GEOX

ANNUAL REPORT 2011

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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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 60 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, 2011).

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 2011 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 2011 was mainly directed towards developing more innovative solutions for improving products and manufacturing processes, through the study of the active breathing element of shoe soles, the development of new products for footwear and apparel and certification of the materials used.

This experimentation has allowed Geox to develop footwear and items of apparel that combine comfort and well-being with a greater ability to breathe, to be waterproof and to be highly resistant.

During 2011, new applications were developed for shoes that breathe while remaining completely waterproof (the "Amphibiox" project). Besides being a great innovation in the world of breathable waterproof, this will allow Geox to penetrate Scandinavian markets in particular, which have a very high potential.

We also continued the project to develop technical footwear for Formula One drivers. This combines research into completely breathable soles ("Net" patent) with the experience gained in waterproof shoes, in order to achieve a very light and flexible product with a large area of transpiration, which would be optimal in situations of high stress, such as long sports competitions.

Over 60 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, 2011, the overall number of "Geox Shops" came to 1,140, of which 878 in franchising and 262 operated directly.

	12-31-2011	
	Geox Shops	**of which DOS**
Italy	392	79
Europe (*)	320	126
North America	44	40
Other countries	213	17
Countries with licensing agreements	171	-
Total	**1,140**	**262**

(*) 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, 2011 the Group had 2,904 employees, split as follows:

Level	**12-31-2011**	**12-31-2010**
Managers	38	32
Middle managers	124	111
Office staff	671	638
Shop employees	2,025	1,761
Factory workers	46	48
Total	**2,904**	**2,590**

Geographical area	**12-31-2011**	**12-31-2010**
Italy	1,199	1,172
Europe	1,015	879
Nord America	553	412
Other	137	127
Total	**2,904**	**2,590**

At December 31, 2011 the Group employees increased mainly due to the openings of directly owned stores in Europe.

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 3 years:

Share price and stock market information	**2011**	**2010**	**2009**
Earnings per share [Euro]	0.19	0.22	0.26
Equity per share [Euro]	1.72	1.64	1.65
Dividend per share [Euro]	0.18	0.18	0.20
Pay-out ratio [%]	82.67	80.44	77.72
Dividend yield (at 12.31)	8.30	5.26	4.15
Year-end price [Euro]	2.17	3.42	4.82
MTA high [Euro]	4.95	5.38	6.70
MTA low [Euro]	2.10	3.42	4.15
Price per share/EPS	11.20	15.29	18.74
Price per share/Equity per share	1.26	2.08	2.92
Stock market capitalization [thousands of Euro]	561,961	887,137	1,250,027
Number of shares making up the share capital	259,207,331	259,207,331	259,207,331

Control of the Company

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

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

Shareholder structure (*)	**Number of shareholders**	**Number of shares**
from 1 to 5.000 shares	17,892	17,951,058
from 5.001 to 10.000 shares	613	4,576,676
10.001 shares and over	561	236,000,069
Lack of information on disposal of individual positions previously reported		679,528
Total	**19,066**	**259,207,331**

(*) As reported by Istifid on December 31, 2011.

Shares held by directors and statutory auditors

As mentioned previously, the directors Mr. Mario Moretti Polegato and Mr. Enrico Moretti Polegato directly hold the entire share capital of LIR S.r.l., the parent company of Geox S.p.A.

Directors, statutory auditors and executives with strategic responsibilities have submitted declarations that they hold shares in the Company during 2011 as indicated below:

Name	**Number of shares in Geox S.p.A. held at 12-31-2010**	**Number of shares purchased during 2011**	**Number of shares sold during 2011**	**Number of shares in Geox S.p.A. held at 12-31-2011**	**Nature of holding**
Diego Bolzonello	64,000	-	-	64,000	ownership
Lodovico Mazzolari	18,304	-	-	18,304	ownership
Executives with strategic responsibilities	-	-	-	-	ownership

Company officers

Board of Directors

Name	Position and independent status (where applicable)
Mario Moretti Polegato	Chairman and Executive Director
Enrico Moretti Polegato	Vice Chairman and Executive Director
Diego Bolzonello (*)	CEO and Executive Director
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.

With reference to the changes made to the Code of Conduct, based on the provisions issued in December 2011 by the Corporate Governance Committee of Borsa Italiana S.p.A., which runs the Italian Stock Exchange, a summary document was presented to the Board of Directors during the first meeting of 2012. The resolutions regarding the changes will be the subject of future meetings of the Board of Directors, in compliance with the deadlines set, and they will also be mentioned in the directors' report accompanying the 2012 financial statements, to be issued in 2013.

In accordance with the regulatory requirements, every year we prepare a "Report on Corporate Governance and ownership structure", as per Art. 123-bis of the TUF, which contains a general description of the system of corporate governance adopted by the Group. It also contains information on the ownership structure and implementation of the Code of Conduct with an explanation of the main governance practices applied and the characteristics of the risk management and internal control systems involved in the process of financial reporting. Also explained here are the mechanisms that govern the functioning of the Shareholders' Meeting and the composition and functioning of the board of directors and board of statutory auditors and their sub-committees.

The Report on Corporate Governance and the Ownership Structure is available in the 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 2011 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.).

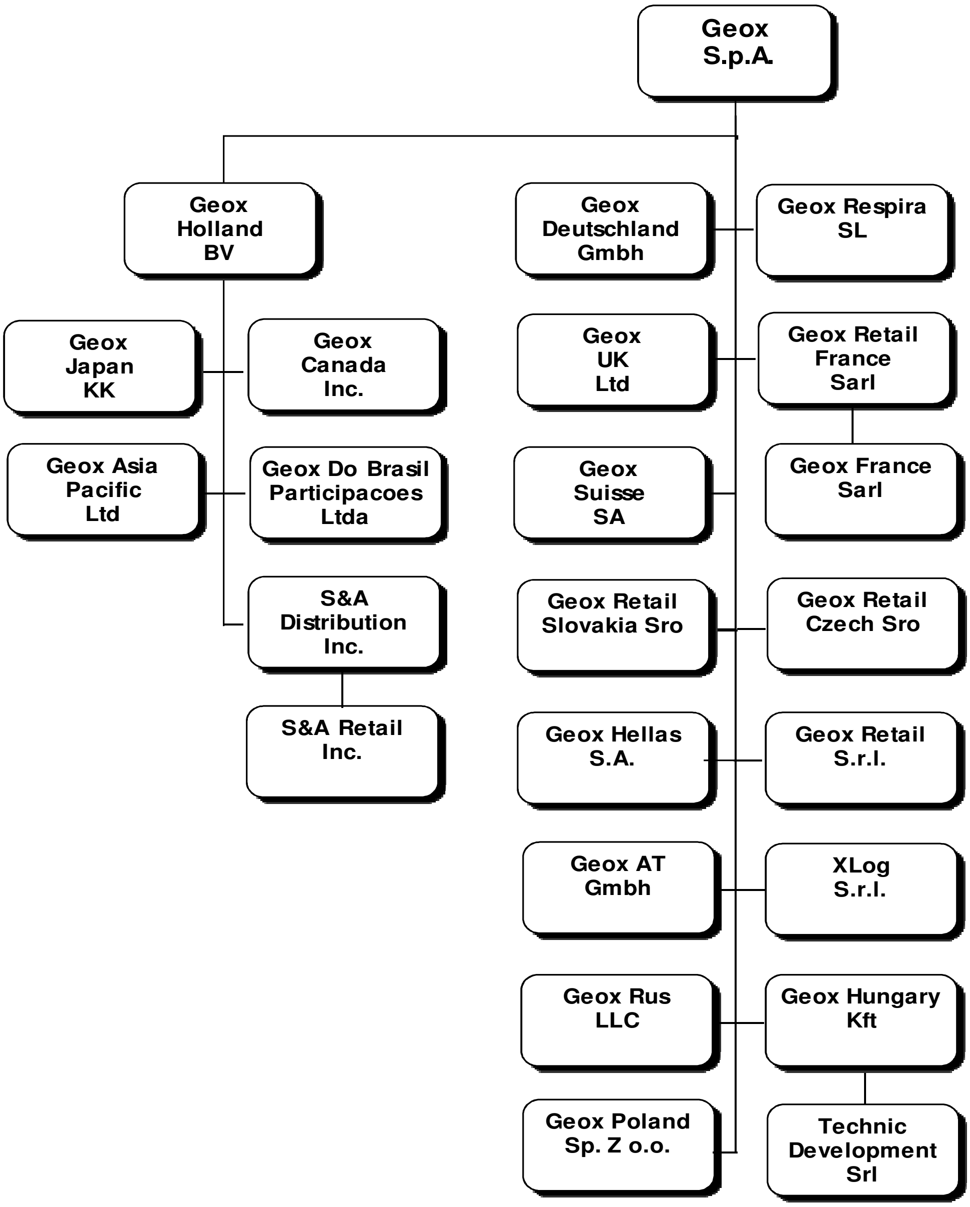
These control procedures are defined by the Financial Reporting Manager. He also checks periodically that they are being applied properly. The outcome of the assessments made by the Financial Reporting Manager is reported in the certification that he provides in accordance with paras. 5 and 5-bis of art. 154-bis of the Consolidated Finance Act.

