GEOX

PRESS RELEASE - FIRST HALF 2016 RESULTS

**+5.5% INCREASE IN REVENUES THANKS TO POSITIVE PERFORMANCE RECORDED ACROSS ALL SALES CHANNELS AND, IN PARTICULAR, IN THE WHOLESALE CHANNEL, UP 9.9%, AND IN THE ON LINE CHANNEL, UP BY OVER 30%**

**IN THE FIRST HALF OF THE YEAR, ADVERTISING INVESTMENTS WERE INCREASED BY EURO 6 MILLION, REACHING EURO 25 MILLION OVERALL. THE OBJECTIVE WAS TO FURTHER STRENGTHEN THE BRAND, BOOST STORE SALES AND, WITH REGARD TO THE WHOLESALE CHANNEL, INCREASE ORDER COLLECTION FOR THE 2016 FALL/WINTER SEASON, WHICH HAS ALREADY REPORTED A GROWTH OF 14%, CONFIRMING EXCELLENT PERFORMANCE ACROSS ALL GEOGRAPHIC AREAS.**

- **Sales: Euro 450.3 million, +5.5% (Euro 426.9 million in the first half of 2015)**
- **EBITDA: Euro 22.1 million (Euro 26.6 million in the first half of 2015)**
- **EBIT: Euro 4.6 million (Euro 7.4 million in the first half of 2015)**
- **Net Financial Position: Euro -27.7 million (+20.8 million as of December 31, 2015, +27.6 million as of June 30, 2015)**

**Biadene di Montebelluna, July 28, 2016** – The Board of Directors of Geox S.p.A., one of the leading brands worldwide in the classic and casual footwear market listed on the Milan Stock Exchange (MSE: GEO.MI), approved today the first half 2016 financial results.

Mario Moretti Polegato, Chairman and founder of Geox, commented: "A solid growth in turnover was recorded in the first half of the year, despite somewhat challenging consumption trends.

Revenues recorded a 5.5% increase thanks to the positive performance across all sales channels and in the company's main markets. In particular, the wholesale channel reported a growth of 9.9% with the on line channel up by over 30% and sales also increased for both our directly operated and franchised mono-brand stores, by 1.7% and 4.5% respectively.

With regard to the second half of the year, encouraging results have already been recorded by the wholesale channel, with a 14% growth in order backlog thanks to excellent performance across all geographic areas.

These achievements are a result of the ongoing implementation of our development strategy, investments in product innovation -representing our hallmark and competitive advantage-, the high degree of specialization of our sales channels and the significant investments made in advertising in order to boost both in-store sales and order collection during the sales campaign. Furthermore, we must remain vigilant in the management of costs, margin and channel specialization.

Looking towards the future, I am therefore confident that the solid foundations of our business will continue to support our growth, helping us to face the challenges posed by volatile macroeconomic conditions and currency market fluctuations."

## THE GROUP'S ECONOMIC PERFORMANCE

Sales

First half 2016 consolidated net sales increased by 5.5% to Euro 450.3 million (+6.1% at constant forex). Footwear sales, which accounted for about 91% of consolidated sales, amounting to Euro 410.1 million, increased 5.1% compared to first half of 2015. Apparel sales, which represented 9% of consolidated sales, are equal to Euro 40.2 million, compared to Euro 36.6 million of the first half 2015, with an increase of 9.9%.

| (Thousands of Euro) | I half 2016 | % | I half 2015 | % | Var. % |
|---|---|---|---|---|---|
| Footwear | 410,081 | 91.1% | 390,363 | 91.4% | 5.1% |
| Apparel | 40,194 | 8.9% | 36,564 | 8.6% | 9.9% |
| **Net sales** | **450,275** | **100.0%** | **426,927** | **100.0%** | **5.5%** |

Sales in Italy, which accounted for 32% of sales (33% in the first half of 2015) amounted to Euro 143.6 million showing a 1.0% increase compared to first half of 2015.

Sales in Europe, which accounted for 43% of sales increased by 7.1% to Euro 195.8 million, compared with Euro 182.8 million in the first half of 2015.

