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FASHION AND TECHNOLOGY: A DOUBLE ITALIAN SOUL

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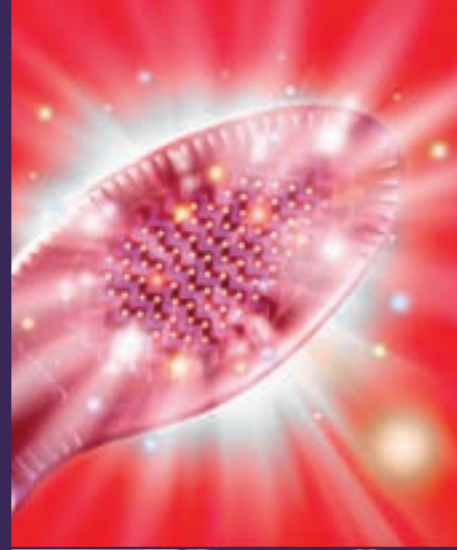


The success of Geox is based on a simple but brilliant idea: the shoe that breathes. Thanks to that idea Geox has become the leading footwear brand in Italy and the second in the world*.

“Geox was born in Italy, home to creativity and ideas. Each Geox product is the result of patented researches which are carried out in our laboratories. Each new collection is created by the best Italian designers. Geox breathes and walks all around the world thanks to its double soul made of Italian fashion and technology”.

Mario Moretti Polegato
Geox S.p.A. Chairman

* Lifestyle casual footwear market - Shoe Intelligence, 2010.



MISSION AND VALUES





GEOX - CODE OF ETHICS



GENOA UNIVERSITY

Geox stands out in the extremely competitive footwear and apparel market for its ability to make its products “breathe”. The Geox brand name is a combination of the Greek word “geo” (the earth on which we all walk) and the letter “x”, which symbolises technology.

The origin of the name Geox reflects the identity and vocation of a company that was born out of an idea that was revolutionary from a technological point of view, making comfort, wellness and health its corporate priorities. The company looks to the future “breathing” internally as well, through the practical application of the more powerful values that are inherent in the typical Veneto culture of “doing”, while always respectful of the quality of interpersonal relationships and corporate ethics.

The mission of Geox:
to offer wellness by constant development of new technologies at the service of the general public in compliance with interpersonal and corporate ethics.



PATENT CERTIFICATE

INNOVATION ABOVE ALL



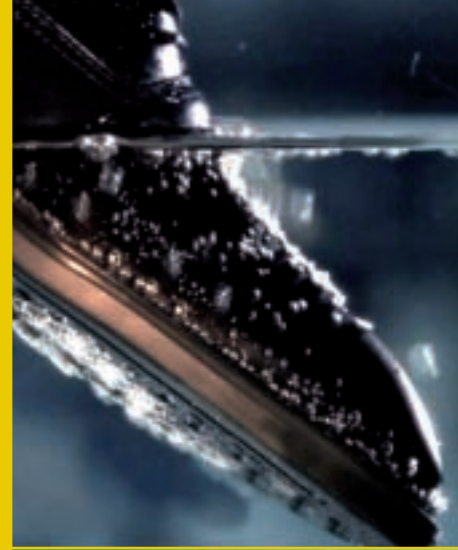
The development of the "breathing technology" is Geox's mission.

The company continues to invest in R&D in order to improve the existing lines and to launch new products able to combine the ability to breathe and to be waterproof.

As of today, the Geox Group has deposited over 50 patents in Italy, which have been extended internationally.

In 2010, the family of patents for rubber-soled shoes that can breathe, for leather-soled shoes that are waterproof, for sports footwear and for apparel, was joined by another innovation: shoes that breathe all over and that are completely waterproof.

With this innovation, Geox has revolutionised the concept of waterproof footwear by creating an integral system of protection and transpiration. An innovative solution that prevents water from entering the shoe, while at the same time guaranteeing its ability to breathe, as only Geox knows how.



A BRAND FOR THE WHOLE FAMILY





The Geox products are characterized by innovative technological solutions but also by comfort and a style that is in line with the latest fashion trends.

The Company's design center analyzes the new consumption trends, explores materials and ideas and designs a wide range of shoes in the classic, casual and sport lines for men, women and kids.

Based on the success of the Group's footwear products, Geox is developing the application of its technological solutions to the apparel sector.

The whole range of product makes Geox a "Family brand".

GEOX WORLDWIDE

VIENNA - Mariahilferstrasse



Geox is a wholly Italian idea but with a strong international vocation. Over the last few years, Geox has registered a constant international growth, and now operates in over 100 countries worldwide: over 60% of its turnover is achieved abroad, mainly in Europe.

Merit also goes to the accurate distribution strategy. In order to optimize the commercial penetration in the individual markets, Geox distributes its product through around 10,000 multi-brand selling points but also through a network of mono-brand shops, flagships of the Geox brand in the most important cities around the world.

Featuring an exclusive format and the innovative concept, the number of Geox shops is growing steadily (1,039 as of December 2010).



HIGH BRAND AWARENESS



TECHNICAL PARTNERSHIP - Red Bull

Thanks to an effective, clearly defined strategy implemented directly by the Company that focuses on the benefits of perspiration, consumers of every age associate Geox with the concept of "breathing". Its communication strategy involves various media and consists of advertising campaigns targeting kids, women and men".

In 2010 the Group decided to test new technologies by using the highly visible world of sport as a proving ground. The choice fell on Formula One, cycling and motorcycling. Three very different disciplines, but which have in common the hard physical and psychological conditions in which the athletes have to compete.



ADVERTISING - Magazine



SPONSORSHIP- Superbike



ADVERTISING - Billboards

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GEOX GROUP **ANNUAL REPORT 2010**

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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CHAIRMAN'S
LETTER
TO THE
SHAREHOLDERS

To the Shareholders,

2010 was an intense year; during which the Geox Group managed to cope successfully with the challenges that it faced in various markets.

The year closed with consolidated sales of Euro 850 million, substantially in line with the previous year; thanks to a satisfactory second half that turned in growth of 9%, with a positive performance in more mature markets and particular dynamism in emerging markets, which accelerated to +17%.

The plan to develop the monobrand stores continued, opening all of 117 shops during the year; most of them run by entrepreneur-partners who believe in the strength of the Geox brand and in the unique nature of our products.

Thanks to continuous investment in research, in 2010 Geox fine-tuned its project to develop shoes that breathe while remaining completely waterproof, which has revolutionised the concept of waterproof footwear; a market with a huge potential.

In 2011 Geox will continue to invest in R&D, which is our Group's DNA, and in opening 100 new monobrand stores, many of them in franchising. These will go to join the more than 1,000 Geox Shops around the world, which give the Group a huge amount of exposure and direct contact with our public who we want to continue serving in the best way possible, interpreting their desires even more rapidly.

The outlook for 2011 poses more important challenges, but thanks to the financial solidity of our Group and a management team that pursues growth projects and initiatives of continuous improvement with enthusiasm, conviction and professionalism, I am confident that Geox will be able to go on creating value for the shareholders in the short and long term.

Mario Moretti Polegato



DIRECTORS' REPORT

CONSOLIDATED ECONOMIC, FINANCIAL AND OPERATIONAL HIGHLIGHTS

| (Millions of Euro) | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|---------------------------------------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| Net Sales | 850.1 | 100.0% | 865.0 | 100.0% | 892.5 | 100.0% | 770.2 | 100.0% | 612.3 | 100.0% |
| EBITDA | 132.3 | 15.6% | 166.4 | 19.2% | 200.4 | 22.4% | 200.9 | 26.1% | 153.5 | 25.1% |
| EBIT | 93.4 | 11.0% | 117.0 | 13.5% | 171.3 | 19.2% | 179.7 | 23.3% | 134.9 | 22.0% |
| Net income | 58.0 | 6.8% | 66.7 | 7.7% | 118.2 | 13.2% | 123.0 | 16.0% | 97.3 | 15.9% |
| <i>Tax rate</i> | 36% | | 41% | | 29% | | 31% | | 27% | |
| EPS (earnings per share Euro): | 0.22 | | 0.26 | | 0.46 | | 0.48 | | 0.38 | |

| (Millions of Euro) | 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net financial position | 92.1 | 102.6 | 58.2 | 106.8 | 78.2 |
| Equity | 426.3 | 428.8 | 425.8 | 357.0 | 276.6 |

| (Millions of Euro) | 2010 | 2009 | 2008 | 2007 | 2006 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash flow from operations | 89.0 | 159.7 | 83.6 | 116.8 | 83.1 |
| Net capital expenditure | (29.7) | (39.0) | (94.3) | (42.7) | (26.5) |
| Free cash flow | 59.3 | 120.6 | (10.7) | 74.1 | 56.6 |

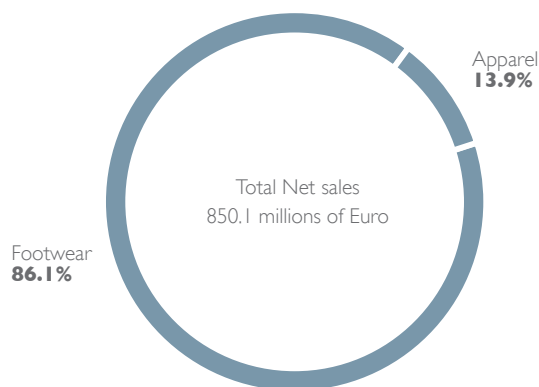
PROFILE

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 to 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 over 50 different patents registered in Italy and extended internationally, "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 the second brand world-wide in the "International Lifestyle Casual Footwear Market" (source: Shoe Intelligence, 2010).



Net sales 2010

STRATEGY

The main strategy guidelines for Geox's business development are as follows:

Consolidation of the leadership position achieved in Italy

Geox is the footwear market leader in Italy and is present throughout the country thanks to a combination of multibrand customers and monobrand "Geox Shops". Geox is determined to consolidate and strengthen its leadership by means of the following strategies:

- opening new "Geox Shops", mainly in franchising, in high volume city centers and key shopping malls;
- increasing market share and strengthening the loyalty of multi-brand customers through a greater use of "corner shops" and "shops-in-shops".

International expansion

Over 60% of the Group's footwear sales in 2010 were abroad, particularly in markets that are considered strategic, such as Europe, North America and RoW. The Group intends to strengthen its presence abroad even more by continuing to grow in these countries according to the following lines of strategy:

- expanding the number of customers served and increasing market share and loyalty among existing customers;
- opening new Geox Shops in the main city centres and shopping malls;
- balancing the sales mix by increasing the weight of men's and women's lines compared with the children's line.

Product innovation

Product innovation is fundamental for the consolidation of Geox's competitive advantage. The Company intends to continue researching, patenting and implementing new solutions which, thanks to the use of special materials, ensure that its products can breathe and remain waterproof at the same time.

CRITICAL SUCCESS FACTORS

Geox owes its success to certain strengths which, taken together, distinguish it from the rest of the footwear sector, both in Italy and abroad, namely:

Technology

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

Focus on the consumer

Cross-market positioning for products, with a vast range of shoes for men, women and children in the medium to medium/high price range (family brand).

Brand recognition

Strong recognition of the Geox brand thanks to an effective communication strategy and its identification by the consumer with the “breathing” concept.

Internationalization

A growing presence on international markets thanks to easy replication of a business model already developed in Italy.

Distribution

A network of monobrand Geox Shops in Italy and abroad which has been developed according to each country's distribution structure and calibrated to the widespread network of multibrand clients. The goal of both networks is to optimize market share and, at the same time, to promote the Geox brand to end-consumers on a consistent basis.

Supply chain

A flexible delocalized business model in outsourcing, capable of efficiently managing the production and logistics cycle while the Company maintains control over critical phases of the value chain, so as to ensure product quality and timely deliveries.



RESEARCH AND DEVELOPMENT

The applied research carried out by Geox in 2010 was mainly directed at finding innovative materials and processes for footwear and apparel.

A new activity has been started up which involves designing footwear and items of apparel that have a lower impact on the cycle of processing, production and transport of the product. This means using only materials and processes that comply with certain technical and performance standards.

The main physical/mechanical and chemical specifications for materials to be accepted are established internally to ensure that they comply with quality standards that are adequate for market needs and essential for customer satisfaction. Geox has also carried further research activities to study the active breathing element of shoe soles and the development of new footwear products.

Geox has expanded and developed its own research instrumentation so as to study constructive solutions and to test new materials to guarantee high-performance products that meet strict quality standards. This experimentation has allowed Geox to develop footwear and items of apparel that combine comfort and well-being with the ability to breathe, to be waterproof and to be highly resistant.

Over 50 different patents registered in Italy and extended internationally protect Geox's innovation.

THE DISTRIBUTION SYSTEM

Geox distributes its products through over 10,000 multi-brand selling points and also through over 1,000 Geox shop (Franchising and DOS – directly operated stores).

As of December 31, 2010, the overall number of “Geox Shops” came to 1,039, of which 787 in franchising and 252 operated directly.



Geox Shops

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

THE PRODUCTION SYSTEM

Geox's production system is organized so as to ensure the attainment of three strategic objectives:

- maintaining high quality standards;
- continuously improving flexibility and time to market;
- increasing productivity and reducing costs.

Production takes place in selected factories mainly in Far East and South America. Such monitoring includes the “upstream” phases such as the processing of leather (from raw to tanned hides) and the production of outsoles.

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 they are assigned by the agreed deadlines.

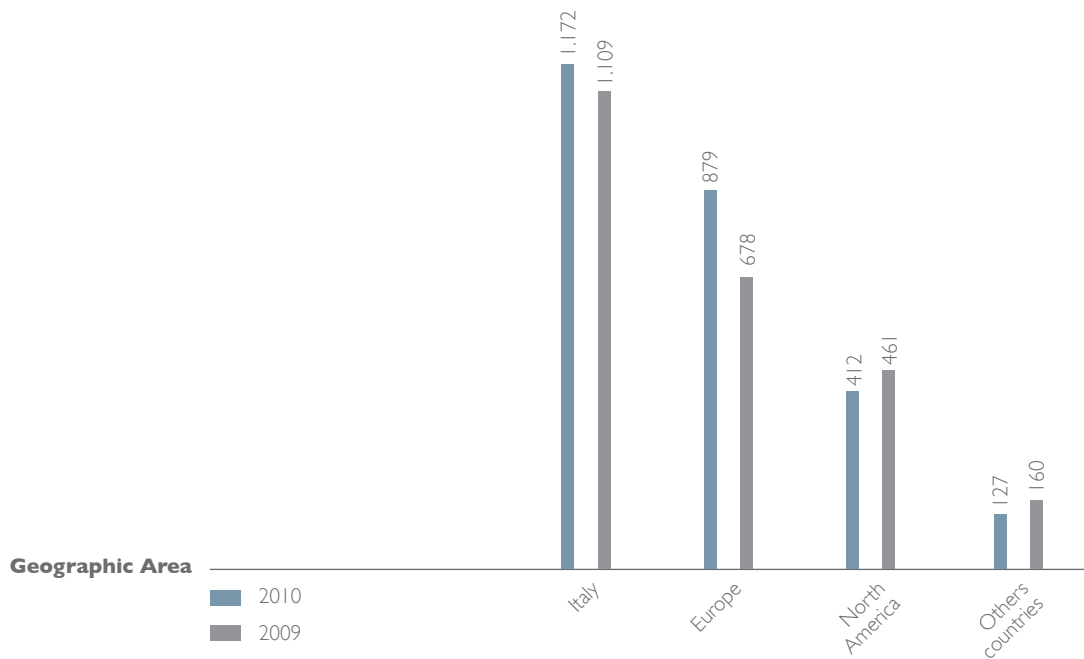
All of the output from these manufacturing locations is consolidated at the Group's distribution centres in Italy for Europe, Edison (NJ) for the North America, Tokyo for Japan and Hong Kong for the rest of Asia.

HUMAN RESOURCES

The Company firmly believes that training its personnel is an investment of fundamental importance to develop the Group's activity. To promote the training of its human resources, Geox S.p.A launched the "Geox School" in 2001, a training centre designed to prepare new young resources for entry into the Group, giving them training in line with company policy, the characteristics of Geox products and the business development needs of the Group.

As of December 31, 2010 the Group had 2,590 employees, split as follows:

| Level | 2010 | 2009 |
|-----------------|--------------|--------------|
| Managers | 32 | 28 |
| Middle managers | 111 | 102 |
| Office staff | 638 | 639 |
| Shop employees | 1,761 | 1,568 |
| Factory workers | 48 | 71 |
| Total | 2,590 | 2,408 |



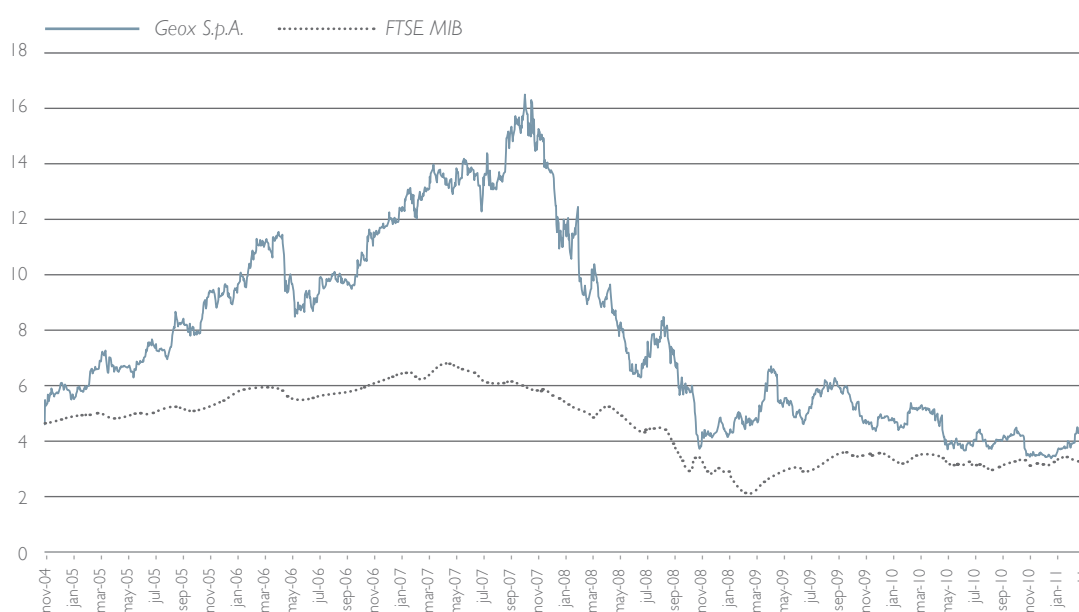
SHAREHOLDERS

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, www.geox.com, provides historical financial data and highlights, investor presentations, quarterly publications, official communications and real time trading information on Geox shares.