Group Structure

The structure of the Group controlled by Geox S.p.A., which acts as an operating holding company, is split into two 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, their started to manage the Group's own shops in the various countries belonging to the European Union.



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 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 887.3 million, with an increase of 4% (5% constant exchange rates) compared to Euro 850.1 million in 2010;
- EBITDA of Euro 121.5 million, compared to Euro 132.3 million in 2010, with a 13.7% margin;
- EBIT of Euro 82.5 million, compared to Euro 93.4 million in 2010, with a 9.3% margin;
- Net income of Euro 50.2 million, compared to Euro 58.0 million in 2010, with a 5.7% margin.

In the following table a comparison is made between the consolidated income statement for 2011 and 2010:

(Thousands of Euro)	2011	%	2010	%
Net sales	**887,272**	**100.0%**	**850,076**	**100.0%**
Cost of sales	(478,140)	(53.9%)	(435,146)	(51.2%)
Gross profit	**409,132**	**46.1%**	**414,930**	**48.8%**
Selling and distribution costs	(45,581)	(5.1%)	(44,730)	(5.3%)
General and administrative expenses	(234,521)	(26.4%)	(228,977)	(26.9%)
Advertising and promotion	(45,935)	(5.2%)	(47,420)	(5.6%)
Operating result	**83,095**	**9.4%**	**93,803**	**11.0%**
Special items	(582)	(0.1%)	(396)	(0.0%)
EBIT	**82,513**	**9.3%**	**93,407**	**11.0%**
Net interest	(4,386)	(0.5%)	(3,168)	(0.4%)
PBT	**78,127**	**8.8%**	**90,239**	**10.6%**
Income tax	(27,959)	(3.2%)	(32,236)	(3.8%)
Tax rate	*36%*		*36%*	
Net Income	**50,168**	**5.7%**	**58,003**	**6.8%**
EPS (Earnings per shares)	**0.19**		**0.22**	
EBITDA	**121,514**	**13.7%**	**132,313**	**15.6%**
Special items	(582)		(396)	
EBITDA adjusted	**122,096**	**13.8%**	**132,709**	**15.6%**

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

Net sales increased by 4% (5% at constant exchange rates) to Euro 887.3 million.

Footwear sales represented 85% of sales, amounting to Euro 754.8 million, with a 3% increase compared to 2010. Apparel sales accounted for 15% of sales equal to Euro 132.5 million, showing a 12% increase.

(Thousands of Euro)	2011	%	2010	%	Ch. %
Footwear	754,777	85.1%	731,908	86.1%	3.1%
Apparel	132,495	14.9%	118,168	13.9%	12.1%
Net sales	**887,272**	**100.0%**	**850,076**	**100.0%**	**4.4%**

Sales in Italy (38% of sales compared to 39% of 2010), increased by 2%, to Euro 337.4 million.

Sales in Europe (42% of sales, in line with 2010) increased by 4% to Euro 371.6 million, compared to Euro 355.9 million in 2010.

North American sales were substantially stable (+1% at constant exchange rates). Sales in the Other Countries increased by 13% (15% at constant exchange rates).

(Thousands of Euro)	2011	%	2010	%	Ch. %
Italy	337,375	38.0%	329,527	38.8%	2.4%
Europe (*)	371,625	41.9%	355,867	41.9%	4.4%
North America	53,595	6.0%	54,184	6.4%	(1.1%)
Other countries	124,677	14.1%	110,498	13.0%	12.8%
Net sales	**887,272**	**100.0%**	**850,076**	**100.0%**	**4.4%**

(*) 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 45% of sales (42% in 2010).

The sales of directly operated stores (DOS) that have been open for at least 12 months (comparable stores sales) increased by 2% during 2011.

Franchising channel reported an increase of 24% in 2011 to Euro 187.6 million (21% of sales).

Multibrand channel, which accounted for 55% of sales (59% in 2010) declined by 2%.

(Thousands of Euro)	2011	%	2010	%	Ch. %
Multibrand	**486,861**	**54.9%**	**496,875**	**58.5%**	**(2.0%)**
Franchising	187,571	21.1%	150,866	17.7%	24.3%
DOS*	212,840	24.0%	202,335	23.8%	5.2%
Geox Shops	**400,411**	**45.1%**	**353,201**	**41.5%**	**13.4%**
Net sales	**887,272**	**100.0%**	**850,076**	**100.0%**	**4.4%**

**Directly Operated Stores*

Geox ended the fiscal year 2011 with 1,140 Geox Shops of which 262 directly operated stores (DOS). Year to date the Group opened 177 new Geox Shops and closed 76 locations. The new openings include, among the others, shops in Rome, Bruxelles, Copenhagen, London and Moscow.

	12-31-2011		12-31-2010		2011		
	Geox Shops	**of which DOS**	**Geox Shops**	**of which DOS**	**Net Openings**	**Openings**	**Closings**
Italy	392	79	344	85	48	69	(21)
Europe (*)	320	126	302	107	18	33	(15)
North America	44	40	50	41	(6)	2	(8)
Other countries	213	17	174	19	39	63	(24)
Countries with licensing agreements (**)	171	-	169	-	2	10	(8)
Total	**1,140**	**262**	**1,039**	**252**	**101**	**177**	**(76)**

(*) 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 53.9% compared to 51.2% of 2010, producing a gross margin of 46.1% (48.8% in 2010). The decline in gross profit reflects the negative impact of unfavorable trends in currencies, raw material prices and labor costs in supplier countries of the first half of 2011. Those negative factors, which affected also the second half, were mostly offset by the steps taken in terms of product mix, channels, prices and cost reductions. Second half gross profit was, in fact, substantially in line with the same period of 2010.

Operating expenses and Operating income (EBIT)

Selling and distribution expenses as a percentage of sales improved compared to last year (5.1% of sales versus 5.3% of 2010).

General and administrative expenses increased to euro 234.5 million from euro 229.0 million. As a percentage of sales they improved compared to last year (26.4% of sales versus 26.9% of 2010). The increase is due to:

- the costs of opening and running directly operated stores (DOS) and in particular of Geox flagship stores;
- slight increase of the “core” G&A expenses and the personnel costs compared to 2010 but decreasing as a percentage on sales.

Advertising and promotion expenses, as a percentage of sales, was 5.2% (compared to 5.6% of 2010).

EBIT was Euro 82.5 million, 9.3% of sales, compared to Euro 93.4 million in 2010 (11.0% of sales).

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

		2011	%	2010	%
Italy	Net sales	337,375		329,527	
	EBIT	60,671	18.0%	67,187	20.4%
Europe	Net sales	371,625		355,867	
	EBIT	19,204	5.2%	33,072	9.3%
North America	Net sales	53,595		54,184	
	EBIT	(12,415)	(23.2%)	(16,288)	(30.1%)
Other countries	Net sales	124,677		110,498	
	EBIT	15,053	12.1%	9,436	8.5%
Total	**Net sales**	**887,272**		**850,076**	
	EBIT	**82,513**	**9.3%**	**93,407**	**11.0%**

		2011	%	2010	%
Footwear	Net sales	754,777		731,908	
	EBIT	59,837	7.9%	72,360	9.9%
Apparel	Net sales	132,495		118,168	
	EBIT	22,676	17.1%	21,047	17.8%
Total	**Net sales**	**887,272**		**850,076**	
	EBIT	**82,513**	**9.3%**	**93,407**	**11.0%**

EBITDA

EBITDA was Euro 121.5 million, 13.7% of sales, compared to Euro 132.3 million in 2010 (15.6% of sales). The decline in EBITDA reflects the above mentioned dilution of gross profit of the first half of 2011. EBITDA margin in the second half, instead, increased from 12.8% to 13.8%, thanks to the recovery of gross margin and the decrease of the other expenses, as a percentage of sales.

Income taxes and tax rate

Income taxes were equal to Euro 28 million, with a tax rate of 36%, in line with 2010.