North American sales amounted to Euro 30.1 million, showing an increase of 4.6% (+9.4% at constant exchange rates). Sales in Other Countries increased by 10.4% compared to the first half of 2015 (+12.3% at constant forex).

| (Thousands of Euro) | I half 2016 | % | I half 2015 | % | Var. % |
|---|---|---|---|---|---|
| Italy | 143,609 | 31.9% | 142,216 | 33.3% | 1.0% |
| Europe (*) | 195,811 | 43.5% | 182,814 | 42.8% | 7.1% |
| North America | 30,076 | 6.7% | 28,751 | 6.7% | 4.6% |
| Other countries | 80,779 | 17.9% | 73,146 | 17.1% | 10.4% |
| **Net sales** | **450,275** | **100.0%** | **426,927** | **100.0%** | **5.5%** |

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

Sales of the DOS channel, which represent 42% of Group revenues, grew 1.7% to Euro 187.4 million compared to the first half of 2015 (+2.5% at constant forex). The improvement is mainly driven by comparable store sales growth recorded on DOS channel (+1.8% against +6.4% from the first half last year). Like for like performance is positive in all countries excluding France and Belgium, following the recent events and in China, HK and Japan reflecting a low footfall.

Like for like performance year to date (week 1- week 29) is up 2.0% (+4.5% last year). After a solid start to the year, a slowdown in footfall was experienced in March and April, which wasn't completely offset by the better conversion rate. This trend was reversed in May and June, when an overall comparable growth of 3.5% was recorded, also thanks to the positive impact of the significant marketing initiatives implemented.

Sales of the franchising channel, which account for 16% of Group revenues, amount to Euro 73.5 million, with an increase of 4.5% (+5.0% at constant forex).

Wholesale stores representing 42% of Group revenues amount to Euro 189.4 million, with an increase of 9.9% (10.5% at constant forex).

| **(Thousands of Euro)** | **I half 2016** | **%** | **I half 2015** | **%** | **Var. %** |
|---|---|---|---|---|---|
| **Wholesale** | **189,403** | **42.1%** | **172,336** | **40.4%** | **9.9%** |
| Franchising | 73,493 | 16.3% | 70,296 | 16.5% | 4.5% |
| DOS* | 187,379 | 41.6% | 184,295 | 43.2% | 1.7% |
| **Geox Shops** | **260,872** | **57.9%** | **254,591** | **59.6%** | **2.5%** |
| **Net sales** | **450,275** | **100.0%** | **426,927** | **100.0%** | **5.5%** |

* Directly Operated Store

As of June 30, 2016, the overall number of Geox Shops was 1,151 of which 461 DOS. During the first half of 2016, 37 new Geox Shops were opened and 47 have been closed, in line with the rationalization plan of the DOS network.

| | **06-30-2016** | | **12-31-2015** | | **I half 2016** | | |
|---|---|---|---|---|---|---|---|
| | **Geox Shops** | **of which DOS** | **Geox Shops** | **of which DOS** | **Net Openings** | **Openings** | **Closings** |
| Italy | 359 | 132 | 360 | 131 | (1) | 7 | (8) |
| Europe (*) | 349 | 176 | 348 | 179 | 1 | 9 | (8) |
| North America | 44 | 44 | 47 | 47 | (3) | - | (3) |
| Other countries (**) | 399 | 109 | 406 | 119 | (7) | 21 | (28) |
| **Total** | **1,151** | **461** | **1,161** | **476** | **(10)** | **37** | **(47)** |

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

(**) Includes Under License Agreement Shops (144 as of June 30, 2016, 142 as of December 31, 2015). Sales from these shops are not included in the franchising channel.

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Cost of sales and Gross Profit

Cost of sales, as a percentage of sales, was 50.5% compared to 48.2% of the first half 2015, producing a gross margin of 49.5% (51.8% in the first half of 2015).

Gross margin dilution is due to the previously announced increase in product costs, mainly caused by the euro's depreciation against the dollar and the increased promotions introduced in order to stimulate consumer purchases amid difficult market conditions.