Geox on the Stock Exchange



Geox S.p.A. has been listed on the Italian Stock Exchange since 1 December 2004.

The following table summarizes the main share price and stock market values for the last 5 years:

| Share price and stock market information | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|
| Earnings per share [Euro] | 0.22 | 0.26 | 0.46 | 0.48 | 0.38 |
| Equity per share [Euro] | 1.64 | 1.65 | 1.64 | 1.38 | 1.07 |
| Dividend per share [Euro] | 0.18 | 0.20 | 0.24 | 0.24 | 0.15 |
| Pay-out ratio [%] | 80.44 | 77.72 | 52.64 | 50.58 | 39.92 |
| Dividend yield (at 12.31) | 5.26 | 4.15 | 5.50 | 1.75 | 1.28 |
| Year-end price [Euro] | 3.42 | 4.82 | 4.36 | 13.75 | 11.75 |
| Price high [Euro] | 5.38 | 6.70 | 13.61 | 16.50 | 11.85 |
| Price low [Euro] | 3.42 | 4.15 | 3.71 | 11.85 | 8.45 |
| Price per share/EPS | 15.29 | 18.74 | 9.56 | 28.65 | 30.92 |
| Price per share/Equity per share | 2.08 | 2.92 | 2.65 | 9.96 | 10.99 |
| Stock market capitalization [thousands of Euro] | 887,137 | 1,250,027 | 1,130,122 | 3,559,105 | 3,041,417 |
| Number of shares making up the share capital | 259,207,331 | 259,207,331 | 259,202,331 | 258,844,000 | 258,844,000 |

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 4,999 | 22,111 | 20,537,701 |
| from 5,000 to 9,999 shares | 716 | 5,407,537 |
| 10,000 or more | 565 | 239,101,861 |
| Lack of information on disposal of individual positions previously reported | - | (5,839,768) |
| Total | 23,392 | 259,207,331 |

(*) As reported by Istifid on December 31, 2010.

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.

The other directors and statutory auditors have submitted declarations that they did not hold any shares in the Company during 2010, except as indicated below:

| Name | Number of shares in Geox S.p.A. held at 12-31-2009 | Number of shares purchased during 2010 | Number of shares sold during 2010 | Number of shares in Geox S.p.A. held at 12-31-2010 | Nature of holding |
|--------------------|--|--|-----------------------------------|--|-------------------|
| Diego Bolzonello | 64,000 | - | - | 64,000 | ownership |
| Lodovico Mazzolari | 18,304 | - | - | 18,304 | ownership |

COMPANY OFFICERS

Board of Directors

| Name | Position and independent status (where applicable) |
|---------------------------|--|
| Mario Moretti Polegato | Chairman and Executive Director |
| Enrico Moretti Polegato | Deputy Chairman and Executive Director |
| Diego Bolzonello (*) | Director and CEO |
| Lodovico Mazzolari | Executive Director |
| Umberto Paolucci | Independent Director |
| Francesco Gianni | Independent Director |
| Alessandro Antonio Giusti | Independent Director |
| Bruno Barel | Independent Director |
| Renato Alberini | 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 April 21, 2010.

Board of Statutory Auditors

| Name | Position |
|-------------------------|-------------------|
| Fabrizio Colombo | Chairman |
| Francesca Meneghel | Statutory Auditor |
| Francesco Mariotto | Statutory Auditor |
| Laura Gualtieri | Alternate Auditor |
| Davide Attilio Rossetti | Alternate Auditor |

Independent Auditors

Reconta Ernst & Young S.p.A.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Corporate Governance

The Geox Group has implemented the Code of Conduct for Italian Listed Companies published in March 2006, with suitable amendments and adjustments considering the characteristics of the Group.

In accordance with the regulatory requirements, every year we prepare a "Report on Corporate Governance and ownership structure" which contains a general description of the system of corporate governance adopted by the Group. It also contains information on the ownership structure and implementation of the Code of Conduct with an explanation of the main governance practices applied and the characteristics of the risk management and internal control systems involved in the process of financial reporting. Also explained here are the mechanisms that govern the functioning of the Shareholders' Meeting and the composition and functioning of the board of directors and board of statutory auditors and their sub-committees.

The Report on Corporate Governance and the Ownership Structure is available in the Corporate Governance section of the Company's website: www.geox.com.

The following is a summary of the main aspects relating to this directors' report.

Main characteristics of the risk management and internal control systems

The internal control system is a process designed to provide reasonable assurance that a company is able to achieve its objectives of efficiency and effectiveness in the various operating activities, reliable information in the financial statements and compliance with current law and regulations. In line with this definition, the system for managing the risks that exist in relation to Geox's process of financial reporting forms part of the Group's wider system of internal control.

As part of its supervision and coordination of subsidiaries, Geox S.p.A. establishes the general principles according to which the internal control system is meant to function for the entire Group. Each subsidiary adopts these principles in line with local regulations and applies them to organisational structures and operating procedures that are suitable for their specific context.

Geox has introduced tools for supervising and assessing the internal control system, allocating specific responsibilities to certain players who have been clearly identified.

Without affecting the responsibilities of the Directors and Managers, the main players of the internal control system as it relates to the process of financial reporting are as follows:

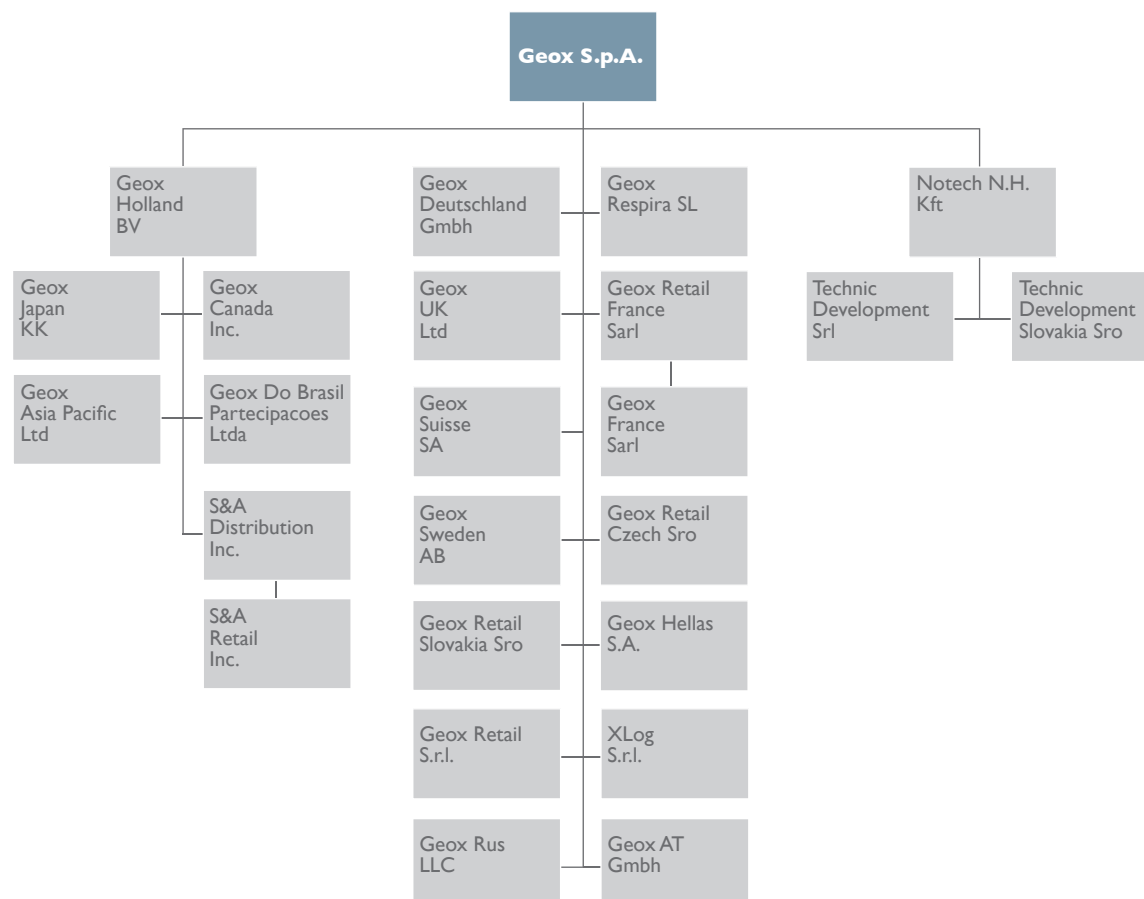
- The Financial Reporting Manager ex Art. 154-bis del TUF, who has the responsibility for defining and evaluating specific procedures designed to monitor the risks involved in the process of preparing accounting documents;
- The Internal Auditing Department, which remains independent and objective in an advisory role concerning the methods of verifying the adequacy and effective application of the control procedures defined by the Financial Reporting Manager. Moreover, as part of a wider activity that involves evaluating the entire company's internal control system, the Internal Auditing Department also has to bring to the attention of the Audit Committee and of the Financial Reporting Manager any circumstances that might affect the financial reporting process;
- The Executive Director in charge of supervising the internal control system, as the main promoter of initiatives designed to evaluate and manage corporate risks;
- The Audit Committee, which analyses the results of audits on the internal control system and reports periodically to the Board of Directors on any action that needs to be taken;
- The Supervisory Body as per D.Lgs 231/01, which intervenes as part of its duties to look out for the corporate crimes envisaged in D.Lgs 231/01, identifying risk scenarios and personally verifying compliance with the control procedures. The Supervisory Body also monitors compliance with and application of the Group's Code of Ethics.

The Group adopted some time ago its own model of organisation, management and control as per D.Lgs 231/01, which was updated in 2010 to include the new crimes introduced during the year.

In particular, financial reporting is protected by a series of controls that are carried out during the various corporate processes that lead to the formation of the figures shown in the financial statements. These control activities apply not only to the areas that are closely linked to the business (sales, purchases, inventory, etc.), but also to those areas that provide support in the processing of accounting entries (closing the accounts, IT systems management, etc.). These control procedures are defined by the Financial Reporting Manager. He also checks periodically that they are being applied properly. The outcome of the assessments made by the Financial Reporting Manager is reported in the certification that he provides in accordance with paras. 5 and 5-bis of art. 154-bis of the Consolidated Finance Act.

GROUP STRUCTURE

The Group structure as of December 31, 2010 is shown below:



The structure of the Group controlled by Geox S.p.A., which acts as an operating holding company, is split into three macro-groupings:

- **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 trading 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.
- **Technical production companies.** Notech Kft (Hungary) is the company that headed up the Group's production activities in Europe which, during 2009, have been transferred to third parties.

PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH GEOX S.P.A. AND THE GEOX GROUP ARE EXPOSED

Risks connected to the general state of the economy

The Group's economic, capital and financial situation is affected by the various factors making up the macroeconomic picture (such as the increase or decrease in gross national product, the level of consumer and business confidence, the trend in interest rates for consumer credit, the cost of raw materials and the unemployment rate) in the various countries where the Group operates. Starting from 2008, financial markets have featured a particularly high level of volatility with serious repercussions on the entire performance of the economy. The significant and widespread deterioration in market conditions has been accentuated by a severe and generalized difficulty in accessing credit, both for consumers and for companies. Moreover, weak economic conditions resulted in a significant decline in demand for most of the Group's products. Given the difficulty in predicting the magnitude and duration of economic cycles, there can be no assurances as to future trends in the demand for or supply of products sold by the Group in any of the markets in which it operates. The factors referred previously, could have a material adverse effect on the Group's business prospects, earnings and/or financial position.

Risks connected to the Group's results

Every macroeconomic event, such as a significant downturn in one of the Group's main markets, the volatility of financial markets and the consequent deterioration in the capital market, an increase in commodity prices and those of other raw materials, adverse fluctuations in specific sector factors such as interest rates, or exchange rates that could have a negative effect on the sectors in which the Group operates, could have a significantly negative impact on the Group's prospects and on its business activity, as well as on its results and financial position. The profitability of the Group's activities is also subject to the risks connected to fluctuations in interest rates and the rate of inflation, to the solvency of counterparties and to the general state of the economy in the countries where these activities are carried on.

Risks connected to fluctuations in exchange rates

The Geox Group also carries on its activity in countries outside the Euro-zone, which means that exchange rate fluctuations are an important factor to be taken into consideration. The Group initially calculates the amount of exchange risk that is involved in the budget for the coming period. It then gradually hedges this risk during the process of order acquisition to the extent that the orders match the forecasts. These hedges take the form of specific forward contracts and options for the purchase of the foreign currency concerned. The Group is of the opinion that its policies for handling and limiting this type of risk are adequate. However, it cannot exclude the possibility that sudden fluctuations in exchange rates could have consequences on the results of the Geox Group.

Risks connected to the monobrand distribution network

The distribution network of the Geox Group consists of multibrand stores that are run by independent third parties and monobrand stores ("Geox Shops") which are operated directly (DOS) or by third parties linked to the Geox Group by franchising contracts. The activity of the monobrand stores is in part carried on in premises owned by third parties and occupied either by the Geox Group or by Franchisees on a leasehold or business rental basis. Keeping up the current distribution network will depend on the ability of the Geox Group and its Franchisees to maintain the availability of the premises that they use, as well as on the Geox Group's ability to maintain its own network of Franchisees. Moreover, further expansion of the monobrand network will depend on the Group's ability to acquire new premises and to conclude new franchising contracts. However, there is no guarantee that the Geox Group will be able to maintain the availability of the premises that it uses or the current network of franchisees beyond the expiry date of their contracts, nor is there any guarantee that the Group will be able to acquire the availability of new commercial premises.

Risks associated with management

The Group's success depends significantly on the abilities of certain key members of the senior management who have made substantial contributions to the development of Geox. Nevertheless, if the Group lose the services of one or more of these individuals, there can be no assurance that it would be able to replace such individual or individuals with new personnel capable of making the same contribution in the near-term. Therefore this could have an adverse effect upon the Group's business prospect.

THE GROUP'S ECONOMIC PERFORMANCE

Economic results summary

The main results are outlined below:

- net sales of Euro 850.1 million, with a decrease of 2% (- 3% constant exchange rates) compared with Euro 865.0 million in 2009;
- EBITDA of Euro 132.3 million, compared to Euro 166.4 million in 2009, with a 15.6% margin;
- EBIT of Euro 93.4 million, compared to Euro 117.0 million in 2009, with a 11.0% margin;
- net income of Euro 58.0 million, compared to Euro 66.7 million in 2009, with a 6.8% margin.

In the following table a comparison is made between the consolidated income statement for 2010 and 2009:

| (Thousands of Euro) | 2010 | % | 2009 | % |
|-------------------------------------|----------------|---------------|----------------|---------------|
| Net sales | 850,076 | 100.0% | 865,010 | 100.0% |
| Cost of sales | (435,146) | (51.2%) | (426,957) | (49.4%) |
| Gross profit | 414,930 | 48.8% | 438,053 | 50.6% |
| Selling and distribution costs | (44,730) | (5.3%) | (42,409) | (4.9%) |
| General and administrative expenses | (228,977) | (26.9%) | (214,731) | (24.8%) |
| Advertising and promotion | (47,420) | (5.6%) | (46,216) | (5.3%) |
| Operating result | 93,803 | 11.0% | 134,697 | 15.6% |
| Special items | (396) | (0.0%) | (5,306) | (0.6%) |
| Net asset impairment | - | 0.0% | (12,363) | (1.4%) |
| EBIT | 93,407 | 11.0% | 117,028 | 13.5% |
| Net interest | (3,168) | (0.4%) | (4,154) | (0.5%) |
| PBT | 90,239 | 10.6% | 112,874 | 13.0% |
| Income tax | (32,236) | (3.8%) | (46,168) | (5.3%) |
| Tax rate | 36% | | 41% | |
| Net Income | 58,003 | 6.8% | 66,706 | 7.7% |
| EPS (Earnings per shares) | 0.22 | | 0.26 | |
| EBITDA | 132,313 | 15.6% | 166,375 | 19.2% |
| Special items | (396) | | (5,306) | |
| EBITDA adjusted | 132,709 | 15.6% | 171,681 | 19.8% |

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

Disclaimer

This Report, and in particular the section entitled "Outlook for operation and significant subsequent events", contains forward-looking statements. These statements are based on the Group's current expectations and projections about future events and, by their nature, are subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future, and, as such, undue reliance should not be placed on them. Actual results may differ materially from those expressed in such statements as a result of a variety of factors, including: volatility and deterioration of capital and financial markets, changes in commodity prices, changes in general economic conditions, economic growth and other changes in business conditions, changes in government regulation (in each case, in Italy or abroad), and many other factors, most of which are outside of the Group's control.

Sales

Fiscal year 2010 consolidated net sales declined by 2% (-3% at constant exchange rates) to Euro 850.1 million, showing a growth of 9% in the second half of 2010.