The Group's financial performance

The following table summarizes the reclassified consolidated balance sheet:

(Thousands of Euro)	Dec. 31, 2011	Dec. 31, 2010
Intangible assets	67,222	68,621
Property, plant and equipment	63,658	67,306
Other non-current assets - net	40,599	42,802
Total non-current assets	**171,479**	**178,729**
Net operating working capital	**217,768**	**178,788**
Other current assets (liabilities), net	**(23,331)**	**(12,887)**
Net invested capital	**365,916**	**344,630**
Equity	446,428	426,301
Provisions for severance indemnities, liabilities and charges	10,180	10,463
Net financial position	(90,692)	(92,134)
Net invested capital	**365,916**	**344,630**

The Group balance sheet shows a solid net cash position of Euro 90.7 million, substantially in line with the previous year.

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

(Thousands of Euro)	Dec. 31, 2011	Dec. 31, 2010
Inventories	196,610	172,085
Accounts receivable	154,171	124,525
Accounts payable	(133,013)	(117,822)
Net operating working capital	**217,768**	**178,788**
% of sales for the last 12 months	***24.5%***	***21.0%***
Taxes payable	(11,818)	(9,814)
Other non-financial current assets	21,801	25,818
Other non-financial current liabilities	(33,314)	(28,891)
Other current assets (liabilities), net	**(23,331)**	**(12,887)**

The ratio of net working capital on sales was 24.5% compared to 21.0% of 2010. The increase is due to:

- the increase of receivable mainly due to the increase of franchising sales and to the extending payment terms granted to some clients;
- the increase of inventories, mainly due to different timing of receipt of Spring/Summer 2012 collection compared to the same period of 2010 and to the Fall/Winter 2011 stock season currently on sales.

The following table gives a reclassified consolidated cash flow statement:

(Thousands of Euro)	**2011**	**2010**
Net income	**50,168**	**58,003**
Depreciation, amortization and impairment	39,001	38,906
Other non-cash items	(785)	9,509
	88,384	**106,418**
Change in net working capital	(44,128)	(21,398)
Change in other current assets/liabilities	6,080	3,939
Cash flow from operations	**50,336**	**88,959**
Capital expenditure	(36,093)	(31,805)
Disposals	2,407	2,107
Net capital expenditure	**(33,686)**	**(29,698)**
Free cash flow	**16,650**	**59,261**
Dividends	(46,657)	(51,841)
Change in net financial position	**(30,007)**	**7,420**

Initial net financial position - prior to fair value adjustment of derivatives	**108,504**	**101,610**
Change in net financial position	(30,007)	7,420
Translation differences	(283)	(526)
Final net financial position - prior to fair value adjustment of derivatives	**78,214**	**108,504**
Fair value adjustment of derivatives	12,478	(16,370)
Final net financial position	**90,692**	**92,134**

Free cash flow at December 2011 was Euro 16.6 million compared to Euro 59.3 million of 2010. The decrease is driven by a lower net income and by the above mentioned increase of working capital.

In the fiscal year 2011 the Group distributed Euro 46.7 million dividend (51.8 million in 2010). During 2011 capital expenditures were Euro 36.1 million of which 19.3 million for new store openings and store refurbishment.

Consolidated capital expenditure is analyzed in the following table:

(Thousands of Euro)	**2011**	**2010**
Trademarks and patents	1,326	941
Opening and restructuring of Geox Shop	19,324	19,513
Industrial plant and equipment	5,006	4,063
Logistic	2,157	100
Information technology	5,656	5,049
Offices furniture, warehouse and fittings	2,624	2,139
Total	**36,093**	**31,805**

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

(Thousands of Euro)	Dec. 31, 2011	Dec. 31, 2010
Cash and cash equivalents	84,794	114,200
Current financial assets - excluding derivatives	64	137
Bank borrowings and current portion of long-term loans	(7,573)	(6,489)
Current financial liabilities - excluding derivatives	-	(5)
Net financial position - current portion	**77,285**	**107,843**
Non-current financial assets	1,287	1,215
Long-term loans	(358)	(554)
Net financial position - non-current portion	**929**	**661**
Net financial position - prior to fair value adjustment of derivatives	**78,214**	**108,504**
Fair value adjustment of derivatives	12,478	(16,370)
Net financial position	**90,692**	**92,134**

Before the fair value adjustment of derivatives, net cash position was 78.2 million, compared to 108.5 million of 2010. After fair value adjustment of derivatives, which positively affected 2011 for 12.5 million versus a negative contribution of 16.4 million of 2010, net cash position was equal to Euro 90.7 million (Euro 92.1 million at the end of 2010).

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.

Five 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 five 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.
  On March 3, 2011 the Board of Directors approved the fact that the third of the three option cycles could be exercised for 85% after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2006, 2007, 2008, 2009 and 2010.
- 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.
  On March 3, 2011 the Board of Directors approved the fact that the first of the three option cycles could not be exercised after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2008, 2009 and 2010.
- 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.
  On March 3, 2011 the Board of Directors approved the fact that the first of the two option cycles could not be exercised after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved during 2009 and 2010.
- The fifth plan, which was approved by the Board on 22 December 2011, establishes a maximum number of options (2,830,000) and envisages two grant cycles in 2011 and 2012. At that time, 1,780,000 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 2.29. The options have a minimum vesting period of 3 years, while the exercise period ends on 31 March 2020.

The stock options granted to the directors of the Group and the executives with strategic responsibilities are summarized below:

		Options held at the beginning of the year			**Option granted during the period**		
(A)	**(B)**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Name	**Position**	**Numbers of options**	**Average strike price**	**Average expiry date**	**Numbers of options**	**Average strike price**	**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	-	-	-
Diego Bolzonello	CEO	-	-	-	800,000	2.29	2020
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	-	-	-
Executives with strategic responsibilities		55,000	9.17	2015	-	-	-
Executives with strategic responsibilities		60,000	9.62	2013	-	-	-
Executives with strategic responsibilities		60,000	5.20	2013	-	-	-
Executives with strategic responsibilities		-	-	-	750,000	2.29	2020

	Options exercised during the period			Options expired in 2011 (*)	Options held at the end of the period		
(A)	(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
Name	Numbers of options	Average strike price	Average market price on exercise	Numbers of options	Numbers of options	Average strike price	Average expiry date
Diego Bolzonello	-	-	-	-	943,500	4.60	2014
Diego Bolzonello	-	-	-	6,100	115,900	9.17	2015
Diego Bolzonello	-	-	-	-	800,000	9.62	2013
Diego Bolzonello	-	-	-	-	800,000	5.20	2013
Diego Bolzonello	-	-	-	-	800,000	2.29	2020
Lodovico Mazzolari	-	-	-	-	146,667	4.60	2014
Lodovico Mazzolari	-	-	-	2,500	47,500	9.17	2015
Lodovico Mazzolari	-	-	-	-	160,000	9.62	2013
Lodovico Mazzolari	-	-	-	-	160,000	5.20	2013
Exec. Strat. Resp.	-	-	-	2,750	52,250	9.17	2015
Exec. Strat. Resp.	-	-	-	-	60,000	9.62	2013
Exec. Strat. Resp.	-	-	-	-	60,000	5.20	2013
Exec. Strat. Resp.	-	-	-	-	750,000	2.29	2020

(*) The options expire in 2011 are the those for which the Board of 3 March 2011 resolved to be exercisable for 85% after having checked that the performance targets laid down in the plan (in terms of EBIT) had been achieved.

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 30 of the Consolidated Financial Statements.

Outlook for operation and significant subsequent events

The Group achieved a slight growth in 2011 despite a challenging macroeconomic and financial situation in Europe especially in the Mediterranean area. These difficulties have been continuing in the first months of the current year.
Even though third-party customers (i.e. multibrand stores and franchisees) have substantially confirmed their Spring/Summer 2012 orders compared to the previous season, the management opinion is to look at the revenue forecast of the first half of 2012 with caution and prudence. This is due to the persistence of the market stabilization, declining consumption, restrictions on access to credit and customers inventory reduction that are affecting some geographical areas.

Given this situation, the Geox Group has reacted with measures aimed to recover gross margins, which is being confirmed by the order book in terms of product mix, channels, prices and cost reductions. The Group has also made significant investments in terms of management and company structures to capture the market potential in emerging countries and markets with higher growth where the Group's presence is still limited, but rapidly improving.
These investments could lead to pressure on operating margins if sales do not turn out to be increasing or stable.