Operating expenses and Operating income (EBIT)

Selling and distribution expenses as a percentage of sales were 5.4% (6.0% in the first half of 2015).

General and administrative expenses were equal to Euro 168.8 million, in line with the first half of 2015. General and administrative expenses, as a percentage of sales, were 37.5% (39.6% in the first half 2015).

Advertising and promotions expenses were equal to Euro 25.1 million, 5.6% of sales, compared with Euro 19.1 million, 4.5% of sales, in the first half of 2015. This increase was due to the significant investment in advertising made in the first half in order to improve the weak LFL performance of March and April and to boost order collection during the FW16 Wholesale campaign.

The operating result (EBIT) is equal to Euro 4.6 million (1.0% on sales) compared with Euro 7.4 million of the first half of 2015 (1.7% on sales). EBITDA was Euro 22.1 million, 4.9% of sales, compared to Euro 26.6 million (6.2% on sales) of the first half of 2015.

The decrease in operating profit is due to the previously announced reduction in gross margin performance, which is linked to the euro's depreciation against the dollar, and to the significant investments in advertising made in the first half.

Income taxes and tax rate

Income taxes were equal to Euro 2.6 million in the first half of 2016, compared to Euro 2.2 million of the same period of the previous year.

## THE GROUP'S FINANCIAL PERFORMANCE

The Group balance sheet shows a negative financial position of Euro 27.7 million.

Operating working capital as a percentage of sales for the last 12 months is equal to 26.3%, compared to 23.1% in the first half of 2015. This variation is due to:

- an increase in inventories as a result of:
    - the 2016 Spring/Summer products currently on sale in stores
    - the earlier delivery of products for the upcoming 2016 Fall/Winter season compared to last year, in line with the increased order backlog and with the market demand (wholesale and retail) to receive products early

- the increase in trade receivables mainly explained by the growth of wholesale and franchising sales

- the increase in trade payables, in line with the timing of purchases of finished products

Before the fair value adjustment of derivatives, net financial position was Euro -32.9 million, compared to Euro +4.2 million of December 31, 2015. After fair value adjustment of derivatives, which positively affected 2016 first half for Euro 5.2 million (Euro 16.6 million as of December 31, 2015), net financial position was equal to Euro -27.7 million (Euro +20.8 million at the end of 2015).

## FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

With regard to the current financial year, the results achieved in the first half lead Management to confirm that 2016 will be a year of transition. In fact:

- the order backlog for the wholesale channel of the 2016 Fall/Winter season is in line with expectations, reporting a solid growth (+14%) thanks to excellent overall performance across all geographical areas.
  These results confirm the effectiveness of the strategic decisions made in terms of products, sales channel specialization, pricing and significant investments in advertising during order collection;

- the order backlog confirms the guidance regarding the 200-250 basis point expected reduction in gross margin, included in the Strategic Plan for 2016;

- LFL sales generated by DOS to date (week 1 – week 29), only report a slight increase of 2.0% (compared to the expected growth of +5%). This is due to a negative footfall trend in stores, being offset by a significant improvement in the conversion rate, which has been achieved also thanks to a number of additional promotions that have been introduced in order to combat difficult market conditions.

Furthermore, in order to face the impacts on profitability of this temporary slowdown in retail business, the Management has already implemented a number of measures and is planning further actions, with the following objectives:

- strict control and efficiency of G&A also through the renegotiation of store rents;
- marketing initiatives mainly aimed at increasing the conversion rate in the stores.

In light of the above, the Management believes that the actions taken to improve cost efficiency will, over the course of 2016, compensate for the negative impact on profitability caused by market weaknesses recorded in the first half of the year. Management also believes that profitability expectations for 2016 are to be considered challenging, and may only be achieved if the weak levels of consumption, brought about by the drop in store footfall, improve in the second half of the year, returning to the levels of retail growth and margin performance that were initially hypothesized (LFL: +6%, with fewer promotions).