Footwear sales represented 86% of consolidated sales, amounting to Euro 731.9 million, with a 5% decrease compared to the same period of 2009. Apparel sales accounted for 14% of consolidated sales equal to Euro 118.2 million, showing a 20% increase. In the second half of 2010 footwear reported an increase of 5% and apparel an increase of 29%.

| (Thousands of Euro) | 2010 | % | 2009 | % | Ch. % |
|----------------------------|----------------|---------------|----------------|---------------|---------------|
| Footwear | 731,908 | 86.1% | 766,191 | 88.6% | (4.5%) |
| Apparel | 118,168 | 13.9% | 98,819 | 11.4% | 19.6% |
| Net sales | 850,076 | 100.0% | 865,010 | 100.0% | (1.7%) |

Sales in Italy, the Group's main market, which accounted for 39% of sales (38% in 2009) amounted to Euro 329.5 million (326.7 million in 2009); in the second half the increase was 8%.

Sales in Europe, which accounted for 42% of sales (44% in 2009) declined by 6% to Euro 355.9 million, compared with Euro 379.6 million in 2009. In the second half Europe reported an increase of 6%.

North American sales were stable (-9% at constant exchange rates), but reported an increase of 11% in the second half. Sales in the Other Countries increased by 5% (2% at constant exchange rates), and by 17% in the second half of 2010.

| (Thousands of Euro) | 2010 | % | 2009 | % | Ch. % |
|----------------------------|----------------|---------------|----------------|---------------|---------------|
| Italy | 329,527 | 38.8% | 326,656 | 37.8% | 0.9% |
| Europe (*) | 355,867 | 41.9% | 379,625 | 43.9% | (6.3%) |
| North America | 54,184 | 6.4% | 53,807 | 6.2% | 0.7% |
| Other countries | 110,498 | 13.0% | 104,922 | 12.1% | 5.3% |
| Net sales | 850,076 | 100.0% | 865,010 | 100.0% | (1.7%) |

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

Analyzing sales by distribution, the Geox Shop channel (franchising and Directly Operated Stores - DOS) increased by 13%. This channel represented 42% of sales (36% in 2009).

The sales of directly operated stores (DOS) that have been open for at least 12 months (comparable stores sales) increased by 7% during 2010. In the fourth quarter 2010 comparable stores sales increased by 12%. Comparable store sales related to the Fall/Winter collections only (i.e. from August 30 to December 31) increased by 14%.

The increase in DOS net sales of 21% is due to an increase of comparable stores sales, new openings, as well as to the conversion of a number of stores owned by the Group that were leased to third parties under franchising agreements in 2009 and which are now DOS.

Franchising channel reported an increase of 5%, of 16% in the second half 2010.

Multibrand, the Group's main distribution channel, which accounted for 59% of sales (64% of 2009) declined by 10%. In the second half multibrand channel decreased by 2%.

| (Thousands of Euro) | 2010 | % | 2009 | % | Ch. % |
|----------------------------|----------------|---------------|----------------|---------------|----------------|
| Multibrand | 496,875 | 58.5% | 553,662 | 64.0% | (10.3%) |
| Franchising | 150,866 | 17.7% | 143,995 | 16.6% | 4.8% |
| DOS* | 202,335 | 23.8% | 167,353 | 19.3% | 20.9% |
| Geox Shop | 353,201 | 41.5% | 311,348 | 36.0% | 13.4% |
| Net sales | 850,076 | 100.0% | 865,010 | 100.0% | (1.7%) |

* Directly Operated Stores

As of December 31, 2010 the overall number of Geox Shops was 1,039 of which 252 DOS. During 2010 117 new Geox Shops were opened and 86 have been closed. The new openings include, among the others, shops in Milan, Rome, Turin, Wien, Madrid, Barcelona.

| | 12-31-2010 | | 12-31-2009 | | 2010 | | |
|--|--------------|--------------|--------------|--------------|--------------|------------|-------------|
| | Geox Shops | of which DOS | Geox Shops | of which DOS | Net Openings | Openings | Closings |
| Italy | 344 | 85 | 327 | 89 | 17 | 35 | (18) |
| Europe (*) | 302 | 107 | 306 | 87 | (4) | 17 | (21) |
| North America | 50 | 41 | 56 | 49 | (6) | 1 | (7) |
| Other countries | 174 | 19 | 146 | 19 | 28 | 51 | (23) |
| Countries with licensing agreements (**) | 169 | - | 173 | - | (4) | 13 | (17) |
| | | | | | | x\ | |
| Total | 1.039 | 252 | 1,008 | 244 | 31 | 117 | (86) |

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

(**) Sales by the franchising channel do not include those of the shops in these countries.

Cost of sales and Gross Profit

Cost of sales, as a percentage of sales, was 51.2% compared to 49.4% of 2009, producing a gross margin of 48.8% (50.6% of 2009). The decline in gross profit compared with 2009 is mainly explained by two reasons: 1) the greater use of air transport due to production postponements attributable to a higher degree of flexibility in the receipt of orders and 2) the higher promotional selling activities.

Operating expenses and Operating income (EBIT)

Selling and distribution expenses as a percentage of sales was 5.3%, substantially in line with 2009 (4.9%).

General and administrative expenses as a percentage of sales were 26.9%, compared to 24.8% of 2009.

This increase is entirely due to:

- costs involved in the opening and running of directly operated stores (DOS) and in particular of Geox flagship stores;
- amortization expenses which rose to Euro 32.7 million of 2010 from Euro 31.9 million of 2009, mainly related to the investments in the stores network.

Excluding the above mentioned costs, the total amount of general and administrative expenses and labor costs were stable, as a percentage of sales, compared to the previous year.

Advertising and promotion expenses was equal to 5.6% of sales compared to 5.3% of 2009.

The Group's operating result was Euro 93.4 million, 11.0% as a percentage of sales, compared with Euro 117.0 million of 2009 (13.5% as a percentage of sales).

The table below analyses the EBIT obtained in the business segments and in main geographical areas in which the Group operates:

| | | 2010 | % | 2009 | % |
|-----------------|------------------|----------------|--------------|----------------|--------------|
| Italy | Net sales | 329,527 | | 326,656 | |
| | EBIT | 67,187 | 20.4% | 84,887 | 26.0% |
| Europe | Net sales | 355,867 | | 379,625 | |
| | EBIT | 33,072 | 9.3% | 53,411 | 14.1% |
| North America | Net sales | 54,184 | | 53,807 | |
| | EBIT | (16,288) | (30.1%) | (29,509) | (54.8%) |
| Other countries | Net sales | 110,498 | | 104,922 | |
| | EBIT | 9,436 | 8.5% | 8,239 | 7.9% |
| Total | Net sales | 850,076 | | 865,010 | |
| | EBIT | 93,407 | 11.0% | 117,028 | 13.5% |

| | | 2010 | % | 2009 | % |
|--------------|------------------|----------------|--------------|----------------|--------------|
| Footwear | Net sales | 731,908 | | 766,191 | |
| | EBIT | 72,360 | 9.9% | 97,203 | 12.7% |
| Apparel | Net sales | 118,168 | | 98,819 | |
| | EBIT | 21,047 | 17.8% | 19,825 | 20.1% |
| Total | Net sales | 850,076 | | 865,010 | |
| | EBIT | 93,407 | 11.0% | 117,028 | 13.5% |

EBITDA

EBITDA was Euro 132.3 million, 15.6% of sales, compared to Euro 166.4 million in 2009.

Income taxes and tax rate

Income taxes were equal to Euro 32.2 million, compared 46.2 million of 2009, with a tax rate of 36% (41% of 2009). The decrease is primarily due to the write-down of deferred tax assets of previous years (equal to Euro 3.5 million) taken in 2009. The adjusted tax rate of 2009 was equal to 35%, in line with 36% of 2010.

THE GROUP'S FINANCIAL PERFORMANCE

The following table summarizes the reclassified consolidated balance sheet:

| (Thousands of Euro) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|-----------------|-----------------|
| Intangible assets | 68,621 | 74,651 |
| Property, plant and equipment | 67,306 | 71,516 |
| Other non-current assets - net | 42,802 | 40,707 |
| Total non-current assets | 178,729 | 186,874 |
| Net operating working capital | 178,788 | 159,465 |
| Other current assets (liabilities), net | (12,887) | (10,409) |
| Net invested capital | 344,630 | 335,930 |
| Equity | 426,301 | 428,751 |
| Provisions for severance indemnities, liabilities and charges | 10,463 | 9,765 |
| Net financial position | (92,134) | (102,586) |
| Net invested capital | 344,630 | 335,930 |

The Group balance sheet shows a solid net cash position. Before the fair value adjustment of derivatives, net cash position was 108.5 million, compared to 101.6 million of 2009. After fair value adjustment of derivatives, which negatively affected 2010 for 16.4 million versus a positive contribution of 1 million of 2009, net cash position was equal to Euro 92.1 million (Euro 102.6 million at the end of 2009).

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

| (Thousands of Euro) | Dec. 31, 2010 | Dec. 31, 2009 |
|--|-----------------|-----------------|
| Inventories | 172,085 | 152,387 |
| Accounts receivable | 124,525 | 128,803 |
| Accounts payable | (117,822) | (121,725) |
| Net operating working capital | 178,788 | 159,465 |
| % of sales | 21.0% | 18.4% |
| Taxes payable | (9,814) | (8,428) |
| Other non-financial current assets | 25,818 | 24,042 |
| Other non-financial current liabilities | (28,891) | (26,023) |
| Other current assets (liabilities), net | (12,887) | (10,409) |

The ratio of net working capital on sales was 21.0% compared 18.4% of 2009 mainly due to different timing of receipt of Spring/Summer collection compared to the same period of 2009.

The following table gives a reclassified consolidated cash flow statement:

| (Thousands of Euro) | 2010 | 2009 |
|---|-----------------|-----------------|
| Net income | 58,003 | 66,706 |
| Depreciation, amortization and impairment | 38,906 | 49,348 |
| Other non-cash items | 9,509 | 23,205 |
| | 106,418 | 139,259 |
| Change in net working capital | (21,398) | 36,974 |
| Change in other current assets/liabilities | 3,939 | (16,553) |
| Cash flow from operations | 88,959 | 159,680 |
| Capital expenditure | (31,805) | (41,995) |
| Disposals | 2,107 | 2,957 |
| Net capital expenditure | (29,698) | (39,038) |
| Free cash flow | 59,261 | 120,642 |
| Dividends | (51,841) | (62,210) |
| Increase in share capital | - | 23 |
| Change in net financial position | 7,420 | 58,455 |
| Initial net financial position - prior to fair value adjustment of derivatives | 101,610 | 42,819 |
| Change in net financial position | 7,420 | 58,455 |
| Translation differences | (526) | 336 |
| Final net financial position - prior to fair value adjustment of derivatives | 108,504 | 101,610 |
| Fair value adjustment of derivatives | (16,370) | 976 |
| Final net financial position | 92,134 | 102,586 |

In the period, free cash flow was positive for Euro 59.3 million versus Euro 120.6 million of 2009 and the Group distributed Euro 51.8 million dividend (62.2 million in 2009). The decrease in the free cash flow is mainly due to lower net income and non-monetary provisions made during 2009 that have had their cash outlay in 2010.

Fiscal year 2010 capital expenditures were Euro 31.8 million of which 19.5 million for new store openings and store remodels.

Consolidated capital expenditure is analyzed in the following table:

| (Thousands of Euro) | 2010 | 2009 |
|---|---------------|---------------|
| Trademarks and patents | 941 | 938 |
| Opening and restructuring Geox Shop | 19,513 | 23,828 |
| Industrial equipment | 3,716 | 4,136 |
| Industrial plants | 347 | 306 |
| Offices furniture, warehouse and fittings | 2,239 | 8,411 |
| Information technology | 5,049 | 4,272 |
| Other capital expenditure | - | 104 |
| Total | 31,805 | 41,995 |

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

| (Thousands of Euro) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|----------------------|----------------------|
| Cash and cash equivalents | 114,200 | 107,470 |
| Current financial assets - excluding derivatives | 137 | 163 |
| Bank borrowings and current portion of long-term loans | (6,489) | (6,315) |
| Current financial liabilities - excluding derivatives | (5) | (6) |
| Net financial position - current portion | 107,843 | 101,312 |
| Non-current financial assets | 1,215 | 1,047 |
| Long-term loans | (554) | (749) |
| Net financial position - non-current portion | 661 | 298 |
| Net financial position - prior to fair value adjustment of derivatives | 108,504 | 101,610 |
| Fair value adjustment of derivatives | (16,370) | 976 |
| Net financial position | 92,134 | 102,586 |

TREASURY SHARES AND EQUITY INTERESTS IN PARENT COMPANIES

Note that pursuant to art. 40.2 d) of Decree 127, the Group does not hold any of its own shares nor shares in parent companies, whether directly or indirectly, nor did it buy or sell such shares during the period.

STOCK OPTION

On December 18, 2008, the Extraordinary Shareholders' Meeting authorized a divisible cash increase in capital, waiving option, for a maximum par value of Euro 1,200,000, by issuing up to n. 12,000,000 ordinary shares to service one or more share incentive plans reserved for the directors, employees and/or collaborators of the Company and/or its subsidiaries, in order to encourage beneficiaries to pursue the Company's medium-term plans, increase their loyalty to the Company and promote better relations within the Company.

Four cycles of stock option plans have been approved as of the date of this half year report. The cycles are made up of a vesting period, from the date the options are granted, and a maximum period to exercise them (exercise period). Any options not vesting or, in any case, not exercised by the expiration date are automatically cancelled to all effects, releasing both the Company and the beneficiary from all obligations and liabilities.

The ability to exercise the options, which is determined tranche by tranche, depends on the Company achieving certain cumulative targets during the vesting periods, based on EBIT (Earnings Before Interest and Tax) as shown in the Geox Group's consolidated business plan.

The main characteristics of the four cycles are as follows:

- The first, which was approved by the Board of Directors on November 30, 2004, provides for a cycle of options to be granted starting in November 2004. At that time, 2,850,000 options were granted with a strike price of Euro 4.60 (the offering price when the shares were listed). The vesting period goes from 3 to 5 years, while the exercise period ends on December 31, 2014.
On December 5, 2005, the Board gave the managers holding these 2,850,000 options the right to exercise 344,000 of them earlier than as laid down in the Plan.
On February 27, 2008 the Board of Directors approved the fact that the first of the three option cycles could be exercised after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2005, 2006 and 2007.
On March 4, 2009 the Board of Directors approved the fact that the second of the three option cycles could be exercised after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2005, 2006, 2007 and 2008.
On February 26, 2010 the Board of Directors approved the fact that the third of the three option cycles could be exercised after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2005, 2006, 2007, 2008 and 2009.

- The second, which was approved by the Board on December 15, 2005, provides for a cycle of options to be granted from December 2005. At that time, 898,800 options were granted with a strike price equal to the "normal value" of the shares at the time the options were granted, as defined in art. 9 of the Income Tax Consolidation Act 917/86 (T.U.I.R.), which amounted to Euro 9.17. The vesting period goes from 3 to 5 years, while the exercise period ends on December 31, 2015.
On March 4, 2009 the Board of Directors approved the fact that the first of the three option cycles could be exercised after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2006, 2007 and 2008.
On February 26, 2010 the Board of Directors approved the fact that the second of the three option cycles could be exercised after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2006, 2007, 2008 and 2009.
- The third, which was approved by the Board on April 7, 2008, provides for options to be granted as part of a cycle that began in April 2008. At that time, 3,395,000 options were granted with a strike price equal to the "normal value" of the shares at the time the options were granted, as defined in art. 9 of the Income Tax Consolidation Act 917/86 (T.U.I.R.), which amounted to Euro 9.6217. The vesting period goes from 3 to 4 years, while the exercise period ends on December 31, 2013.
- The fourth, which was approved by the Board on April 21, 2009, provides for options to be granted as part of a cycle that began in April 2009. At that time, 3,690,000 options were granted with a strike price equal to the "normal value" of the shares at the time the options were granted, as defined in art. 9 of the Income Tax Consolidation Act 917/86 (T.U.I.R.), which amounted to Euro 5.1976. The vesting period goes from 2 to 3 years, while the exercise period ends on December 31, 2013.

The stock options granted to the directors of the Group are summarized below:

| (A) Name | (B) Position | Options held at the beginning of the year | | | Option granted during the period | | |
|--------------------|--------------------|---|-----------------------------|----------------------------|----------------------------------|-----------------------------|----------------------------|
| | | (1) Numbers of options | (2) Average strike price | (3) Average expiry date | (4) Numbers of options | (5) Average strike price | (6) Average expiry date |
| Diego Bolzonello | CEO | 943,500 | 4.60 | 2014 | - | - | - |
| Diego Bolzonello | CEO | 122,000 | 9.17 | 2015 | - | - | - |
| Diego Bolzonello | CEO | 800,000 | 9.62 | 2013 | - | - | - |
| Diego Bolzonello | CEO | 800,000 | 5.20 | 2013 | - | - | - |
| Lodovico Mazzolari | Executive Director | 146,667 | 4.60 | 2014 | - | - | - |
| Lodovico Mazzolari | Executive Director | 50,000 | 9.17 | 2015 | - | - | - |
| Lodovico Mazzolari | Executive Director | 160,000 | 9.62 | 2013 | - | - | - |
| Lodovico Mazzolari | Executive Director | 160,000 | 5.20 | 2013 | - | - | - |

| (A) Name | Options exercised during the period | | | Options expired in 2010 | Options held at the end of the period | | |
|--------------------|-------------------------------------|-----------------------------------|---|------------------------------------|--|------------------------------------|-----------------------------------|
| | (7) Num- bers of options | (8) Average strike price | (9) Average market price on exercise | (10) Num- bers of options | (11) =1+4-7-10 Numbers of options | (12) Average strike price | (13) Average expiry date |
| Diego Bolzonello | - | - | - | - | 943,500 | 4.60 | 2014 |
| Diego Bolzonello | - | - | - | - | 122,000 | 9.17 | 2015 |
| Diego Bolzonello | - | - | - | - | 800,000 | 9.62 | 2013 |
| Diego Bolzonello | - | - | - | - | 800,000 | 5.20 | 2013 |
| Lodovico Mazzolari | - | - | - | - | 146,667 | 4.60 | 2014 |
| Lodovico Mazzolari | - | - | - | - | 50,000 | 9.17 | 2015 |
| Lodovico Mazzolari | - | - | - | - | 160,000 | 9.62 | 2013 |
| Lodovico Mazzolari | - | - | - | - | 160,000 | 5.20 | 2013 |

TRANSACTIONS BETWEEN RELATED PARTIES

During the period, there were no transactions with related parties which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties is provided in Note 31 of the Consolidated Financial Statements.