Biadene di Montebelluna, March 8, 2012

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

Consolidated Financial Statements and explanatory notes

Consolidated financial statements

Consolidated income statement (*)

(Thousands of Euro)	Notes	2011	of which related party	2010	of which related party
Net sales	3	**887,272**	**2,155**	**850,076**	**2,058**
Cost of sales		(478,140)	65	(435,146)	(33)
Gross profit		**409,132**		**414,930**	
Selling and distribution costs		(45,581)	-	(44,730)	(3)
General and administrative expenses	4	(234,521)	(3,891)	(228,977)	(4,829)
Advertising and promotion		(45,935)	(110)	(47,420)	(35)
Special items		(582)	-	(396)	-
EBIT	3	**82,513**		**93,407**	
Net interest	7	(4,386)	-	(3,168)	-
PBT		**78,127**		**90,239**	
Income tax	8	(27,959)	-	(32,236)	-
Net income		**50,168**		**58,003**	
Earnings per share [Euro]	9	0.19		0.22	
Diluted earnings per share [Euro]	9	0.19		0.22	

(*) pursuant to Consob Resolution No. 15519 of 27 July 2006.

Consolidated statement of comprehensive income (*)

(Thousands of Euro)	2011	of which related party	2010	of which related party
Net income	**50,168**		**58,003**	
Net gain (loss) on Cash Flow Hedge, net of tax	17,738	-	(9,254)	-
Currency translation	(1,122)	-	556	-
Net comprehensive income	**66,784**		**49,305**	

(*) pursuant to Consob Resolution No. 15519 of 27 July 2006.

Consolidated statement of financial position (*)

(Thousands of Euro)	Notes	Dec. 31, 2011	of which releted party	Dec. 31, 2010	of which releted party
ASSETS:					
Intangible assets	10	67,222	-	68,621	-
Property, plant and equipment	11	63,658	-	67,306	-
Deferred tax assets	12	24,975	-	28,864	-
Non-current financial assets	17-29	1,287	-	1,215	-
Other non-current assets	13	17,873	-	16,229	-
Total non-current assets		**175,015**		**182,235**	
Inventories	14	196,610	-	172,085	-
Accounts receivable	15	154,171	1,715	124,525	1,399
Other non-financial current assets (A)	16	21,801	17	25,818	8,324
Current financial assets	17-29	16,305	-	4,046	-
Cash and cash equivalents	18	84,794	-	114,200	-
Current assets		**473,681**		**440,674**	
Total assets		**648,696**		**622,909**	
LIABILITIES AND EQUITY:					
Share capital	19	25,921	-	25,921	-
Reserves	19	370,339	-	342,377	-
Net income	19	50,168	-	58,003	-
Equity		**446,428**		**426,301**	
Employee severance indemnities	20	2,119	-	2,372	-
Provisions for liabilities and charges	21	8,061	-	8,091	-
Long-term loans	22	358	-	554	-
Other long-term payables	23	2,249	-	2,291	-
Total non-current liabilities		**12,787**		**13,308**	
Accounts payable	24	133,013	215	117,822	55
Other non-financial current liabilities	25	33,314	-	28,891	-
Taxes payable (B)	26	11,818	479	9,814	-
Current financial liabilities	17-29	3,763	-	20,284	-
Bank borrowings and current portion of long-term loans	27	7,573	-	6,489	-
Current liabilities		**189,481**		**183,300**	
Total liabilities and equity		**648,696**		**622,909**	

(*) pursuant to Consob Resolution No. 15519 of 27 July 2006.

Consolidated statement of cash flows

(Thousands of Euro)	Notes	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	19	**50,168**	**58,003**
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization and impairment	5	39,001	38,906
Increase in (use of) deferred taxes and other provisions		3,951	3,503
Provision for employee severance indemnities, net		(261)	(145)
Other non-cash items		(4,475)	6,151
		38,216	48,415
Change in assets/liabilities:			
Accounts receivable		(34,876)	(1,685)
Other assets		1,980	(2,209)
Inventories		(23,968)	(14,708)
Accounts payable		14,716	(5,005)
Other liabilities		2,124	4,772
Taxes payable		1,976	1,376
		(38,048)	(17,459)
Operating cash flow		**50,336**	**88,959**
CASH FLOW USED IN INVESTING ACTIVITIES:			
Capital expenditure on intangible assets	10	(12,040)	(7,963)
Capital expenditure on property, plant and equipment	11	(24,053)	(23,842)
		(36,093)	(31,805)
Disposals		2,407	2,107
(Increase) decrease in financial assets		2	(136)
Cash flow used in investing activities		**(33,684)**	**(29,834)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank borrowings, net		490	(917)
Loans:			
- Repayments		(195)	(396)
Dividends	31	(46,657)	(51,841)
Cash flow used in financing activities		**(46,362)**	**(53,154)**
Increase in cash and cash equivalents		**(29,710)**	**5,971**
Cash and cash equivalents, beginning of the period	18	**114,200**	**107,470**
Effect of translation differences on cash and cash equivalents		304	759
Cash and cash equivalents, end of the period	18	**84,794**	**114,200**
Supplementary information to the cash flow statement:			
- Interest paid during the period		1,673	744
- Interest received during the period		1,698	1,060
- Taxes paid during the period		20,988	33,893

Consolidated statements of changes in equity

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Translation reserve	Cash flow hedge reserve	Stock option reserve	Retained earnings	Net income for the period	Group equity
Balance at December 31, 2009	**25,921**	**5,184**	**37,678**	**(744)**	**1,330**	**5,754**	**286,922**	**66,706**	**428,751**
Allocation of 2009 result	-	-	-	-	-	-	66,706	(66,706)	-
Distribution of dividends	-	-	-	-	-	-	(51,841)	-	(51,841)
Recognition of cost stock option plans	-	-	-	-	-	86	-	-	86
Net comprehensive income	-	-	-	556	(9,254)	-	-	58,003	49,305
Balance at December 31, 2010	**25,921**	**5,184**	**37,678**	**(188)**	**(7,924)**	**5,840**	**301,787**	**58,003**	**426,301**
Allocation of 2010 result	-	-	-	-	-	-	58,003	(58,003)	-
Distribution of dividends	-	-	-	-	-	-	(46,657)	-	(46,657)
Net comprehensive income	-	-	-	(1,122)	17,738	-	-	50,168	66,784
Balance at December 31, 2011	**25,921**	**5,184**	**37,678**	**(1,310)**	**9,814**	**5,840**	**313,133**	**50,168**	**446,428**

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, 2011. 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, 2010 and for the year 2010 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, 2011 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, 2011”.

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 column has been added for related party transactions so as not to compromise an overall reading of the statements (Note 30).

Consolidation principles

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

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

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

- the book value of equity investments included in the scope of consolidation is eliminated against the equity of the companies concerned according to the full consolidation method. If the Group's direct or indirect investment is less than 100%, minority interests are calculated and shown separately;
- if purchase cost exceeds the net book value of the related shareholders' equity at the time of acquisition, the difference is allocated to specific assets of the companies acquired, with reference to the their fair value at the acquisition date and amortized on a straight-line basis having regard to the useful life of the investment. If appropriate, any amounts which are not allocated are recorded as goodwill. In this case, the amounts are not amortized but subjected to impairment testing at least once a year, or whenever considered necessary;
- if the book value exceeds the purchase cost, the difference is credited to the income statement.

The following are also eliminated:

- receivables and payables, costs and revenues and profits and losses resulting from intragroup transactions, taking into account the related tax effects;
- the effects of extraordinary transactions involving Group companies (mergers, capital contributions, etc).

Accounting standards, amendments and interpretations effective from January 1, 2011 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, 2011, with the exception of IAS 24 referred to the transaction with related parties. Application of this amendment did not have any significant effects on the measurement of items in the Group's financial statements and had only limited effects on the disclosures for related party transactions provided in these consolidated financial statements.

The following amendments, improvements and interpretations have also been issued and are effective from January 1, 2011; 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:

- Amendment to IAS 32 – Financial Instruments: Presentation, Classification of Rights Issues;
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Improvements to IAS/IFRS (2010);
- IFRS 9 – Financial Instruments (Effective date 1.1.2015);
- Amendment to IFRS 7 – Financial Instruments: Disclosures (Effective date 7.1.2011)*;*
- Amendment to IAS 12 – Income Taxes (Effective date 1.1.2013)*;*
- IFRS 10 – Consolidated Financial Statements (Effective date 1.1.2013);
- IFRS 11 – Joint Arrangements (Effective date 1.1.2013);
- IFRS 12 – Disclosure of Interests in Other Entities (Effective date 1.1.2013);
- IFRS 13 – Fair Value Measurement (Effective date 1.1.2013);
- Amendment to IAS 1 – Presentation of Financial Statements (Effective date 7.1.2012);
- Amendment to IAS 19 – Employee Benefits (Effective date 1.1.2013);
- IAS 27 – Consolidated and Separate Financial;
- IAS 28 – Investments in Associates and Joint Venture.