## OTHER RESOLUTIONS: LIVIO LIBRALESSO NAMED GENERAL MANAGER FOR THE ADMINISTRATION, FINANCE, CONTROL, WITH THE EXTENSION OF RESPONSIBILITY TO REAL ESTATE DEVELOPMENT, LEGAL AND CORPORATE AFFAIRS AND IT DEPARTMENTS

Pursuant to art. 18 of the Bylaws and following the proposal of the Managing Director, with the approval of the Remuneration and Appointments Committee, the Board of Directors has appointed Dott. Livio Libralesso as General Manager for the Administration, Finance, Control, with the extension of responsibility to Real Estate Development, Legal and Corporate Affairs and IT departments. Dott. Libralesso was previously CFO for Geox Group.

With effect from today, Livio Libralesso will be responsible for supervising and coordinating the aforementioned departments, reporting directly to the Managing Director, with the aim of encouraging further integration between the group's business divisions and its business support departments, in order to pursue the strategy outlined by the Business Plan.

Livio Libralesso born in 1965 is the Chief Financial Officer (CFO) of the Geox Group. Prior to joining Geox in 2001, he was an auditor at one of the leading companies in the industry and held management positions in listed multinational companies such as Safilo and Benetton.
Livio Libralesso is an Auditor registered with the Registry of Auditors maintained by the Ministry of Justice and holds a degree in Economics and Business from the University of Venice.
The complete curriculum vitae of Livio Libralesso is available on the Company's website at www.geox.biz.
Livio Libralesso does not hold any Geox share as at today.

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

The manager responsible for the preparation of the company's financial documents, Mr. Livio Libralesso, hereby declares, in accordance with paragraph 2 article 154 bis of the Testo Unico della Finanza that, based on his knowledge, the accounting information contained in this document corresponds to the results documented in the books, accounting and other records of the company.

## FOR MORE INFORMATIONS

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## GEOX GROUP

The Geox Group operates in the classic and casual footwear sector for men, women and children, with a medium/high price level, and in the apparel sector. The success of Geox is due to the constant focus on the application of innovative solutions and technologies on the product that guarantee both impermeability and breathability. Geox is one of the leading brands in the "International Lifestyle Casual Footwear Market". Geox technology is protected by over 60 different patents registered in Italy and extended internationally.

## DISCLAIMER



## ANNEXES

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

2016 and 2015 results are reported under IAS/IFRS. Fiscal year 2015 results have been audited, while the first half 2015 and the first half 2016 have not been fully audited. Consolidated balance sheet and cash flow statement are reclassified with statements normally used by management and investors to assess the Group's results. The afore-mentioned reclassified financial statements do not meet the presentation standards set down by the IFRS and thus are not to be considered a replacement. However, since their contents are the same, they can be easily reconciled with those envisaged by the International Accounting Standards.

## CONSOLIDATED INCOME STATEMENT

| **(Thousands of Euro)** | **I half 2016** | **%** | **I half 2015** | **%** | **2015** | **%** |
|---|---|---|---|---|---|---|
| **Net sales** | **450,275** | **100.0%** | **426,927** | **100.0%** | **874,304** | **100.0%** |
| Cost of sales | (227,190) | (50.5%) | (205,939) | (48.2%) | (423,492) | (48.4%) |
| **Gross profit** | **223,085** | **49.5%** | **220,988** | **51.8%** | **450,812** | **51.6%** |
| Selling and distribution costs | (24,535) | (5.4%) | (25,623) | (6.0%) | (49,378) | (5.6%) |
| General and administrative expenses | (168,804) | (37.5%) | (168,901) | (39.6%) | (334,252) | (38.2%) |
| Advertising and promotion | (25,130) | (5.6%) | (19,108) | (4.5%) | (42,292) | (4.8%) |
| **EBIT** | **4,616** | **1.0%** | **7,356** | **1.7%** | **24,890** | **2.8%** |
| Net interest | (1,983) | (0.4%) | (4,014) | (0.9%) | (5,806) | (0.7%) |
| **PBT** | **2,633** | **0.6%** | **3,342** | **0.8%** | **19,084** | **2.2%** |
| Income tax | (2,605) | (0.6%) | (2,215) | (0.5%) | (9,076) | (1.0%) |
| *Tax rate* | *99%* | 0% | *66%* | | *48%* | |
| **Net result** | **28** | **0.0%** | **1,127** | **0.3%** | **10,008** | **1.1%** |
| **EPS (Earnings per shares)** | **0.00** | | **0.00** | | **0.04** | |
| **EBITDA** | **22,117** | **4.9%** | **26,609** | **6.2%** | **61,829** | **7.1%** |