OUTLOOK FOR OPERATION AND SIGNIFICANT SUBSEQUENT EVENTS

For the Spring/Summer 2011 season, management can confirm that Geox's order backlog versus third parties, wholesale plus franchising, is up 2%. Trends in currencies, raw material prices and labor costs in supplier countries, on the other hand, suggest that margins will come under pressure in the first half of 2011.

These factors will persist in the second half of 2011, but based on the steps taken in terms of product mix, channels, prices and cost reductions, and above all based on initial feedback from the sales campaign for the Fall/Winter 2011 season, management is confident that the gross margin on this collection will be substantially in line with those of the Fall/Winter 2010 season.

Biadene di Montebelluna, March 3, 2011

for the Board of Directors

The Chairman
Dr. Mario Moretti Polegato



DONNA

CONSOLIDATED
FINANCIAL
STATEMENTS
AND
EXPLANATORY
NOTES

CONSOLIDATED INCOME STATEMENT

| (Thousands of Euro) | Note | 2010 | 2009 |
|--|------|----------------|----------------|
| Net sales | 3 | 850,076 | 865,010 |
| Cost of sales | | (435,146) | (426,957) |
| Gross profit | | 414,930 | 438,053 |
| Selling and distribution costs | | (44,730) | (42,409) |
| General and administrative expenses | 4 | (228,977) | (214,731) |
| Advertising and promotion | | (47,420) | (46,216) |
| Special items | 7 | (396) | (5,306) |
| Net asset impairment | 5 | - | (12,363) |
| EBIT | 3 | 93,407 | 117,028 |
| Net interest | 8 | (3,168) | (4,154) |
| PBT | | 90,239 | 112,874 |
| Income tax | 9 | (32,236) | (46,168) |
| Net income | | 58,003 | 66,706 |
| Earnings per share [Euro] | 10 | 0.22 | 0.26 |
| Diluted earnings per share [Euro] | 10 | 0.22 | 0.26 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (Thousands of Euro) | 2010 | 2009 |
|--|---------------|---------------|
| Net income | 58,003 | 66,706 |
| Net gain (loss) on Cash Flow Hedge, net of tax | (9,254) | (3,567) |
| Currency translation | 556 | 1,076 |
| Net comprehensive income | 49,305 | 64,215 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (Thousands of Euro) | Notes | Dec. 31, 2010 | Dec. 31, 2009 |
|--|-------|----------------|----------------|
| ASSETS: | | | |
| Intangible assets | 11 | 68,621 | 74,651 |
| Property, plant and equipment | 12 | 67,306 | 71,516 |
| Deferred tax assets | 13 | 28,864 | 26,076 |
| Non-current financial assets | 18-30 | 1,215 | 1,047 |
| Other non-current assets | 14 | 16,229 | 16,947 |
| Total non-current assets | | 182,235 | 190,237 |
| Inventories | 15 | 172,085 | 152,387 |
| Accounts receivable | 16 | 124,525 | 128,803 |
| Other non-financial current assets (A) | 17 | 25,818 | 24,042 |
| Current financial assets | 18-30 | 4,046 | 4,402 |
| Cash and cash equivalents | 19 | 114,200 | 107,470 |
| Current assets | | 440,674 | 417,104 |
| Total assets | | 622,909 | 607,341 |
| LIABILITIES AND EQUITY: | | | |
| Share capital | 20 | 25,921 | 25,921 |
| Reserves | 20 | 342,377 | 336,124 |
| Net income | 20 | 58,003 | 66,706 |
| Equity | | 426,301 | 428,751 |
| Employee severance indemnities | 21 | 2,372 | 2,509 |
| Provisions for liabilities and charges | 22 | 8,091 | 7,256 |
| Long-term loans | 23 | 554 | 749 |
| Other long-term payables | 24 | 2,291 | 2,316 |
| Total non-current liabilities | | 13,308 | 12,830 |
| Accounts payable | 25 | 117,822 | 121,725 |
| Other non-financial current liabilities | 26 | 28,891 | 26,023 |
| Taxes payable | 27 | 9,814 | 8,428 |
| Current financial liabilities | 19-30 | 20,284 | 3,269 |
| Bank borrowings and current portion of long-term loans | 28 | 6,489 | 6,315 |
| Current liabilities | | 183,300 | 165,760 |
| Total liabilities and equity | | 622,909 | 607,341 |

(A) Includes taxes receivable to the parent company of Euro 8.307 thousand in 2010 (Euro 7,431 thousand in 2009).

CONSOLIDATED STATEMENT OF CASH FLOWS

| (Thousands of Euro) | Note | 2010 | 2009 |
|---|------|-----------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | | |
| Net income | 20 | 58,003 | 66,706 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization and impairment | 5 | 38,906 | 49,348 |
| Increase in (use of) deferred taxes and other provisions | | 3,503 | 13,238 |
| Provision for employee severance indemnities, net | | (145) | (783) |
| Other non-cash items | | 6,151 | 10,750 |
| | | 48,415 | 72,553 |
| Change in assets/liabilities: | | | |
| Accounts receivable | | (1,685) | (8,549) |
| Other assets | | (2,209) | (6,382) |
| Inventories | | (14,708) | 72,625 |
| Accounts payable | | (5,005) | (27,102) |
| Other liabilities | | 4,772 | 961 |
| Taxes payable | | 1,376 | (11,132) |
| | | (17,459) | 20,421 |
| Operating cash flow | | 88,959 | 159,680 |
| CASH FLOW USED IN INVESTING ACTIVITIES: | | | |
| Capital expenditure on intangible assets | 11 | (7,963) | (12,030) |
| Capital expenditure on property, plant and equipment | 12 | (23,842) | (29,965) |
| | | (31,805) | (41,995) |
| Disposals | | 2,107 | 2,957 |
| (Increase) decrease in financial assets | | (136) | 447 |
| Cash flow used in investing activities | | (29,834) | (38,591) |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES: | | | |
| Increase (decrease) in short-term bank borrowings, net Loans: | | (917) | (332) |
| - Proceeds | | - | 21,865 |
| - Repayments | | (396) | (41,630) |
| Dividends | 32 | (51,841) | (62,210) |
| Increase in share capital | | - | 23 |
| Cash flow from financing activities | | (53,154) | (82,284) |
| Increase in cash and cash equivalents | | 5,971 | 38,805 |
| Cash and cash equivalents, beginning of the period | 19 | 107,470 | 68,672 |
| Effect of translation differences on cash and cash equivalents | | 759 | (7) |
| Cash and cash equivalents, end of the period | 19 | 114,200 | 107,470 |
| Supplementary information to the cash flow statement: | | | |
| - Interest paid during the period | | 744 | 2,791 |
| - Interest received during the period | | 1,060 | 1,436 |
| - Taxes paid during the period | | 33,893 | 61,748 |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| (Thousands of Euro) | Share capital | Legal reserve | Share premium reserve | Translation reserve | Other reserves | Retained earnings | Net Income for the period | Group equity |
|--|---------------|---------------|-----------------------|---------------------|----------------|-------------------|---------------------------|----------------|
| Balance at December 31, 2008 | 25.920 | 5.183 | 37.649 | (1.612) | 9.722 | 230.751 | 118.174 | 425.787 |
| Allocation of 2008 result | - | 1 | - | - | - | 118.173 | (118.174) | - |
| Distribution of dividends | - | - | - | - | - | (62.210) | - | (62.210) |
| Translation differences | - | - | - | 1.076 | - | - | - | 1.076 |
| Recognition of cost stock option plans | - | - | - | - | 936 | - | - | 936 |
| Valuation of cash flow hedge | - | - | - | - | (3.567) | - | - | (3.567) |
| Increase in share capital | 1 | - | 29 | - | (7) | - | - | 23 |
| Subsidiaries' move to Euro | - | - | - | (208) | - | 208 | - | - |
| Net income | - | - | - | - | - | - | 66.706 | 66.706 |
| Balance at December 31, 2009 | 25.921 | 5.184 | 37.678 | (744) | 7.084 | 286.922 | 66.706 | 428.751 |
| Allocation of 2009 result | - | - | - | - | - | 66.706 | (66.706) | - |
| Distribution of dividends | - | - | - | - | - | (51.841) | - | (51.841) |
| Translation differences | - | - | - | 556 | - | - | - | 556 |
| Recognition of cost stock option plans | - | - | - | - | 86 | - | - | 86 |
| Valuation of cash flow hedge | - | - | - | - | (9.254) | - | - | (9.254) |
| Net income | - | - | - | - | - | - | 58.003 | 58.003 |
| Balance at December 31, 2010 | 25.921 | 5.184 | 37.678 | (188) | (2.084) | 301.787 | 58.003 | 426.301 |

EXPLANATORY NOTES

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

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

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

2. Accounting policies

Form and contents of the consolidated financial statements

These explanatory notes have been prepared by the Board of Directors on the basis of the accounting records updated to December 31, 2010. 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.

To facilitate comparison with the previous year, the accounting schedules provide comparative figures: at December 31, 2009 and for the year 2009 in the case of the income statement.

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

Scope of consolidation

The consolidated financial statements at December 31, 2010 include the figures, on a line-by-line basis, of all the Italian and foreign companies in which the parent company holds a majority of the shares or quotas, directly or indirectly.

The companies taken into consideration for consolidation purposes are listed in the attached schedule entitled "List of companies consolidated at December 31, 2010".

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 Flows is presented using the indirect method.

In connection with the requirements of the Consob Resolution No. 15519 of 27 July 2006 as to the format of the financial statements, specific supplementary note has been added for related party transactions so as not to compromise an overall reading of the statements (Note 31).

Consolidation principles

The financial statements of the subsidiaries included in the scope of consolidation are consolidated on a line-by-line basis, which involves combining all of the items shown in their financial statements regardless of the Group's percentage interest.

If the companies included in the scope of consolidation are subject to different regulations, the most suitable reporting formats have been adopted to ensure maximum clarity, truth and fairness. The financial statements of foreign subsidiaries are reclassified where necessary to bring them into line with Group accounting policies. They are also adjusted to ensure compliance with IFRS.

In particular, for the subsidiaries included in the scope of consolidation:

- the book value of equity investments included in the scope of consolidation is eliminated against the equity of the companies concerned according to the full consolidation method. If the Group's direct or indirect investment is less than 100%, minority interests are calculated and shown separately;
- if purchase cost exceeds the net book value of the related shareholders' equity at the time of acquisition, the difference is allocated to specific assets of the companies acquired, with reference to 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 effective from January 1, 2010 not relevant, not yet applicable and not early adopted by the Group

There are no accounting principles, amendments, improvements and interpretations adopted from January 1, 2010.

The following amendments, improvements and interpretations have also been issued and are effective from January 1, 2010; these relate to matters that were not applicable to the Group at the date of these half-year condensed financial statements but which may affect the accounting for future transactions or arrangements:

- IAS 27 (2008) – Consolidated and Separate Financial Statements;
- IFRS 3 (2008) – Business combination;
- Improvement to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations;
- Amendments to IAS 28 – Investments in Associates and to IAS 31 – Interests in Joint Ventures consequential to the amendment to IAS 27;
- Improvements to IAS/IFRS (2009);
- Amendments to IFRS 2 – Share based Payment: Group Cash-settled Share-based Payment Transactions;
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged items;
- Amendment to IAS 32 – Financial Instruments: presentation, classification of rights issues;
- Revised version of IAS 24 - Related Party Disclosures;
- IFRS 9 – Financial Instruments;
- Minor amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement;
- interpretation IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

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 2010 | As at 12-31-2010 | Average for 2009 | As at 12-31-2009 |
|-----------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| US Dollar | 1.3268 | 1.3362 | 1.3933 | 1.4406 |
| Romanian Leu | 4.2106 | 4.2620 | 4.2396 | 4.2363 |
| Swiss Franc | 1.3823 | 1.2504 | 1.5099 | 1.4836 |
| Swedish Krona | 9.5469 | 8.9655 | 10.6200 | 10.2520 |
| British Pound | 0.8582 | 0.8608 | 0.8911 | 0.8881 |
| Canadian Dollar | 1.3665 | 1.3322 | 1.5852 | 1.5128 |
| Japanese Yen | 116.4552 | 108.6500 | 130.2344 | 133.1600 |
| Chinese Yuan | 8.9805 | 8.8220 | 9.5174 | 9.8350 |
| Czech Koruna | 25.2939 | 25.0610 | 26.4549 | 26.4730 |
| Russian Ruble | 41.3695* | 40.8200 | - | - |

* Average change from September to December.

Subjective assessments

In applying the Group's accounting policies, the directors take decisions based on the following subjective assessments (excluding those involving estimates) which can have a significant impact on the figures in the financial statements.

Operating lease commitments (with the Group acting as lessor).

The Group has stipulated commercial lease agreements for the properties that it uses. Under these agreements, which are classified as operating leases, the Group is of the opinion that it retains all of the significant risks and rewards of ownership of the assets.

Estimates and assumptions

Drawing up financial statements and notes in compliance with IFRS requires management to make estimates and assumptions that can affect the value of the assets and liabilities in the balance sheet, including disclosures on contingent assets and liabilities at the balance sheet date. The estimates and assumptions used are based on experience and other relevant factors. 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 this context, it is worth pointing out that the current economic and financial crisis has created a situation where assumptions about future trends have had to be made in a state of considerable uncertainty; so one cannot exclude that the actual results over the coming months may differ from what has been forecast, and this in turn could lead to adjustments that obviously cannot be estimated or foreseen as of today. The items in the financial statements that are principally affected by these situations of uncertainty are: deferred tax assets, pension funds and other post-employment benefits, the provisions for obsolescence and slow-moving inventory and returns, provision for bad and doubtful accounts, asset impairment.

The following is a summary of the critical valuation processes and key assumptions used by management in the process of applying the accounting standards with regard to the future and which could have significant effects on the values shown in the financial statements.

Deferred tax assets

Deferred tax assets are booked on all carry-forward tax losses to the extent that it is probable that there will be adequate taxable income in the future to absorb them. The directors are required to make a significant subjective assessment to determine the amount of deferred tax assets that should be recognized. They have to assess the timing and amount of future taxable income and develop a tax planning strategy for the coming years. The book value of the tax losses that have been recognized is shown in note 13.

Pension funds and other post-employment benefits

The cost of defined-benefit pension plans and other post-employment benefits (healthcare) is determined by means of actuarial valuations. Actuarial valuations involve making assumptions about discount rates, the expected return on investment, future pay rises, mortality rates and the future increase in pensions. Because of the long-term nature of these plans, such estimates are subject to a high degree of uncertainty. Further details are provided in note 21.

Provision for returns

The Group has provided for the possibility that products already sold may be returned by customers. To this end, the Group has made certain assumptions based on the quantity of goods returned in the past and their estimated realizable value. Further details are provided in note 16.

Provision for obsolete and slow-moving inventory

The Group has set up provisions for products in inventory that may have to be sold at a discount, which means that they will have to be adjusted to their estimated realizable value. For this purpose, the Group has developed assumptions regarding the quantity of goods sold at a discount in the past and the possibility of selling them through the Group's own outlets. Further details are provided in note 15.

Provision for bad and doubtful accounts

The provision for bad and doubtful accounts is calculated on the basis of a specific analysis of items in dispute and of those balances which, even if not in dispute, show signs of delayed collection. 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, so it is an assessment that is subject to uncertainties. Further details are provided in note 16.

Asset Impairment

The Group has set up provisions against the possibility that the carrying amounts of tangible and intangible assets may not be recoverable from them by use. The directors are required to make a significant subjective assessment to determine the amount of asset impairment that should be recognized. They estimate the possible loss of value of assets in relation to future economic performance closely linked to them.

Accounting policies

The financial statements are prepared on a historical cost basis, amended as required for the valuation of certain financial instruments. They are also prepared on a going-concern basis. In fact, the Group is of the opinion that despite the difficult economic and financial context, there are no material uncertainties (as defined in paragraph 25 of IAS 1) regarding the ability to continue operating as a going concern, also in virtue of its operating flexibility, constantly good profitability and financial/capital solidity.

The main accounting policies are outlined below:

Intangible assets

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

Amortization is applied systematically over the useful life of the assets based on the period that they are expected to be of use to the company. 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. 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 writedowns/writebacks.

The residual value of the assets, together with their estimated useful life, is reviewed at least once a year at the end of each accounting period and written down if it is found to be impaired in accordance with IAS 36, regardless of the amount of depreciation already charged. The value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Routine maintenance costs are charged in full to the income statement, whereas improvement expenditure is allocated to the assets concerned and depreciated over their residual useful life.

The following table shows the depreciation rates applied:

| | |
|-------------------------------------|--------------------------------------|
| Plant and machinery | from 5 to 8 years |
| Industrial and commercial equipment | from 2 to 4 years |
| Moulds | 2 years |
| Office furniture | 8 years |
| Electronic machines | 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 | 4 years |

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

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

Impairment of property, plant and equipment and intangible assets

The book value of the Geox Group's property, plant and equipment and intangible assets is reviewed whenever there is internal or external evidence that the value of such assets, or group of assets (defined as a Cash Generating Unit or CGU), may be impaired. Goodwill, consolidation differences and intangible assets with an indefinite useful life have to be subjected to impairment testing at least once a year.