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 2011	As at 12-31-2011	Average for 2010	As at 12-31-2010
US Dollar	1.3918	1.2939	1.3268	1.3362
Romanian Leu	4.2386	4.3233	4.2106	4.2620
Swiss Franc	1.2335	1.2156	1.3823	1.2504
Swedish Krona	9.0283	8.9120	9.5469	8.9655
British Pound	0.8678	0.8353	0.8582	0.8608
Canadian Dollar	1.3758	1.3215	1.3665	1.3322
Japanese Yen	110.9910	100.2000	116.4552	108.6500
Chinese Yuan	8.9961	8.1588	8.9805	8.8220
Czech Koruna	24.5899	25.7870	25.2939	25.0610
Russian Ruble	40.8749	41.7650	41,3695*	40.8200
Polish Zloty	4.1187	4.4580	n.a.	n.a.

* 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 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 12.

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 20.

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 15.

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 14.

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 15.

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.

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 9).

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; or
(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:

		2011	**%**	**2010**	**%**
Footwear	Net sales	754,777		731,908	
	D&A	34,499		34,298	
	EBIT	59,837	7.9%	72,360	9.9%
Apparel	Net sales	132,495		118,168	
	D&A	4,502		4,608	
	EBIT	22,676	17.1%	21,047	17.8%
Total	**Net sales**	**887,272**		**850,076**	
	D&A	39,001		38,906	
	EBIT	**82,513**	**9.3%**	**93,407**	**11.0%**

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 163,561 thousand for footwear (Euro 145,927 thousand in 2010) and Euro 31,971 thousand for apparel (Euro 24,311 thousand in 2010).

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

		2011	**%**	**2010**	**%**
Italy	Net sales	337,375		329,527	
	EBIT	60,671	18.0%	67,187	20.4%
Europe	Net sales	371,625		355,867	
	EBIT	19,204	5.2%	33,072	9.3%
North America	Net sales	53,595		54,184	
	EBIT	(12,415)	(23.2%)	(16,288)	(30.1%)
Other countries	Net sales	124,677		110,498	
	EBIT	15,053	12.1%	9,436	8.5%
Total	**Net sales**	**887,272**		**850,076**	
	EBIT	**82,513**	**9.3%**	**93,407**	**11.0%**

Non-current assets, which relate to property, plant and equipment and intangible assets, are split geographically as follows: in Italy Euro 86,163 thousand (in 2010 Euro 88,614 thousand), in Europe Euro 36,544 thousand (in 2010 Euro 37,515 thousand), in North America Euro 6,703 thousand (in 2010 Euro 8,214 thousand) and other countries Euro 1,470 thousand (in 2010 Euro 1,583 thousand).

4. General and administrative expenses

General and administrative expenses are analyzed in the following table:

	2011	2010	Change
Wages and salaries	84,306	78,866	5,440
Rental expenses	68,301	66,879	1,422
Other costs	101,177	99,479	1,698
Rental income	(14,541)	(14,578)	37
Other income	(4,722)	(1,669)	(3,053)
Total	**234,521**	**228,977**	**5,544**

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 16,923 thousand (in 2010 Euro 15,690 thousand).

The fees due to the directors, statutory auditors and executives with strategic responsibilities for 2011 are listed below. These amounts include the fees due for performing the same functions in Geox S.p.A. and in other companies included in the scope of consolidation.

Name	**Position**	**Period in office**	**Expiry of mandate**	**Emoluments (Euro)**	**Non-cash benefits (Euro) (*)**	**Bonus and other incentives (Euro)**	**Other remune-ration (Euro)**	**Total**
Mario Moretti Polegato	Chairman	from 01-01 to 12-31-2011	(1)	1,800,000 (2)	-	-	-	1,800,000
Enrico Moretti Polegato	Deputy Chairman	from 01-01 to 12-31-2011	(1)	150,000	4,012	-	-	154,012
Diego Bolzonello	CEO and Executive Director	from 01-01 to 12-31-2011	(1)	400,000	6,512	-	746,689 (3)	1,153,201
Francesco Gianni	Indipendent Director	from 01-01 to 12-31-2011	(1)	35,000 (4)	-	-	-	35,000
Umberto Paolucci	Indipendent Director	from 01-01 to 12-31-2011	(1)	35,000 (5)	-	-	-	35,000
Alessandro Antonio Giusti	Indipendent Director	from 01-01 to 12-31-2011	(1)	65,000 (6)	-	-	-	65,000
Bruno Barel	Indipendent Director	from 01-01 to 12-31-2011	(1)	45,000 (7)	-	-	-	45,000
Renato Alberini	Indipendent Director	from 01-01 to 12-31-2011	(1)	35,000 (8)	-	-	-	35,000
Lodovico Mazzolari	Executive Director	from 01-01 to 12-31-2011	(1)	25,000	-	-	266,250 (9)	291,250
Fabrizio Colombo	Chairman of the Board of Statutory Auditors	from 01-01 to 12-31-2011	(1)	75,000	-	-	-	75,000
Francesco Mariotto	Statutory Auditor	from 01-01 to 12-31-2011	(1)	50,000	-	-	-	50,000
Francesca Meneghel	Statutory Auditor	from 01-01 to 12-31-2011	(1)	50,000	-	-	-	50,000
Executives with strategic responsibilities (**)					15,414 (10)	350,000 (11)	1,503,913 (12)	1,869,327 (13)

(*) Includes the use of transport for personal purposes.

(**) Includes four executives employees as at December 31, 2011.

(1) Term of office expires at General Meeting held to approve the financial statements at December 31, 2012.

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

(3) Includes remuneration as executive employees in Geox S.p.A. and a director in the subsidiary Geox Asia Pacific Ltd.

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

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

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

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

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

(9) Includes amounts paid as business developer, and commission following the termination of agency agreement.

(10) Includes fringe benefits.

(11) Variable portion of compensation.

(12) Includes salary, amounts paid following termination of employment and compensation for offices held at subsidiaries.

(13) Social contributions paid by the company are not included.

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:

	2011	2010	Change
Industrial depreciation	5,766	6,078	(312)
Non-industrial depreciation and amortization	32,990	32,658	332
Industrial net asset impairment	245	170	75
Total	**39,001**	**38,906**	**95**

Non industrial amortization expenses were substantially in line with previous year and rose from Euro 32,658 thousand of 2010 to Euro 32,990 thousand of 2011.

Payroll costs amounted to Euro 103,335 thousand (in 2010 Euro 95,751 thousand).

6. Personnel

The average number of employees is shown below:

	2011	2010
Managers	33	31
Middle managers	117	109
Office staff	652	646
Shop employees	1,862	1,670
Factory workers	47	50
Total	**2,711**	**2,506**

7. Net interest

This item is made up as follows:

	2011	2010	Change
Interest income	2,544	1,817	727
Interest expense	(7,645)	(4,554)	(3,091)
Exchange differences	715	(431)	1,146
Total	**(4,386)**	**(3,168)**	**(1,218)**

Interest income is made up as follows:

	2011	2010	Change
Interest from banks	990	799	191
Interest from customers	6	28	(22)
Other interest income	1,548	990	558
Total	**2,544**	**1,817**	**727**

Other interest income mainly consists of the effect of accounting for financial derivatives as explained in note 29.

Interest expense is made up as follows:

	2011	2010	Change
Bank interest and charges	91	68	23
Interest on loans	137	53	84
Other interest expense	3,827	908	2,919
Financial discounts and allowances	3,590	3,525	65
Total	**7,645**	**4,554**	**3,091**

Other interest expense mainly consists of the effect of accounting for financial derivatives as explained in note 29.

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:

	2011	2010	Change
Exchange gains	37,644	41,911	(4,267)
Exchange losses	(36,929)	(42,342)	5,413
Total	**715**	**(431)**	**1,146**

8. Income taxes

Income taxes were equal to Euro 27,959 thousand, compared Euro 32,236 thousand of 2010, with a tax rate of 36% (36% of 2010).

