet the requirements of the “new normal”, with a view to implementing an exclusively omnichannel approach to distribution and operations; this model shall also redefine all points of contact and customer service from an economic, financial and strategic point of view. In fact, eight months after the start of the pandemic, in-store footfall in North America is still less than half that of previous levels, due to the lack of tourists in internationally

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oriented cities such as New York, Toronto and Vancouver, and given the specific structure of the distribution network in these countries, characterised by large shopping centres that have been particularly badly affected by restrictions on access and on people's mobility. In this context, current rents, based on pre-COVID contracts, do not reflect the requirements of this new scenario and ongoing closed negotiations in these areas are only leading to short-term rent reductions.
Geox Group believes that the physical store network will continue to play 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. Stores will no longer simply represent the end point of the sale process, with customers completing their purchases at the cash desk; they will instead become real showrooms, developing their role in carefully selected local hubs, acting as a catalyst for a range of services and allowing customers to experience Geox products, at the same time as being perfectly integrated with the digital channel.
With this strategic approach in mind, the Group therefore intends to speed up its review of the distribution network in Canada, focusing on the direct e-commerce channel (+70% in 2019 and +104% in the first half of 2020), on the wholesale channel and on a selected number of directly operated stores (DOS), which are able to take on the strategic importance described above, thanks to their healthy business/financial position.

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Biadene, Montebelluna, September 17, 2020

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

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Attachment 1

Biadene, Montebelluna, September 17, 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 the first half of 2020.

They also confirm that the consolidated financial statements:

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

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

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of June 30, 2020 and for the first half 2020;

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

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

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Company's data and information for Shareholders

Registered office

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

Legal data

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

Investor Relations

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Documents for shareholders

www.geox.biz
(investor relations section)

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

To the Shareholders of
Geox S.p.A.

Introduction

We have reviewed the half-yearly condensed consolidated financial statements of Geox S.p.A. and subsidiaries (Geox Group), which comprise the consolidated statement of financial position as of June 30, 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Geox Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Boaro
Partner

Udine, Italy
September 25, 2020

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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