Impairment tests are performed by comparing the book value of the asset or of the CGU with its realizable value, represented by its fair value (net of any disposal costs) or, if greater, the present value of the net cash flows that the asset or CGU is expected to generate.

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. Writebacks 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 debt, 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.

Investments in unconsolidated companies included in other non-current financial assets are recorded at purchase cost.

Non-current financial assets other than investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IAS 39.

Current financial assets and held-to-maturity securities are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs.

Subsequent to initial recognition, available-for-sale and held for trading financial assets are measured at fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques e.g. discounted cash flow analysis based on market information available at the balance sheet date.

Gains and losses on available-for-sale financial assets are recognized directly in equity until the financial asset is disposed or is determined to be impaired; when the asset is disposed of, the cumulative gains or losses, including those previously recognized in equity, are reclassified into the income statement for the period; when the asset is impaired, accumulated losses are recognized in the income statement. Gains and losses arising from changes in fair value of held for trading financial instruments are included in the income statement for the period.

Loans and receivables which are not held by the Group for trading (loans and receivables originating in the course of business), held-to-maturity securities and all financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortized cost, using the effective interest method. 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.

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

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IAS 39, 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, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which the hedge is designated.

All derivative financial instruments are measured in accordance with IAS 39 at fair value.

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. Gains and losses deriving from this actuarial calculation are booked to the income statement as revenues or costs regardless of their amount, without applying the corridor method.

The amount reflects not only the liabilities accrued up to the balance sheet date, but also future pay rises and related statistical trends.

The benefits guaranteed to employees through defined-contribution plans (also in virtue of the recent changes in the Italian regulations on pensions) are recognized on an accruals basis; at the same time, they also give rise to the recognition of a liability at face value.

Share-based payments (stock options)

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

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

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

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

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

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

into account the date on which the change takes place.

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

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

Provisions for liabilities and charges

Provisions for liabilities and charges are recognized when there is an effective obligation (legal or implicit) deriving from a past event, providing there will probably be an outlay of resources to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions represent the best estimate of the amount that the business would have to pay to settle the obligation or transfer it to third parties at the balance sheet date. Provisions are determined by discounting the expected future cash flows if the effect of discounting the value of money is significant.

Revenue and income

Revenues are recognized on an accruals basis.

Revenues derive from the Company's ordinary operations and include sales revenues, commissions and fees, interest, dividends, royalties and lease installments. They are recognized net of any returns, discounts, allowances and bonuses.

Revenues from the sale of products are recognized when the Company transfers most of the risks and benefits of ownership of the goods and collection of the amount billed is reasonably certain.

Revenues deriving from services rendered are accounted for with reference to the stage of completion of the transaction at the balance sheet date.

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

Interest income is accounted for on an accruals basis, in a way that takes into account the actual yield of the assets concerned.

Dividends are accounted for when the shareholders become entitled to receive the payment.

Costs and expenses

Costs and expenses are accounted for on an accruals basis.

Interest expense is recognized and booked to the income statement at the time that it is incurred.

Leasing

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

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

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

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

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 writedowns are reversed if the reasons for them no longer apply.

Income taxes on the amounts booked directly to equity are also charged directly to equity rather than to the income statement.

Earnings per share (EPS)

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

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

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:

| | | 2010 | % | 2009 | % |
|--------------|------------------|----------------|--------------|----------------|--------------|
| Footwear | Net sales | 731,908 | | 766,191 | |
| | D&A | 34,298 | | 33,464 | |
| | EBIT | 72,360 | 9.9% | 97,203 | 12.7% |
| Apparel | Net sales | 118,168 | | 98,819 | |
| | D&A | 4,608 | | 3,421 | |
| | EBIT | 21,047 | 17.8% | 19,825 | 20.1% |
| Total | Net sales | 850,076 | | 865,010 | |
| | D&A | 38,906 | | 36,885 | |
| | EBIT | 93,407 | 11.0% | 117,028 | 13.5% |

Segment assets and liabilities are all managed at Group level, so they are not shown separately by segment. The only exception to this rule is the value of inventories, which amount to Euro 145,927 thousand for footwear (Euro 131,180 thousand in 2009) and Euro 24,311 thousand for apparel (Euro 19,979 thousand in 2009).

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

| | | 2010 | % | 2009 | % |
|-----------------|------------------|----------------|--------------|----------------|--------------|
| Italy | Net sales | 329,527 | | 326,656 | |
| | EBIT | 67,187 | 20.4% | 84,887 | 26.0% |
| Europe | Net sales | 355,867 | | 379,625 | |
| | EBIT | 33,072 | 9.3% | 53,411 | 14.1% |
| North America | Net sales | 54,184 | | 53,807 | |
| | EBIT | (16,288) | (30.1%) | (29,509) | (54.8%) |
| Other countries | Net sales | 110,498 | | 104,922 | |
| | EBIT | 9,436 | 8.5% | 8,239 | 7.9% |
| Total | Net sales | 850,076 | | 865,010 | |
| | EBIT | 93,407 | 11.0% | 117,028 | 13.5% |

Non-current assets, which relate to property, plant and equipment and intangible assets, are split geographically as follows: in Italy Euro 88,614 thousand (in 2009 Euro 94,492 thousand), in Europe Euro 37,515 thousand (in 2009 Euro 39,632 thousand), in North America Euro 8,214 thousand (in 2009 Euro 8,539 thousand) and other countries Euro 1,583 thousand (in 2009 Euro 3,504 thousand).

4. General and administrative expenses

General and administrative expenses are analyzed in the following table:

| | 2010 | 2009 | Change |
|--------------------|----------------|----------------|---------------|
| Wages and salaries | 78,866 | 69,746 | 9,120 |
| Rental expenses | 66,879 | 60,014 | 6,865 |
| Other costs | 99,479 | 103,269 | (3,790) |
| Rental income | (14,578) | (15,775) | 1,197 |
| Other income | (1,669) | (2,523) | 854 |
| Total | 228,977 | 214,731 | 14,246 |

Rental and lease expenses relate to the shops, offices and industrial property leased by the Group.

Rental income relates to the Geox Shops owned by the Group and leased to third parties under franchising agreements.

Other costs mainly include: depreciation and amortization, services and consulting, sample costs, utilities, insurance, maintenance and bank charges.

Other income mainly includes sales of miscellaneous goods and insurance compensation.

Research and the ongoing conception and implementation of innovative solutions is a significant factor in the Group's strategies because, as already explained in the directors' report on operations, product innovation is fundamental to maintain and strengthen the Group's competitive advantage.

Research and development is a complex corporate process, which ranges from the study of technical solutions involving materials that are able to breathe while remaining waterproof, to the concession of new patents and the development of new product lines.

This process can be broken down into the following stages:

- pure research, which consists of verifying the performance of the materials used in Geox footwear and apparel. This activity's vocation is to create new patents and to implement solutions that use particular materials to make products that can breathe and at the same time remain waterproof.
- applied research, which consists of creating the collections, passing through the various phases of design, prototyping and modeling.

Research and development makes use of dedicated personnel, who transmit the results of their work to all those (designers, product managers, production technicians, etc.) who take part in the definition, industrialization and production of the Group's products.

R&D costs are all written off to income during the period and amounted in total to Euro 15,690 thousand (in 2009 Euro 15,133 thousand).

The fees due to the directors and statutory auditors of Geox S.p.A. for 2010 are listed below. These amounts include the fees due for performing the same functions at other companies included in the scope of consolidation.

| Name | Position | Period in office | Expiry of mandate | Emoluments (Euro) | Non-cash benefits | Other remuneration |
|---------------------------|---|-------------------------------------|-------------------|-------------------|-------------------|--------------------|
| Mario Moretti Polegato | Chairman | from Jan 1, 2010 to Dec 31, 2010 | (1) | 1,800,000 (3) | - | - |
| Enrico Moretti Polegato | Deputy Chairman | from Jan 1, 2010 to Dec 31, 2010 | (1) | 150,000 | - | - |
| Diego Bolzonello | CEO | from Jan 1, 2010 to Dec 31, 2010 | (1) | 400,000 | 8,322 | 774,711 |
| Francesco Gianni | Independent Director | from Jan 1, 2010 to Dec 31, 2010 | (1) | 35,000 (2) | - | - |
| Umberto Paolucci | Independent Director | from Jan 1, 2010 to Dec 31, 2010 | (1) | 35,000 (3) | - | - |
| Alessandro Antonio Giusti | Independent Director | from Jan 1, 2010 to Dec 31, 2010 | (1) | 65,000 (4) | - | - |
| Bruno Barel | Independent Director | from Jan 1, 2010 to Dec 31, 2010 | (1) | 45,000 (5) | - | - |
| Giuseppe Gravina | Independent Director | from Jan 1, 2010 to Apr. 20, 2010 | | 7,603 | - | - |
| Renato Alberini | Independent Director | from Jan 1, 2010 to Dec 31, 2010 | (1) | 35,000 (6) | - | - |
| Lodovico Mazzolari | Executive Director | from April 21, 2010 to Dec 31, 2010 | (1) | 17,465 | - | 400,000 |
| Fabrizio Colombo | Chairman of the Board of Statutory Auditors | from Jan 1, 2010 to Dec 31, 2010 | (1) | 75,000 | - | - |
| Francesco Mariotto | Statutory Auditor | from Jan 1, 2010 to Dec 31, 2010 | (1) | 50,000 | - | - |
| Francesca Meneghel | Statutory Auditor | from Jan 1, 2010 to Dec 31, 2010 | (1) | 50,000 | - | - |

(1) In office until approval of the financial statements for the year ended December 31, 2012.

(2) Includes remuneration as member of the Audit Committee.

(3) Includes remuneration as member of the Ethics Committee.

(4) Includes remuneration as member of the Audit Committee, the Compensation Committee and the Supervisory Body.

(5) Includes remuneration as member of the Audit Committee and of the Compensation Committee.

(6) Includes remuneration as member of the Compensation Committee.

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:

| | 2010 | 2009 | Change |
|--|---------------|---------------|-----------------|
| Industrial depreciation | 6,078 | 4,985 | 1,093 |
| Non-industrial depreciation and amortization | 32,658 | 31,900 | 758 |
| Industrial net asset impairment | 170 | 100 | 70 |
| Non-industrial net asset impairment | - | 12,363 | (12,363) |
| Total | 38,906 | 49,348 | (10,442) |

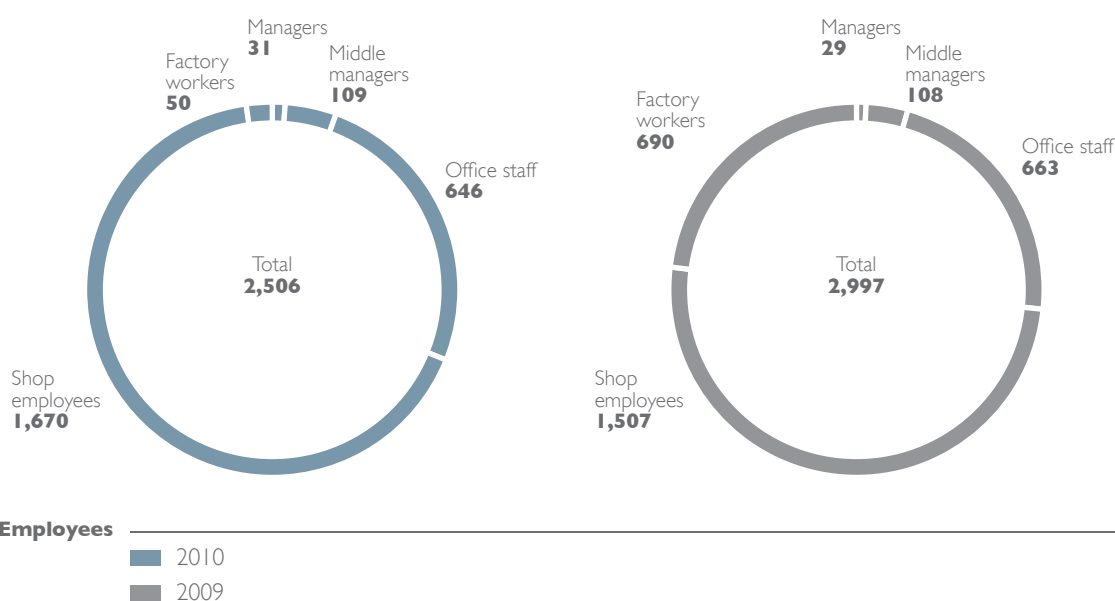
Non industrial amortization expenses which rose to Euro 32,658 thousand of 2009 from Euro 31,900 thousand of 2009 mainly related to the investments in the stores network.

Non industrial net asset impairment of Euro 12,363 thousand, in 2009, related to store assets that, given the current macroeconomic scenario, are not certain to be recovered.

Payroll costs amounted to Euro 95,751 thousand (in 2009 Euro 90,917 thousand). Remuneration to strategic role directors amounted to Euro 4,776 thousand (Euro 5,255 thousand in 2009). A number of 4,818 thousand stock option have been grant to the strategic role directors.

6. Personnel

The average number of employees is shown below:



The average number of total employees decreased in 2010 compared to 2009, mainly due to the transfer to third parties of the production activities of the Group.

7. Special items

Special items, which are non recurring costs, are related to contractual expenses for the closing of some shops. These closures were put in place mainly in 2009 to protect the brand image and future development of the business model of Geox.

8. Net interest

This item is made up as follows:

| | 2010 | 2009 | Change |
|----------------------|----------------|----------------|------------|
| Interest income | 1,817 | 2,894 | (1,077) |
| Interest expense | (4,554) | (6,989) | 2,435 |
| Exchange differences | (431) | (59) | (372) |
| Total | (3,168) | (4,154) | 986 |

Interest income is made up as follows:

| | 2010 | 2009 | Change |
|-------------------------|--------------|--------------|----------------|
| Interest from banks | 799 | 875 | (76) |
| Interest from customers | 28 | 41 | (13) |
| Other interest income | 990 | 1,978 | (988) |
| Total | 1,817 | 2,894 | (1,077) |

Other interest income mainly consists of the effect of accounting for financial derivatives as explained in note 30.

Interest expense is made up as follows:

| | 2010 | 2009 | Change |
|------------------------------------|--------------|--------------|----------------|
| Bank interest and charges | 68 | 96 | (28) |
| Interest on loans | 53 | 11 | 42 |
| Other interest expense | 908 | 3,019 | (2,111) |
| Financial discounts and allowances | 3,525 | 3,863 | (338) |
| Total | 4,554 | 6,989 | (2,435) |

Other interest expense mainly consists of the effect of accounting for financial derivatives as explained in note 30.

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

Exchange differences are made up as follows:

| | 2010 | 2009 | Change |
|-----------------|--------------|-------------|--------------|
| Exchange gains | 41,911 | 37,288 | 4,623 |
| Exchange losses | (42,342) | (37,347) | (4,995) |
| Total | (431) | (59) | (372) |

9. Income taxes

Income taxes were equal to Euro 32,236 thousand, compared Euro 46,168 thousand of 2009, with a tax rate of 36% (41% of 2009).

The tax rate decrease from 41% to 36% is primarily due to the lower write-down of deferred tax asset taken in 2010 compared with the same period of last year.

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

| | 2010 | % | 2009 | % |
|--|--------------|-------------|---------------|--------------|
| PBT | 90,239 | 100.0% | 112,874 | 100.0% |
| Theoretical income taxes (*) | 24,816 | 27.5% | 31,040 | 27.5% |
| Effective income taxes | 32,236 | 35.7% | 46,168 | 40.9% |
| Difference due to: | 7,420 | 8.2% | 15,128 | 13.4% |
| 1) different tax rates applicable in other countries | (1,759) | (1.9%) | (2,175) | (1.9%) |
| 2) permanent differences: | | | | |
| I) IRAP and other local taxes | 8,369 | 9.3% | 9,092 | 8.1% |
| II) writedowns of deferred tax asset | 2,804 | 3.1% | 10,479 | 9.3% |
| III) previous years' taxes | (1,090) | (1.2%) | (546) | (0.5%) |
| iv) other | (904) | (1.0%) | (1,722) | (1.5%) |
| Total difference | 7,420 | 8.2% | 15,128 | 13.4% |

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

10. Earning 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:

| | 2010 | 2009 |
|--|-------------|-------------|
| Earning per share (Euro) | 0.22 | 0.26 |
| Diluted earnings per share (Euro) | 0.22 | 0.26 |
| Weighted average number of shares outstanding: | | |
| - basic | 259,094,134 | 259,094,134 |
| - diluted | 259,094,134 | 259,376,899 |

11. Intangible assets

Intangible assets are made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--|-----------------------------|-----------------------------|----------------|
| Industrial patents and intellectual property rights | 9,455 | 9,655 | (200) |
| Trademarks, concessions and licenses | 829 | 872 | (43) |
| Key money | 55,097 | 60,058 | (4,961) |
| Assets in process of formation and payments on account | 2,102 | 2,928 | (826) |
| Goodwill | 1,138 | 1,138 | - |
| Total | 68,621 | 74,651 | (6,030) |

The following table shows the changes in intangible assets during 2010:

| | 12-31 2009 | Purchases and capitali- zations | Translation differences | Amort. and write- downs | Disposals | Other changes | 12-31 2010 |
|---|---------------|---------------------------------------|----------------------------|-------------------------------|--------------|------------------|---------------|
| <i>Intangible assets with finite useful life:</i> | | | | | | | |
| Industrial patents and intellectual property rights | 9,655 | 3,381 | 230 | (4,381) | - | 570 | 9,455 |
| Trademarks, concessions and licenses | 872 | 97 | 60 | (200) | - | - | 829 |
| Key money | 60,058 | 2,663 | 104 | (8,891) | (936) | 2,099 | 55,097 |
| Assets in process of formation and pay- ments on account | 2,928 | 1,822 | - | - | - | (2,648) | 2,102 |
| <i>Intangible assets with an indefinite useful life:</i> | | | | | | | |
| Goodwill | 1,138 | - | - | - | - | - | 1,138 |
| Total intangible assets | 74,651 | 7,963 | 394 | (13,472) | (936) | 21 | 68,621 |

Additions during the period mainly concern:

- personalization of the IT systems for a total of Euro 2,537 thousand;
- the costs incurred for the registration, extension and protection of patents in various parts of the world (Euro 844 thousand);
- key money costs (Euro 2.663 thousand) of which:
 - Euro 1,319 thousand for the acquisition of commercial businesses;
 - Euro 1,344 thousand for the amounts paid to access leased properties by taking over existing contracts or persuading tenants to terminate their contracts so that new ones could be signed with the landlords. The premises were then fitted out as Geox shops.
- Assets in process of formation for a total of Euro 1,822 thousand. Such amounts mainly include the sums paid to take over the leases of shops that will be fitted out as Geox Shops during the course of 2011 and the further implementations and customizing of the new IT system.