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):

	2011	%	2010	%
PBT	78,127	100.0%	90,239	100.0%
Theoretical income taxes (*)	21,485	27.5%	24,816	27.5%
Effective income taxes	27,959	35.8%	32,236	35.7%
Difference due to:	**6,474**	**8.3%**	**7,420**	**8.2%**
1) different tax rates applicable in other countries	(730)	(0.9%)	(1,759)	(1.9%)
2) permanent differences:				
i) IRAP and other local taxes	8,244	10.6%	8,369	9.3%
ii) writedowns of deferred tax asset	1,424	1.8%	2,804	3.1%
iii) previous years' taxes	(2,724)	(3.5%)	(1,090)	(1.2%)
iv) other	260	0.3%	(904)	(1.0%)
Total difference	**6,474**	**8.3%**	**7,420**	**8.2%**

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

9. 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:

	2011	2010
Earning per share (Euro)	0.19	0.22
Diluted earnings per share (Euro)	0.19	0.22
Weighted average number of shares outstanding:		
- basic	259,207,331	259,207,331
- diluted	259,207,331	259,207,331

10. Intangible assets

Intangible assets are made up as follows:

	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	Change
Industrial patents and intellectual property rights	11,562	9,455	2,107
Trademarks, concessions and licenses	1,025	829	196
Key money	51,527	55,097	(3,570)
Assets in process of formation and payments on account	1,970	2,102	(132)
Goodwill	1,138	1,138	-
Total	**67,222**	**68,621**	**(1,399)**

The following table shows the changes in intangible assets during 2011:

	12-31-2010	Purchases and capitali-zations	Transla-tion differences	Amort. and write-downs	Disposals	Other changes	12-31-2011
Intangible assets with finite useful life:							
Industrial patents and intellectual property rights	9,455	4,713	29	(4,575)	(2)	1,942	11,562
Trademarks, concessions and licenses	829	420	8	(232)	-	-	1,025
Key money	55,097	5,122	65	(7,952)	(820)	15	51,527
Assets in process of formation and payments on account	2,102	1,843	-	-	(18)	(1,957)	1,970
Intangible assets with an indefinite useful life:							
Goodwill	1,138	-	-	-	-	-	1,138
Total intangible assets	**68,621**	**12,098**	**102**	**(12,759)**	**(840)**	**0**	**67,222**

Additions during the period mainly concern:

- personalization of the IT systems for a total of Euro 3,791 thousand;
- the costs incurred for the registration, extension and protection of patents in various parts of the world (Euro 922 thousand);
- the costs incurred for the registration, protection and extension of the GEOX trademark in various parts of the world (Euro 420 thousand);

- key money costs (Euro 5,122 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 1,843 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 2012 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.

11. Property, plant and equipment

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

	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	Change
Plant and machinery	7,982	9,211	(1,229)
Industrial and commercial equipment	3,975	3,167	808
Other assets	16,278	18,219	(1,941)
Leasehold improvements	33,650	35,813	(2,163)
Construction in progress and payments on account	1,772	896	876
Total	**63,657**	**67,306**	**(3,649)**

The following table shows the changes in property, plant and equipment during 2011:

	12-31-2010	Purchases and capitali-zations	Translaction differences	Amort. and write-downs	Disposals	Other changes	12-31-2011
Plant and machinery	9,211	874	-	(2,031)	(72)	-	7,982
Industrial and commercial equipment	3,167	4,990	1	(4,159)	(25)	1	3,975
Other assets	18,219	7,143	39	(8,501)	(949)	327	16,278
Leasehold improvements	35,813	10,066	126	(11,551)	(1,357)	553	33,650
Construction in progress and payments on account	896	1,761	1	-	(5)	(881)	1,772
Total property, plant and equipment	**67,306**	**24,834**	**167**	**(26,242)**	**(2,408)**	**-**	**63,657**

Additions during the period mainly concern:

- The completion of the automated plant at the Signoressa distribution centre for Euro 762 thousand and purchase of machinery for the molding for Euro 112 thousand;

- 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 5,642 thousand, office and show room fittings for Euro 816 thousand, office and head office hardware for Euro 634 thousand and cars for Euro 51 thousand;

- leasehold improvements of Euro 10,066 thousand. These additions relate to industrial buildings and offices for Euro 1,954 thousand and to premises fitted out as Geox Shop for Euro 8,112 thousand;

- construction in progress of Euro 1,761 thousand. These additions relate to the fitting out of shops due to be inaugurated in 2012.

Depreciation, amortization and impairment include Euro 245 thousand relating to moulds that at December 31, 2011 are not expected to be used in the future and whose estimated recovery value is zero. As at December 31, 2010 impairments amounted to Euro 170 thousand.

Other assets are made up as follows:

	Balance at Dec. 31, 2011	**Balance at Dec. 31, 2010**	**Change**
Electronic machines	2,130	2,724	(594)
Furniture and fittings	14,063	15,392	(1,329)
Motor vehicles and internal transport	85	103	(18)
Total	**16,278**	**18,219**	**(1,941)**

12. 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, 2011	**Balance at Dec. 31, 2010**	**Change**
Carry-forward tax losses	1,167	1,747	(580)
Depreciation and amortization and impairment	9,289	11,186	(1,897)
Evaluation derivatives	-	2,935	(2,935)
Provision for obsolescence and slow-moving inventory and returns	9,991	8,041	1,950
Provision for agents' severance indemnities	2,001	1,780	221
Other	6,847	3,742	3,105
Deferred tax assets	**29,295**	**29,431**	**(136)**
Evaluation derivatives	(3,612)	-	(3,612)
Other	(708)	(567)	(141)
Deferred tax liabilities	**(4,320)**	**(567)**	**(3,753)**
Total deferred taxes	**24,975**	**28,864**	**(3,889)**

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 3,612 thousand (Euro 2,935 thousand in 2010).

The deferred tax assets on carry-forward tax losses, which at December 31, 2011 amount to Euro 1,167 thousand relate to subsidiaries in France for Euro 993 thousand and to other Group's entities for Euro 174 thousand.

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

13. Other non-current assets

Other non-current assets are made up as follows:

	Balance at Dec. 31, 2011	**Balance at Dec. 31, 2010**	**Change**
Accounts receivable from others in 1 to 5 years	13,106	11,014	2,092
Accounts receivable from others in more than 5 years	4,767	5,215	(448)
Total	**17,873**	**16,229**	**1,644**

Accounts receivable from others relate principally for Euro 7,739 thousand of guarantee deposits for utilities and shop leases (from 1 to 5 years: Euro 5,811 thousand; over 5 years: Euro 1,928 thousand) and accounts receivable, payable from 1 to 5 years, for Euro 105 thousand.

Prepaid expenses for lease payments made in advance for Euro 10,029 thousand (from 1 to 5 years: Euro 7,190 thousand; over 5 years: 2,839 thousand).

14. Inventories

The following table shows the breakdown of inventories:

	Balance at Dec. 31, 2011	**Balance at Dec. 31, 2010**	**Change**
Raw materials	8,123	12,881	(4,758)
Finished products and goods for resale	187,409	157,357	30,052
Furniture and fittings	1,078	1,847	(769)
Total	**196,610**	**172,085**	**24,525**

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

In 2011 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 2010.

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	**7,753**
Provisions	10,425
Translation differences	14
Utilizations	(8,932)
Balance at December 31	**9,260**

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

15. Accounts receivable

Accounts receivable are made up as follows:

	Balance at Dec. 31, 2011	**Balance at Dec. 31, 2010**	**Change**
Gross value	185,841	151,612	34,229
Provision for bad and doubtful accounts	(5,584)	(4,062)	(1,522)
Provision for returns and credit notes	(26,086)	(23,025)	(3,061)
Net value	**154,171**	**124,525**	**29,646**

Accounts receivable have risen by Euro 34,229 thousand compared with December 31, 2010. Accounts receivable include notes for a total of Euro 11.1 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, 2011	153,723	26,032	1,398	4,688	**185,841**
Gross value of trade receivables at December 31, 2010	130,947	12,673	4,792	3,200	**151,612**

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	**4,062**
Provisions	2,092
Translation differences	7
Utilizations	(577)
Balance at December 31	**5,584**

The risk of customer insolvency is significantly mitigated as specific contracts with leading credit insurance companies cover credit risk on most of the turnover. The clauses provide that, initially, the insurance is configured solely as a request to accept the credit risk up to previously agreed credit limits. The insurance does become operating only after a formal communication of non-payment by the due date. The increase of the fund is relative to the prudent assessment of the risk on the portion of receivables not covered by insurance.