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

## RECLASSIFIED CONSOLIDATED BALANCE SHEET

| (Thousands of Euro) | June 30, 2016 | Dec. 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Intangible assets | 56,390 | 57,751 | 58,001 |
| Property, plant and equipment | 64,041 | 68,373 | 67,376 |
| Other non-current assets - net | 46,546 | 51,695 | 53,942 |
| **Total non-current assets** | **166,977** | **177,819** | **179,319** |
| **Net operating working capital** | **236,105** | **193,763** | **196,300** |
| **Other current assets (liabilities), net** | **(17,070)** | **(13,649)** | **(22,065)** |
| **Net invested capital** | **386,012** | **357,933** | **353,554** |
| Equity | 350,277 | 370,863 | 372,383 |
| Provisions for severance indemnities, liabilities and charges | 8,002 | 7,859 | 8,776 |
| Net financial position | 27,733 | (20,789) | (27,605) |
| **Net invested capital** | **386,012** | **357,933** | **353,554** |

## OPERATING WORKING CAPITAL AND OTHER CURRENT ASSETS (LIABILITIES)

| (Thousands of Euro) | June 30, 2016 | Dec. 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Inventories | 343,979 | 304,810 | 266,789 |
| Accounts receivable | 129,472 | 112,978 | 107,786 |
| Accounts payable | (237,346) | (224,025) | (178,275) |
| **Net operating working capital** | **236,105** | **193,763** | 196,300 |
| ***% of sales for the last 12 months*** | ***26.3%*** | ***22.2%*** | ***23.1%*** |
| Taxes payable | (8,084) | (7,473) | (6,576) |
| Other non-financial current assets | 30,041 | 35,958 | 34,146 |
| Other non-financial current liabilities | (39,027) | (42,134) | (49,635) |
| **Other current assets (liabilities), net** | **(17,070)** | **(13,649)** | **(22,065)** |

## RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

| (Thousands of Euro) | I half 2016 | I half 2015 | 2015 |
|---|---|---|---|
| **Net result** | **28** | **1.127** | **10.008** |
| Depreciation, amortization and impairment | 17.501 | 19.253 | 36.939 |
| Other non-cash items | 7.205 | 6.995 | (9.037) |
| | **24.734** | **27.375** | **37.910** |
| Change in net working capital | (43.165) | 37.768 | 43.272 |
| Change in other current assets/liabilities | 10.095 | 8.924 | 3.578 |
| **Cash flow from operations** | **(8.336)** | **74.067** | **84.760** |
| Capital expenditure | (12.378) | (19.551) | (39.244) |
| Disposals | 272 | 435 | 1.118 |
| **Net capital expenditure** | **(12.106)** | **(19.116)** | **(38.126)** |
| **Free cash flow** | **(20.442)** | **54.951** | **46.634** |
| Dividends | (15.552) | - | - |
| **Change in net financial position** | **(35.994)** | **54.951** | **46.634** |
| **Initial net financial position - prior to fair value adjustment of derivatives** | **4.217** | **(41.012)** | **(41.012)** |
| Change in net financial position | (35.994) | 54.951 | 46.634 |
| Translation differences | (1.126) | (852) | (1.405) |
| **Final net financial position - prior to fair value adjustment of derivatives** | **(32.903)** | **13.087** | **4.217** |
| Fair value adjustment of derivatives | 5.170 | 14.518 | 16.572 |
| **Final net financial position** | **(27.733)** | **27.605** | **20.789** |