Each shop is considered a CGU and the current value of the forecast net cash flow (the so-called "value in use") is determined for each of them. If the value in use of a CGU is lower than its book value, its assets are written down accordingly.

12. Property, plant and equipment

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

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--|-------------------------------------|-------------------------------------|----------------|
| Plant and machinery | 9,211 | 12,581 | (3,370) |
| Industrial and commercial equipment | 3,167 | 3,730 | (563) |
| Other assets | 18,219 | 17,913 | 306 |
| Leasehold improvements | 35,813 | 36,438 | (625) |
| Construction in progress and payments on account | 896 | 854 | 42 |
| Total | 67,306 | 71,516 | (4,210) |

The following table shows the changes in property, plant and equipment during 2010:

| | 12-31 2009 | Purchases and capitalizations | Translocation differences | Amort. and write- downs | Disposals | Other changes | 12-31 2010 |
|--|-----------------------|--|--------------------------------------|--|------------------|--------------------------|-----------------------|
| Plant and machinery | 12,581 | 414 | 5 | (2,147) | (1,642) | - | 9,211 |
| Industrial and commercial equipment | 3,730 | 3,792 | 13 | (4,338) | (30) | - | 3,167 |
| Other assets | 17,913 | 8,996 | 334 | (8,284) | (1,162) | 422 | 18,219 |
| Leasehold improvements | 36,438 | 9,746 | 819 | (10,665) | (936) | 411 | 35,813 |
| Construction in progress and payments on account | 854 | 894 | 2 | - | - | (854) | 896 |
| Total property, plant and equipment | 71,516 | 23,842 | 1,173 | (25,434) | (3,770) | (21) | 67,306 |

Additions during the period mainly concern:

- the implementation, at a cost of Euro 272 thousand, of a new telephone system as part of the plan to reorganize customer service in Europe, centralizing it at head office;
- the purchase of industrial equipment (mainly moulds for shoe soles) by the parent company Geox S.p.A.;
- Geox shop fittings and hardware for Euro 7,783 thousand, office and show room fittings for Euro 508 thousand, office and head office hardware for Euro 705 thousand;
- leasehold improvements of Euro 9,746 thousand. These additions relate to industrial buildings and shops for Euro 974 thousand and to premises fitted out as Geox Shop for Euro 8,772 thousand;
- construction in progress of Euro 894 thousand. These additions relate to the fitting out of shops due to be inaugurated in 2011.

Depreciation, amortization and impairment include Euro 170 thousand relating to moulds that at December 31, 2010 are not expected to be used in the future and whose estimated recovery value is zero. As at December 31, 2009 impairments amounted to Euro 100 thousand.

Other assets are made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|---------------------------------------|-------------------------------------|-------------------------------------|---------------|
| Electronic machines | 2,724 | 3,428 | (704) |
| Furniture and fittings | 15,392 | 14,280 | 1,112 |
| Motor vehicles and internal transport | 103 | 205 | (102) |
| Total | 18,219 | 17,913 | 306 |

13. Deferred taxes

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

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--|-------------------------------------|-------------------------------------|----------------|
| Carry-forward tax losses | 15,782 | 12,408 | 3,374 |
| Depreciation and amortization and impairment | 13,090 | 16,317 | (3,227) |
| Evaluation derivatives | 2,935 | - | 2,935 |
| Provision for obsolescence and slow-moving inventory and returns | 8,325 | 7,581 | 744 |
| Provision for agents' severance indemnities | 1,780 | 1,389 | 391 |
| Other | 5,985 | 4,583 | 1,402 |
| Deferred tax assets | 47,897 | 42,278 | 5,619 |
| Evaluation derivatives | - | (578) | 578 |
| Other | (559) | (502) | (57) |
| Deferred tax liabilities | (559) | (1,080) | 521 |
| Total deferred taxes | 47,338 | 41,198 | 6,140 |
| Allowance | (18,474) | (15,122) | (3,352) |
| Total | 28,864 | 26,076 | 2,788 |

Derivatives that are defined as cash flow hedges and valued on a mark-to-market basis directly to equity require all related taxes also to be booked directly to equity and not to the income statement. The income taxes booked directly to equity amount to Euro 2,935 thousand (Euro 578 thousand in 2009).

The deferred tax assets on carry-forward tax losses, which at December 31, 2010 amount to Euro 15,782 thousand largely relate to subsidiaries in USA for Euro 10,977 thousand, in Japan for Euro 2,830 thousand, and other subsidiaries for Euro 1,975 thousand.

In the financial statements for the period ended December 31, 2010, deferred tax assets have been written down by Euro 18,474 thousand (Euro 15,122 thousand in 2009) in connection with tax losses and temporary differences primarily included in financial statements of foreign subsidiaries in the U.S. and Japan, which are no longer certain to be recovered given the current macroeconomic situation.

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

14. Other non-current assets

Other non-current assets are made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--|-------------------------------------|-------------------------------------|---------------|
| Accounts receivable from others in 1 to 5 years | 11,014 | 10,717 | 297 |
| Accounts receivable from others in more than 5 years | 5,215 | 6,230 | (1,015) |
| Total | 16,229 | 16,947 | (718) |

Accounts receivable from others relate principally for Euro 7,516 thousand of guarantee deposits for utilities and shop leases (from 1 to 5 years: Euro 5,699 thousand; over 5 years: Euro 1,817 thousand) and accounts receivable, payable from 1 to 5 years, for Euro 490 thousand.

Prepaid expenses for lease payments made in advance for Euro 8,223 thousand (from 1 to 5 years: Euro 4,824 thousand; over 5 years: 3,399 thousand).

15. Inventories

The following table shows the breakdown of inventories:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--|-------------------------------------|-------------------------------------|---------------|
| Raw materials | 12,881 | 25,252 | (12,371) |
| Finished products and goods for resale | 157,357 | 125,907 | 31,450 |
| Furniture and fittings | 1,847 | 1,228 | 619 |
| Total | 172,085 | 152,387 | 19,698 |

Inventories of finished products include goods in transit acquired from countries in the Far East.

In 2010 the Group has an increase in the value of inventories. Such increase is mainly due to different timing of receipt of Spring/Summer collection compared to the same period of 2009.

Furniture and fittings relate to furnishings that will be used or sold to franchisees for opening new Geox Shops.

The book value of inventories is not significantly different from their current cost at the end of the period.

Inventories are shown net of the provision for obsolete and slow-moving inventory, which is considered adequate for a prudent valuation of finished products from previous collections and raw materials that are no longer used. The provision for obsolete and slow-moving inventory is analyzed below:

| | |
|-------------------------------|--------------|
| Balance at January 1 | 8,397 |
| Provisions | 8,341 |
| Translation differences | 85 |
| Utilizations | (9,070) |
| Balance at December 31 | 7,753 |

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

16. Accounts receivable

Accounts receivable are made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|---|-------------------------------------|-------------------------------------|----------------|
| Gross value | 151,612 | 148,355 | 3,257 |
| Provision for bad and doubtful accounts | (4,062) | (1,947) | (2,115) |
| Provision for returns and credit notes | (23,025) | (17,605) | (5,420) |
| Net value | 124,525 | 128,803 | (4,278) |

Accounts receivable have risen by Euro 3,257 thousand compared with December 31, 2009. Accounts receivable include notes for a total of Euro 28.9 million presented to banks for advances with recourse, but not yet due at the end of the period.

The following is an ageing analysis of accounts receivable:

| | Not yet due | Past due 0 - 90 days | Past due 91 - 180 days | Past due over 180 days | Total |
|--|------------------------|---------------------------------|-----------------------------------|-----------------------------------|----------------|
| Gross value of trade receivables at December 31, 2010 | 130,947 | 12,673 | 4,792 | 3,200 | 151,612 |
| Gross value of trade receivables at December 31, 2009 | 126,837 | 16,981 | 3,150 | 1,387 | 148,355 |

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

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

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

Accounts receivable are adjusted to their estimated realizable value by means of a provision for bad and doubtful accounts based on a review of individual outstanding balances. The provision at December 31, 2010 represents a prudent estimate of the current collection risk. Changes in the provision during the year are as follows:

| | |
|-------------------------------|--------------|
| Balance at January 1 | 1,947 |
| Provisions | 2,346 |
| Translation differences | 5 |
| Utilizations | (236) |
| Balance at December 31 | 4,062 |

The risk of customer insolvency is not considered relevant as specific contracts with leading credit insurance companies cover credit risk on almost the entire 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.

Changes in the provision for returns and credit notes during 2010 are as follows:

| | |
|-------------------------------|---------------|
| Balance at January 1 | 17,605 |
| Provisions | 25,466 |
| Translation differences | 62 |
| Utilizations | (20,108) |
| Balance at December 31 | 23,025 |

17. Other non-financial current assets

This item is made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|-------------------------------------|-------------------------------------|-------------------------------------|---------------|
| Tax credits | 12,199 | 9,660 | 2,539 |
| VAT recoverable | 115 | 2,927 | (2,812) |
| Advances to vendors | 1,931 | 1,489 | 442 |
| Other receivables | 6,763 | 6,116 | 647 |
| Accrued income and prepaid expenses | 4,810 | 3,850 | 960 |
| Total | 25,818 | 24,042 | 1,776 |

Tax credit includes an amount of Euro 8,307 thousand against the parent company LIR S.r.l. (Euro 7,431 thousand in 2009).

Note that as a result of Geox S.p.A. and its subsidiary Geox Retail S.r.l. opting to pay tax on a group basis, the amount of tax that they owe the Italian tax authorities is paid via LIR S.r.l., the ultimate parent company.

Other receivables include:

- Euro 1,995 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;
- Euro 1,720 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received.

18. Financial assets and liabilities

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

The following table shows the breakdown of this item:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--|-------------------------------------|-------------------------------------|-----------------|
| Term bank deposits | 988 | 794 | 194 |
| Loans granted by Geox | 185 | 211 | (26) |
| Securities | 42 | 42 | - |
| Total non current financial assets | 1,215 | 1,047 | 168 |
| Fair value derivative contracts | 3,909 | 4,239 | (330) |
| Loans granted by Geox | 137 | 163 | (26) |
| Total current financial assets | 4,046 | 4,402 | (356) |
| Fair value derivative contracts | (20,279) | (3,263) | (17,016) |
| Other current financial liabilities | (5) | (6) | 1 |
| Total current financial liabilities | (20,284) | (3,269) | (17,015) |

The term bank deposits of Euro 988 thousand include amounts lodged to guarantee rent contracts on foreign shops.

As regards the mark-to-market derivative contracts, see the comments in note 30.

19. Cash and cash equivalents

The amount of Euro 114,200 thousand relates to short term deposits for Euro 55,640 thousand, a current account in Euro for Euro 33,557 thousand, a current account in US Dollars for Euro 18,279 thousand, a current account in Canadian Dollars for Euro 2,858 thousand, a current account in British Pound for Euro 1,072 thousand, a current account in Swiss Francs for Euro 825 thousand, a current account in other currencies for the rest. The term deposits relate to investments of surplus cash remunerated at a rate better than 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 cash on the other current accounts relates to receipts from customers on December 31, 2010 and temporary cash surpluses waiting to be used to make payments. The book value of the financial assets and liabilities shown below coincides with their fair value.

20. Equity

Share capital

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

Other reserves

This item is made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|------------------------------|-------------------------------------|-------------------------------------|---------------|
| Legal reserve | 5,184 | 5,184 | - |
| Share premium reserve | 37,678 | 37,678 | - |
| Translation reserve | (188) | (744) | 556 |
| Reserve for cash flow hedges | (7,924) | 1,330 | (9,254) |
| Reserve for stock options | 5,840 | 5,754 | 86 |
| Retained earnings | 301,787 | 286,922 | 14,865 |
| Total | 342,377 | 336,124 | 6,253 |

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

The share premium reserve was set up for Euro 33,466 thousand in 2004 as a result of the public offering of shares which increased the share capital by Euro 850 thousand.

During 2005, this reserve was increased by Euro 1,548 thousand following the early exercise of a tranche of the stock option plans reserved for management; this involved an increase in capital of Euro 34 thousand.

During 2008, this reserve was increased by Euro 2,635 thousand following the early exercise of the stock option plans reserved for management; this involved an increase in capital of Euro 36 thousand.

During 2009, this reserve was increased by Euro 29 thousand following the early exercise of the stock option plans reserved for management; this involved an increase in capital of Euro 1 thousand.

The reserve for cash flow hedges, which shows a debit balance of Euro 7,924 thousand, originated as a result of valuing the financial instruments defined as cash flow hedges at December 31, 2010.

Fair value valuation of cash flow hedges is stated net of the tax effect as explained in greater detail in note 30. This reserve is not distributable.

The stock option reserve has been established in accordance with the IFRS 2. The adoption of a stock option plan requires that the fair value of the options at the grant date be recognized as a cost. This cost is charged to the income statement over the vesting period, with the contra-entry going to a specific equity reserve.

Retained earnings consist of unallocated results earned in previous years. This item increased by Euro 14,865 thousand even though dividends of Euro 51,841 thousand in 2010 were distributed to the shareholders.

Amounts are shown net of tax, where applicable.

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

| | Net income for the period 2010 | Equity 12-31-2010 | Net income for the period 2009 | Equity 12-31-2009 |
|---|---|------------------------------|---|------------------------------|
| Parent company's equity and net income | 49,655 | 451,567 | 74,819 | 461,877 |
| Differences between the carrying value of the investments in subsidiaries and the Group share of their equity | - | (30,997) | - | 6,453 |
| Group share of affiliates' results | (964) | (964) | (30,482) | (30,482) |
| Effect of the reorganization in 2001 | 16,987 | (25,387) | 16,987 | (42,373) |
| Elimination of intragroup transactions on inventories | (872) | (3,323) | 4,648 | (2,451) |
| Elimination of intragroup dividends and investments write-off | (6,566) | 23,985 | (3,665) | 24,396 |
| Other adjustments | (237) | 11,420 | 4,399 | 11,331 |
| Group equity and net income | 58,003 | 426,301 | 66,706 | 428,751 |

21. Employee severance indemnities

Employee severance indemnities at December 31, 2010 amount to Euro 2,372 thousand, as shown in the following table:

| | |
|---|--------------|
| Balance at Dec. 31, 2009 | 2,509 |
| Increase for new hires at other companies | 6 |
| Amounts paid to leavers | (676) |
| Reversal of 0.50% withholding | (188) |
| Reversal of 11% flat-rate tax | (9) |
| Payments to supplementary pension schemes | (739) |
| Advances granted to employees | (162) |
| Provision for the period | 2,903 |
| Payments to supplementary pension schemes run by INPS | (1,332) |
| Change as a result of actuarial calculations | 60 |
| Balance at Dec. 31, 2010 | 2,372 |

Changes in the provision for severance indemnities during 2010 show a utilization of Euro 739 thousand for payments to supplementary pension funds and one of Euro 1,332 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 Decree 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: 4.40%
- rate of severance indemnities increase: 3.00%
- inflation rate: 2.00%

22. Provisions for liabilities and charges

This item is made up as follows:

| | Balance at Dec. 31, 2009 | Utilizations | Provisions | Transaction differences | Actuarial adjustment | Balance at Dec. 31, 2009 |
|---|-----------------------------|----------------|--------------|----------------------------|-------------------------|-----------------------------|
| Provision for agents' severance indemnities | 3,637 | (148) | 1,511 | 45 | (328) | 4,717 |
| Other | 3,619 | (1,582) | 1,331 | 6 | - | 3,374 |
| Total | 7,256 | (1,730) | 2,842 | 51 | (328) | 8,091 |

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 1,292 thousand.

"Other" reflect, mainly, an estimate of the risks involved in outstanding disputes.

23. Long-term loans

Long term loans mainly include a loan for a R&D project relating to a "New membrane with high mechanical performance". The long-term portion of this loan amounts to Euro 492 thousand.

24. Other long-term payables

This item is made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--------------------------------------|-----------------------------|-----------------------------|-------------|
| Guarantee deposits | 1,734 | 1,806 | (72) |
| Taxes payable | - | 38 | (38) |
| Accrued expenses and deferred income | 557 | 472 | 85 |
| Total | 2,291 | 2,316 | (25) |

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

25. Accounts payable

Accounts payable at December 31, 2010 amount to Euro 117,822 thousand, with a decrease of Euro 3,903 thousand if compared with December 31, 2009. All amounts are due within the next 12 months.

Terms and conditions of the above financial liabilities:

- Trade payables are normally settled within 30-90 days and do not generate interest;
- The terms and conditions applied to related parties are the same as those applied to third parties.