Changes in the provision for returns and credit notes during 2011 are as follows:

Balance at January 1	**23,025**
Provisions	28,267
Translation differences	39
Utilizations	(25,245)
Balance at December 31	**26,086**

16. Other non-financial current assets

This item is made up as follows:

	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	Change
Tax credits	4,566	12,199	(7,633)
VAT recoverable	3,707	115	3,592
Advances to vendors	2,144	1,931	213
Other receivables	5,482	6,763	(1,281)
Accrued income and prepaid expenses	5,902	4,810	1,092
Total	**21,801**	**25,818**	**(4,017)**

Note that as a result of Geox S.p.A. and its subsidiaries Geox Retail S.r.l. and XLog 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 tax credit includes an amount of Euro 8,307 thousand against the parent company LIR S.r.l..

Other receivables include:

- Euro 1,239 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 1,801 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received;

17. 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, 2011	Balance at Dec. 31, 2010	Change
Term bank deposits	1,245	988	257
Loans granted by Geox	-	185	(185)
Securities	42	42	-
Total non current financial assets	**1,287**	**1,215**	**72**
Fair value derivative contracts	16,241	3,909	12,332
Loans granted by Geox	64	137	(73)
Total current financial assets	**16,305**	**4,046**	**12,259**
Fair value derivative contracts	(3,763)	(20,279)	16,516
Other current financial liabilities	-	(5)	5
Total current financial liabilities	**(3,763)**	**(20,284)**	**16,521**

The term bank deposits of Euro 1,245 thousand include amounts lodged to guarantee rent contracts on foreign shops.

As regards the mark-to-market derivative contracts, see the comments in note 29.

18. Cash and cash equivalents

The amount of Euro 84,794 thousand relates to short term deposits for Euro 22,251 thousand, a current account in Euro for Euro 40,776 thousand, a current account in US Dollars for Euro 13,150 thousand, a current account in Canadian Dollars for Euro 2,353 thousand, a current account in British Pound for Euro 2,279 thousand, a current account in Swiss Francs for Euro 1,357 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, 2011 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.

19. 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, 2011	Balance at Dec. 31, 2010	Change
Legal reserve	5,184	5,184	-
Share premium reserve	37,678	37,678	-
Translation reserve	(1,310)	(188)	(1,122)
Reserve for *cash flow hedges*	9,814	(7,924)	17,738
Reserve for *stock options*	5,840	5,840	-
Retained earnings	313,133	301,787	11,346
Total	**370,339**	**342,377**	**27,962**

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 credit balance of Euro 9,814 thousand, originated as a result of valuing the financial instruments defined as cash flow hedges at December 31, 2011.
Fair value valuation of cash flow hedges is stated net of the tax effect as explained in greater detail in note 29.
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 11,346 thousand even though dividends of Euro 46,657 thousand in 2011 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:

Description	**Net income for the period 2011**	**Equity 12-31-2011**	**Net income for the period 2010**	**Equity 12-31-2010**
Parent company's equity and net income	**43,238**	**464,410**	**49,655**	**451,567**
Differences between the carrying value of the investments in subsidiaries and the Group share of their equity	11,526	(23,027)	(634)	(990)
Group share of affiliates' results	14,009	14,009	(964)	(964)
Effect of the reorganization in 2001	16,987	(8,400)	16,987	(25,387)
Elimination of intragroup transactions on inventories	(2,277)	(5,600)	(872)	(3,323)
Elimination of intragroup dividens and investments write-off	(32,700)	-	(6,566)	-
Other adjustments	(615)	5,036	397	5,398
Group equity and net income	**50,168**	**446,428**	**58,003**	**426,301**

20. Employee severance indemnities

Employee severance indemnities at December 31, 2011 amount to Euro 2,119 thousand, as shown in the following table:

Balance at December 31, 2010	**2,372**
Increase for new hires at other companies	228
Amounts paid to leavers	(1,269)
Reversal of 0.50% withholding	(201)
Reversal of 11% flat-rate tax	(9)
Payments to supplementary pension schemes	(887)
Advances granted to employees	(224)
Provision for the period	3,268
Payments to supplementary pension schemes run by INPS	(1,086)
Change as a result of actuarial calculations	(73)
Balance at December 31, 2011	**2,119**

Changes in the provision for severance indemnities during 2011 show a utilization of Euro 887 thousand for payments to supplementary pension funds and one of Euro 1,086 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: 5.10%
- rate of severance indemnities increase: 3.00%
- inflation rate: 2.00%

21. Provisions for liabilities and charges

This item is made up as follows:

	Balance at Dec. 31, 2010	Utiliza-tions	Provi-sions	Translaction differences	Acturarial adjustment	Balance at Dec. 31, 2011
Provision for agents' severance indemnities	4,717	(638)	1,492	12	(458)	5,125
Other	3,374	(2,211)	1,773	-	-	2,936
Total	**8,091**	**(2,849)**	**3,265**	**12**	**(458)**	**8,061**

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 1,750 thousand.

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

22. 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 296 thousand.

23. Other long-term payables

This item is made up as follows:

	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	Change
Guarantee deposits	1,490	1,734	(244)
Accrued expenses and deferred income	759	557	202
Total	**2,249**	**2,291**	**(42)**

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

24. Accounts payable

Accounts payable at December 31, 2011 amount to Euro 133,013 thousand, with an increase of Euro 15,191 thousand if compared with December 31, 2010. 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.

25. Other non-financial current liabilities

This item is made up as follows:

	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	Change
Social security institutions	3,725	3,411	314
Employees	13,740	11,690	2,050
Provisions for liabilities and charges	2,751	733	2,018
Other payables	6,913	6,171	742
Accrued expenses and deferred income	6,185	6,886	(701)
Total	**33,314**	**28,891**	**4,423**

The amounts due to social security institutions mainly relate to pension contributions for 2011, paid on 2012.
The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of December 31, 2011.
Provisions for liabilities and charges represent current portion of "Other" in note 21.
Other payables are mainly advances received from customers.
Accrued expenses mainly relate to shop lease contracts for the period.

26. Taxes payable

This item is made up as follows:

	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	Change
Income taxes for the period	6,895	5,652	1,243
VAT payable	1,877	1,075	802
Other	3,046	3,087	(41)
Total	**11,818**	**9,814**	**2,004**

The liability for income taxes at December 31, 2011 amounts to Euro 6,895 thousand.

Note that as a result of Geox S.p.A. and its subsidiaries Geox Retail S.r.l. and XLog 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, 2011 Geox Group has a tax debit which includes an amount of Euro 479 thousand against the parent company LIR S.r.l..

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

	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	Change
Bank borrowings			
- cash advances	7,475	6,383	1,092
Other providers of funds			
- loans	98	106	(8)
Total	**7,573**	**6,489**	**1,084**

28. 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.

No cost recognized for the employee services received during 2011 (in 2010 Euro 86 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:

	December 2011 Plan	**April 2009 Plan**	**April 2008 Plan**	**December 2005 Plan**	**November 2004 Plan**
Grant date	12-22-2011	04-21-2009	04-07-2008	12-15-2005	11-30-2004
Vesting periods	3 years	2-3 years	3-4 years	3-5 years	3-5 years
Share price at grant date	Euro 2.20	Euro 5.1976	Euro 9.6217	Euro 9.17	Euro 4.60
Strike price	Euro 2.29	Euro 5.1976	Euro 9.6217	Euro 9.17	Euro 4.60
Dividend yield (%)	6.00%	2.36%	2.33%	0.86%	1.43%
Volatility (%)	40.00%	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.

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

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

The Group initially calculates the amount of exchange risk, from trading transactions forecast for the coming 12 months, that is involved in the budget for the coming period. It then gradually hedges this risk during the process of order acquisition to the extent that the orders match the forecasts. These hedges take the form of specific forward contracts and options for the purchase 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.

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

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

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

There have been no substantial changes in 2011 in the nature or structure of exposure to currency risk or in the Group’s hedging policies.

The Group's financial statements could be materially affected by fluctuations in the exchange rates, mainly referred to the US dollar. The impact on the Group’s result at 31 December 2011 resulting from a hypothetical, unfavourable and instantaneous change of 10% in the exchange rates of the leading foreign currencies with the Euro would have been approximately Euro 37 thousand (Euro 96 thousand at 31 December 2010). Receivables, payables and future trade flows whose hedging transactions have been analysed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

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 15).