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

26. Other non-financial current liabilities

This item is made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|--|-------------------------------------|-------------------------------------|---------------|
| Social security institutions | 3,411 | 3,143 | 268 |
| Employees | 11,690 | 9,013 | 2,677 |
| Provisions for liabilities and charges | 733 | 3,313 | (2,580) |
| Other payables | 6,171 | 4,701 | 1,470 |
| Accrued expenses and deferred income | 6,886 | 5,853 | 1,033 |
| Total | 28,891 | 26,023 | 2,868 |

The amounts due to social security institutions mainly relate to pension contributions for 2010, paid on 2011.
The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of December 31, 2010.
Provisions for liabilities and charges represent current portion of "Other" in note 22.
Other payables are mainly advances received from customers.
Accrued expenses mainly relate to shop lease contracts for the period.

27. Taxes payable

This item is made up as follows:

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|-----------------------------|-------------------------------------|-------------------------------------|---------------|
| Income taxes for the period | 5,652 | 4,747 | 905 |
| VAT payable | 1,075 | 781 | 294 |
| Other | 3,087 | 2,900 | 187 |
| Total | 9,814 | 8,428 | 1,386 |

The liability for income taxes at December 31, 2010 amounts to Euro 5,652 thousand.

Note that as a result of Geox S.p.A. and its subsidiary Geox Retail S.r.l. opting to pay tax on a group basis, the amount of tax that they owe the Italian tax authorities is paid via LIR S.r.l., the ultimate parent company. As at December 31, 2010 Geox Group has a tax credit which includes an amount of Euro 8,307 thousand (Euro 7,431 thousand in 2009) against the parent company LIR S.r.l. (see note 17).

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

| | Balance at Dec. 31, 2010 | Balance at Dec. 31, 2009 | Change |
|---------------------------------|-----------------------------|-----------------------------|------------|
| Bank borrowings | | | |
| - cash advances | 6,383 | 6,012 | 371 |
| - loans | - | 198 | (198) |
| Other providers of funds | | | |
| - loans | 106 | 105 | 1 |
| Total | 6,489 | 6,315 | 174 |

29. Share-based payments

Stock option plans

In accordance with IFRS 2, the adoption of a stock option plan requires that the fair value of the options at the grant date be recognized as a cost. This cost is charged to the income statement over the vesting period, with the contra-entry going to a specific equity reserve.

The cost recognized for the employee services received during 2010 amounted to Euro 86 thousand (in 2009 Euro 936 thousand).

The fair value of these options has been determined by an independent expert using the binomial method. The principal assumptions for the calculation of the various plans are as follows:

| | April 2009 Plan | April 2008 Plan | December 2005 Plan | November 2004 Plan |
|---------------------------------|--------------------|--------------------|-----------------------|-----------------------|
| Grant date | 04-21-2009 | 04-07-2008 | 12-15-2005 | 11-30-2004 |
| Vesting periods | 2-3 years | 3-4 years | 3-5 years | 3-5 years |
| Share price at grant date | Euro 5.1976 | Euro 9.6217 | Euro 9.17 | Euro 4.60 |
| Strike price | Euro 5.1976 | Euro 9.6217 | Euro 9.17 | Euro 4.60 |
| Discount for risk of forfeiture | 5% | 5% | 3% | 3% |
| Dividend yield (%) | 2.36% | 2.33% | 0.86% | 1.43% |
| Volatility (%) | 41.25% | 31.27% | 33.43% | 34.87% |

No other characteristic of the stock option plans has been taken into consideration in determining their fair value. The ability to exercise the options, which is determined tranche by tranche, depends on the Company achieving certain cumulative targets during the vesting periods, based on EBIT (Earnings Before Interest and Tax) as shown in the Geox Group's consolidated business plan.

30. Risk management : objectives and criteria

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 Group initially calculates the amount of exchange risk that is involved in the budget for the coming period. It then gradually hedges this risk during the process of order acquisition to the extent that the orders match the forecasts. These hedges take the form of specific forward contracts and options for the purchase or sale of the foreign currency concerned. 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.

The Group's financial statements could be materially affected by fluctuations in the exchange rates of the US dollar, British Pound and Swiss Franc. The following table shows the sensitivity of the profit before tax (because of changes in the fair value of current assets and liabilities) and of Group equity (due to changes in the fair value of forward exchange contracts and in hedging assets and liabilities) to potential fluctuations in the exchange rates of these currencies, leaving all other variables the same:

| Currency | Currency fluctuation | Effect on 2010 PBT in Eur/000 | Effect on 12-31-2010 equity (pre-tax) in Eur/000 | Effect on 2009 PBT in Eur/000 | Effect on 12-31-2009 equity (pre-tax) in Eur/000 |
|----------|----------------------|-------------------------------|--|-------------------------------|--|
| USD | 10% | 25 | (18,494) | (176) | (13,804) |
| | -10% | (31) | 22,604 | 216 | 16,873 |
| CHF | 10% | - | 1,193 | 6 | 497 |
| | -10% | - | (1,458) | (8) | (608) |
| GBP | 10% | 53 | 581 | 73 | 636 |
| | -10% | (65) | (710) | (89) | (777) |

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 (see note 16).

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 trade payables; on the other, 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. Most accounts receivable, 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 April and October, falling to lows in January and July.

The Group manages liquidity risk by maintaining tight control over the various components of working capital, especially accounts receivable and accounts payable. 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. The length of the period when financial resources are absorbed is also reduced by negotiating better payment terms with suppliers.

In any case, the Group's high level of profitability and resulting cash generation substantially eliminates liquidity risk, as the net financial position at the end of the period amounts to Euro 92.1 million. This cash surplus is invested in highly liquid, short-term assets that can be sold without making a loss. Financial liabilities are extremely limited. The Group also has bank lines of credit to match its capital structure, but which are not used.

Fair value and related hierarchy

As at December 31, 2010 financial instruments are as follows:

| | Notional value on 12-31-2010 | Fair value on 12-31-2010 in EUR/ thousand (debit) | Fair value on 12-31-2010 in EUR/ thousand (credit) | Notional value on 12-31-2009 | Fair value on 12-31-2009 in EUR/ thousand (debit) | Fair value on 12-31-2009 in EUR/ thousand (credit) |
|---|-------------------------------------|--|---|-------------------------------------|--|---|
| <i>Fair value hedge</i> | | | | | | |
| Term purchase contracts to hedge exchange rate risk | 92,697 | 420 | (5,770) | 54,551 | 605 | (793) |
| Term sales contracts to hedge exchange rate risk | 98,147 | 811 | (1,090) | 45,945 | 140 | (974) |
| Total Fair value hedge | 190,844 | 1,231 | (6,861) | 100,496 | 745 | (1,767) |
| <i>Cash flow hedge</i> | | | | | | |
| Term purchase contracts to hedge exchange rate risk | 205,417 | 2,599 | (9,553) | 158,659 | 3,354 | (1,244) |
| Term sales contracts to hedge exchange rate risk | 22,154 | 80 | (1,297) | 14,519 | 140 | (252) |
| Option contracts to hedge exchange rate risk | 44,903 | - | (2,569) | - | - | - |
| Total Cash flow hedge | 272,474 | 2,678 | (13,419) | 173,178 | 3,494 | (1,496) |
| Total financial assets/(liabilities) | | 3,909 | (20,279) | | 4,239 | (3,263) |

IFRS 7 requires financial instruments recognised in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. The following levels are used in this hierarchy:

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

All the financial assets and liabilities measured at fair value at December 31, 2010 are classified on Level 2. In 2010 there were no transfers from Level 1 to Level 2 or to Level 3 or vice versa

The Group holds the following derivatives at 31 December 2010:

- forward exchange agreements to hedge future purchases and sales of foreign currency;
- structured options for future purchases of foreign currency.

These agreements hedge future purchases and sales planned for the Spring/Summer 2011 and Fall/Winter 2011 seasons.

The fair value mentioned above agrees with the amount shown in the balance sheet. The fair value measurement of the derivatives being analyzed was carried out by means of independent valuation models on the basis of the following market data posted on December 31, 2010:

- 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.

31. Related-party transactions

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. Costs principally relate to leases for buildings used by the Group, revenues principally relate to general services and commercial consultancies.

Table below summarizes the related parties with which the Group has maintained relationships:

| Company | Notes |
|--------------------------|--|
| Lir S.r.l. | Parent Company |
| Domicapital S.r.l. | Company controlled directly by LIR S.r.l. |
| Diadora Sport S.r.l. | Company controlled directly by LIR S.r.l. |
| Ca d'Oro 3 S.r.l. | Company controlled indirectly by the Moretti Polegato family |
| Ca d'Oro 5 S.r.l. | Company controlled indirectly by the Moretti Polegato family |
| Nottingham Srl | Company controlled indirectly by LIR S.r.l. |
| Shoe Factory Holding Sro | Company controlled indirectly by LIR S.r.l. |

The economic and financial transactions with these parties during 2010 are summarized below:

| | 2010 Costs | 2010 Revenues | Payables at Dec. 31, 2010 | Receivables at Dec. 31, 2010 |
|----------------------------|---------------|------------------|------------------------------|---------------------------------|
| Lir S.r.l. | 134 | 31 | - | 17 |
| Domicapital S.r.l. | 4,880 | - | 1 | - |
| Diadora Sport S.r.l. | 1 | 665 | 1 | 178 |
| Ca d'Oro 3 S.r.l. | 66 | - | 27 | - |
| Ca d'Oro 5 S.r.l. | 222 | - | - | - |
| Nottingham Srl | 6 | - | 1 | - |
| Shoe Factoring Holding Sro | 62 | 3 | - | - |
| Total | 5,371 | 699 | 30 | 195 |

In addition to the balances mentioned earlier, there is also the corporate income tax (IRES) payable by Geox S.p.A. and Geox Retail S.r.l. which will be paid to LIR S.r.l., the ultimate parent company, following the decision to file for tax in Italy on a Group basis. As at December 31, 2010 the Group has a tax credit for an amount of Euro 8,307 thousand (Euro 7,431 thousand in 2009).

The Group has also carried out the following transactions with other related parties:

- sale of "Geox" products in monobrand shops owned by managers that work for the Group;
- lease of a property to be used as a Geox Shop owned by a manager that works for the Group.

These transactions, which are not material in terms of their overall value, have been carried out at normal market conditions.

32. Dividends paid and proposed

| | 2010 | 2009 |
|---|--------|--------|
| Dividends declared and paid during the year: | 51,841 | 62,210 |
| Dividends declared and paid during the year - per share: | 0.20 | 0.24 |
| Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31)*: | 46,657 | 51,841 |
| Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31) - per share: | 0.18 | 0.20 |

* For 2010, the figure is calculated on the 259,207,331 shares outstanding on March 03, 2010. For 2009, the figure is calculated on the 259,207,331 shares outstanding on February 26, 2010.

33. Commitments and contingent liabilities

The Group has stipulated leases for a number of industrial and commercial premises with an average duration of 5-6 years in Italy and 10 years on average abroad. In certain cases, mainly in Italy, the contract provides for tacit renewal on expiry for another 6 years. These contracts can be index-based according to the annual trend in ISTAT's consumer-price index.

The future rental payments under these contracts, as of December 31, are as follows:

| | 12-31-2010 |
|------------------|-------------------|
| Within 1 year | 51,499 |
| Within 1-5 years | 141,497 |
| Beyond 5 years | 81,565 |
| Total | 274,561 |

34. Significant subsequent events after December 31, 2010

None.

...

These consolidated financial statements give a true and fair view of the Group's assets and liabilities, financial position and results of operations in 2010.

Biadene di Montebelluna, March 3, 2011

for the Board of Directors
The Chairman
Mario Moretti Polegato

Attachment I

Biadene di Montebelluna, March 3, 2011

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 Diego Bolzonello, Chief Executive Officer of Geox S.p.A. and Livio Libralesso, Financial Reporting Manager of Geox S.p.A., attest, bearing in mind the provisions of art. 154-bis, paras. 2, 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 2010.

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) 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.

Diego Bolzonello
CEO

Livio Libralesso
Financial Reporting Manager

Attachment 2

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

| Type of services | Entity that provided the services | Beneficiary | Fees 2010 (Euro/000) | Fees 2009 (Euro/000) |
|-----------------------|---|----------------|-------------------------|-------------------------|
| Auditing | Auditors of the parent company | Parent company | 172 | 168 |
| Attestation services | Auditors of the parent company | Parent company | - | - |
| Tax advisory services | Same network as the parent company's auditors | Parent company | 57 | 63 |
| Other services | Auditors of the parent company | Parent company | - | 13 |
| | | | 229 | 244 |
| Auditing | I) Auditors of the parent company | Subsidiaries | 14 | 16 |
| | II) Same network as the parent company's auditors | Subsidiaries | 126 | 169 |
| Attestation services | I) Auditors of the parent company | Subsidiaries | - | - |
| | II) Same network as the parent company's auditors | Subsidiaries | - | - |
| Tax advisory services | I) Auditors of the parent company | Subsidiaries | - | - |
| | II) Same network as the parent company's auditors | Subsidiaries | 7 | 7 |
| Other services | I) Auditors of the parent company | Subsidiaries | - | - |
| | II) Same network as the parent company's auditors | Subsidiaries | - | - |
| | | | 147 | 190 |
| Total | | | 376 | 434 |

ATTACHMENT 3

List of companies included in the consolidated financial statements as at December 31, 2010

| Name | Location | Year end | Currency | Share capital | % held | | Total |
|-------------------------------------|--------------------------------------|------------|----------|---------------|----------|------------|---------|
| | | | | | directly | indirectly | |
| - Geox S.p.A. | Biadene di Montebelluna (TV), Italy | 12-31-2010 | EUR | 25,920,733 | - | | |
| - Geox Deutschland GmbH | Munich, Germany | 12-31-2010 | EUR | 500,000 | 100,00% | | 100,00% |
| - Geox Respira SL | Barcelona, Spain | 12-31-2010 | EUR | 1,500,000 | 100,00% | | 100,00% |
| - Geox Sweden AB | Stockhol, Sweden | 12-31-2010 | SEK | 2,295,000 | 100,00% | | 100,00% |
| - Geox Suisse SA | Lugano, Switzerland | 12-31-2010 | CHF | 200,000 | 100,00% | | 100,00% |
| - Geox UK Ltd. | London, UK | 12-31-2010 | GBP | 1,050,000 | 100,00% | | 100,00% |
| - Geox Japan K.K. | Tokyo, Japan | 12-31-2010 | JPY | 495,000,000 | | 100,00% | 100,00% |
| - Geox Canada Inc. | Ontario, Canada | 12-31-2010 | CAD | 100 | | 100,00% | 100,00% |
| - S&A Distribution Inc. | New Jersey, Usa | 12-31-2010 | USD | 1 | | 100,00% | 100,00% |
| - Geox Retail France Sarl | Sallanches, France | 12-31-2010 | EUR | 5,000,000 | 100,00% | | 100,00% |
| - Geox Holland B.V. | Amsterdam, Netherlands | 12-31-2010 | EUR | 20,100 | 100,00% | | 100,00% |
| - Geox Retail S.r.l. | Biadene di Montebelluna (TV), Italy | 12-31-2010 | EUR | 100,000 | 100,00% | | 100,00% |
| - Geox Retail Czech Sro | Praga, Czech Rep. | 12-31-2010 | CZK | 12,000,000 | 100,00% | | 100,00% |
| - Notech N.H. Kft | Budapest, Hungary | 12-31-2010 | EUR | 40,024 | 99,00% | 1,00% | 100,00% |
| - Geox Hellas S.A. | Athens, Greece | 12-31-2010 | EUR | 120,000 | 100,00% | | 100,00% |
| - Geox do Brasil Participacoes Ltda | San Paolo, Brazil | 12-31-2010 | BRL | 1,000,000 * | 1,00% | 99,00% | 100,00% |
| - Geox Retail Slovakia Sro | Prievidza, Slovak Rep. | 12-31-2010 | EUR | 6,639 | 100,00% | | 100,00% |
| - Technic Development Slovakia Sro | Prievidza, Slovak Rep. | 12-31-2010 | EUR | 116,179 | 15,00% | 85,00% | 100,00% |
| - Technic Development Srl | Timisoara, Romania | 12-31-2010 | RON | 600,000 | 1,00% | 99,00% | 100,00% |
| - Geox France Sarl | Sallanches, France | 12-31-2010 | EUR | 7,630 | | 100,00% | 100,00% |
| - S&A Retail Inc | New Jersey, Usa | 12-31-2010 | USD | 200 | | 100,00% | 100,00% |
| - Geox Asia Pacific Ltd. | Hong Kong, China | 12-31-2010 | USD | 1,282 | | 100,00% | 100,00% |
| - XLog S.r.l. | Signoressa di Trevignano (TV), Italy | 12-31-2010 | EUR | 100,000 | 100,00% | | 100,00% |
| - Geox Rus LLC | Moscow, Russia | 12-31-2010 | RUB | 900,000 | 100,00% | | 100,00% |
| - Geox AT GmbH | Wien, Austria | 12-31-2010 | EUR | 35,000 | 100,00% | | 100,00% |

* Share Capital not paid as of December 2010

Attachment 4

Financial Statement relevant subsidiaries extra-UE, ex Art. 36, comma 1, RM.

Consolidated S&A Distribution Inc. e S&A Retail Inc. (USD)

Income Statement

| (Thousands of USD) | 2010 | 2009 |
|-------------------------------------|----------------|-----------------|
| Net sales | 49,158 | 57,761 |
| Cost of sales | (30,836) | (40,515) |
| Gross profit | 18,322 | 17,246 |
| Selling and distribution costs | (3,299) | (3,345) |
| General and administrative expenses | (18,529) | (26,432) |
| Advertising and promotion | (3,261) | (4,179) |
| Special items | - | (426) |
| Net asset impairment | (964) | (8,221) |
| EBIT | (7,731) | (25,357) |
| Net interest | (1,083) | (779) |
| PBT | (8,814) | (26,136) |
| Income tax | (24) | (3,669) |
| Net income | (8,838) | (29,805) |

Balance sheet

| (Thousands of USD) | Dec. 31, 2010 | Dec. 31, 2009 |
|--|-----------------|-----------------|
| ASSETS: | | |
| Intangible assets | 63 | 4,491 |
| Property, plant and equipment | 5,503 | 1,811 |
| Non-current financial assets | 441 | 392 |
| Total non-current assets | 6,007 | 6,694 |
| Inventories | 11,752 | 10,288 |
| Accounts receivable | 2,690 | 13,799 |
| Other non-financial current assets | 3,122 | 1,310 |
| Current financial assets | 1 | - |
| Cash and cash equivalents | 3,583 | 1,706 |
| Current assets | 21,148 | 27,103 |
| Total assets | 27,155 | 33,797 |
| LIABILITIES AND EQUITY: | | |
| Share capital | - | - |
| Reserves | (29,604) | 201 |
| Net income | (8,838) | (29,805) |
| Equity | (38,442) | (29,604) |
| Other long-term payables | - | 5,892 |
| Total non-current liabilities | - | 5,892 |
| Accounts payable | 7,022 | 10,623 |
| Other non-financial current liabilities | 8,016 | 1,972 |
| Taxes payable | 154 | 33 |
| Current financial liabilities | 50,404 | 44,881 |
| Bank borrowings and current portion of long-term loans | 1 | - |
| Current liabilities | 65,597 | 57,509 |
| Total liabilities and equity | 27,155 | 33,797 |

Geox Asia Pacific Limited (USD)

Income Statement

| (Thousands of USD) | 2010 | 2009 |
|-------------------------------------|---------------|---------------|
| Net sales | 67,647 | 48,427 |
| Cost of sales | (40,685) | (30,501) |
| Gross profit | 26,962 | 17,926 |
| Selling and distribution costs | (2,072) | (1,789) |
| General and administrative expenses | (11,186) | (10,658) |
| Advertising and promotion | (1,303) | (882) |
| EBIT | 12,401 | 4,597 |
| Net interest | (16) | (201) |
| PBT | 12,385 | 4,396 |
| Income tax | (2,139) | (823) |
| Net income | 10,246 | 3,573 |

Balance sheet

| (Thousands of USD) | Dec. 31, 2010 | Dec. 31, 2009 |
|--------------------------------------|---------------|---------------|
| ASSETS: | | |
| Property, plant and equipment | 228 | 463 |
| Other non-current assets | 819 | 576 |
| Total non-current assets | 1,047 | 1,039 |
| Inventories | 9,555 | 4,898 |
| Accounts receivable | 5,503 | 3,507 |
| Other non-financial current assets | 431 | 1,961 |
| Current financial assets | 11 | 156 |
| Cash and cash equivalents | 16,377 | 6,415 |
| Current assets | 31,877 | 16,937 |
| Total assets | 32,924 | 17,976 |
| LIABILITIES AND EQUITY: | | |
| Share capital | 1 | 1 |
| Reserves | 8,922 | 5,349 |
| Net income | 10,246 | 3,573 |
| Equity | 19,169 | 8,923 |
| Total non-current liabilities | - | - |
| Accounts payable | 12,524 | 9,053 |
| Taxes payable | 1,231 | - |
| Current liabilities | 13,755 | 9,053 |
| Total liabilities and equity | 32,924 | 17,976 |

Geox Suisse SA (CHF)

Income Statement

| (Thousands of CHF) | 2010 | 2009 |
|-------------------------------------|---------------|---------------|
| Net sales | 22,548 | 24,561 |
| Cost of sales | (16,939) | (17,943) |
| Gross profit | 5,609 | 6,618 |
| Selling and distribution costs | (1,196) | (1,139) |
| General and administrative expenses | (392) | (522) |
| Advertising and promotion | (1,406) | (2,069) |
| EBIT | 2,615 | 2,888 |
| Net interest | (388) | (387) |
| PBT | 2,227 | 2,501 |
| Income tax | (448) | (497) |
| Net income | 1,779 | 2,004 |

Balance sheet

| (Thousands of CHF) | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---------------|---------------|
| ASSETS: | | |
| Intangible assets | 254 | 328 |
| Property, plant and equipment | 107 | 145 |
| Non-current financial assets | 24 | 80 |
| Total non-current assets | 385 | 553 |
| Inventories | 76 | - |
| Accounts receivable | 2,374 | 1,330 |
| Other non-financial current assets | 148 | 63 |
| Current financial assets | 18,951 | 19,980 |
| Cash and cash equivalents | 800 | 254 |
| Current assets | 22,349 | 21,627 |
| Total assets | 22,734 | 22,180 |
| LIABILITIES AND EQUITY: | | |
| Share capital | 200 | 200 |
| Reserves | 3,476 | 8,971 |
| Net income | 1,779 | 2,004 |
| Equity | 5,455 | 11,175 |
| Provisions for liabilities and charges | 425 | 333 |
| Total non-current liabilities | 425 | 333 |
| Accounts payable | 6,241 | 3,600 |
| Other non-financial current liabilities | 1,161 | 115 |
| Taxes payable | (257) | 1,395 |
| Current financial liabilities | 9,709 | 5,562 |
| Current liabilities | 16,854 | 10,672 |
| Total liabilities and equity | 22,734 | 22,180 |



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**Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)**

To the Shareholders of
Geox S.p.A.

1. We have audited the consolidated financial statements of Geox S.p.A. and its subsidiaries, (the "Geox Group") as of and for the year ended December 31, 2010, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statements of changes in equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Geox S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 8, 2010.

3. In our opinion, the consolidated financial statements of the Geox Group as of December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Geox Group for the year then ended.
4. The Directors of Geox S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c),

Reconta Ernst & Young S.p.A.
Sede Legale: 301198 Roma - Via Po, 22
Capitale Sociale € 1.402.900,00 i.r.
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Consob al progressivo n. 2, albero n. 10821 del 26/11/2007

A member firm of Ernst & Young Global Limited



d), f), i), m) and paragraph 2), letter b) presented in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Geox Group as of December 31, 2010.

Treviso, Italy
March 18, 2011

Reconta Ernst & Young S.p.A.
Signed by: Michele Graziani, Partner

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING
CALLED FOR APPROVAL OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010
(ART. 153, ITALIAN LEGISLATIVE DECREE NO. 58/98)**

Dear Shareholders,

during the financial year as at 31 December 2010 we performed the supervisory activity laid down by the law, also taking into account the principles of conduct of the Board of Statutory Auditors recommended by the National Council of Accountants and Accounting Experts.

In particular, on the activities carried out during the financial year, also in observance of the instructions provided by CONSOB, with communication no. DEM/1025564 of 6 April 2001, amended and supplemented with communication no. DEM/3021582 of 4 April 2003 and then with communication no. DEM/6031329 of 7 April 2006, we refer the following:

1. We have supervised observance of the law and the articles of association;
2. We have attended the meetings of the Shareholders, the Board of Directors and the Committees within the Board itself and we have obtained from Directors periodic information on the general business performance and outlook, as well as the most significant economic, financial and equity-related transactions deliberated and implemented during the financial year, also via the subsidiaries, making sure that the same were not manifestly careless, risky, in conflict of interests, in contrast with the shareholders' resolutions and the articles of association or such as to jeopardise the integrity of corporate assets;
3. We did not discover the existence of atypical and/or unusual transactions with companies in the Group, third parties or related parties, as confirmed in the indications of the Board of Directors, the independent auditing firm and the individual in charge of internal auditing;
4. We supervised compliance of the Procedures for related-party transactions – approved by the Company with Board of Directors' resolution of 28 October 2010, following the favourable opinion of the Internal Auditing Committee, implementing CONSOB Regulations 17221 of 12 March 2010 and subsequent amendments and supplements – with the principles contained in the Regulations themselves as well as actual observance of these Procedures by the Company. The information provided by the Board of Directors, also with specific regard to intragroup transactions and related-party transactions, was considered adequate. In particular, these latter transactions are to be considered as connected to and regarding achievement of the corporate object and are considered fair and in line with the interests of the company. In its Report on operations and Note 33 to the company's financial statements, the Board of Directors provided a detailed description of the transactions, all of an ordinary nature, carried out with subsidiaries and related parties, explaining their economic and financial effects and stating that they were concluded under market conditions;
5. On 18 March 2011, in compliance with art. 14, Italian Legislative Decree no. 39 of 27 January 2010, the independent auditing firm Reconta Ernst & Young S.p.A. issued its own reports on the individual and consolidated financial statements as at 31 December 2010, both containing an unqualified opinion with no informative mentions. In more detail, in the above-mentioned reports, it was stated that the individual and consolidated financial statements as at 31 December 2010 comply with the International Financial Reporting Standards (IFRS) adopted by the European Union and the provisions issued in implementation of art. 9 of Italian Legislative Decree no. 38/2005, are drafted clearly and provide a true and fair presentation of the balance sheet and financial position, the income statement, and the cash flows of the Company and the Group. The independent auditing firm also believes that the report on operations and the information in compliance with paragraph 1, letters c), d), f), l) and m) and paragraph 2, letter b) of art. 123-bis of the Italian Legislative Decree no. 58/98 presented in the report on corporate governance and ownership set-ups are coherent with the individual financial statements of the Company and with the Group's consolidated financial statements;
6. During the financial year 2010 no complaints pursuant to art. 2408 of the Italian Civil Code were made by third parties;
7. In compliance with art. 19, paragraph one, Italian Legislative Decree no. 39, as mentioned above, we supervised the financial disclosure process; the efficacy of the internal auditing and risk management systems; the legal auditing of annual accounts and consolidated accounts and the independence of the legal auditing firm, in particular as far as the provision of non-auditing services to the Company were concerned;
8. We received from the legal auditing firm which audits the Company accounts, in compliance with art. 19, paragraph three, Italian Legislative Decree no. 39, as mentioned above, confirmation of the independence of the same as well as communication of the legal non-auditing services provided to the Company by the independent auditing firm as well as by bodies belonging to the network of the same company. In particular, as results from the information reported in Annex 2 of the consolidated financial statements, during the financial year 2010 the Company did not allocate to Reconta Ernst & Young S.p.A. any further assignments with respect to those of legal auditing of the financial statements, the consolidated financial statements, the half-yearly report and checks on correct keeping of the company accounts. The Company assigned to Studio Legale Tributario Associato, a subject linked by on-going relations to Reconta Ernst & Young S.p.A. and forming part of its international network, the assignment for fiscal consultancy services amounting to Euro 57,000. Finally, additional duties other than legal auditing were assigned by other companies in the Group to subjects linked by on-going relations to Reconta Ernst & Young S.p.A. and belonging to its international network, amounting to Euro 7,000.
Bearing in mind (i) the declaration of independence issued by Reconta Ernst & Young S.p.A. and (ii) the assignments granted to the same and to the companies belonging to its network by the Company and by the Group's companies, we do not feel that there are any critical aspects concerning the independence of Reconta Ernst & Young S.p.A.;
9. On 21 April 2010, we expressed our favourable opinion, in compliance with art. 154-bis of Italian Legislative Decree no. 58/1998, as well as art. 17-bis of the Articles of Association, on the proposal made by the Managing Director, in agreement with the Chairman of the Board of Directors, to nominate Administration, Finance and Control Director, Mr Livio Libralesso, to the position of executive tasked with drawing up the company accounting documents;
10. During the financial year 2010, 7 Board of Directors meetings, 10 Executive Committee meetings, 6 Internal Auditing Committee meetings, 2 Emoluments Committee meetings and 12 Board of Statutory Auditors meetings were held;
11. We acquired information and supervised, within our area of competence, observance of the principles of correct administration, through direct observations, the gathering of information from those in charge of company functions and from the executive tasked with drawing up the company accounting documents, through meetings with representatives of the independent auditing firm Reconta Ernst & Young S.p.A. also for the purposes of reciprocal exchange of significant data and information, from which

- no aspects worthy of note emerged. In particular, with regard to the decision-making processes of the Board of Directors, we ascertained, also through direct participation at board meetings, the compliance with the law and the articles of association of the management decisions made by the Directors and we verified that the relevant resolutions were supported by analyses and opinions – produced within or, when necessary, by external professionals – with regard, above all, to the economic fairness of the transactions and their subsequent correspondence to the interests of the Company. The periodic management results and also all aspects regarding the most significant transactions were carefully analysed and were the object of detailed debate at the meetings of the Board of Directors;
12. We acquired information and supervised, to the extent of our responsibility, the adequacy of the organisational structure of the Company and its operations;
 13. We assessed and supervised the adequacy of the internal auditing system and the administrative-accounting system, and also the reliability of the latter to correctly represent management operations. This was done through (i) examination of the reports with which the Managing Director and the executive tasked with drawing up the company accounting documents stated the adequacy and actual implementation of administrative accounting procedures, the compliance of the contents of the accounting documents with IAS/IFRS international accounting standards, correspondence of the documents themselves with the results of the registers and accounting entries and their suitability to correctly represent the balance sheet, income statement and financial situation of the Company; (ii) examination of the report of the Internal Auditing Committee of the internal auditing system of the Company; (iii) obtaining of information from those responsible for respective functions; (iv) examination and analysis of company documents and the results of the work carried out by the independent auditing firm; (v) participation in the works of the Internal Auditing Committee and the individual in charge of internal auditing, with whom we exchanged information about the results of the checks he had made. No critical situations or facts emerged from the activity carried out which made us believe that the Company's internal auditing system, as a whole, was not adequate. Without prejudice to this opinion, however, some opportunities for improvement emerged from the analyses carried out in some areas of the internal auditing system concerning the changed company strategy, which can be set within the general on-going process to improve the efficacy and efficiency of the same system pursued by the Company;
 14. We examined and obtained information about activities of an organisational and procedural nature carried out in compliance with Italian Legislative Decree 231/2001 and subsequent amendments and supplements, on the administrative responsibility of bodies for offences laid down by such a provision. The Supervisory Body, appointed to supervise the efficacy, observance and updating of the Model for Organisation, Management and Control, reported on the activities carried out during the financial year 2010 without indicating any significant aspects, facts or situations which had to be illustrated in this report;
 15. During the financial year 2010 we had periodic meetings and exchanges of information with representatives of Reconta Ernst & Young S.p.A., from which no significant aspects, facts or situations emerged which had to be illustrated in this report. In particular, (i) we assessed the work plan drafted by Reconta Ernst & Young S.p.A. for the audit, reporting it as adequate for the characteristics and size of the Group, and (ii) we supervised the efficacy of the legal auditing process, reporting that the same had been carried out in observance of the auditing plan and according to International Standards on Auditing (ISA);
 16. Although to date we still have not received, in compliance with art. 19, paragraph three, Italian Legislative Decree no. 39, as mentioned above, the report of the legal auditing firm, illustrating the fundamental matters which emerged during the legal audit and any significant shortcomings recorded in the internal auditing system concerning the financial disclosure process, we have reasonable grounds to believe that the same should not highlight any problems;
 17. We supervised the procedures for positive implementation of the corporate governance rules laid down by the Code of Best Practice adopted by the Company – in compliance with that processed, according to the initiative of Borsa Italiana S.p.A., by the Corporate Governance Committee for listed companies (March 2006 edition) – according to that indicated in the Report on corporate governance drafted by the Directors. In particular, we verified, on an annual basis, (i) the correct implementation of the ascertainment criteria and procedures adopted by the Board of Directors in assessing the independence of its own "non executive" members, and (ii) observance of the criteria of independence by individual members of the Board;
 18. We assessed and supervised the adequacy of the provisions issued by the parent company to the subsidiaries. Such provisions allowed the latter to provide the parent company with immediate information necessary for fulfilling the reporting obligations laid down by the regulations;
 19. With reference to the provision as per art. 36 of the Market Regulations issued by CONSOB, relating to significant subsidiaries established and governed by the law of States not belonging to the European Union, we note that the administrative-accounting and reporting systems existing in the Group allow the accounting situations drafted for the purposes of preparing the consolidated financial statements to be put at the disposal of the public and that they are suitable for providing the Company management and auditor, on a regular basis, with the data necessary for drafting the consolidated financial statements themselves. For these ends, the information flow towards the central auditor, structured on various levels of the corporate control chain, active along the whole period of the financial year and functional for the activity of verifying the annual and interim accounts of the Company, is considered to be efficacious;
 20. Through information gathered by the independent auditing firm Reconta Ernst & Young S.p.A. and by the Company management, we have ascertained observance of IAS/IFRS standards, and also the other legislative and regulatory provisions relating to the presentation and layout of the individual financial statements, the consolidated financial statements as at 31 December 2010 and the respective reports on operations. During the supervisory activity, as described above, no omissions, censurable facts or irregularities emerged to be reported to the competent external control and supervisory bodies or to be mentioned in this report.

On the basis of the above, the Board of Statutory Auditors, to the extent of its responsibility, cannot find any reasons to prevent approval of the financial statements for the financial year as at 31 December 2010 which ended with a net profit for the year of Euro 49,655 thousand and the proposal to distribute the dividend as formulated by the Board of Directors, also in consideration of the available capital reserves.

Milan, 22 March 2011

THE BOARD OF AUDITORS
Fabrizio Colombo
Francesco Mariotto
Francesca Meneghel



Company's data and information for Shareholders

Registered office

Via Feltrina Centro, 16
31044 Biadene di Montebelluna (Treviso), Italy

Legal data

Share capital: Euro 25,920,733,1 fully paid up
Economic and Administrative Database no. 265360
Treviso Commercial Register and Taxpayer's Code no. 03348440268

Investor Relations

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Livio Libralesso - CFO
Massimo Stefanello - Corporate Managing Director

Documents for shareholders

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(investor relations section)

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