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 90.7 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, 2011 financial instruments are as follows:

	Notional value on 12-31-2011	Fair value on 12-31-2011 in EUR/thousand (debit)	Fair value on 12-31-2011 in EUR/thousand (credit)	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)
Fair value hedge						
FX Forward buy agreements to hedge exchange rate risk	184.658	6.405	(22)	92.697	420	(5.770)
FX Forward sell agreements to hedge exchange rate risk	107.307	194	(2.442)	98.147	811	(1.090)
Total Fair value hedge	**291.965**	**6.599**	**(2.464)**	**190.844**	**1.231**	**(6.861)**
Cash flow hedge						
FX Forward buy agreements to hedge exchange rate risk	130.926	6.352	(95)	205.417	2.599	(9.553)
FX Forward sell agreements to hedge exchange rate risk	65.185	499	(1.204)	22.154	80	(1.297)
FX Currency Option agreements to hedge exchange rate risk	30.914	2.791	-	-	-	-
Target Forward FX Transaction to hedge exchange rate risk	-	-	-	44.903	-	(2.569)
Total Cash flow hedge	**227.025**	**9.642**	**(1.299)**	**227.571**	**2.678**	**(10.850)**
Total financial assets/(liabilities)		**16.241**	**(3.763)**		**3.909**	**(17.710)**

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, 2011 are classified on Level 2. In 2011 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 2011:

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

These agreements hedge future purchases and sales planned for the Spring/Summer 2012 and Fall/Winter 2012 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, 2011:

- 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.

30. 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. Net sales mainly relate to the sale of "Geox" products in monobrand shops owned by managers that work for the Group. General and administrative expenses principally relate to leases for buildings used by the Group.

The main effects on profit and loss of the transactions with these parties for 2011 and 2010 are summarized below:

	Total 2011	Parent company	Affiliates company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	**887,272**	-	99	2,056	**2,155**	**0.2%**
Cost of sales	**(478,140)**	-	65	-	**65**	**0.0%**
General and administrative expenses	**(234,521)**	(107)	(3,657)	(127)	**(3,891)**	**1.7%**
Advertising and promotion	**(45,935)**	(102)	(8)	-	**(110)**	**0.2%**

	Total 2010	Parent company	Affiliates company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	**850,076**	-	-	2,058	**2,058**	**0.2%**
Cost of sales	**(435,146)**	-	(33)	-	**(33)**	**0.0%**
Selling and distribution costs	**(44,730)**	-	(3)	-	**(3)**	**0.0%**
General and administrative expenses	**(228,977)**	(103)	(4,489)	(237)	**(4,829)**	**2.1%**
Advertising and promotion	**(47,420)**	-	(35)	-	**(35)**	**0.1%**

The main effects on financial statement of the transactions with these parties at 31 December 2011 and and at 31 December 2010 are summarized below:

	Balance at Dec. 31, 2011	Parent company	Affiliates company	Other related parties	Total of which related parties	Effect on Total (%)
Accounts receivable	**154,171**	-	514	1,201	**1,715**	**1.1%**
Other non-financial current assets	**21,801**	17	-	-	**17**	**0.1%**
Accounts payable	**133,013**	102	33	80	**215**	**0.2%**
Taxes payable	**11,818**	479	-	-	**479**	**4.1%**

	Balance at Dec. 31, 2010	Parent company	Affiliates company	Other related parties	Total of which related parties	Effect on Total (%)
Accounts receivable	**124,525**	-	177	1,222	**1,399**	**1.1%**
Other non-financial current assets	**25,818**	8,323	1	-	**8,324**	**32.2%**
Accounts payable	**117,822**	(32)	(3)	90	**55**	**0.0%**

There is also the corporate income tax (IRES) payable by Geox S.p.A., Geox Retail S.r.l. and XLog 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, 2011 the Group has a tax debit for an amount of Euro 479 thousand (Tax credit for Euro 8,323 thousand in 2010).

31. Dividends paid and proposed

	2011	2010
Dividends declared and paid during the year:	46,657	51,841
Dividends declared and paid during the year - per share:	0.18	0.20
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31)*:	41,473	46,657
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31) - per share:	0.16	0.18

* For 2011, the figure is calculated on the 259,207,331 shares outstanding on March 08, 2012. For 2010, the figure is calculated on the 259,207,331 shares outstanding on March 3, 2011.

32. 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:

	12-31-2011
Within 1 year	57,512
Within 1-5 years	149,984
Beyond 5 years	90,238
Total	**297,734**

33. Significant subsequent events after December 31, 2011

None.

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Biadene di Montebelluna, March 8, 2012

for the Board of Directors
The Chairman
Mario Moretti Polegato

Attachment 1

Biadene di Montebelluna, March 8, 2012

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. 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 2011.

They also confirm that the consolidated financial statements:

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

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

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of 31 December 2011 and for the year then ended;

d) Director's report includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

____
Diego Bolzonello
CEO

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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 2011 (Euro/000)	Fees 2010 (Euro/000)
Auditing	Auditors of the parent company	Parent company	183	172
Attestation services	Auditors of the parent company	Parent company	-	-
Tax advisory services	Same network as the parent company's auditors	Parent company	121	57
Other services	Auditors of the parent company	Parent company	-	-
Total			**304**	**229**
Auditing	i) Auditors of the parent company	Subsidiaries	8	14
	ii) Same network as the parent company's auditors	Subsidiaries	129	126
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	39	7
Other services	i) Auditors of the parent company	Subsidiaries	-	-
	ii) Same network as the parent company's auditors	Subsidiaries	-	-
			176	**147**
Total			**480**	**376**

Attachment 3

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2011

Name	Location	Year end	Currency	Share capital	% held directly	% held indirectly	% held total
- Geox S.p.A.	Biadene di Montebelluna (TV), Italy	12-31-2011	EUR	25,920,733			
- Geox Deutschland Gmbh	Munich, Germany	12-31-2011	EUR	500,000	100.00%		100.00%
- Geox Respira SL	Barcelona, Spain	12-31-2011	EUR	1,500,000	100.00%		100.00%
- Geox Suisse SA	Lugano, Switzerland	12-31-2011	CHF	200,000	100.00%		100.00%
- Geox UK Ltd.	London, UK	12-31-2011	GBP	1,050,000	100.00%		100.00%
- Geox Japan K.K.	Tokyo, Japan	12-31-2011	JPY	495,000,000		100.00%	100.00%
- Geox Canada Inc.	Ontario, Canada	12-31-2011	CAD	100		100.00%	100.00%
- S&A Distribution Inc.	New York, Usa	12-31-2011	USD	1		100.00%	100.00%
- Geox Retail France Sarl	Sallanches, France	12-31-2011	EUR	5,000,000	100.00%		100.00%
- Geox Holland B.V.	Amsterdam, Netherlands	12-31-2011	EUR	20,100	100.00%		100.00%
- Geox Retail S.r.l.	Biadene di Montebelluna (TV), Italy	12-31-2011	EUR	100,000	100.00%		100.00%
- Geox Retail Czech Sro	Praga, Czech Rep.	12-31-2011	CZK	12,000,000	100.00%		100.00%
- Geox Hungary Kft	Budapest, Hungary	12-31-2011	EUR	40,024	99.00%	1.00%	100.00%
- Geox Hellas S.A.	Athens, Greece	12-31-2011	EUR	120,000	100.00%		100.00%
- Geox do Brasil Participacoes Ltda	San Paolo, Brazil	12-31-2011	BRL	1,000,000 *	1.00%	99.00%	100.00%
- Geox Retail Slovakia Sro	Prievidza, Slovak Rep.	12-31-2011	EUR	6,639	100.00%		100.00%
- Technic Development Srl	Timisoara, Romania	12-31-2011	RON	600,000	1.00%	99.00%	100.00%
- Geox France Sarl	Sallanches, France	12-31-2011	EUR	7,630		100.00%	100.00%
- S&A Retail Inc	New York, Usa	12-31-2011	USD	200		100.00%	100.00%
- Geox Asia Pacific Ltd.	Hong Kong, China	12-31-2011	USD	1,282		100.00%	100.00%
- XLog S.r.l.	Signoressa di Trevignano (TV), Italy	12-31-2011	EUR	110,000	100.00%		100.00%
- Geox Rus LLC	Moscow, Russia	12-31-2011	RUB	900,000	100.00%		100.00%
- Geox AT Gmbh	Wien, Austria	12-31-2011	EUR	35,000	100.00%		100.00%
- Geox Poland Sp. Z.o.o.	Warsaw, Polond	12-31-2011	PLN	5,000	100.00%		100.00%
- Technic Development Slovakia Sro	Prievidza, Slovak Rep.	**	EUR	-	15.00%	85.00%	100.00%
- Geox Sweden AB	Stockhol, Sweden	**	SEK	-	100.00%		100.00%

* Share Capital not paid.

** Company liquidated during the year 2011.